

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
STRATA PRODUCTION COMPANY TO
REVOKE THE INJECTION AUTHORITY
GRANTED UNDER SWD-1591-A FOR THE
FORTY NINER RIDGE SWD WELL NO. 1,
OPERATED BY MEWBOURNE OIL COMPANY
IN EDDY COUNTY, NEW MEXICO

Case No. 16447

**STRATA PRODUCTION COMPANY'S RESPONSE
TO MEWBOURNE OIL COMPANY'S MOTION TO DISMISS**

Strata Production Company (Strata), hereby responds in opposition to the Motion to Dismiss (Motion) filed by Mewbourne Oil Company (Mewbourne) on October 22, 2018. Mewbourne's Motion is not well-taken and should be denied. Strata was entitled to notice as the leasehold operator of Forty Niner Ridge Unit No. 006 (API 30-015-33637), which is within the area of review, and as an affected person within a tract partially contained within the area of review. Strata explains further below.

Argument

Mewbourne contends that Strata was not entitled to notice on the bases that (a) Strata is not a "leasehold operator" because the term implies a "subset of operators" engaged in "leasehold activities," which excludes operators of disposal wells, Motion ¶¶ 5-7; (b) Strata's disposal operations in formations do not qualify it as an "affected person" because it operates in formations shallower than the Devonian and such operations do not involve ownership of oil and gas rights, *id.* ¶¶ 6-7; (c) Strata's mineral interest in formations shallower than the Devonian do not qualify it as an "affected person" because those interests are not affected by disposal operations in deeper formations, *id.* ¶ 8; and (d) Strata does not own any mineral interests in the deeper formations. *Id.* ¶ 9.

None of the foregoing arguments is sufficient to dismiss Strata's Application. The first three of Mewbourne's arguments are flawed in that Mewbourne reads conditions into Division Rule 19.15.26.8(B)(2) NMAC that simply do not exist in the regulatory text. The final argument is flawed in that Mewbourne adopts an improper interpretation of the Term Assignment, as amended, and related documents.

STRATA IS ENTITLED TO NOTICE OF MEWBOURNE'S PROPOSED SWD WELL

Division Rule 19.15.26.8(B)(2) NMAC governs the pertinent notice requirements:

The applicant shall furnish, by certified or registered mail, a copy of the application to each owner of the land surface on which each injection or disposal well is to be located and *to each leasehold operator or other affected person within any tract wholly or partially contained within one-half mile of the well.*

(Emphasis added). This provision poses two criteria for determining whether a person is entitled to notice: (1) whether the person qualifies as either a "leasehold operator" or "affected person" and (2) whether the person's qualifying interest resides within any "tract wholly or partially contained within one half mile of the well." *Id.*

Here, Strata qualifies as both a "leasehold operator" and an "affected person" within the designated area of review.

I. Strata qualifies as a "leasehold operator" within the area of review.

The question at hand is whether Strata qualifies as a "leasehold operator" within any tract wholly or partially contained within a half mile of Mewbourne's proposed Forty Niner Ridge SWD Well No. 1 (API 30-015-44950). Mewbourne's construction of Division Rule 19.15.26.8(B)(2) NMAC provides that the modifier "leasehold" before the term "operator" excludes operators of injection wells and other non-extractive facilities within the area of review. Motion ¶ 5. The Division should reject this construction.

The Division's rules define "operator" as follows. "'Operator' means a person who, duly authorized, manages a lease's development or a producing property's operation, or who manages a facility's operation." 19.15.2.7(O)(5) NMAC. "'Facility' means a structure, installation, operation, storage tank, transmission line, access road, motor vehicle, rolling stock or activity of any kind, whether stationary or mobile." 19.15.2.7(F)(1) NMAC.

The Oil and Gas Act and the implementing regulations for salt water injection do not, however, define the terms "leasehold" or "leasehold operator." *See* Oil and Gas Act, NMSA 1978, §§ 70-2-1 to -38 (1977, as amended through 2018); 19.15.26 NMAC (12/1/2008, as amended through 7/2/2018). In the absence of specific definitions, the meaning of a rule "is determined by its context, the rules of grammar and common usage." NMSA 1978, § 12-2A-2 (1997). "A word or phrase that has acquired a technical or particular meaning in a particular context has that meaning if it is used in that context." *Id.* Additionally, a rule must be construed, wherever possible, to "give effect to its objective and purpose," give effect to the entire text, and avoid "absurd" results. NMSA 1978, § 12-2A-18(A) (1997).

Applying these rules of construction, the Division should first consider the meaning of an undefined term in common usage. The term "leasehold" commonly denotes a "[a] tenant's possessory estate in land or premises," *Leasehold*, Black's Law Dictionary (10th ed. 2014), or "a nonfreehold interest in land," *Lease*, Williams & Meyers, Manual of Oil and Gas Terms (2017). Thus, a natural construction of the phrase "leasehold operator" would include all "operators," as defined in 19.15.2.7(O)(5) NMAC, with nonfreehold, possessory interests in the land, mineral rights, or other subsurface rights within the area of review.

This common usage construction of the phrase "leasehold operator" supports the broad objective and purpose of the Division's notice rules. In construing its rules, the Division should

consider the general objective “to prevent waste, protect correlative rights and protect public health, fresh water, and the environment” under Division Rule 19.15.26.6 NMAC. A broad construction of the term “leasehold,” consistent with common usage, supports this goal by ensuring that potential stakeholders have notice and opportunity to appear in the application process. Such policy concerns are especially pertinent in a case such as this, wherein multiple operators must collaboratively develop the most efficient means of developing the confined “Fortyniner Drilling Island” (as defined in the Department of the Interior’s Secretarial Order No. 3324). Ex. A, Krakauskas Aff., ¶ 13. Within this limited surface area, prevention of waste and protection of correlative rights requires collaboration between operators. Mewbourne’s narrow construction of the term “leasehold operator” would circumvent such a collaborative process by limiting the entities that are entitled to notice.

Finally, Mewbourne’s specialized definition of the term “leasehold operator” would render the disjunctive between “affected person” and “leasehold operator” in Division Rule 19.15.26.8(B)(2) NMAC meaningless and fail to give effect to text of the rule. Mewbourne’s proposed construction, limiting notice to operators engaged in “extraction of oil and gas under leasehold activities,” is not distinct from the requirement to give notice to “division-designated operator[s]” as “affected persons” within the meaning of Division Rule 19.15.26.7(A) NMAC. The text of Division Rule 19.15.26.8(B)(2) NMAC, requiring notice to both “leasehold operator[s]” and “affected person[s],” suggests that the two categories are not co-extensive.

Here, Strata qualifies as a “leasehold operator” under any reasonable construction of the term. There is no dispute that Strata qualifies as an “operator” within the area of review under Division Rule 19.15.26.8(B)(2) NMAC. Strata’s Forty Niner Ridge Unit No. 006 (API 30-015-33637) is a “facility” within the meaning of 19.15.2.7(F)(1) NMAC, so Strata qualifies as an

“operator” for the purposes of Division Rule 19.15.2.7(O)(5) NMAC. Further, it is undisputed that Strata has a subsurface interest in operating its SWD well, which qualifies it as a leasehold operator under the common-usage construction of the term.

Moreover, even if Mewbourne’s alternative construction were correct, Strata is a leasehold operator under that construction. Strata is the operator of the Forty Niner Ridge Unit #003 (API 30-015-25454), with an underlying lease that is partially contained within one half mile of Mewbourne’s proposed SWD well. Ex. A, Krakauskas Aff., ¶ 12. Strata is thus a “leasehold operator” entitled to notice.

II. Alternatively, Strata also qualifies as an “affected person” within the meaning of Division Rule 19.15.26.8(B)(2) NMAC.

Independent of whether Strata qualifies as a “leasehold operator,” Strata is entitled to notice as an “affected person” within the area of review.

For the purposes of injection well permitting, “affected person” is defined by Division Rule 19.15.26.7 NMAC:

“Affected person” means the *division designated operator*; in the absence of an operator, a lessee whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date the applicant files the application; or in the absence of an operator or lessee, a mineral interest owner whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date the applicant filed the application for permit to inject.

This provision provides that an applicant for an injection permit must, at minimum, provide notice, pursuant to Division Rule 19.15.26.8(B)(2) NMAC, to all “division designated operator[s]” within the area of review. Notably, the Division is presently engaged in the process to amend Division Rule 19.15.26.7 NMAC to delete this definition of “affected person” in favor of the more specific definition in Division Rule 19.15.2.7 NMAC. See Application at 1, ¶ 2(a), *In re Application of NMOCD to Amend Rules of Comm’n for Permitting of Wells for Underground*

Injection by Amending Certain Sections of Rule 19.15.26 NMAC; Statewide, OCC Case No.

16377 (Aug. 3, 2018). That provision defines “affected person” as follows:

“Affected persons” means the following persons owning interests in a spacing unit or other identified tract:

- (a) *the operator, as shown in division records, of a well on the tract, or, if the tract is included in a division-approved or federal unit, the designated unit operator;*
- (b) in the absence of an operator, or with respect to an application wherein the operator of the spacing unit or identified tract is the applicant, each working interest owner whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date the applicant files the application;
- (c) as to any tract or interest therein that is not subject to an existing oil and gas lease, each mineral interest owner whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date the applicant filed the application; and
- (d) if the United States or state of New Mexico owns the mineral estate in the spacing unit or identified tract or any part thereof, the BLM or state land office, as applicable; or
- (e) if the mineral estate in the spacing unit or identified tract or any part thereof is tribal land, the BLM, the United States department of the interior, bureau of Indian affairs, and the relevant tribe.

19.15.2.7(A)(8) NMAC (emphasis added). This provision would replace the ill-defined phrase “division-designated operator” with a requirement to notify any “operator, as shown in division records, of a well on the tract.”

Regardless of which definition applies, Strata qualifies as an “affected person” within the designated area of review. Under the current Division Rule 19.15.26.7 NMAC, Strata is the division designated operator of the Forty Niner Ridge Unit No. 006 (API 30-015-33637) with a subsurface interest within the tract. Ex. A, ¶ 11. Moreover, as noted, Strata is the division designated sub-operator of the Forty Niner Ridge Unit #003 (API 30-015-25454) with interests in a lease that is partially contained within the half-mile area of review. Ex. A, Krakauskas Aff., ¶¶ 4-6, 12. These facts also qualify Strata as an “affected person” for the purposes of Division Rule 19.15.2.7(A)(8) NMAC. It is undisputed that Strata operates a well within the area of

review (i.e., Forty Niner Ridge Unit No. 006 (API 30-015-33637)). Ex. A, Krakauskas Aff., ¶ 11. Moreover, it cannot be disputed that the tract is included in a federal unit in which Strata is a designated sub-operator.

Nonetheless, Mewbourne argues that Strata is not entitled to notice as an “affected person” because it is not engaged in the “development of oil and gas leasehold interests” within the half-mile area of review, Motion ¶ 6; Mewbourne’s disposal operations will not affect Strata’s interests in the shallower formations, *id.* ¶¶ 7-8; and it holds no mineral interests in the deeper formations. *Id.* ¶ 9. Each of these arguments fails.

First, there is no requirement, either in Division Rules 19.15.26.7 NMAC or 19.15.2.7(A)(8) NMAC, that an affected person must be engaged in the development of oil and gas leasehold interests within the designated area of review. Mewbourne cites no authority whatsoever for this proposition. To the contrary, industry has recognized recently that SWD operators like Strata are entitled to notice. *See* Email, Timothy Tyrrell, XTO Energy, to Trais Kliphuis, NMOGA (Oct. 29, 2018) (circulating the industry’s Deep Disposal Group’s consensus to be submitted to NMOCD Director Riley; noting that Mr. Goetz will be referencing the Group’s input in the NMOCD’s effort to update their UIC guidelines), attached as Ex. B; *see also* draft “NMOCD Permit Guidelines for Delaware Basin Deep Saltwater Disposal Wells” (attached to Mr. Tyrrell’s email, *id.*; stating that under 19.15.26.8, “[n]otification to include current SWD well permit holders/operators), attached as Ex. C. Moreover, Mewbourne’s position does not align with the Division’s mandate to prevent waste and protect correlative rights.

Second, Mewbourne’s contention that disposal operations under Administrative Order SWD-1591-A will not affect Strata’s correlative rights is meritless. Initially, Mewbourne asserts

that the “Division has consistently interpreted its rules to require notice only to mineral owners in the proposed disposal interval within one half mile of the disposal well.” Motion ¶ 8.

Mewbourne cites no authority in support of this proposition. Indeed, this construction would derogate Division Rule 19.15.26.8(B)(2) NMAC insofar as it requires notice to all division-designated operators, as “affected person[s],” regardless of the depth of their respective interests. Protection of Strata’s correlative rights in the shallower formations is at issue in this proceeding. Mewbourne’s drilling into the Devonian may require high mud weights which can damage upper formations, especially in a potash area wherein Strata may be required, given limited surface area for development, to drill production wells in close proximity. Ex. D, Ragsdale Aff., ¶ 4.

Third, Strata’s correlative rights in the deeper formations are potentially at risk. Mewbourne relies on a title opinion from William Burford, dated October 19, 2018, to state that Strata lacks any interest in the deeper formations. Motion ¶ 9. Mewbourne’s reliance on Mr. Burford’s opinion is misplaced, at best, for at least three reasons. First, the opinion misconstrues the Continuous Development provision. Ex. A, Krakauska Aff., ¶ 7. Second, the opinion fails to consider the implications of the Stipulation of Interest and Cross-Conveyance, effective October 1, 2013, wherein Mewbourne expressly recognizes Strata’s retained right to back-in. *Id.* ¶ 8. Third, to Strata’s knowledge, Mewbourne has not complied with its obligation to furnish a reassignment for any Lands terminated under the Assignment as a result of Mewbourne’s failure to continuously develop. *Id.* ¶ 9. Strata is currently considering its options for legal recourse to establish its rights, which Mewbourne now inexplicably asserts have been terminated. For all of these reasons, among others, Mr. Burford’s opinion is unreliable for purposes of determining whether Strata was entitled to notice when Mewbourne first filed its application for an order to authorize the Forty Niner Ridge SWD Well No. 1 in 2015, less than two years after expressly

recognizing Strata's deep rights in the Stipulation. Rather, under the circumstances here, the Division should construe its notice requirements to protect Strata's correlative rights.

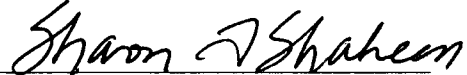
In sum, Strata qualifies as an "affected party" under any reasonable construction of Division Rule 19.15.26.8(B)(2) NMAC. Strata was therefore entitled to notice.

Conclusion

For the foregoing reasons, Strata Production Company respectfully requests that the Oil Conservation Division deny Mewbourne Oil Company's Motion to Dismiss.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.



Sharon T. Shaheen

Kaleb W. Brooks

PO Box 2307

Santa Fe, NM 87504

505-982-3873

sshaheen@montand.com

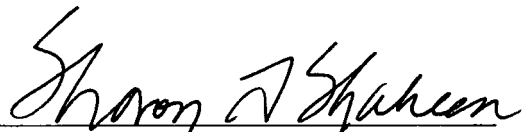
kwbrooks@montand.com

Attorneys for Strata Production Company

CERTIFICATE OF SERVICE

I hereby certify that on November 1, 2018, a true copy of the foregoing Response was served upon counsel of record via electronic mail as follows:

Michael H. Feldewert
Adam G. Rankin
Jordan L. Kessler
Holland & Hart, LLP
PO Box 2208
Santa Fe, NM 87504
T: (505) 998-4421
mfeldewert@hollandhard.com
arankin@hollandhart.com
jlkessler@hollandhart.com



Sharon T. Shaheen

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

Affidavit of Mitch Krakauskas

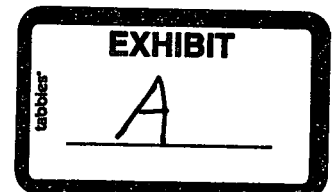
I, Mitch Krakauskas, being first duly sworn, do hereby depose and attest as follows:

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.

2. I offer this Affidavit in support of Strata Production Company's ("Strata") Response to Mewbourne Oil Company's ("Mewbourne") Motion to Dismiss in the matter of the Application of Strata Production Company to Revoke the Injection Authority Granted Under SWD-1591-A for the Forty Niner Ridge SWD Well No.1, Operated by Mewbourne Oil Company in Eddy County, New Mexico, bearing Case No. 16447 before the Oil Conservation Division.

3. I am the Land Manager for Strata and have worked for Strata since April 2009. Prior to that, I graduated from New Mexico State University with a bachelor's degree in Agricultural Business and Economics in December 2005. After graduation, I worked as an independent petroleum landman from January 2006 to March 2009, working throughout New Mexico, Texas, Colorado and Arizona. I am a Registered Professional Landman through the American Association of Professional Landmen. As Land Manager, I have gained personal knowledge relating to the facts recited herein.

