

47075

TERM ASSIGNMENT OF
OIL & GAS LEASEHOLD ESTATE
WITH RESERVATION OF OVERRIDING ROYALTY

STATE OF NEW MEXICO)
COUNTY OF LEA)

WHEREAS, Gretchen Neuburg, a single person, whose mailing address is 1129 Challenger, Austin, TX 78734 hereinafter called "Assignor", is owner of certain undivided leasehold and contractual interests in and to the following land, hereinafter referred to as "Lands", in Lea County, New Mexico, to wit:

T-23-S, R-37-E, NMPM Survey
Section 20: NE/4 SW/4, SE/4 as to
all depths owned of record,
containing 200 acres more or less

owned by virtue of the following Oil & Gas Leases and contractual agreements as enumerated on the attached Exhibit "A", hereinafter referred to as "Leases", and,

WHEREAS, Eagle-K Production Co. of P.O. Box 80451, Midland, TX 79708, hereinafter referred to as "Assignee", desires to purchase a Term Assignment from Assignor of the Lands and Leases.

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable considerations, the receipt and sufficiency which are hereby acknowledged, and for the reservations and covenants herein recited, Assignor does hereby convey, sell, assign, and deliver unto Assignee, all its right, title and interest in and to the Lands and Leases for a term of two (2) calendar years from the effective date herein, called "primary term", and as long thereafter as Oil and/or Gas is produced from said Lands.

This conveyance is expressly subject to the following terms and conditions:

- a) **OVERRIDING ROYALTY RESERVATION:** Assignor reserves unto herself, her heirs, successors and assigns, an overriding royalty equal to 25% of 8/8 less current burdens of record in and to all oil and liquid hydrocarbons and gas produced and sold from said lands proportionately reduced to Assignor's ownership in said Lands by said Leases, save and except any gas produced from the Yates formation. Assignor reserves an overriding royalty of 28.5 % of 8/8 less the current burdens of record as to gas and condensate produced and sold from the unitized Yates formation, proportionately reduced to Assignor's leasehold ownership in the Lands.

All Overriding Royalties herein reserved shall be free of all development costs, compression and processing fees, but shall be subject to its proportionate share of all severance and other assessed governmental taxes.

The Overriding Royalty herein reserved shall be accounted and paid to Assignor on or before the end of the month following sales as to oil and liquid hydrocarbons, and on or before the end of the second month as to sales of natural gas and/or casinghead gas. Assignee agrees that all sales contracts entered into with an arm's length third party for the sale of Assignor's share of royalty gas, shall be for no longer than a three year term unless Assignor gives written consent to a longer term.

- b) **CONTINUOUS DEVELOPMENT OF LANDS:** At the end of the primary term herein, if Assignee is engaged in drilling operations, or if Assignee has completed a well on the lands either as a dry hole or producer within 180 days prior to the expiration of the primary term, this assignment shall remain in effect so long as

operations are commenced and prosecuted with a cessation of no more than 180 days between the completion of one well on said land as a well capable of producing oil and/or gas in paying quantities or a dry hole, and the commencement of drilling the next well on said land with a rig capable of reaching total depth. Commencement shall be considered the date a rig capable of reaching total depth is placed on location, and completion shall be the earlier date of actual completion of the well as filed with the New Mexico Oil Conservation Division, or thirty (30) days after the rig is released.

As used hereinafter, the term "proration unit" means a tract allocated by the New Mexico Oil Conservation to a well which tract is of such size to entitle the well to a full allowable as of the date of completion. This assignment will terminate at the end of the primary term or end of the continuous development program herein defined as to the following:

- 1) Each undrilled proration unit, and
 - 2) All horizons below the base of the deepest depth drilled on said Lands.
- c) IF AT ANY TIME after the primary term, or within ninety (90) days before the end of the primary term, production of oil and/or gas from said lands should cease from any cause, this Assignment shall not terminate but shall remain in force and effect if Assignee commences additional drilling operations or reworking operations in said lands within ninety (90) days after such cessation in an effort to reestablish production of oil and/or gas. This Assignment shall thereafter remain in force and effect so long as Assignee conducts such additional drilling or reworking operations with no cessation of more than ninety (90) consecutive days, either on the same well or on different wells, and if they result in the restoration of oil and/or gas production, so long thereafter as oil and/or gas is produced from said lands.
- d) COMPLIANCE COVENANTS: Assignee agrees to comply and abide with all the terms and conditions of each lease and operating agreement, and the terms and conditions herein, as well as compliance with all operational procedures of the New Mexico Oil Conservation Division. Assignee agrees and covenants with Assignor to properly plug and abandon all wells drilled hereunder, and Assignor is indemnified and held harmless by Assignee for all activities conducted hereinafter by Assignee on said Lands.
- e) NO WARRANTY: No warranty of title, express or implied, is made by Assignor, and Assignee accepts this conveyance as such, as is, with all conditions herein cited.
- c) WELL INFORMATION: Assignee agrees to furnish Assignor, at the request of Assignor, one legible copy of any and all well and lease data, information and reports concerning any well, including but not limited to acoustical, electrical, gamma ray, neutron, spectral or any other type log, drilling report, completion report, tests, drill stem tests and plugging and abandoning reports that affect wells drilled pursuant to this assignment. All such data and information shall be held in the strictest of confidence for the benefit of Assignor only and shall not be disseminated to any party other than those within Assignor's employ.
- f) RE-ASSIGNMENT AND REMOVAL OF EQUIPMENT: Prior to plugging and abandoning any well drilled hereunder, Assignee shall grant the option to Assignor to assume ownership of said well and the proration unit, and in the event assignor desires to take said well, all liabilities of said unplugged well shall be transferred to Assignor, for a salvage consideration only, without warranty of title or merchantability of equipment. Should Assignor make no election to take over any well within thirty (30) days after notice, Assignee shall plug and abandon said well according to New Mexico Oil Conservation Division guidelines and may have up to six months to remove all equipment and facilities not used for production with other Lands herein assigned.