4. Strata is the designated sub-operator of the Delaware formation for the Forty Niner Ridge Unit ("FNRU") under the Forty Niner Ridge Unit Agreement, Eddy County, New Mexico, BLM Contract No. 14-08-0001-1246, dated July 1, 1973. See Designation of Sub-Operator, attached hereto as Exhibit 1.



5. Strata has the right to develop and produce oil and gas from the surface to the base of the Delaware formation throughout the FNRU. *See* Exploration Agreement at 7, part 6 (Feb. 1, 2005), attached hereto as Exhibit 2.

6. Additionally, Strata has interests in the deep rights in the FNRU, including but not limited to the Devonian formation within the area of review for the Forty Niner Ridge SWD Well No. 1, under the Term Assignment by Chevron U.S.A. Inc. ("Chevron") to Strata, effective September 8, 2004 ("Chevron 2004 Assignment"). *See* Exhibit 3 at 1, attached hereto. Strata retained interests in these deep rights as contractual rights under that certain Exploration Agreement between Strata, as Assignor, and Mewbourne, as Assignee, effective February 1, 2005, attached as Exhibit 2, and the related and dependent Assignment, Bill of Sale and Conveyance from Strata to Mewbourne ("Strata 2005 Assignment"), also effective February 1, 2005, attached as Exhibit 4. Strata's current interest in the deep rights are in the form of a Back-In After Payout Interest provided in the Exploration Agreement. *See* Exhibit 2 at 6, Part 5.

7. Also effective February 1, 2005, Mewbourne and Chevron executed an amendment to the Chevron 2004 Assignment, in which the definition of "Continuous Development" was amended to exclude from termination any lands within a valid participating area or areas established under the Forty Niner Ridge Unit Agreement and Unit Operating Agreement. *See* Amendment to Term Assignment, attached hereto as Exhibit 5 at 1-2. Under this definition, no termination occurs for lands within participating areas and spacing units or for undrilled depths unless Mewbourne fails to engage in continuous development as set forth therein. *See id.*; *see also* Letter, Charles D. Frisbie, Chevron U.S.A., Inc., to Strata (Mar. 1, 2005) (consenting to Strata's assignment to Mewbourne under the condition, *inter alia*, that

Strata remain obligated to Chevron and that Mewbourne be bound by all of the terms of the Chevron 2004 Assignment, as amended), attached as Exhibit 6.

8. Effective October 1, 2013, Mewbourne and Chevron, entered into a Stipulation of Interest and Cross Conveyance. Exhibit 7, attached hereto. Therein, Mewbourne and Chevron set forth the percentages of operating rights before and after payout that account for Strata's back-in-after-payout interest in the deep rights. *Id.* at 2-3, ¶ 11(a).

9. Strata is not aware that Mewbourne failed to meet the "Continuous Development" requirements under the Chevron 2004 Assignment, as amended. Accordingly, to Strata's knowledge, Mewbourne's interest in the deep rights, subject to the Continuous Development provision, have not terminated, and Strata's back-in-after-payout interest has not terminated.

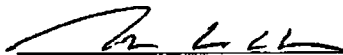
10. The Forty Niner Ridge SWD Well No. 1 (API 30-015-44950) falls within the FRNU.

11. Within a half mile from the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950), Strata operates the Forty Niner Ridge Unit No. 006 (API 30-015-33637), a produced water disposal well depositing within the Delaware formation.

12. Strata is presently engaged in active oil and gas production in the Forty Niner Ridge Unit, including tracts wholly or partially contained within a one-half mile radius surrounding the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950). Specifically, the surface location for the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950) is on a tract covered by that certain lease, dated May 10, 1951, between the State of New Mexico, as Lessor, and Malco Refineries, Inc., as Lessee, bearing lease No. E-5229-7. Within the same leased tract, Strata operates the Forty Niner Ridge Unit #003 (API 30-015-25454).

13. Development within the Forty Niner Ridge Unit, which is located within a potash area, is restricted to the "Fortyniner Drilling Island" (as defined in the Department of the Interior's Secretarial Order No. 3324). The Fortyniner Drilling Island provides approximately sixty total acres of surface area for development.

FURTHER THE AFFIANT SAYETH NAUGHT.



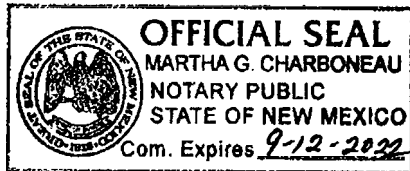
Mitch Krakauskas

The foregoing Affidavit of Mitch Krakauskas was sworn or affirmed before me on this 1st day of November, 2018.



Notary Public

My commission expires: 9-12-2022.



DESIGNATION OF SUB-OPERATOR

DISTRICT MANAGER, BUREAU OF LAND MANAGEMENT, UNITED STATES DEPARTMENT OF THE INTERIOR
AND COMMISSIONER OF PUBLIC LANDS, NEW MEXICO STATE LAND OFFICE.

Texaco Exploration and Production Inc. is on the records of the Bureau of Land Management as Unit Operator under the Forty Niner Ridge Unit Agreement, Eddy County, New Mexico BLM Contract #14-08-0001-1246, dated July 1, 1973 and BLM approved August 2, 1973, and hereby designates:

Strata Production Company, a New Mexico corporation
Post Office Box 1030
Roswell, New Mexico 88202-1030

as its Sub-Operator, with full authority to act in its behalf in complying with the terms of the Unit Agreement and regulations applicable thereto, and on whom the Authorized Officer of the BLM or his representative may serve written or oral instructions in securing compliance with the oil and gas operating regulations with respect to drilling, testing and completing, operating and producing all unit wells in the Delaware formation; with the Delaware formation being identified as the stratigraphic equivalent of the depths from 3,630' beneath the surface of the earth down to 7,492 feet beneath the surface of the earth, as shown on the Schlumberger Borehole Compensated Sonic Log dated September 8, 1974, for the Texaco - Forty Niner Ridge Unit well #2 located 1980 feet FNL and 1980 feet FEL of Section 21, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.

It is understood that this designation of Sub-Operator does not relieve the Unit Operator of responsibility for compliance with the terms of the Unit Agreement and oil and gas operating regulations. It is also understood that this designation of Sub-Operator does not constitute an assignment of any interest under the Unit Agreement or any lease committed thereto.

In case of default on the part of the designated Sub-Operator, the Unit Operator will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative and any agency of the State of New Mexico.

The Unit Operator agrees promptly to notify the District Manager of any change in the designated Sub-Operator.

This designation is given only to enable the Sub-Operator herein designated to test, operate (including conversion of existing wells to injection wells plus recompletion of existing wells in the Delaware formation or otherwise), and produce all unit wells in the Delaware formation as defined above.

Date: 10/25/01

Texaco Exploration and Production Inc., a Delaware corporation

By: [Signature]

Title: ATTORNEY-IN-FACT

ACCEPTANCE OF DESIGNATION

Strata Production Company, a New Mexico corporation, hereby accepts the designation by Texaco Exploration and Production Inc., a Delaware corporation, as Sub-Operator of the Delaware formation described above underlying the Unit Area, and agrees to comply with all terms of the Unit Agreement and the applicable regulation, lease terms, and orders of the Department of the Interior and all appropriate agencies of the State of New Mexico. Strata Production Company, a New Mexico corporation, further agrees that it will assume and will indemnify and hold harmless Texaco Exploration and Production Inc., a Delaware corporation, and the other working interest owners in the Forty Niner Ridge Unit, from all claims, damages, causes of action, fines, or penalties arising out of its operation of the above described wells, which are the responsibility of the Unit Operator and/or working interest owners under the provisions of the Unit Agreement, Unit Operating Agreement or the applicable federal and state regulation, leases and orders, except those arising out of the sole or concurrent negligence of Texaco Exploration and Production Inc., a Delaware corporation, or the working interest owners of the Forty Niner Ridge Unit.

Date: 10/19/2001

Strata Production Company, a New Mexico corporation

By: [Signature]

Mark B. Murphy

Title: President

EXHIBIT

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A-1

EXPLORATION AGREEMENT

This Exploration Agreement ("Agreement"), effective February 1, 2005 ("Effective Date"), is by and between Strata Production Company ("Strata") and Mewbourne Oil Company ("Assignee"). Strata and Assignee are hereinafter collectively referred to as the "Parties."

RECITALS

A. Strata owns and has the right to acquire certain interests in, to and under the oil and gas leases ("Subject Leases") which are described in the Land Summary at Exhibit A attached hereto. The Subject Leases are committed to the Forty-Niner Ridge Unit ("FNRU").

B. Strata's interests in the Subject Leases and in the FNRU derive from the following assignments into Strata:

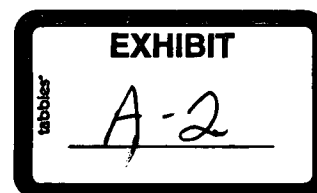
(1) Assignment, Bill of Sale and Conveyance by Bargo Petroleum Corporation to Strata assigning all of Bargo's right, title and interest in the Subject Leases and the FNRU. This Assignment was filed for record on May 21, 2001 at Book 416, Page 39 of the Eddy County Records.

(2) Assignment by Texaco Exploration and Production Inc. to Strata conveying all of Texaco's right, title and interest in the Subject Leases and the FNRU (excluding the NW/4SE/4, SE/4NW/4 of Section 16, and SW/4NE/4 of Section 21), subject to a retained overriding royalty interest. This Assignment is limited in depth from the surface down to the base of the Delaware Formation; it was filed for record on April 26, 2002, at Book 455, Page 780 of the Eddy County Records.

(3) Assignment, Bill of Sale and Conveyance by Texaco Exploration and Production Inc. and Chevron U.S.A. Inc. to Strata conveying all of their right, title and interest in the following lands located in Eddy County, New Mexico:

Township 23 South, Range 30 East, NMPM
Section 16: NW/4SE/4, SE/4NW/4
Section 21: SW/4NE/4

This Assignment is limited in depth from the surface to the base of the Delaware Formation; it was filed for record on June 7, 2002, at Book 459, Page 993 of the Eddy County Records.



(4) Term Assignment ("Term Assignment") by Chevron U.S.A. Inc. to Strata conveying all of Chevron's right, title and interest in the Subject Leases and the FNRU subject to a retained overriding royalty interest and limited in depth to those depths below the base of the Delaware Formation. This Term Assignment was filed for record on September 15, 2004 at Book 0566, Page 0150 of the Eddy County Records.

C. Strata has sold part of its interests in the Subject Leases and FNRU to various participants ("Strata Participants") and entered into participation agreements ("Strata Participation Agreements") with such participants. Pursuant to the Strata Participation Agreements, Strata has the authority to enter into this Agreement on behalf of the Strata Participants.

D. Strata executed an Assignment, Bill of Sale and Conveyance ("Assignment") in favor of Assignee, assigning all of its right, title and interest in the Subject Leases and the FNRU, and all of the Strata Participants' right, title and interests in the Subject Leases and the FNRU. This Agreement is being executed contemporaneous with the execution of the Assignment. The Assignment is made subject to this Agreement.

E. For the consideration provided herein, the Parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein provided, the Parties hereto agree as follows:

1. Definitions and Interpretation.

(a) Defined Terms. As used in this Agreement, the following words and terms shall have the meaning assigned thereto in this Paragraph, unless the context otherwise requires:

"Agreement" shall mean this Exploration Agreement, including any amendments.

"Assigned Beneficial Interest" shall mean the Beneficial Interest assigned to Assignee by the Assignment.

"Assigned Interest" shall mean the Assigned Beneficial Interest and Assigned Working Interest assigned to Assignee by the Assignment.

"Assigned Working Interest" shall mean the Working Interest assigned to Assignee by the Assignment."

"Assignee" shall mean Mewbourne Oil Company.

"Assignment" shall mean the Assignment, Bill of Sale and Conveyance described hereinabove at Recital D.

"Back-In After Payout Interest" shall mean the interest described at Paragraph 5 hereinbelow.

"Beneficial Interest" is a defined term in the Unit Operating Agreement and shall have the same meaning herein. The Beneficial Interest affects the sharing of production among Working Interest owners under the FNRU; it is calculated based on the relative value (value is determined by the number of acres and net revenue interests of the contributed leases) of the leases originally contributed to the FNRU.

"Deep Well" shall mean any well drilled below the top of the Wolfcamp formation. However, the Initial Test Well shall be drilled to adequately test the Morrow formation which shall mean the interval between the top of the Morrow formation down to the stratigraphic equivalent of the depth of 14,450', as found on the Welex-Compensated Density Log, dated September 26, 1973, for the Skelly Oil Company - Forty Niner Ridge Unit No. 1 Well, located 1,980 feet FSL and 1,980 feet FEL of Section 16, Township 23 South, Range 30 East, N.M.P.M.

"Delaware Formation" shall mean the interval between the top of the Delaware Formation down to the stratigraphic equivalent of the depth of 7,455 feet, as found on the Welex-Compensated Density Log, dated September 26, 1973, for the Skelly Oil Company - Forty-Niner Ridge Unit No. 1 Well, located 1,980 feet FSL and 1,980 feet FEL of Section 16, Township 23 South, Range 30 East, N.M.P.M.

"Effective Date" shall mean February 1, 2005.

"Forty-Niner Ridge Unit" or "FNRU" shall mean the Federal Oil and Gas Unit known as the Forty-Niner Ridge Unit which is located in Eddy County, New Mexico; it covers the Subject Leases.

"FNRU No. 1 Well" is an existing well located in the NW/4 SE/4 of Section 16, Township 23 South, Range 30 East, N.M.P.M., which has been converted to a salt water disposal well.

"FNRU No. 2 Well" is an existing oil and gas well located in the SW/4 NE/4 of Section 21, Township 23 South, Range 30 East, N.M.P.M.

"FNRU No. 3 Well" is an existing oil and gas well located in the SE/4 NW/4 of Section 16, Township 23 South, Range 30 East, N.M.P.M.

"Impenetrable Condition" shall mean formations, conditions, or mechanical wellbore problems which would render further drilling operations by a prudent operator impracticable, or formations or conditions which cannot be penetrated by the use of customary drilling procedures or techniques.

SUB OPERATOR DESIGNATION STATUS 7,492

"Initial Test Well" shall mean the initial Deep Well drilled by Assignee pursuant to the terms of this Agreement.

"Land Summary" shall mean the description of the Subject Leases which is attached hereto at Exhibit A.

"Lease Burdens" shall mean (1) the royalties reserved under the Subject Leases; and (2) other burdens on production, including overriding royalty interests, production payments and similar burdens.

"Net Revenue" shall mean the gross revenue from a well drilled pursuant to this Agreement, less production taxes, royalties, overriding royalties, including the overriding royalty reserved herein, and like burdens.

"Net Revenue Interest" shall be equal to Assignee's actual share of production divided by Assignee's actual share of costs, all with respect to the Assigned Interest.

"Payout" shall be calculated on a well-by-well basis and shall mean the point in time at which the Net Revenue equals the Properly Chargeable Costs.

"Prior Assignments" shall mean the assignments described hereinabove at Recital B.

"Properly Chargeable Costs" shall mean those costs incurred in connection with the drilling, completion and operation of the well drilled pursuant to the terms of this Agreement which may be properly charged to the joint account pursuant to the Unit Operating Agreement dated July 1, 1973.

"Shallow Intervals" shall mean all intervals from the surface to the base of the Delaware Formation.

"Strata" shall mean Strata Production Company.

"Strata Participants" shall mean the parties who take their interests through Strata pursuant to the Strata Participation Agreements.

"Strata Participation Agreements" shall mean the agreements dated effective May 1, 2004 regarding the Subject Leases and the FNRU by and between Strata and the Strata Participants.

"Subject Lands" shall mean the lands within the FNRU.

"Subject Leases" shall mean the oil and gas leases which are described in the Land Summary.

"Subsequent Well(s)" shall mean all wells, other than the Test Wells, drilled by Assignee on the Subject Lands.

"Term Assignment" shall mean the Term Assignment by Chevron U.S.A. Inc. to Strata which is described hereinabove at Recital B(4).

"Unit Agreement" shall mean the agreement regarding the development and operation of the FNRU dated July 1, 1973.

"Unit Operating Agreement" shall mean the agreement governing the operations regarding the FNRU dated July 1, 1973/

"Working Interest" is a defined term in the Unit Operating Agreement and shall have the same meaning herein; it reflects the cost sharing among Working Interest owners. The cost sharing is based on the gross number of acres contributed to the Unit, without regard to the burdens on the acreage so contributed.

(b) References. References in this Agreement to Exhibit, Paragraph or Subparagraph number shall be to Exhibits, Paragraphs or Subparagraphs of this Agreement, unless expressly stated to the contrary. References in this Agreement to hereby, herein, hereinafter, hereinabove, hereinbelow, hereof, hereunder and words of similar import shall be to this Agreement in its entirety and not only to the particular Exhibit, Paragraph or Subparagraph in which such reference appears, unless the reference is specifically limited.

(c) Paragraphs. This Agreement, for convenience only, has been divided into Paragraphs and Subparagraphs, and it is understood that the rights and other legal relations of the Parties hereto shall be determined from this instrument as an entirety and without regard to the aforesaid division into Paragraphs and Subparagraphs and without regard to headings prefixed to such Paragraphs and Subparagraphs.

(d) Number and Gender. Whenever the context requires, reference herein made to the single number shall be understood to include the plural; and likewise, the plural shall be understood to include the singular. Definitions of terms defined in the singular or plural shall be equally applicable to the plural or singular, as the case may be, unless otherwise indicated. Words denoting gender shall be construed to include the masculine, feminine and neuter, when such construction is appropriate, and specific enumeration shall not exclude the general but shall be construed as cumulative.

(e) Incorporation of Exhibits. The Exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for all purposes.

2. Strata's Authority. Unless otherwise indicated hereinbelow, Strata is executing this Agreement for its own account and on behalf of the Strata Participants. Strata's authority to execute this Agreement by and for the Strata Participants derives from its authority under the Strata Participation Agreements. Strata represents and warrants to Assignee that it has the requisite authority under the terms of the Strata Participation Agreements to execute this Agreement on behalf of the Strata Participants and to bind their interests in the Subject Leases and the FNRU.

3. Assignment. Contemporaneous with the execution of this Agreement, Strata will execute and deliver to Assignee the Assignment regarding the Subject Leases and the FNRU. The Assignment is made subject to: (a) a proportionate part of the Lease Burdens; (b) the Subject Leases; (c) the Unit Agreement and the Unit Operating Agreement; (d) the retained overriding royalty interest described hereinbelow at Paragraph 4; (e) the Back-In After Payout Interest described hereinbelow at Paragraph 5; (f) the Prior Assignments; and (g) all other terms, conditions and limitations of this Agreement.

4. Retained Overriding Royalty Interest. As to the interests covered by this Agreement, Strata expressly excepts, reserves and retains an overriding royalty interest equal to the difference between 25% and Lease Burdens of record as of the Effective Date. Although Strata does not warrant its Net Revenue Interest in the Subject Leases or FNRU, it is the intention of Strata to deliver a 75% Net Revenue Interest to Assignee with respect to each well drilled by Assignee pursuant to this Agreement. Anything in excess of a 75% Net Revenue Interest, including any amount attributable to a reduction in royalty rates, is retained by Strata. The above-described retained overriding royalty interest shall be calculated and paid in the same manner as royalties are calculated and paid to the Federal Government under Federal Leases in the FNRU, and shall be proportionally reduced based on the Assigned Interest. This retained overriding royalty interest shall also burden any wells drilled by Assignee, during the term of this Agreement, on lands which are pooled with the Subject Lands.

5. Back-In After Payout Interest. With respect to each well drilled by Assignee pursuant to this Agreement, Strata shall have the right at Payout to convert a part of its overriding royalty interest as described hereinbelow to 25% of the Assigned Working Interest and 25% of the Assigned Beneficial Interest. This interest is herein defined as the Back-In After Payout Interest. Payout shall be determined on a well-by-well basis. Assignee agrees that it will provide a regular accounting (no less than semiannually) to Strata regarding the status of Payout with respect to each well drilled pursuant to this Agreement. The Back-In After Payout Interest shall also burden any wells drilled by Assignee, during the term of this Agreement, on lands which are pooled with the Subject Lands.

If Strata elects to convert a part of the retained overriding royalty interest as described at Paragraph 4 hereinabove for the Back-In After Payout Interest, its new retained overriding royalty interest as to the affected well shall be equal to the difference between 23.5% and Lease Burdens of record as of the Effective Date. Although Strata does not warrant its Net Revenue Interest in the Subject Leases or FNRU, it is the intention of Strata to deliver a 76.5%

Net Revenue Interest to Assignee and Strata with respect to the Back-In After Payout Interest, all with respect to the affected well. Anything in excess of a 76.5% Net Revenue Interest, including any amount attributable to reduction in royalty rates, is retained by Strata. This new retained overriding royalty interest shall be calculated and paid in the same manner as royalties are calculated and paid to the Federal Government under Federal Leases in the FNRU, and shall be proportionately reduced based on the Assigned Interest. The new retained overriding royalty interest shall burden the remaining interest of the Assignee and the Back-In After Payout Interest proportionately.

6. Shallow Intervals. Except as otherwise provided hereinbelow, Strata retains the exclusive right to develop and produce oil and/or gas from the Shallow Intervals. Subject to the limitations described hereinbelow, Assignee shall have the right to produce oil and/or gas from the Shallow Intervals with respect to any Deep Well drilled by Assignee pursuant to the terms of this Agreement. Assignee's right to produce from the Shallow Intervals shall not apply if the Deep Well is within 1,320 feet of an existing wellbore (including vertical, horizontal and deviated wellbores) operated by Strata. In addition, Assignee's right to produce from the Shallow Intervals shall not apply if the Deep Well is within 1,320 feet of a projected wellbore (including vertical, horizontal and deviated wellbores), based on a well permitted by Strata; provided, however, that this limitation shall only apply to one permitted well at any given time, and that drilling operations are commenced on such well within 60 days of the date the permit is approved. Strata agrees that it will not drill a well on the Subject Leases or the FNRU within 1,320 feet of any wellbore (including vertical, horizontal and deviated wellbores) with respect to an existing Deep Well drilled by Assignee. Strata may, however, drill and participate in such a well if it is proposed by a third-party Working Interest owner. Notwithstanding anything herein to the contrary, Assignee shall not have any right to develop the Shallow Intervals on or within 620 feet of the following lands within the FNRU:

Township 23 South, Range 30 East, NMPM
Section 16: NW/4SE/4, SE/4NW/4
Section 21: SW/4NE/4, NE/4SE/4
Section 22: SW/4SE/4

7. Drilling Obligations. In order to maintain its interest under this Agreement and the Assignment, Assignee shall commence actual drilling operations on the Initial Test Well with a rig capable of reaching 14,800 feet or deeper on or before 120 days prior to the expiration of the primary term under the Term Assignment, and shall drill such well with due diligence and in a good and workmanlike manner. If Assignee fails to drill the Initial Test Well in the manner and time described hereinabove, then Assignee's interest under this Agreement and the Assignment shall automatically terminate and Assignee shall reassign all of its right, title and interest under this Agreement and the Assignment to Strata. There shall be no other consequence or liability to Assignee for failure to drill the Initial Test Well.

8. Area of Mutual Interest. Unless the Parties otherwise agree in writing, there shall be no Area of Mutual Interest, either express or implied.

9. Operating Agreement. Assignee shall conduct its operations within the FNRU pursuant to the Unit Agreement and the Unit Operating Agreement.

10. Confidentiality/Non-Disclosure. Strata will make available to Assignee in Strata's offices in Roswell all information and/or data which is reasonably available to Strata. Assignee understands that such information and/or data is confidential and that such information and/or data shall not be disclosed to any third parties without the prior written consent of Strata.

11. Production Accounting. If a diversity of the ownership occurs, it is agreed that the oil and other liquid hydrocarbons produced from the affected well or wells shall be separately measured by standard metering equipment or well testing procedures and the setting of a separate tank battery will not be required, unless (1) the Unit Agreement or Unit Operating Agreement require otherwise, or (2) the purchaser of the production or government regulatory body having jurisdiction will not approve metering or other means of separately measuring the production.

12. Perpetuities. It is not the intent of the Parties that any provision herein violate any applicable law regarding the rule against perpetuities, the suspension of the absolute power of alienation or other rule regarding the vesting or duration of estates, and this Agreement shall be construed consistent with the intent of the Parties. In the event, however, any provision hereof is determined to violate such rule, then such provision shall nevertheless be effective for the maximum period (but not longer than maximum period) permitted by such rule which will result in no violation.

13. Representations and Warranties of Strata. Strata represents and warrants the following:

(a) Authority. Strata has full power and authority to enter into this Agreement, to perform its obligations hereunder, and to carry out the transactions contemplated hereby. This Agreement constitutes a valid and binding agreement of Strata, enforceable against Strata in accordance with its terms.

(b) Organization, Good-Standing and Qualification. Strata represents that it is a corporation duly organized, validly existing and in good standing under the laws of the State of New Mexico. Strata has full power and authority to carry out its business as now conducted.

(c) Warranty Regarding Title. This Agreement is made without warranties or representations of title, express or implied.

(d) Condition of Subject Lands. This Agreement is entered into without warranties, express or implied, as to the condition of the Subject Lands, or any personal property, fixtures or equipment associated therewith or appurtenant thereto. The Subject Lands and related personal property are delivered to Assignee on an "as is, where is and with all faults" basis, without recourse and without representation, warranty or guarantee of any kind or nature whatsoever.

14. Representations and Warranties of Assignee. Assignee represents and warrants the following:

(a) Authority. Assignee has full power and authority to enter into this Agreement, to perform its obligations hereunder, and to carry out the transactions contemplated hereby. This Agreement constitutes a valid and binding agreement of Assignee, enforceable against Assignee in accordance with its terms.

(b) Organization, Good Standing and Qualifications. Assignee represents that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Assignee has full power and authority to carry out its business as now conducted.

(c) Authority of Signatory. The undersigned signatory on behalf of Assignee has actual, express authority to execute this Agreement and to bind Assignee to perform under the terms hereof.

15. Strata as Sub-Operator. It is understood and agreed that Strata shall designate Assignee to be the Operator of all wells drilled by Assignee under the terms of this Agreement. As Operator, Assignee shall have the rights, obligations and responsibilities of Operator as provided by the Unit Operating Agreement. Assignee agrees that it will fully cooperate with the Unit Operator and Sub-Operator(s) of particular producing formations within the FNRU. Presently, Chevron U.S.A. Inc. is the Unit Operator, and Strata is the Sub-Operator of the Delaware Formation within the FNRU.

Paragraph 23 of the Term Assignment provides as follows:

23. Designation of Sub-Operator

If Assignee completes a well capable of producing oil or gas in commercial quantities, then Assignor agrees that it will designate Assignee as Sub-Operator of the Forty-Niner Ridge Unit with respect to such producing formations, and Assignee agrees that it will accept such designation and faithfully perform the obligations of the Sub-Operator. Assignor and Assignee agree that there will be a separate Designation of Sub-Operator form filed for each producing formation using the form attached hereto as Exhibit E or such other form as may be used by the Bureau of Land Management from time to time.

Assignee understands that if it completes a well capable of producing oil or gas in commercial quantities pursuant to the terms of the Term Assignment, then Strata, as assignee under the Term Assignment, shall be designated as the Sub-Operator of any producing formations, and Strata agrees that it will accept such designation and faithfully perform the obligations of Sub-Operator.

16. Surface Rights Reserved. Strata expressly reserves an undivided interest in the rights of ingress, egress, use and all other surface rights granted under the Subject Leases and the FNRU.

17. FNRU Nos. 1, 2 and 3 Wells. Strata reserves all of its right, title and interest in the FNRU Nos. 1, 2 and 3 Wells.

18. Indemnity. Assignee agrees that it will be and remain responsible for any and all liability arising from or otherwise resulting from its operations conducted pursuant to this Agreement and will, with respect to Strata's retained overriding royalty interest but not with respect to a working interest owned by Strata, indemnify Strata and hold Strata harmless from any loss, claim or damage in such respect, including but not by way of limitation, the proper plugging and abandonment of all wells drilled by Assignee pursuant to the terms of this Agreement.

20. Liens. Assignee agrees that it will keep its interest in the Subject Leases and the FNRU free and clear from all liens and encumbrances. Assignee shall defend title and indemnify and hold Strata harmless from all loss, cause and/or expense (including attorney's fees) for Assignee's failure to do so.

21. Compliance with Law. This Agreement is made subject to, and Assignee shall comply with, all applicable rules, regulations, laws and orders issued or promulgated by any court or governmental agency having jurisdiction over operations, production or marketing on and from the lands covered hereby.

22. Title Information. Assignee shall provide Strata with any and all title information obtained by or available to Assignee or its representatives in connection with the Subject Leases and the FNRU, including specifically copies of all title opinions and abstracts in the possession of or available to Assignee.

23. Well Information. Assignee shall provide Strata with drilling reports, reports, records of production, and copies of logs with respect to all wells drilled by Assignee pursuant to this Agreement which shall include, but not be limited to the following:

- (a) Mud Log with drilling time and shows.
- (b) Wireline Logs:
 - i. Neutron Formation Density Gamma Ray Log; and
 - ii. Dual Laterolog and Micro Laterolog.
- (c) Any cores that may be taken.

In addition, Assignee shall provide Strata all forms furnished by any governmental authority, copies of plugging reports, if any, and copies of all drill stem tests.

Assignee also agrees to put on a mud logger after setting intermediate casing, but no deeper than the top of the Delaware Formation. All open hole logs will be run back to the intermediate casing but at least from the top of the Delaware Formation.

Strata shall maintain as confidential all such information furnished by Assignee and communicate no part thereof to any third parties (other than their authorized representatives) without Assignee's written approval.

24. Right to Take Over Well. If Assignee and the other Working Interest owners elect to abandon a well drilled pursuant to this Agreement, Assignee shall give Strata the option to take over Assignee's interest in such well. Assignee shall provide notice to Strata of its intent to abandon the well, and Strata shall have 15 days from the date of the notice to exercise its option to take over the well. If Strata elects to take over the well, then Strata must agree to assume Assignee's obligations regarding the plugging and abandonment and surface restoration with respect to such well. In addition, Strata shall acquire of all of Assignee's interest in the material in an around such well necessary in the operation of such well, at a price equal to the reasonable salvage value of said materials.

25. Prior Assignments. This Agreement and the Assignment are made subject to the Prior Assignments. Assignee agrees that it will comply with the terms of the Prior Assignments in connection with the conduct of its operations on the FNRU.

26. Miscellaneous Provisions.

(a) Choice-of-Forum/Choice-of-Law/Consent-to-Jurisdiction. The Parties agree that all disputes in any way relating to, arising under, connected with, or incident to this Agreement, and the interpretation and enforcement of this Agreement shall be governed solely by the law of the State of New Mexico without regard to its conflict of law rules. It is further agreed that in the event of any dispute over this Agreement, venue and jurisdiction are conclusively agreed to be proper only in a state or federal court of competent jurisdiction situated in Chaves County, New Mexico. The Parties expressly submit themselves to the personal jurisdiction of the State of New Mexico.

(b) Partial Enforceability. If any provision of this Agreement, or the application of any provision to any person or circumstances, shall be held invalid, the remainder of this Agreement, or the application of the provision to persons or circumstances other than those with respect to which it is held invalid, shall not be affected thereby.

(c) Entire Agreement. This Agreement, the documents to be executed hereunder, and the Exhibits attached hereto constitute the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof except as specifically set forth herein or in documents delivered pursuant hereto. No supplement, amendment, alteration, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the Parties hereto.

(d) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

(e) Notices. Any notice, communication, request, instruction or other document required or permitted hereunder shall be given in writing by certified mail, return receipt requested, postage prepaid, or by facsimile, as follows:

Strata:

Mark B. Murphy, President
Strata Production Company
200 W. First Street, Suite 700
Roswell, NM 88202
Telephone: (505) 623-1127
Facsimile: (505) 623-3533

with a copy to Strata's attorneys:

Sealy H. Cavin, Jr.
Cavin & Ingram, P.A.
P. O. Box 1216
Albuquerque, NM 87103-1216
Telephone: (505) 243-5400
Facsimile: (505) 243-1700

Assignee:

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701
Telephone: (432) 682-3715
Facsimile: (432) 685-4170

(or at such other address or fax number in care of such other person as hereafter shall be designated in writing by any Party to the other Parties) and shall be deemed to have been given as of the date of receipt. To the extent this Agreement provides deadlines or timeframes for any notice, communication, request, instruction or other document required or permitted hereunder, the term days shall mean calendar days and, if a deadline or timeframe would otherwise end on a weekend or holiday, it shall be extended to the first business day thereafter.

(f) Further Assurances. The Parties hereto agree to take from time to time such actions and to execute such additional instruments as may be reasonably necessary or convenient to implement and carry out the intent and purpose of this Agreement.

(g) Relationship. It is not the purpose or intention of this Agreement to create, nor shall the same be construed as creating, any mining partnership, commercial partnership, or other partnership relation, nor shall the operation of the Parties hereunder be construed to be or considered as a joint venture. The liabilities of each Party shall be several and not joint and several with the other Party.

(h) Enforcement of Agreement. If any legal action is necessary to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that Party may be entitled.

(i) Waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided herein.

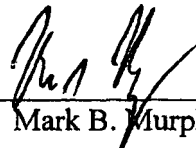
(j) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

(k) Execution in Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute for all purposes one Agreement.

This Agreement has been executed on the dates indicated hereinbelow in the acknowledgments, but shall be effective for all purposes as of the Effective Date.