g) SUCCESSORS AND ASSIGNS: If the estate of either party hereto is assigned, and the privilege of assigning in whole or part is expressly allowed, the covenants herein shall extend to the heirs, executors, administrators, successors and assigns of each party. Assignor agrees to use its best efforts to allow Assignee the full use and benefit of said Lands, including access to file information, and will execute future curative documents to allow Assignee the full and complete enjoyment and use of the herein assigned Lands.

h) IF AT ANY TIME there is a well or wells located on said lands capable of producing gas in paying quantities but such well is shut-in for lack of market or from any other cause, such well shall nevertheless be regarded for all purposes to maintain this Assignment in effect.

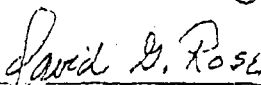
This instrument may be executed in multiple counterparts, no one of which need be executed by all parties for whose execution it has been prepared, and shall be binding on all parties who execute a counterpart regardless of whether all parties named as Assignor join in the execution hereof. In the interest of facilitating the recording of this Assignment, Assignee is authorized to disassemble such counterparts thus executed and reassemble the same into a single counterpart consisting of one copy of the body of this instrument followed by multiple signature and acknowledgement pages.

In WITNESS WHEREOF, this agreement is executed to be effective the fifteenth day of August, 2003.

ASSIGNOR:


GRETCHEN NEARBURG

ASSIGNEE:

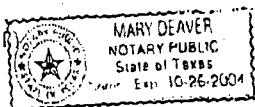

DAVID G. ROSE
EAGLE-K PRODUCTION CO.

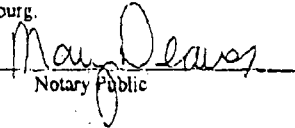
ACKNOWLEDGEMENTS

State of Texas ☒
County of Travis ☒

This instrument was acknowledged in my presence on October 6
_____, 2003, by Gretchen Nearburg.

(SEAL)

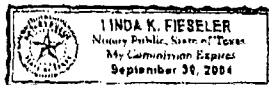



Notary Public

State of Texas ☒
County of Midland ☒

This instrument was acknowledged in my presence on October 8
_____, 2003, by David G. Rose, Sole Proprietor of Eagle-K Production Co.

(SEAL)





Notary Public

EXHIBIT "A"

This Exhibit "A" is made a part hereof and attached hereto to that certain TERM ASSIGNMENT OF OIL & GAS LEASEHOLD ESTATE WITH RESERVATION OF OVERRIDING ROYALTY from Gretchen Nearburg to Eagle-K Production Co., dated effective August 15, 2003.

LEASES

DATE	LESSOR	LESSEE	RECORDING DATA VOLUME/PAGE
July 20, 1954	Otis L. Jones et ux	Dalport Oil Corp.	119/278
May 3, 1956	Sally Saunders Tale et al	Wm. E. Anthony	147/460
May 3, 1956	Rose M. Fortier	Wm. E. Anthony	147/458
July 11, 1956	Neil H. Wills et ux	Wm. E. Anthony	147/456
May 3, 1956	Sol Kelly et ux	Wm. E. Anthony	147/454
May 3, 1956	T.J. Horsley et ux	Wm. E. Anthony	147/452
May 3, 1956	S. Morse Willis et ux	Wm. E. Anthony	147/444
May 3, 1956	Woodlan P. Saunders et ux	Wm. E. Anthony	147/446
May 3, 1956	Ronald K. DeFord et ux	Wm. E. Anthony	147/448
May 19, 1956	Wanda Grace Jones et al	Wm. E. Anthony	147/436, 438
May 3, 1956	Gordon Donald Gayle et ux	Wm. E. Anthony	147/450
June 14, 1956	Cities Service Oil Company	Wm. E. Anthony	147/432
February 18, 1957	Cities Service Oil Company	Resler and Sheldon	156/356
June 28, 1957	Cities Service Oil Company	Resler and Sheldon	156/354: Amendment
November 5, 1956	Amerada Petroleum Corporation	Resler and Sheldon	147/467
January 15, 1958	Amerada Petroleum Corporation	Resler and Sheldon	131/355

CONTRACTS

- Farmout Agreement dated July 10, 1956 from Dalport Oil Corporation to Wm. E. Anthony.
- Agreement dated August 21, 1956 between Resler and Sheldon, Operator, and Eugene E. Nearburg et al.
- Operating Agreement dated August 29, 1956, as amended, between Resler and Sheldon, Operator, Peerless Oil & Gas Co., non-operator, recorded in Volume 116, Page 312, as amended.
- Operating Agreement dated June 14, 1957 between Resler and Sheldon, Operator and Amerada Petroleum Corporation, recorded in Lea County Miscellaneous Records Volume 123, Page 146.
- Declaration of Pooling dated February 7, 1958, Resler and Sheldon, Operator, as recorded in Lea County Miscellaneous Records Volume 131, Page 350.

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

NOV 03 2003
at 12:56 P.M.
and returned in Book _____
Page _____
Marilyn Hughes, County Clerk
By _____ Deputy