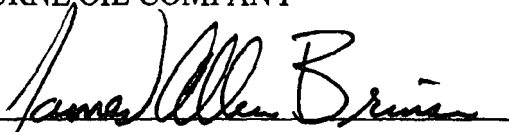
ASSIGNOR:

STRATA PRODUCTION COMPANY

By 
Mark B. Murphy, President

ASSIGNEE:

MEWBOURNE OIL COMPANY

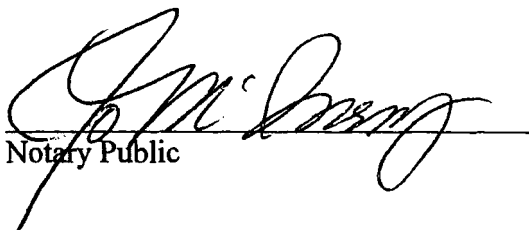
By 
Print Name: James Allen Brinson
Title: Attorney-In-Fact

STATE OF NEW MEXICO)

) ss.

COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23rd day of FEBRUARY, 2005 by Mark B. Murphy, President of Strata Production Company, a New Mexico corporation, on behalf of the corporation.


Notary Public

My Commission Expires:

5/22/07

STATE OF TEXAS)

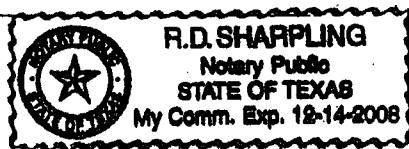
) ss.

COUNTY OF SMITH)

The foregoing instrument was acknowledged before me this 24th day of February, 2005 by James Allen Brinson, Attorney/In-Fact of Mewbourne Oil Company, a Delaware corporation, on behalf of said corporation.


Notary Public

My Commission Expires:



THIS EXHIBIT A IS ATTACHED TO AND MADE A PART OF THE
EXPLORATION AGREEMENT BY AND BETWEEN STRATA
PRODUCTION COMPANY AND MEWBOURNE OIL COMPANY
REGARDING THE FORTY-NINER RIDGE UNIT.

EXHIBIT A
LAND SUMMARY

FNRU TRACT NO.:	1
LEASE NO.:	NMNM-0531075
LESSOR:	United States of America
LESSEE:	G. Burke and H. McCall
LEASE DATE:	May 1, 1964
DESCRIPTION:	<u>Township 23 South, Range 30 East, NMPM</u> Section 10: E/2, E/2NW/4, SW/4NW/4, SW/4 Containing 600.0 acres, m/l Eddy County, New Mexico
FNRU TRACT NO.:	2
LEASE NO.:	NMNM-0531277
LESSOR:	United States of America
LESSEE:	Mrs. Bonnie J. Andrikopoulos
LEASE DATE:	May 1, 1964
DESCRIPTION:	<u>Township 23 South, Range 30 East, NMPM</u> Section 15: S/2 Containing 320.0 acres, m/l Eddy County, New Mexico
FNRU TRACT NO.:	3
LEASE NO.:	NMNM-0531731
LESSOR:	United States of America
LESSEE:	Claude C. May
LEASE DATE:	May 1, 1964
DESCRIPTION:	<u>Township 23 South, Range 30 East, NMPM</u> Section 15: S/2NW/4 Section 21: SE/4NE/4 Section 22: NE/4NE/4 Containing 160.0 acres, m/l Eddy County, New Mexico

FNRU TRACT NO.: 4
LEASE NO.: NMNM-0543280
LESSOR: United States of America
LESSEE: Roxie E. Hudson
LEASE DATE: July 1, 1964
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 9: E/2NE/4, NE/4SE/4
Containing 120.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 5
LEASE NO.: NMNM-0543748
LESSOR: United States of America
LESSEE: W. E. Corn
LEASE DATE: July 1, 1964
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 15: NE/4, N2/NW/4
Containing 240.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 6
LEASE NO.: NMNM-0543827
LESSOR: United States of America
LESSEE: James L. Cleary
LEASE DATE: June 1, 1964
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 9: W/2, W/2E/2, SE/4SE/4
Section 21: SE/4, SW/4NE/4, W/2NW/4
Containing 800.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 9
LEASE NO.: NMNM-86441
LESSOR: United States of America
LESSEE: R. Heeren
LEASE DATE: May 1, 1965
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: S/2SW/4
Containing 80.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: No. 11
LEASE NO.: NMNM-18996
LESSOR: United States of America
LESSEE: Nuclear Corporation of New Mexico
LEASE DATE: September 1, 1973
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4SW/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: No. 13
LEASE NO.: E-5229-7
LESSOR: State of New Mexico
LESSEE: Malco Refineries, Inc.
LEASE DATE: May 10, 1951
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 16: All
Section 21: E/2NW/4, NE/4SW/4, NE/4NE/4
Section 22: W/2, SE/4, S/2NE/4, NW/4NE/4
Containing 1,400.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: No. 14
LEASE NO.: 1
LESSOR: William O. James and Joanne B. James,
his wife
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: July 13, 1973
RECORDED: Book 109, page 220
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO: 14
LEASE NO: 2
LESSOR: Jean Ann Tully Stell and Philip G. Stell,
her husband
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: July 13, 1973
RECORDED: Book 109, page 226
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 14
LEASE NO: 3
LESSOR: James DeBlois
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: September 17, 1973
RECORDED: Book 109, page 232
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 14
LEASE NO: 4
LESSOR: Marilie Tully Walker
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: September 28, 1973
RECORDED: Book 112, page 433
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FRNU TRACT NO.: 14
LEASE NO: 5
LESSOR: Lena James, widow of Frank James
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: December 21, 1973
RECORDED: Book 112, page 798
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 14
LEASE NO: 6
LESSOR: T.T. Sanders, Jr.
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: July 20, 1974
RECORDED: Book 124, page 472
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

DESIGNATION OF SUB-OPERATOR

DISTRICT MANAGER, BUREAU OF LAND MANAGEMENT, UNITED STATES DEPARTMENT OF THE INTERIOR
AND COMMISSIONER OF PUBLIC LANDS, NEW MEXICO STATE LAND OFFICE.

Texaco Exploration and Production Inc. is on the records of the Bureau of Land Management as Unit Operator under the Forty Niner Ridge Unit Agreement, Eddy County, New Mexico BLM Contract #14-08-0001-1246, dated July 1, 1973 and BLM approved August 2, 1973, and hereby designates:

Strata Production Company, a New Mexico corporation
Post Office Box 1030
Roswell, New Mexico 88202-1030

as its Sub-Operator, with full authority to act in its behalf in complying with the terms of the Unit Agreement and regulations applicable thereto, and on whom the Authorized Officer of the BLM or his representative may serve written or oral instructions in securing compliance with the oil and gas operating regulations with respect to drilling, testing and completing, operating and producing all unit wells in the Delaware formation; with the Delaware formation being identified as the stratigraphic equivalent of the depths from 3,630' beneath the surface of the earth down to 7,492 feet beneath the surface of the earth, as shown on the Schlumberger Borehole Compensated Sonic Log dated September 8, 1974, for the Texaco - Forty Niner Ridge Unit well #2 located 1980 feet FNL and 1980 feet FEL of Section 21, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico.

It is understood that this designation of Sub-Operator does not relieve the Unit Operator of responsibility for compliance with the terms of the Unit Agreement and oil and gas operating regulations. It is also understood that this designation of Sub-Operator does not constitute an assignment of any interest under the Unit Agreement or any lease committed thereto.

In case of default on the part of the designated Sub-Operator, the Unit Operator will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative and any agency of the State of New Mexico.

The Unit Operator agrees promptly to notify the District Manager of any change in the designated Sub-Operator.

This designation is given only to enable the Sub-Operator herein designated to test, operate (including conversion of existing wells to injection wells plus recompletion of existing wells in the Delaware formation or otherwise), and produce all unit wells in the Delaware formation as defined above.

Date: 10/25/01

Texaco Exploration and Production Inc., a Delaware corporation

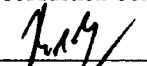
By: 
Title: ATTORNEY-IN-FACT

ACCEPTANCE OF DESIGNATION

Strata Production Company, a New Mexico corporation, hereby accepts the designation by Texaco Exploration and Production Inc., a Delaware corporation, as Sub-Operator of the Delaware formation described above underlying the Unit Area, and agrees to comply with all terms of the Unit Agreement and the applicable regulation, lease terms, and orders of the Department of the Interior and all appropriate agencies of the State of New Mexico. Strata Production Company, a New Mexico corporation, further agrees that it will assume and will indemnify and hold harmless Texaco Exploration and Production Inc., a Delaware corporation, and the other working interest owners in the Forty Niner Ridge Unit, from all claims, damages, causes of action, fines, or penalties arising out of its operation of the above described wells, which are the responsibility of the Unit Operator and/or working interest owners under the provisions of the Unit Agreement, Unit Operating Agreement or the applicable federal and state regulation, leases and orders, except those arising out of the sole or concurrent negligence of Texaco Exploration and Production Inc., a Delaware corporation, or the working interest owners of the Forty Niner Ridge Unit.

Date: 10/19/2001

Strata Production Company, a New Mexico corporation

By: 
Mark B. Murphy
Title: President

TERM ASSIGNMENT

Chevron U. S. A. Inc. , ("Assignor"), whose mailing address is P. O. Box 363666, Houston, Texas 77236, is the present owner of certain oil and gas leasehold rights covering lands in Eddy County, New Mexico, as described in Exhibit "A," attached hereto and by reference made a part hereof, hereinafter referred to as the "Lands," held under the terms of oil and gas leases insofar and only insofar as the same are described in Exhibit "A," hereinafter referred to as the "Leases."

STRATA PRODUCTION COMPANY, ("Assignee"), whose mailing address is 200 West First Street, Roswell, New Mexico 88203, desires to purchase an assignment of the oil and gas leasehold rights as to the Lands.

For and in consideration of the premises and the sum of Ten Dollars (\$10.00) cash paid by Assignee and other good and valuable consideration, including the covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree to the following terms and conditions:

1. CONVEYANCE OF LEASES

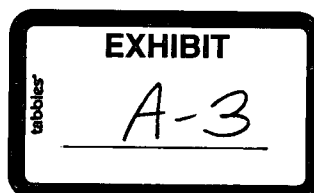
Assignor does hereby transfer, assign and convey, without warranty, express or implied, unto Assignee, its successors and assigns, all of Assignor's right, title and interest in and to the Leases, insofar as they cover the Lands and depths, if any, described in Exhibit "A", subject to all the terms and provisions hereof.

2. OVERRIDING ROYALTIES

Assignee agrees to pay the overriding royalties herein reserved in addition to any and all overriding royalties and other burdens on production previously reserved and/or assigned under the terms of any other agreements. Assignee further agrees that Assignor's overriding royalties reserved herein shall be free and clear of all exploring, producing, developing, processing, treating, transporting, and marketing costs, as well as all charges and expenses. The oil and gas used in drilling and operations on the Leases and in the handling of production therefrom shall be deducted before Assignor's overriding royalties are computed. If Assignee secures an extension or renewal of any lease subject hereto prior to the termination of such lease or within one (1) year thereafter or if Assignee secures a new lease covering any and all lands described in said leases prior to termination or within one (1) year thereafter, then the overriding royalty reserved herein by Assignor shall attach to such extension, renewal or new lease and Assignee shall execute a recordable instrument to evidence the overriding royalty interest to Assignor. Assignor hereby reserves the following overriding royalties:

- A. On oil, including condensate, distillate, and all hydrocarbons produced in a liquid form at the mouth of the well or recovered from oil or gas run through a separator or other equipment, an amount equal to the difference between lease burdens existing of record on the date of this agreement and twenty two and a half percent (22.5%) of the gross production or the market value thereof, at the option of Assignor.
- B. On gas, including casinghead gas and any other gaseous substances, an amount equal to the difference between lease burdens existing of record on the date of this agreement and twenty two and a half percent (22.5%) of the gross production or the market value thereof, at the option of Assignor, except as provided herein below in Article 2.C.
- C. On gas processed in a plant for the recovery of gasoline or other liquid hydrocarbons, an amount equal to the difference between lease burdens existing of record on the date of this agreement and twenty two and a half percent (22.5%) of the residue gas and the liquid hydrocarbons extracted or the market value thereof, at the option of Assignor. The overriding royalty interest due Assignor herein and payable on processed gas and gas liquids shall be based on the percentage received by Assignee if the Assignee has entered into a processing agreement, negotiated at arm's length with a non-affiliated third party. If liquid hydrocarbons are recovered from a gas processing plant in which Assignee (or its parent, subsidiary or affiliate) owns an interest then the overriding royalty interest due Assignor shall be based one hundred percent (100%) of the total plant production of residue gas attributable to the gas produced from the Lands and on fifty percent (50%) of the total plant production of liquids hydrocarbons attributable to the gas produced from the Lands, or the highest percentage accruing to a third party processing gas through such plant under a

Term Assignment - Permian



Strata Production Co
PO Box 1030
Roswell NM 88202
1030

processing agreement negotiated at arm's length, or if there is no such third party, the highest percent then being specified in processing agreements or contracts in the area, the quality of gas and the conditions of delivery considered, whichever is greater.

- D. Proceeds from any sale between Assignee and any nonaffiliated company or person negotiated in good faith and at arms' length shall be deemed to be market value for the purposes of this Article 2. Market value for the interest in production owned by Assignor shall never be less than the price realized by Assignee for its portion of the production sold, including the fractional part of the net realization from the plant products, when and if gas production is processed.

3. NO WARRANTY OR REPRESENTATIONS

THIS AGREEMENT IS EXECUTED WITHOUT WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED, WITHOUT ANY EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION AS TO THE MERCHANTABILITY OF ANY OF THE EQUIPMENT OR PERSONAL PROPERTY, IF ANY, OR ITS FITNESS FOR ANY PURPOSE AND WITHOUT ANY OTHER EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION WHATSOEVER. IT IS UNDERSTOOD AND AGREED THAT ASSIGNEE HAS INSPECTED THE PROPERTY AND PREMISES CONVEYED HEREUNDER FOR ALL PURPOSES INCLUDING, WITHOUT LIMITATION, FOR THE PURPOSE OF DETECTING THE PRESENCE OF NATURALLY OCCURRING RADIOACTIVE MATERIAL (NORM) AND HAS SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT ASSIGNEE ACCEPTS THE PROPERTY IN ITS "AS IS, WHERE IS" CONDITION. ASSIGNOR DISCLAIMS ANY AND ALL LIABILITY ARISING IN CONNECTION WITH ANY ENVIRONMENTAL MATTERS INCLUDING, WITHOUT LIMITATIONS, ANY PRESENCE OF NORM ON THE PROPERTY AND ASSIGNEE EXPRESSLY ACCEPTS SOLE RESPONSIBILITY FOR ALL SUCH LIABILITY ARISING FROM OR ON ACCOUNT OF ANY OPERATIONS CONDUCTED ON THE LANDS HEREUNDER BY ASSIGNEE, INCLUDING, BUT NOT LIMITED TO, DAMAGES, CLAIMS, LOSSES, PENALTIES, FINES, LIENS, JUDGMENTS, COSTS OR EXPENSES ARISING UNDER OR AS A RESULT OF ALL APPLICABLE ENVIRONMENTAL LAWS INCLUDING BUT LIMITED TO THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. §9601 *et seq.*), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. §6901 *et seq.*), THE CLEAN WATER ACT (33 U.S.C. §466 *et seq.*), THE SAFE DRINKING WATER ACT (14 U.S.C. §1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. §1801 *et seq.*), AND THE TOXIC SUBSTANCE CONTROL ACT (15 U.S.C. §2601-2629). ASSIGNEE AGREES TO ABIDE BY THE ENVIRONMENTAL STIPULATIONS AS SET OUT IN EXHIBIT "D" ATTACHED HERETO. IN ADDITION, THERE ARE NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA, INFORMATION OR MATERIALS HERETOFORE OR HEREAFTER FURNISHED IN CONNECTION WITH THE PROPERTY OR AS TO THE QUALITY OR QUANTITY OF THE HYDROCARBON RESERVES, IF ANY, ATTRIBUTABLE TO THE INTEREST CONVEYED HEREIN OR THE ABILITY OF THE PROPERTY TO PRODUCE HYDROCARBONS. ANY AND ALL DATA, INFORMATION AND MATERIAL FURNISHED BY ASSIGNOR IS PROVIDED AS A CONVENIENCE ONLY AND ANY RELIANCE ON OR USE OF THE SAME IS AT ASSIGNEE'S SOLE RISK.

4. TERM

Subject to the other provisions herein contained, this Assignment shall be for a term of two (2) year after the effective date (the "Primary Term"), and as long thereafter as oil, gas or associated hydrocarbons are produced in paying quantities from the Lands, or on lands pooled therewith, or there is a shut-in gas well capable of producing gas in paying quantities on the Lands, or on lands pooled therewith, but such gas is not being produced therefrom for lack of a market; provided, however, after the expiration of the Primary Term, this Assignment will not remain in force solely by virtue of the existence of a shut-in gas well for longer than one period of up to two (2) consecutive years.

5. POOLING

Assignee is hereby granted the right to pool, unitize or communitize one or more of the Leases with other lands, if such pooling, unitization or communitization is necessary in order to comply with the pooling and spacing rules and orders of the applicable governmental authority having jurisdiction over the same. In such event, the overriding royalties reserved herein shall be reduced in proportion to the number of acres covered by the applicable lease divided by the total

number of acres pooled, unitized or communitized therewith. Any operations commenced or conducted on lands other than those covered by the Leases or any wells drilled or producing on lands other than those covered by the Leases, but which are pooled, unitized or communitized with the Leases, shall be considered to be located on the Leases and Lands for the purposes of this Assignment.

6. CONTINUOUS DEVELOPMENT

In addition to and notwithstanding any other provision herein, this Assignment shall not terminate in whole or in part, regardless of whether production of oil or gas has been established from the Lands at the end of the Primary Term, so long as Assignee is engaged in Continuous Drilling Operations on the Lands and, except as provided in this Article, so long thereafter as oil or gas is produced in paying quantities from the Lands. "Continuous Drilling Operations" as used herein shall mean the drilling of wells without more than 120 days elapsing between the completion of one well and the commencement of actual drilling of the next well; "completion" for the purposes of this agreement shall be the date of the drilling rig release. The actual drilling of the first such well must be commenced as follows: (1) if at the end of the Primary Term there is no well capable of producing oil or gas in paying quantities on the Lands, then on or before the end of the Primary Term; (2) if at the end of the Primary Term there is a well capable of producing oil or gas in paying quantities on the Lands, but completion of the last well drilled during the Primary Term was more than 90 days prior to the end of the Primary Term, then on or before the end of the Primary Term; or (3) if at the end of the Primary Term there is a well capable of producing oil or gas in paying quantities on the Lands, but completion of the last well drilled during the Primary Term was less than 90 days prior to the end of the Primary Term, then within 120 days from completion of the last well drilled during the Primary Term. The commencement or continuation of continuous drilling operations shall be at Assignee's option and shall not be considered an obligation or covenant of Assignee. If the continuous drilling operations are not commenced within the time herein before specified, or if, at any time after commencement of continuous drilling operations, more than 120 days elapse between the completion of one well and the commencement of actual drilling of the next well, this Assignment shall, at the end of the period of time within which Assignee was required to commence a well, terminate (a) as to all the Lands except those portions included within a proration unit established under the spacing and proration rules and regulations of any governmental body having jurisdiction for a well then capable of producing oil or gas in paying quantities or on which Assignee is then engaged in bona fide operations to establish or restore production of oil or gas, and (b) as to depths below the stratigraphic equivalent of total depth drilled, plus 100 feet. If this Assignment is continued in force under the immediately preceding sentence as to a proration unit on which operations are being conducted in an effort to establish or restore production but on which there is no well then capable of producing oil or gas, this Assignment shall likewise terminate upon cessation of such operations for a period of sixty (60) consecutive days unless such operations (on the same or an additional well or wells in the same proration unit) have resulted in the restoration or establishment of a well capable of producing oil or gas in paying quantities on such proration unit. Such proration units shall be designated by Assignee and shall be of such size and configuration as may be allowed by the spacing and well density rules and regulations of any governmental authority having jurisdiction; or if no size or configuration of proration units is specified by any governmental authority, such proration units shall be in the form of a square or rectangle as nearly as practical and shall contain 40 acres for each producing oil well and 320 acres for each producing gas well. In the event this Assignment has terminated under this Article, except as to producing proration units, and at any time there is no longer a well capable of producing oil or gas in paying quantities located on any such proration unit, this Assignment shall also terminate as to such proration unit unless Assignee shall commence operations for the repair or reworking of a well or for the drilling of an additional well on such proration unit within sixty (60) days after cessation of production and diligently prosecute such operations on the same or an additional well or wells on such proration unit with no cessation of more than sixty (60) consecutive days during any operation or between such operations. If such operations are timely commenced and prosecuted as prescribed in the preceding sentence, and if they result in a well capable of producing oil or gas in paying quantities, then this Assignment shall remain in effect as to such proration unit as though no cessation of production had occurred. Within thirty (30) days after any termination, Assignee shall furnish Assignor with a reassignment on the form attached hereto as Exhibit "C" for all the Lands which have terminated under this Assignment. Such reassignment shall be free and clear of any liens and overriding royalties or other similar burdens, which might have been created by Assignee or Assignee's successors or assigns.

Subject to the termination provisions hereinabove and Assignor's retained overriding royalty interest, it is the intention of Assignor and Assignee that Assignee shall receive all of Assignor's right, title and interest in the oil and/or gas produced from any wells properly drilled and produced pursuant to this assignment. Thus, Assignee's interest under this Assignment with

respect to such wells shall not be affected by the size of participating areas, if any, under the Forty-Niner Ridge Unit Agreement and Unit Operating Agreement.

7. ASSIGNMENT OF CONTRACT RIGHTS

Except as otherwise provided in this Assignment, Assignor does hereby transfer, convey and assign to Assignee, to the extent transferable by law or contract, all of Assignor's right, title and interest in and to all permits, rights-of-way, easements, licenses, unitization agreements, pooling agreements, operating agreement, production sales agreement, and other agreement (hereinafter collectively the "Contract") relating to the Leases and Lands conveyed herein (including all amendments thereto) INsofar AND ONLY INsofar as such Contracts relate or pertain to the Leases and Lands. To the extent Assignor has the right to do so, assignor expressly reserves and excepts from this Assignment the right of ingress and egress through and across the Lands in connection with Assignor's operations on lands in the same area or field.

8. AGREEMENTS TO WHICH ASSIGNMENT IS SUBJECT

Assignee hereby assumes the obligations of, and agrees to perform all of the terms and the express and implied conditions and covenants of the Contracts and of the Leases. This Assignment is subject to any and all agreements affecting the Leases and Lands, whether recorded or unrecorded, including but not limited to the following agreements, if and when applicable:

- Forty-Niner Ridge Unit Agreement, (QLS 043850) dated July 1, 1973, as amended, between Skelly Oil Company, as Operator, and Bass Enterprises Production Co., et al, as Non- Operators.
- Forty-Niner Ridge Unit Operating Agreement, (QLS 157081) dated July 1, 1973, as amended between Skelly Oil Company, as Operator, and Bass Enterprises Production Co., et al, as Non-Operators.
- Agreement, dated July 20, 1974, between Skelly Oil Company, as Operator, and Bass Enterprises Production Co., et al, as Non-Operators, covering operations on Section 21, T23 S-R30E, Eddy County, New Mexico.
- Gas Purchase Contract dated May 19, 2003 by and between ChevronTexaco Exploration & Production Company, Division of Chevron U.S.A., Inc. , as Seller and Duke Energy Field Services, LP, as Buyer(as to the SW.NE/4 of Section 21, T23S, R30E only)

9. INDEMNIFICATION

ASSIGNEE AGREES TO DEFEND, PROTECT AND INDEMNIFY, AND HOLD HARMLESS ASSIGNOR, ITS EMPLOYEES AND AGENTS, FROM AND AGAINST EACH AND EVERY CLAIM, INCLUDING INJURY OR DEATH OF PERSONS, DESTRUCTION OF PROPERTY, ENVIRONMENTAL DAMAGE AND CLEAN-UP EXPENSES, DEMAND, ACTIONS, CAUSE OF ACTION, OR LAWSUIT, AND ANY LIABILITY, COST, EXPENSE, PENALTY, DAMAGE, OR LOSS, INCLUDING COURT COSTS AND ATTORNEY'S FEES, THAT MAY BE ASSERTED AGAINST ASSIGNOR OR ASSIGNEE BY ANY THIRD PARTY, INCLUDING ASSIGNEE'S EMPLOYEES AND AGENTS, AND GOVERNMENTAL AGENCIES, ARISING FROM OR ON ACCOUNT OF ANY OPERATIONS CONDUCTED ON THE LANDS HEREUNDER BY ASSIGNEE, OR FOR THE BENEFIT OF ASSIGNEE. THE FOREGOING INDEMNITY SHALL APPLY WHETHER OR NOT ASSIGNOR WAS OR IS CLAIMED TO BE PASSIVELY, CONCURRENTLY OR ACTIVELY NEGLIGENT AND REGARDLESS OF WHETHER LIABILITY WITHOUT FAULT IS IMPOSED OR SOUGHT TO BE IMPOSED ON ASSIGNOR. THIS INDEMNITY PROVISION SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT. IF THIS ASSIGNMENT RESULTS IN JOINT OWNERSHIP OF WORKING INTEREST RIGHTS BETWEEN ASSIGNOR AND ASSIGNEE, THE INDEMNITY PROVISIONS SET FORTH ABOVE SHALL NOT APPLY TO THE EXTENT THEY CONFLICT WITH THE TERMS OF THE JOINT OPERATING AGREEMENT.

10. CALL ON PRODUCTION

- A. Reservation of Call.** Assignor hereby reserves the option (hereinafter referred to as Assignor's call on production) to purchase or designate the purchaser of all or any part of Assignee's share of the oil and gas, or either of them separately, which may be produced from the assigned premises or attributed or allocated to the assigned premises under any unitization, pooling, or similar agreement (the "Callable Production," also sometimes referred to as "Callable Gas Production" or "Callable Oil Production"). Assignor shall have the right to exercise its call on production as provided herein at any time and from time to time during the life of the assigned

leases. As to Callable Gas Production, Assignor or its designee shall have the right to purchase the full stream of gas at or near the wellhead, if the gas is not processed, or the residue gas at the tailgate of the applicable processing plant, if the gas is to be processed. During any period when Assignor is exercising its right to purchase or designate the purchaser of Assignee's Callable Oil Production, Assignor also reserves the right to designate the transporter of such Callable Oil Production.

- B. Effect of Pre-Existing Contract Obligations.** Assignor's call on production shall not apply to any oil or gas production that is covered by an existing production sale contract which Assignee is obligated to assume under this Assignment or which Assignee was required by Assignor to execute contemporaneously with this Assignment (a "Pre-Existing Contract Obligation"). Upon expiration of the original term or upon early termination of any such Pre-Existing Contract Obligation, Assignor's call on production shall become fully applicable.
- C. Notification.** Assignee shall notify Assignor as soon as possible following a determination by Assignee that Assignee will have Callable Production available for sale. Such notice shall include Assignee's best estimate as to the quantity and quality of Callable Production that will be available and the location at which Assignee proposes to sell such production. Notices pertaining to Assignor's call on production shall be addressed as follows, unless Assignor has provided Assignee written notice of a change of address for call on production notices:

For Natural Gas Production	For Oil Production
Chevron USA Inc. Gas Control Division Attn: Call On Production Notices Russ Wimberley P. O. Box 36366 Houston, Texas 77236 Facsimile: 281-561-3894 With a copy to: Chevron U.S.A. Inc. Call On Production Notices Attention: Janette Lorenz P. O. Box 36366 Houston, Texas 77236 Facsimile: 281-561-4874	ChevronTexaco Global Trading Crude Marketing Division Attn: Call On Production Notices Blain Floyd 1111 Bagby Houston, TX 77022-2543 Fax: (713) 752-7518 With a copy to: Chevron U.S.A. Inc. Call On Production Notices Attention: Janette Lorenz P. O. Box 36366 Houston, Texas 77236 Facsimile: 281-561-4874

- D. Details of Notification Procedure and Determination of Price Applicable to Callable Gas Production.** Assignee may include in its notice of the availability of Callable Gas Production a request for an offer by Assignor or Assignor's designee to purchase the Callable Gas Production, or Assignee may submit a bona fide offer from a third party that Assignee is willing to accept and offer Assignor or Assignor's designee an opportunity to match such bona fide third party offer and purchase the Callable Gas Production on the same terms.

If Assignee requests a purchase offer from Assignor, Assignee may in its notice establish a reasonable deadline (not less than twenty-one (21) days from delivery of Assignee's notice) for Assignor or its designee to make a purchase offer. If Assignor or its designee elects not to submit an offer or fails to do so within the deadline so established, or if an offer submitted by Assignor or Assignor's designee is unacceptable to Assignee, Assignee may proceed to seek third party offers, in which case the right of first refusal procedure described below will apply.

If Assignee receives a bona fide third party offer to purchase the Callable Gas Production, either before or after requesting an offer from Assignor, which third party offer Assignee is willing to accept, Assignee shall submit a copy of the third party offer to Assignor and Assignor or Assignor's designee shall have the right, by written notice to Assignee within twenty-one (21) days after Assignor's receipt of Assignee's submission of such offer, to purchase the Callable Gas Production on the same terms as are contained in the third party offer. Should Assignor or Assignor's designee elect not to match the third party offer or fail to respond within the allotted time, then Assignee shall be free to sell the Callable Gas Production under the third party offer for the original term thereof. Upon expiration of that original term, Assignor's rights

under this call on production shall be reinstated and the procedure set forth herein shall be followed prior to any subsequent sale of the Callable Gas Production.

- E. Details of Notification Procedure and Determination of Price Applicable to Callable Oil Production.** If Assignor or its designated oil purchaser fails to respond within twenty-one (21) days after Assignor's receipt of a notice from Assignee that Callable Oil Production is available for purchase, then Assignee shall have the right to market such oil to a purchaser of Assignee's choice, subject to Assignor's right to subsequently exercise its call on production at any time following at least thirty (30) days' notice to Assignee.

If Assignor elects to purchase or designate the purchaser of the Callable Oil Production, the price shall be determined using the first of the following methods which is available on the date the oil is purchased: (1) Assignor's posted price for oil of like gravity and quality in the field where the oil is produced, (2) the average of the prices posted by others in the same field for oil of like gravity and quality, or (3) a price specified by Assignor or its designated purchaser which represents the reasonable value of the oil in question.

Notwithstanding the foregoing, if at any time while Assignor is not exercising its call on oil production Assignee receives a bona fide third party offer, which Assignee is willing to accept, to purchase Assignee's Callable Oil Production from the assigned premises for a term longer than one (1) month, Assignee may submit such offer to Assignor and request that Assignor either match such offer or waive its call on oil production for the term necessary to allow Assignee to accept such offer. Assignor shall exercise its right to match such an offer within thirty (30) days after receipt of the offer from Assignee or Assignor shall be deemed to have waived its right as to that particular offer. If Assignor waives its right to match an offer and Assignee does not enter into a contract based on that offer, then Assignor's call on production shall remain in effect and Assignor shall have the same rights as to any subsequent offer received by Assignee.

11. COMPLIANCE WITH LAWS

Assignee shall observe, perform and comply with the terms, provisions, covenants and conditions, express or implied, of the Leases and with all laws, rules, regulations and orders, both State and Federal, applicable to ownership and enjoyment of the rights herein assigned, including, but not limited to any State or Federal bond requirements.

12. RESPONSIBILITY FOR PLUGGING

Assignee agrees to accept full responsibility for the plugging and abandonment and restoration and remediation of all wells located on the Lands drilled by Assignee or on behalf of Assignee and agrees to comply with all the requirements of the Leases and of the State of New Mexico, including the rules and regulation of the New Mexico Oil Conservation Division or successor regulatory body in effect at the time any well is plugged.

13. PROPORTIONATE REDUCTION

This Assignment is made without express or implied warranty of any kind; provided however, if the Leases cover less interest than the entire fee simple mineral estate in the oil and gas in the Lands embraced therein, or if Assignor hereby conveys less than the full leasehold estate in the Leases as to the Lands embraced therein, then the overriding royalties reserved in such Leases under the terms of this Assignment shall be reduced proportionately. Assignor makes no representations or warranties regarding Assignee's right of ingress and egress to the Lands from or across adjacent or adjoining lands.

14. DELAY RENTALS, MINIMUM ROYALTIES AND SHUT-IN PAYMENTS

Assignor shall pay any delay rentals necessary to maintain in force and effect the Leases, insofar as they cover the Lands and Assignee shall promptly reimburse Assignor for the amount paid upon receipt of invoice; PROVIDED, HOWEVER, Assignor shall not be liable to Assignee for its failure to timely and properly make such payments. If any rental payment is applicable both to lands assigned hereby and to other lands, such payment shall be prorated on a surface acre basis.

Should Assignee elect to discontinue Assignee's interest in the Leases, or upon plugging and abandoning the last producing well drilled by Assignee on any of the Leases or lands pooled or unitized therewith, Assignee shall offer to execute and deliver to Assignor a reassignment of all

such rights, except the right to salvage all well(s) and related equipment for value, which right Assignee shall retain for its own benefit, which, if accepted, will place upon Assignor the full responsibility for complying with all the obligations of any such Leases, other than plugging liabilities associated with any and all wells drilled, reworked, re-completed or deepened on any such Leases by Assignee, as to the rights reassigned arising subsequent to the date of Assignee's notice. If Assignee's election to discontinue is made within the time that the Leases, or any part thereof, is maintained by the payment of delay rentals, such election shall be made at least forty-five (45) days before the date the next rental payment is due and payable; otherwise, Assignee shall reimburse Assignor for any such rental payment made hereunder. The reassignment tendered to Assignor shall warrant the reassigned interest free and clear of any mortgage, lien, encumbrance, liabilities associated with any and all wells drilled on the Leases, overriding royalty burden or production payment created by, through or under Assignee or by its authority. Assignee shall make all shut-in gas well payments and minimum royalty payments required or permitted by the Leases. Additionally, Assignee shall be responsible for all minimum royalty payments required under the Leases. Upon Assignor's request, Assignee shall within thirty (30) days of receipt of Assignor's request, furnish evidence that shut-in payment(s) were properly tendered.

15. SURFACE RIGHTS RESERVED

Assignor expressly reserves an undivided interest in the rights of ingress, egress, use and all other surface rights granted under the Leases and all rights, title, interest and estate not expressly assigned herein.

16. INFORMATION

It is understood and agreed that Assignor and its representatives shall have full access to all wells drilled hereunder, including access to the records thereof and to the derrick floor, at Assignor's sole risk and expense, and that Assignee shall furnish Assignor, free of cost to Assignor, samples or copies of all cores, cuttings, logs, drilling data, testing and completing data, and all other information obtained by Assignee pertaining to any well drilled hereunder. In the event Assignee should commence operations for the drilling or reentry of any well within one-half (1/2) mile of the Lands within twelve (12) months of the date of this agreement, Assignee shall promptly furnish Assignor with all well data including any logs, surveys, and reports made during the drilling of such well. Until further notice, Assignee shall furnish all information required under this paragraph as shown on the attached Exhibit "B."

17. RELATIONSHIP OF THE PARTIES

This Assignment is not intended to create, and nothing herein shall be construed to create an association, a trust, a joint venture, a mining partnership, or other partnership or entity of any kind.

18. INSURANCE

In Assignee's operations on the Lands, Assignee will maintain the following insurance:

- A. Worker's compensation and employer's liability insurance, as prescribed by applicable law. The limit of liability for employer's liability insurance will not be less than two million dollars (\$2,000,000.00) per occurrence;
- B. Commercial general liability (bodily injury and property damage) insurance, including contractual liability to cover the liabilities assumed under this agreement, products and completed operations coverage, sudden and accidental pollution coverage, and coverage for explosion, collapse and underground hazards. The limits of such insurance will not be less than two million dollars (\$2,000,000.00) combined single limit per occurrence;
- C. Automobile public liability and property damage insurance covering all owned, non-owned, and hired vehicles used in the performance of this agreement. The limits of such insurance will not be less than two million dollars (\$2,000,000.00) per occurrence.
- D. Operator's extra expense insurance including, but not limited to: coverage for control of well (including underground control of well); re-drill and extra expense; extended and unlimited re-drill; seepage, pollution, clean-up and contamination; evacuation expense; making wells safe; and care, custody and control. The limits for such

insurance will not be less than five million dollars (\$5,000,000.00) combined single limit per occurrence.

The above insurance will name Assignor as an additional insured and will contain a waiver of subrogation in favor of Assignor. The insurance will contain a requirement that the insurer provide Assignor with at least ten (10) days prior written notice of any material change or cancellation, and will be endorsed to be primary to any insurance carried by Assignor. Prior to beginning any operations on the farmout premises, Assignee will furnish Assignor a certificate of insurance evidencing the coverage required herein and/or at Assignor's request, copies of the insurance policies providing the above coverage and endorsements.

19. RIGHT TO ASSIGN

This agreement is personal to Assignee, and Assignee will have neither the right nor the power to assign this agreement, in whole or in part, to another party without Assignor's prior written consent. Assignor may withhold its consent to any such proposed or attempted assignment, however, such consent shall not be unreasonably withheld. . Any attempted assignment made in contravention of this provision will be, in Assignor's sole discretion (and in addition to any other remedy available to Assignor at law or in equity), voidable and of no force. The granting of its consent to any assignment will be effective only as to the specific assignment then the express subject of such consent, and any subsequent assignment, which may be proposed or attempted will be ineffective without Assignor's prior written consent.

20. DISCLOSURE OF ROYALTY VALUATION CLAIMS, DEMANDS, LAWSUITS

The assigned premises may be subject to various claims, demands or lawsuits alleging underpayment of royalty or severance taxes based upon Assignor's use of the posted price of crude oil in calculation and payment of royalty or severance taxes on oil. If the assigned premises are subject of any such claims, demands or lawsuits, Assignor shall retain liability therefor with respect to events occurring prior to the effective date of this Assignment and Agreement. Settlements agreements and/or judgments entered in such lawsuits may affect the manner in which royalty or severance taxes on oil produced from the assigned leases are paid after effective date of this Assignment and Agreement and Assignee agrees to comply fully with the terms of such settlement agreements and/or judgments insofar as they affect the assigned premises.

21. TAXES

Assignor will render and pay any ad valorem taxes on the assigned interest for the year in which this Assignment becomes effective. Assignee shall, upon billing by Assignor, reimburse Assignor for the amount of taxes so paid. For all subsequent years, Assignee shall render and pay all ad valorem taxes assessed against said interest.

22. NO INDUCEMENTS GIVEN TO ENTER THIS AGREEMENT

No director, employee or agent of either the Assignor or Assignee shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with this Assignment. During the term of this Assignment and for two (2) years thereafter, any mutually agreeable representative(s) authorized by either party may audit the applicable records of the other party solely for the purpose of determining whether there has been compliance with this paragraph.

23. DESIGNATION OF SUB-OPERATOR

If Assignee completes a well capable of producing oil or gas in commercial quantities, then Assignor agrees that it will designate Assignee as Sub-Operator of the Forty-Niner Ridge Unit with respect to such producing formations, and Assignee agrees that it will accept such designation and faithfully perform the obligations of the Sub-Operator. Assignor and Assignee agree that there will be a separate Designation of Sub Operator form filed for each producing formation using the form attached hereto as Exhibit "E" or such other form as may be used by the Bureau of Land Management from time to time.

IN WITNESS WHEREOF, this Assignment is executed the 9th day of September, 2004, but made effective as of the 8th day of August, 2004.
September

ASSIGNOR:

CHEVRON U.S.A. INC.

By: C. D. Frisbie
Attorney-in-Fact

ASSIGNEE:

STRATA PRODUCTION COMPANY

By: [Signature]
Title: President

STATE OF TEXAS
COUNTY OF HARRIS

§
§
§

The foregoing instrument was acknowledged before me on September 8, 2004,
by C.D. Forre, Attorney-in-Fact for Chevron U.S.A. Inc., a
corporation, on behalf of said corporation.

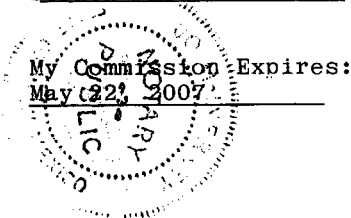


[Signature]
Notary Public

STATE OF NEW MEXICO
COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me on August 25, 2004
by Mark B. Murphy, President of
Strata Production Co., a New Mexico corporation, on behalf of said corporation.



[Signature]
Notary Public Jo McInerney

EXHIBIT "A"

Attached to and made a part of that certain Term Assignment,
effective September 8, 2004, by and between Chevron U.S.A. Inc , as Assignor, and Strata Production
Company, as Assignee.

OIL AND GAS LEASES

LEASE NO:	QLS 086479
LEASE DATE:	May 1, 1964
LESSOR:	United States of America (NMNM-0531075)
LESSEE:	G. Burke and H. McCall
RECORDED:	Book 66, Page 718
DESCRIPTION:	Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 10: E/2, E/2 NW/4, SW/4 NW/4 and SW/4, containing 600 acres, more or less, in Eddy County, New Mexico, limited as to depths below the base of the Delaware formation.
LEASENO:	QLS 086478
LEASE DATE:	May 1, 1964
LESSOR:	United States of America (NMNM-0531277)
LESSEE:	Bonnie J. Andrikopoulos
RECORDED:	N/A
DESCRIPTION:	Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 15: S/2 containing 320 acres, more or less, in Eddy County, New Mexico, limited as to depths below the base of the Delaware formation.
LEASENO:	QLS 089796
LEASE DATE:	May 1, 1964
LESSOR:	United States of America (NMNM-0531731)
LESSEE:	Claude C. May
RECORDED:	N/A
DESCRIPTION:	Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 15: S/2 NW/4, Section 21: SE/4 NE/4, Section 22: NE/4 NE/4, containing 160 acres, more or less, in Eddy County, New Mexico, limited as to depths below the base of the Delaware formation.
LEASE NO:	QLS 089888
LEASE DATE:	July 1, 1964
LESSOR:	United States of America (NMNM-0543280)
LESSEE:	Roxie E. Hudson
RECORDED:	Book 94, Page 102 (Miscellaneous Records)
DESCRIPTION:	Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 9: E/2 NE/4 and NE/4 SE/4, containing 120 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.
LEASE NO:	QLS 086476
LEASE DATE:	July 1, 1964
LESSOR:	United States of America (NMNM-0543748)
LESSEE:	W. E. Corn
RECORDED:	Book 95, Page 420 (Miscellaneous Records)
DESCRIPTION:	Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 15: NE/4 and N/2 NW/4, containing 240 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 149965
 LEASE DATE: June 1, 1964
 LESSOR: United States of America (NMNM-104965)
 LESSEE: James L. Cleary
 RECORDED: Book 99, Page 732 (Miscellaneous Records)
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 9: W/2, W/2E/2 and SE/4SE/4, Section 21: SE/4 and W/2NW/4, containing 760 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089913
 LEASE DATE: June 1, 1964
 LESSOR: United States of America (NMNM-104965)
 LESSEE: James L. Cleary
 RECORDED: Book 99, Page 732 (Miscellaneous Records)
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 21: SW/4NE/4, containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO:
 LEASE DATE: May 1, 1965
 LESSOR: United States of America (NMNM-86441)
 LESSEE: R. Heeren
 RECORDED: N/A
 DESCRIPTION: Insofar and only insofar as the **contractual rights** in the lease which covers: Township 23 South, Range 30 East, NMPM Section 21: S/2 SW/4 containing 80 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089961
 LEASE DATE: September 1, 1973
 LESSOR: United States of America (NMNM-18996)
 LESSEE: Nuclear Corporation of New Mexico
 RECORDED: N/A
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM Section 21: NW/4 SW/4, containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below base of the Delaware formation.

LEASE NO:
 LEASE DATE: May 10, 1951
 LESSOR: State of New Mexico (#E-5229-7)
 LESSEE: Malco Refineries, Inc.
 RECORDED: N/A
 DESCRIPTION: Insofar and only insofar as **contractual rights** in the lease which covers: Township 23 South, Range 30 East, NMPM, Section 16 All, Section 21: E/2 NW/4, NE/4 SW/4 and NE/4 NE/4, Section 22: W/2, SE/4, S/2 NE/4 and NW/4 NE/4, containing 1400 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089921
 LEASE DATE: July 13, 1973
 LESSOR: William O. James and Joanne B. James, his wife
 LESSEE: Griffin, Ross & Burnett, Inc.
 RECORDED: Book 109, Page 220
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM, Section 21: NW/4 NE/4 containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089936
 LEASE DATE: July 13, 1973
 LESSOR: Jean Ann Tully Stell and Philip G. Stell, her husband
 LESSEE: Griffin, Ross & Burnett, Inc.
 RECORDED: Book 109, Page 226
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM, Section 21: NW/4 NE/4 containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089940
 LEASE DATE: September 17, 1973
 LESSOR: James DeBlois
 LESSEE: Griffin, Ross & Burnett, Inc.
 RECORDED: Book 109, Page 232
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM, Section 21: NW/4 NE/4 containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089948
 LEASE DATE: September 28, 1973
 LESSOR: Marilie Tully Walker
 LESSEE: Griffin, Ross & Burnett, Inc.
 RECORDED: Book 112, Page 433
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM, Section 21: NW/4 NE/4, containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation

LEASE NO: QLS 089951
 LEASE DATE: December 21, 1973
 LESSOR: Lena James, widow of Frank James
 LESSEE: Griffin, Ross & Burnett, Inc.
 RECORDED: Book 112, Page 798
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM, Section 21: NW/4 NE/4, containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

LEASE NO: QLS 089954
 LEASE DATE: July 20, 1974
 LESSOR: T. T. Sanders, Jr.
 LESSEE: Skelly Oil Company
 RECORDED: Book 124, Page 472
 DESCRIPTION: Insofar and only insofar as the lease covers: Township 23 South, Range 30 East, NMPM, Section 21: NW/4 NE/4 containing 40 acres, more or less, in Eddy County, New Mexico, and limited as to depths below the base of the Delaware formation.

DESCRIPTION OF THE LANDS COVERED HEREBY:

Township 23 South, Range 30 East, NMPM

Section 9: All

Section 10: All except NW/4 NW/4

Section 15: All

Section 16: All

Section 21: All

Section 22: All

containing 3800 acres, more or less in Eddy County, New Mexico, insofar and only insofar as to depths below the base of the Delaware formation.

For the purposes hereof, the base of the Delaware formation is defined as the stratigraphic equivalent of the depth of 7,455', as found on the Welex - Compensated Density Log, dated September 26, 1973, for the Skelly Oil Company - Forty Niner Ridge Unit No. 1 well, located 1,980' FSL and 1,980' FEL of Section 16, T23S-R30E, Eddy County, New Mexico.

EXHIBIT "B "

**Attached to and made a part of Term Assignment
dated September 8, 2004 by and between Chevron U.S.A. Inc. as Lessor
and Strata Production Company, as Lessee**

WELL INFORMATION REQUIREMENTS

OPERATOR & WELL NAME:			
LOCATION:			
FIELD/PROSPECT:			
COUNTY & STATE: Eddy County, New Mexico			
INFORMATION REQUIRED			
		DETAILED COMMENTS BELOW	# COPIES
LOGS: FIELD PRINTS			2
FINAL PRINTS			2
FILMS			2
DISKETTE*			1
MUDLOG DAILY			1
MUDLOG FINAL (AND DISKETTE IF AVAILABLE)			2
DST CHARTS & REPORTS, WIRELINE TESTS			2
OIL, GAS, WATER ANALYSES			2
CORE ANALYSES AND DESCRIPTION			2
BHP SURVEYS/VENDOR ANALYSES			2
DIPMETER, DIRECTIONAL SURVEYS, VELOCITY SURVEYS			2
GEOLOGICAL REPORTS			2
DAILY AND WEEKLY DRILLING REPORTS			2
CORRESPONDENCE CONCERNING DRLG & COMP. OF WELL ONLY			1
SUNDRY NOTICES, REGULATORY AGENCY REPORTS			2
MONTHLY PRODUCTION REPORTS			2
PAYOUT STATEMENTS			2
OTHER CORRESPONDENCE			2
ADDITIONAL COMMENTS: ONLY IF APPLICABLE			
SEND DIGITAL LOG DATA VIA FLOPPY(LAS) FORMAT or IF SCHLUMBERGER LOGS SEND DATA VIA DROPBOX (JOBNAME/PASSWORD REQUIRED)		MAIL ALL OTHER INFORMATION TO *: CHEVRON U.S.A. INC P. O. BOX 36366 HOUSTON, TEXAS 77236 ATTN: KIM MOORE *INCLUDING ONE COPY OF DIGITAL DATA COPY TO: CHEVRON U.S.A. INC P. O. BOX 36366 HOUSTON, TEXAS 77236 ATTN: NOJV	
INFORMATION REQUIRED (BY TELECOPY OR TELEPHONE)			
DAILY MUD LOG [] YES X NO LOGS AT TD [] YES X NO DAILY DRILLING REPORT [] YES X NO NAME: KIM MOORE ALTERNATE:		COMMENTS: MUD LOG VIA FAX, MODEM OR INTERNET IF APPLICABLE TELECOPY: 281-561-3526 TELEPHONE: (work) 281-561-3580 (home) 936-321-3850 (cell) 832-247-3991	
NOTICES REQUIRED (BY TELEPHONE)			
INTENTION TO SPUD DURING WORKING HOURS [] YES [X] NO HOURS: 24 (EXCLUSIVE OF SATURDAY, SUNDAY AND HOLIDAYS)			
INTENTION TO LOG/CORE/TEST [] YES [X] NO HOURS: 24 (EXCLUSIVE OF SATURDAY, SUNDAY AND HOLIDAYS)			
INTENTION TO COMPLETE OR ABANDON [X] YES [] NO HOURS: 48 (EXCLUSIVE OF SATURDAY, SUNDAY AND HOLIDAYS)			
IMMEDIATE NOTICE OF O/G SHOW [] YES [X] NO			
NOTIFY: KIM MOORE		PHONE: (WORK) 281-561-3580 (HOME):	
ALTERNATE: SCOTT INGRAM			
CORES/SAMPLES			
SLAB OF CORES ACCESS ONLY [] [] YES [] NO SET DRYCUT SAMPLES [] YES [] NO SEND TO:		COMMENTS: ONLY IF APPLICABLE	
LAND REPRESENTATIVE: JANETTE LORENZ		PHONE: (281) 561-3986	

Prior to Drilling:

Send Notice of Staking, OCD hearing and all governmental regulatory filings and reports to Land Department, ChevronTexaco Corporation, P. O. Box 36366, Houston, Texas 77236.

Send Notification of Intention to Spud (24 hours prior to spudding) and telephone number for rig and mudlogging trailer to Kim Moore, P. O. Box 36366, Houston, Texas 77236, Phone: 281-561-3580

Well Site Access and Adequate Testing

Assignee shall give Assignor and its representatives full and free access to the rig floor and to the well drill site, with the right to receive all information obtained concerning Assignee's operations and the formations and substances encountered for each well commenced hereunder.

Assignee shall promptly provide to Assignor all information pertaining to or obtained from operations conducted in connection herewith, whether obtained directly from the well or reissued in any form, including but not limited to the information specifically named herein.

Assignee shall conduct such coring, logging, testing, fracturing, acidizing, completion, plugging and abandonment and other operations and tests as would be done by a reasonable and prudent operator under the same or similar circumstances. Assignee shall keep an accurate, complete and detailed log of each well drilled hereunder.

EXHIBIT "C"

Attached to and made a part the Term Assignment dated September 8, 2004, by and between Chevron U. S. A. Inc., as Assignor and Strata Production Company, as Assignee.

RE-ASSIGNMENT OF OIL AND GAS LEASE

STATE OF _____ §
COUNTY OF _____ §

For Ten Dollars (\$10.00) and other valuable consideration _____, hereinafter called "Assignor", does hereby transfer and assign to _____, P. O. Box 1150, Midland, Texas 79702-1150, hereinafter called "Assignee", subject to the conditions and other provisions hereinafter set out, all of its right, title and interest in and to the following lease:

*INSOFAR AND ONLY INSOFAR as said lease covers _____

Reference is made to said lease and to the record thereof for this and all other purposes.

The interest herein assigned was previously assigned by Chevron U.S.A. Inc. to Strata Production Company in that certain Term Assignment effective July 8, 2004, recorded in Volume _____ at Page _____ of the _____ Records of Eddy County, New Mexico.

Assignor warrants and agrees to defend the title to said lease by, through and under Assignor only. Assignor further warrants and states that this assignment is made free and clear of any liens, mortgages, overriding royalty interest, production payments or other encumbrances on the title to said lease except those which appear of record in Lea County, New Mexico, prior to July 6, 2004, the effective date of the above described Term Assignment.

In witness whereof, this instrument is executed this ____ day of _____, 200__ but is effective as of _____, 20__.

By: _____
Title: _____

*To be used only if a portion of the assigned premises is to be retained.

STATE OF _____ §
COUNTY OF _____ §

On this ____ day of _____ 200____, before me, the undersigned, a Notary Public in and for said County and State, personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that (s)he executed same in her/his capacity as _____ of _____.

My Commission expires: _____

Witness my hand and official seal.

Notary Public in and for the State of _____

EXHIBIT "D"

Attached to and made a part of that certain Term Assignment dated effective September 8, 2004 by and between Chevron U.S.A. Inc., as Grantor and Strata Production Company, as Grantee.

ENVIRONMENTAL STIPULATIONS

Assignee will use, and will require its contractors, employees and agents to use environmentally sound materials and practices in its operations on the Lands so as to minimize or eliminate wastes, hazards and impacts on the environment. These practices include the following:

- A. Assignee will assess the material available for a given purpose and will select the least toxic option available. This would include, but not be limited to, material such as solvents, paints, paint thinners, boiler chemicals, thread compounds, cleaners and mud products. Material Safety Data Sheets for each product provide information to determine its relative toxicity.
- B. Pipe dope containing lead or zinc will be applied in such a manner to minimize the total volume required. Low toxicity compounds will be used on drill pipe. No muds or pipe dope containing chrome will be brought onto the Lands.
- C. Assignee will participate in a recycling program for all wastes generated where recycling is an option. This will include all used oils, solvents, drums, etc.
- D. Assignee will remove any unused product from the Lands. Unused commercial products will not be mixed with domestic or oilfield wastes. No waste materials will be put in any reserve pits or flare pits except drilling and workover fluids where allowed by law.
- E. All trash will be removed from the Lands and all pits on the drilling location will be properly closed in accordance with New Mexico Oil Conservation Commission regulations, as soon as possible following the drilling of any well.
- F. Assignee will practice water conservation measures, including high pressure washdown guns and restrictor nozzles on water hoses.
- G. Grantee will provide dikes, ditches, or other methods of containment for all fuel and oil containers. Any leakage or spillage will be promptly reported to the appropriate authorities as required by statute, rule or regulation, and to the appropriate representative of Assignor. Assignee will have a Spill Prevention, Control and Countermeasure Plan in effect as required by the Code of Federal Regulations Title 40, Part 112.
- H. Assignee shall adopt practices for minimization of volume and toxicity of wastes for all waste streams.
- I. Assignee shall handle and dispose of any and all solid waste, including hazardous waste, as defined in Code of Federal Regulations Title 40, Parts 261.2 and 261.3, resulting from the performance of its operations on the Lands in accordance with all applicable federal, state and local statutes, regulations, ordinances and requirements. Assignee shall own all waste generated in connection with Assignee's operations on the Lands. Upon request, Assignee will furnish proof to Assignor of proper handling and disposal of wastes generated by Assignee.
- J. Assignee shall indemnify and hold Assignor, its successors and assigns, harmless from and against any and/or all costs, liabilities, penalties, and damages including but not limited to attorney's fees, arising out of or incident to Assignee's failure to conform to the requirements of this Exhibit. This indemnity is not intended to limit any broader indemnity that may be included in the agreement to which this Exhibit is attached, and will survive the termination of such agreement.
- K. Failure to comply with the provisions of this Exhibit will be considered a breach of the contract and may result in termination of the contract and expulsion from the Lands as well as any other remedies allowed by law.

EXHIBIT "E"

DESIGNATION OF SUB-OPERATOR

DISTRICT MANAGER, BUREAU OF LAND MANAGEMENT, UNITED STATES DEPARTMENT OF THE INTERIOR, AND COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO:

The Undersigned is, on the records of the Bureau of Land Management and New Mexico State Land Office, Unit Operator under the Forty Niner Ridge Unit Agreement, Eddy County, New Mexico BLM Contract #14-08-0001-1246, dated July 1, 1973 and BLM approved August 2, 1973, and hereby designates:

Strata Production Company, a New Mexico corporation
Post Office Box 1030
Roswell, New Mexico 88202-1030

as its Sub-Operator, with full authority to act in its behalf in complying with the terms of the Unit Agreement and regulations applicable thereto, and on whom the Authorized Officer of the BLM or the Land Commissioner or his representative, may serve written or oral instructions in securing compliance with the oil and gas operating regulations with respect to drilling, testing and completing, operating and producing all unit wells in the _____ formation.

It is understood that this designation of Sub-Operator does not relieve the Unit Operator of responsibility for compliance with the terms of the Unit Agreement and the oil and gas operating regulations. It is also understood that this designation of Sub-Operator does not constitute an assignment of any interest under the Unit Agreement or any lease committed thereto.

In case of default on the part of the designated Sub-Operator, the Unit Operator will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative and of the Land Commissioner, and all other agencies of the State of New Mexico.

The Unit Operator agrees promptly to notify the District Manager and Land Commissioner of any change in the designated Sub-Operator.

This designation is given only to enable the Sub-Operator herein designated to test, operate and produce all unit wells in the _____ formation.

Date: _____

By: _____

ACCEPTANCE OF DESIGNATION

The undersigned hereby accepts the designation by _____ as Sub-Operator of the _____ formation described above, and agrees to comply with all terms of the Unit Agreement and the applicable regulations, lease terms, and orders of the Department of the Interior and all agencies of the State of New Mexico. The undersigned further agrees that they will assume and will indemnify and hold harmless _____ and the other working interest owners in the _____ Unit, from all claims, damages, causes of action, fines, or penalties arising out of their operation of the above-described wells, which are the responsibility of the Unit Operator and/or the working interest owners under the provisions of the Unit Agreement, Unit Operating agreement of the applicable federal and state regulations, leases and orders, except those arising out of the sole or concurrent negligence of _____ Company or the working interest owners of the _____.

Date: _____

By: _____

RECEPTION NO: 0410791 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 09/15/2004 12:35 PM
BOOK 0566 PAGE 0150
JEAN BLENDE, COUNTY CLERK



ASSIGNMENT, BILL OF SALE AND CONVEYANCE

This Assignment, Bill of Sale and Conveyance ("Assignment") is by Strata Production Company ("Assignor" or "Strata") to Mewbourne Oil Company ("Assignee").

RECITALS

A. Strata owns and has the right to acquire certain interests in, to and under the oil and gas leases ("Subject Leases") which are described in the land summary at Exhibit A attached hereto. The Subject Leases are committed to the Forty-Niner Ridge Unit ("FNRU").

B. Strata's interests in the Subject Leases and in the FNRU derive from the following Assignments into Strata:

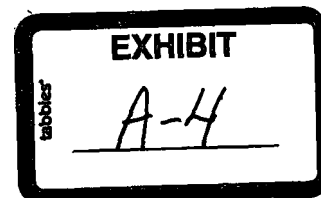
(1) Assignment, Bill of Sale and Conveyance by Bargo Petroleum Corporation to Strata assigning all of Bargo's right, title and interest in the Subject Leases and the FNRU. This Assignment was filed for record on May 21, 2001 at Book 416, Page 39 of the Eddy County Records.

(2) Assignment by Texaco Exploration and Production Inc. to Strata conveying all of Texaco's right, title and interest in the Subject Leases and the FNRU (excluding the NW/4SE/4, SE/4NW/4 of Section 16, and SW/4NE/4 of Section 21), subject to a retained overriding royalty interest. This Assignment is limited in depth from the surface down to the base of the Delaware formation; it was filed for record on April 26, 2002, at Book 455, Page 780 of the Eddy County Records.

(3) Assignment, Bill of Sale and Conveyance by Texaco Exploration and Production Inc. and Chevron U.S.A. Inc. to Strata conveying all of their right, title and interest in the following lands located in Eddy County, New Mexico:

Township 23 South, Range 30 East, NMPM
Section 16: NW/4SE/4, SE/4NW/4
Section 21: SW/4NE/4

This Assignment is limited in depth from the surface to the base of the Delaware formation; it was filed for record on June 7, 2002, at Book 459, Page 993 of the Eddy County Records.



(4) Term Assignment by Chevron U.S.A. Inc. to Strata conveying all of Chevron's right, title and interest in the Subject Leases and the FNRU subject to a retained overriding royalty interest and limited in depth to those depths below the base of the Delaware Formation. This Term Assignment was filed for record on September 15, 2004 at Book 0566, Page 0150 of the Eddy County Records.

C. Strata has sold part of its interests in the Subject Leases and FNRU to various participants ("Strata Participants") and entered into participation agreements ("Strata Participation Agreements") with such participants. Pursuant to the Strata Participation Agreements, Strata has the right to make this Assignment on behalf of the Strata Participants.

D. Strata, for its own account, desires to sell, transfer and assign all of its right, title and interests in the Subject Leases and the FNRU to Assignee, and Assignee desires to accept such interests, all subject to the terms, conditions, limitations and agreements described hereinbelow.

E. Strata, on behalf of the Strata Participants and pursuant to its authority under the Strata Participation Agreements, desires to sell, transfer and assign unto Assignee all of the Strata Participants' right, title and interest in the Subject Leases and the FNRU, and Assignee desires to accept such interests, all subject to the terms, conditions, limitations and agreements described hereinbelow.

NOW, THEREFORE, for valuable consideration hereby paid by Assignee to Strata and in consideration of the mutual covenants and agreements between Strata and Assignee, Strata does hereby assign, convey and transfer unto Assignee (1) all of Strata's right, title and interests in the Subject Leases and the FNRU; and (2) all of the Strata Participants' right, title and interests in the Subject Leases and the FNRU.

This Assignment is made subject to the following terms, conditions, limitations and agreements:

1. Assignment of Strata's Interests. Strata, on its own account, hereby assigns, conveys and transfers unto Assignee all of Strata's right, title and interests in the Subject Leases and the FNRU.

2. Assignment of Participants' Interests. Strata, on behalf of the Strata Participants and pursuant to the authority granted Strata under the Strata Participation Agreements, hereby assigns, conveys and transfers unto Assignee all of the Strata Participants' right, title and interests in the Subject Leases and the FNRU.

3. Exploration Agreement. This Assignment is made subject to the terms, conditions, limitations and agreements in that certain Exploration Agreement by and between Strata and Assignee regarding the interests covered by this Assignment. The Exploration Agreement is being executed contemporaneous with this Assignment.

4. Further Assurances. The parties hereto agree to take any and all actions reasonably necessary and appropriate to effectuate and implement the transfer of the interests as contemplated by this Assignment. Specifically, the parties agree that they will execute all instruments which are necessary and appropriate to transfer any federal or state leasehold interest which constitute a part of the Subject Leases.

5. Counterpart Signatures. This Assignment may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute for all purposes one instrument.


6. Covenants Running with the Land. The provisions of this Assignment shall be construed as covenants running with the land, and shall be binding upon and shall inure to the benefit of Strata and Assignee, and their successors-in-interest and assigns.

7. Warranties. This Assignment is made without warranties or representations of any kind, express, implied or statutory.

This Assignment has been executed on the dates indicated hereinbelow in the acknowledgments, but shall be effective for all purposes as of February 1, 2005.

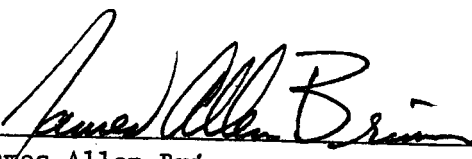
ASSIGNOR/STRATA:

STRATA PRODUCTION COMPANY

By 
Mark B. Murphy, President

ASSIGNEE/MEWBOURNE:

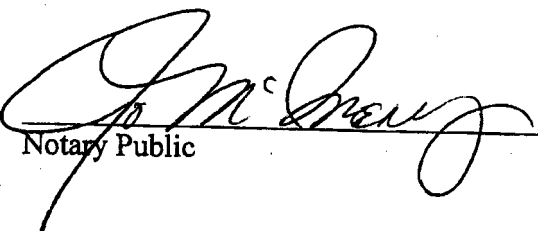
MEWBOURNE OIL COMPANY

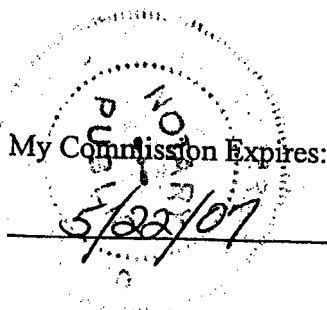

James Allen Brinson
Attorney-In-Fact

STATE OF NEW MEXICO)

COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 2nd day of FEBRUARY, 2005 by Mark B. Murphy, President of Strata Production Company, a New Mexico corporation, on behalf of the corporation.


Notary Public

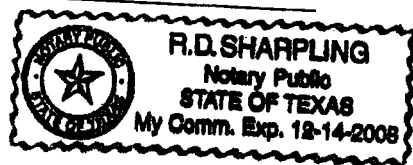


STATE OF TEXAS)
COUNTY OF SMITH) ss.

The foregoing instrument was acknowledged before me this 24th day of February, 2005 by James Allen Brinson, Attorney-In-Fact of Mewbourne Oil Company, a Delaware corporation, on behalf of the corporation.

R. D. Sharpling
Notary Public

My Commission Expires:



THIS EXHIBIT A IS ATTACHED TO AND MADE A PART OF THE ASSIGNMENT, BILL OF SALE AND CONVEYANCE BY STRATA PRODUCTION COMPANY TO MEWBOURNE OIL COMPANY REGARDING THE FORTY-NINER RIDGE UNIT.

EXHIBIT A
LAND SUMMARY

FNRU TRACT NO.: 1
LEASE NO.: NMNM-0531075
LESSOR: United States of America
LESSEE: G. Burke and H. McCall
LEASE DATE: May 1, 1964
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 10: E/2, E/2NW/4, SW/4NW/4, SW/4
Containing 600.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 2
LEASE NO.: NMNM-0531277
LESSOR: United States of America
LESSEE: Mrs. Bonnie J. Andrikopoulos
LEASE DATE: May 1, 1964
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 15: S/2
Containing 320.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 3
LEASE NO.: NMNM-0531731
LESSOR: United States of America
LESSEE: Claude C. May
LEASE DATE: May 1, 1964
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 15: S/2NW/4
Section 21: SE/4NE/4
Section 22: NE/4NE/4
Containing 160.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: 4
 LEASE NO.: NMNM-0543280
 LESSOR: United States of America
 LESSEE: Roxie E. Hudson
 LEASE DATE: July 1, 1964
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 9: E/2NE/4, NE/4SE/4
 Containing 120.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: 5
 LEASE NO.: NMNM-0543748
 LESSOR: United States of America
 LESSEE: W. E. Corn
 LEASE DATE: July 1, 1964
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 15: NE/4, N2/NW/4
 Containing 240.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: 6
 LEASE NO.: NMNM-0543827
 LESSOR: United States of America
 LESSEE: James L. Cleary
 LEASE DATE: June 1, 1964
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 9: W/2, W/2E/2, SE/4SE/4
 Section 21: SE/4, SW/4NE/4, W/2NW/4
 Containing 800.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: 9
 LEASE NO.: NMNM-86441
 LESSOR: United States of America
 LESSEE: R. Heeren
 LEASE DATE: May 1, 1965
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 21: S/2SW/4
 Containing 80.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: No. 11
LEASE NO.: NMNM-18996
LESSOR: United States of America
LESSEE: Nuclear Corporation of New Mexico
LEASE DATE: September 1, 1973
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4SW/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: No. 13
LEASE NO.: E-5229-7
LESSOR: State of New Mexico
LESSEE: Malco Refineries, Inc.
LEASE DATE: May 10, 1951
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 16: All
Section 21: E/2NW/4, NE/4SW/4, NE/4NE/4
Section 22: W/2, SE/4, S/2NE/4, NW/4NE/4
Containing 1,400.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO.: No. 14
LEASE NO.: 1
LESSOR: William O. James and Joanne B. James,
his wife
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: July 13, 1973
RECORDED: Book 109, page 220
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FNRU TRACT NO: 14
 LEASE NO: 2
 LESSOR: Jean Ann Tully Stell and Philip G. Stell,
 her husband
 LESSEE: Griffin, Ross & Burnett, Inc.
 LEASE DATE: July 13, 1973
 RECORDED: Book 109, page 226
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 21: NW/4NE/4
 Containing 40.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: 14
 LEASE NO: 3
 LESSOR: James DeBlois
 LESSEE: Griffin, Ross & Burnett, Inc.
 LEASE DATE: September 17, 1973
 RECORDED: Book 109, page 232
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 21: NW/4NE/4
 Containing 40.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: 14
 LEASE NO: 4
 LESSOR: Marilie Tully Walker
 LESSEE: Griffin, Ross & Burnett, Inc.
 LEASE DATE: September 28, 1973
 RECORDED: Book 112, page 433
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 21: NW/4NE/4
 Containing 40.0 acres, m/l
 Eddy County, New Mexico

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LEASE NO.: NMNM-18996
LESSOR: United States of America
LESSEE: Nuclear Corporation of New Mexico
LEASE DATE: September 1, 1973
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Section 21: E/2NW/4, NE/4SW/4, NE/4NE/4
Section 22: W/2, SE/4, S/2NE/4, NW/4NE/4
Containing 1,400.0 acres, m/l
Eddy County, New Mexico

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LESSEE: Griffin, Ross & Burnett, Inc.
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Eddy County, New Mexico

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LEASE NO: 4
LESSOR: Marilie Tully Walker
LESSEE: Griffin, Ross & Burnett, Inc.
LEASE DATE: September 28, 1973
RECORDED: Book 112, page 433
DESCRIPTION: Township 23 South, Range 30 East, NMPM
Section 21: NW/4NE/4
Containing 40.0 acres, m/l
Eddy County, New Mexico

FRNU TRACT NO.: 14
 LEASE NO: 5
 LESSOR: Lena James, widow of Frank James
 LESSEE: Griffin, Ross & Burnett, Inc.
 LEASE DATE: December 21, 1973
 RECORDED: Book 112, page 798
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 21: NW/4NE/4
 Containing 40.0 acres, m/l
 Eddy County, New Mexico

FNRU TRACT NO.: 14
 LEASE NO: 6
 LESSOR: T.T. Sanders, Jr.
 LESSEE: Griffin, Ross & Burnett, Inc.
 LEASE DATE: July 20, 1974
 RECORDED: Book 124, page 472
 DESCRIPTION: Township 23 South, Range 30 East, NMPM
 Section 21: NW/4NE/4
 Containing 40.0 acres, m/l
 Eddy County, New Mexico

RECEPTION NO: 0509180 STATE OF
 NEW MEXICO, COUNTY OF EDDY
 RECORDED 08/01/2005 8:13 AM
 BOOK 0605 PAGE 0630
 JEAN BLENDEN, COUNTY CLERK



AMENDMENT TO TERM ASSIGNMENT

NOTICE IS TAKEN OF THE FOLLOWING FACTS:

1. By Term Assignment dated effective September 8, 2004, recorded in Book 566, page 150, Eddy County Records (the "Term Assignment"), Chevron U.S.A. Inc. assigned to Strata Production Company all of its operating rights in certain oil and gas leases covering lands in Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico, more particularly described in Exhibit "A" attached to the Term Assignment; and

2. By Assignment dated February 23, 2005, recorded in Book 605, page 630, Eddy County Records, Strata Production Company assigned to Mewbourne Oil Company all of its interest in the Term Assignment, and Chevron U.S.A. Inc. consented to the assignment; and

3. Chevron U.S.A. Inc. and Mewbourne Oil Company desire to amend the Term Assignment as more particularly described below.

NOW, THEREFORE, for adequate consideration, the receipt of which is hereby acknowledged, Chevron U.S.A. Inc. and Mewbourne Oil Company hereby amend the Term Assignment as follows:

A. Paragraph 6, Continuous Development, is deleted in its entirety and replaced with the following:

6. CONTINUOUS DEVELOPMENT

In addition to and notwithstanding any other provisions herein, this Assignment shall not terminate in whole or in part, regardless of whether production of oil or gas has been established from the Lands at the end of the Primary Term, so long as Assignee is engaged in Continuous Drilling Operations on the Lands and, except as provided in this Article, so long thereafter as oil or gas is produced in paying quantities from the Lands. "Continuous Drilling Operations" as used herein shall mean the drilling of wells without more than 120 days elapsing between the completion of one well and the commencement of actual drilling of the next well; "completion" for the purposes of this agreement shall be the date of the drilling rig release. The actual drilling of the first such well must be commenced as follows: (1) if at the end of the Primary Term there is no well capable of producing oil or gas in paying quantities on the Lands, then on or before the end of the Primary Term; (2) if at the end of the Primary Term there is a well capable of producing oil or gas in paying quantities on the Lands, but completion of the last well drilled during the Primary Term was more than 90 days prior to the end of the Primary Term, then on or before the end of the Primary Term; or (3) if at the end of the Primary Term there is a well capable of producing oil or gas in paying quantities on the Lands, but completion of the last well drilled during the Primary Term was less than 90 days prior to the end of the Primary Term, then within 120 days from completion of the last well drilled during

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Page 1 of 4

Attn Romaine Sharpling
Mewbourne Oil Co
P O Box 7698
Tyler TX 75711

EXHIBIT

A-5

the Primary Term. The commencement or continuation of continuous drilling operations shall be at Assignee's option and shall not be considered an obligation or covenant of Assignee. If the continuous drilling operations are not commenced within the time herein before specified, or if, at any time after commencement of continuous drilling operations, more than 120 days elapse between the completion of one well and the commencement of actual drilling of the next well, this Assignment shall, at the end of the period of time within which Assignee was required to commence a well, terminate (a) as to all the Lands except (i) those portions approved for inclusion within a valid participating area or areas established for producing wells pursuant to Paragraph No. 11 of the Unit Agreement and Article V of the Unit Operating Agreement for the Forty-Niner Ridge Unit Area (hereinafter referred to as a "Participating Area"); (ii) those portions not approved for inclusion within a Participating Area but are none the less included within a proration unit established under the spacing and proration rules and regulations of any governmental body having jurisdiction for a well then capable of producing in paying quantities (hereinafter referred to as a "Proration Unit"); (iii) those portions included within a Participating Area on which Assignee is then engaged in bona fide operations to establish or restore production of oil or gas; and (iv) those portions included within a Proration Unit on which Assignee is then engaged in bona fide operations to establish or restore production of oil or gas, and (b) as to depths below the stratigraphic equivalent of total depth drilled, plus 100 feet in any such Participating Area and/or Proration Unit. If this Assignment is continued in force under the immediately preceding sentence because operations are being conducted in an effort to establish or restore production but on which there is no well then capable of producing oil or gas, this Assignment shall likewise terminate upon cessation of such operations for a period of sixty (60) consecutive days unless such operations (on the same or an additional well or wells on the Participating Area and/or Proration Unit) have resulted in the restoration or establishment of a well capable of producing oil or gas in paying quantities on such Participating Area or Proration Unit. Such Participating Area and/or Proration Unit shall be designated by Assignee and shall be of such size and configuration as may be allowed by the rules and regulations of any governmental authority having jurisdiction. In the event this Assignment has terminated under this Article except as to a Participating Area and/or Proration Unit, and at any time there is no longer a well capable of producing oil or gas in paying quantities located on any such Participating Area and/or Proration Unit, this Assignment shall also terminate as to such Participating Area and/or Proration Unit unless Assignee shall commence operations for the repair or reworking of a well or for the drilling of an additional well on such Participating Area and/or Proration Unit within sixty (60) days after cessation of production and diligently prosecute such operations on the same or an additional well or wells on such Participating Area and/or Proration Unit with no cessation of more than sixty (60) consecutive days during any operation or between such operations. If such operations are timely commenced and prosecuted as prescribed in the preceding sentence, and if they result in a well capable of producing oil or gas in paying quantities, then this Assignment shall remain in effect as to such Participating Area and/or Proration Unit as though no cessation of production had occurred. Within thirty (30) days after any

termination, Assignee shall furnish Assignor with a reassignment on the form attached hereto as Exhibit "C" for all the Lands which have terminated under this Assignment. Such reassignment shall be free and clear of any liens and overriding royalties or other similar burdens, which might have been created by Assignee or Assignee's successors or assigns.

Subject to the termination provisions hereinabove and Assignor's retained overriding royalty interest, it is the intention of Assignor and Assignee that Assignee shall receive all of Assignor's right, title and interest in the oil and/or gas produced from any wells properly drilled and produced pursuant to this Assignment. Thus, Assignee's interest under this Assignment with respect to such wells shall not be affected by the size of Participating Areas, if any, under the Forty-Niner Ridge Unit Agreement and Unit Operating Agreement.

Upon completion of a well on the Lands as a producer, Assignee shall make a good faith effort to make application to the Supervisor and the Land Commissioner for the establishment or revision of a Participating Area pursuant to Article V of the Forty-Niner Ridge Unit Operating Agreement. Notwithstanding anything contained herein to the contrary, the running of the time for the drilling of the next well under the continuous development program shall be suspended from the date such application is made until the Supervisor and Land Commissioner have either approved the Participating Area and/or made a non-commercial well determination pursuant to Paragraph No. 11 of the Forty-Niner Ridge Unit Agreement. Provided, however, if the Supervisor and Land Commissioner have not granted such approval or made such a non-commercial determination at the end of seven (7) months from the date the application was made, the running of the time for the drilling of the next well under the continuous development program shall recommence from the end of the seven (7) month suspension period.

B. Paragraph 13, Proportionate Reduction, is hereby deleted in its entirety and replaced with the following:

13. PROPORTIONATE REDUCTION

This Assignment is made without express or implied warranty of any kind; provided, however, if the Leases cover less interest than the entire fee simple mineral estate in the oil and gas in the Lands embraced therein, or if Assignor hereby conveys less than the full leasehold estate and/or contractual interest in the Leases as to the Lands embraced therein, then the overriding royalties reserved in such Leases under the terms of this Assignment shall be reduced proportionately. Assignor makes no representations or warranties regarding Assignee's right of ingress and egress to the Lands from or across adjacent or adjoining lands.

In all other respects, the Term Assignment remains unchanged.

Chevron U.S.A. Inc. does hereby adopt, ratify and confirm the Term Assignment in all of its terms and provisions and does hereby assign the operating rights in the leases described in Exhibit "A" attached to the Term Assignment to Mewbourne Oil Company, subject to and in accordance with all the terms and provisions of the Term Assignment as amended hereby and does agree and declare that the Term Assignment in all of its terms and provisions as amended hereby is binding upon it.

Executed this 15th day of ^{December} ~~November~~ 2005, but effective as of February 1, 2005.

CHEVRON U.S.A. INC.

By: C. D. Frisbie
C.D Frisbie, Attorney-in-Fact

MEWBOURNE OIL COMPANY

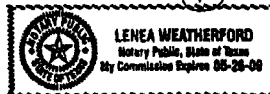
By: James Allen Brinson
James Allen Brinson, Attorney-in-Fact

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 15th day of ^{December} ~~November~~, 2005, by C. D. Frisbie, Attorney-in-Fact for Chevron U.S.A. Inc., a corporation, on behalf of said corporation.

My Commission Expires:
5-26-09

Lenea Weatherford
Notary Public



STATE OF TEXAS
COUNTY OF SMITH

The foregoing instrument was acknowledged before me this 22nd day of ^{December} ~~November~~, 2005, by James Allen Brinson, Attorney-in-Fact for Mewbourne Oil Company, on behalf of the company.

My Commission Expires:
12-14-2008

R.D. Sharpling
Notary Public



RECEPTION NO: 0600071 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 01/04/2006 8:23 AM
BOOK 0623 PAGE 0364
JEAN BLENDE, COUNTY CLERK

March 1, 2005

ChevronTexaco

Strata Production Company
200 West First Street
Roswell Petroleum Building, Suite 700
Roswell, New Mexico 88203
Attention: Jo McInerney

Janette Lorenz, CPL
Landman
Mid Continent Business Unit
North America Upstream
P. O. Box 36366
Houston, Texas 77236-6366
Phone 281 561 3986
Fax 281-561-4874
Email: jlorenz@ChevronTexaco.com

Re: Consent to Assign
Forty Niner Ridge Unit
Eddy County, New Mexico

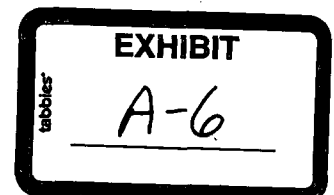
Gentlemen:

Reference is made to that certain Term Assignment dated September 8, 2004, from Chevron U.S.A. Inc. to Strata Production Company, a New Mexico corporation, recorded on September 15, 2004 in Book 566, Page 0150 of Eddy County, Records, said agreement being made a part hereof by reference for all purposes and being hereinafter referred to as "[Term Assignment]".

Reference is further made to that certain request dated February 25, 2005 from Strata Production Company requesting Chevron U.S.A. Inc.'s consent to an assignment by virtue of the Term Assignment from Strata Production Company to Mewbourne Oil Company ("Mewbourne"), whose address is 500 West Texas, Suite 1020, Midland, Texas 79701.

Chevron U.S.A., Inc. hereby consents to the requested assignment subject to the following terms and conditions:

1. Strata Production Company shall remain responsible to Chevron U.S.A., Inc. for all obligations under said Term Assignment.
2. The transfer of interest shall be made subject to all the terms and conditions of said Term Assignment and any amendments to this agreement, and Mewbourne hereby agrees to be bound by all of the terms and conditions of the Lease, as amended.
3. No further transfers of such interests being transferred to Mewbourne shall be made by Mewbourne to a third party without prior written approval of Chevron U.S.A., Inc..



4. Chevron U.S.A., Inc.'s consent shall not constitute:
 - a. a novation, nor
 - b. a waiver of the rights and remedies available to Chevron U.S.A., Inc. under applicable law, nor
 - c. a waiver of any provision in said Lease.
5. Strata Production Company shall promptly furnish Chevron U.S.A., Inc. a recorded copy of the Assignment, Bill of Sale and Conveyance between Strata Production Company, Assignor and Mewbourne Oil Company, Assignee, effective February 1, 2005..

Chevron U.S.A., Inc.'s consent shall not become effective until a copy of this letter is returned to Chevron U.S.A., Inc. signed by Strata Production Company, thus indicating Strata Production Company's acceptance of the above terms and conditions, and signed by Mewbourne thereby recognizing that any agreement between Strata Production Company and Mewbourne shall be subject to the above terms and conditions.

Please indicate acceptance of the terms and conditions hereof by signing, dating and returning one fully executed copy of this letter to Chevron U.S.A., Inc. at the above address, Attention: Janette Lorenz.

Very truly yours,

Chevron U.S.A., Inc.

By: Charles D. Frisbie
Charles D. Frisbie

ACCEPTED AND AGREED this 2nd day of March, 2005.

Strata Production Company

By: Mark B. Murphy

Title: President

ACCEPTED AND AGREED this 17th day of March, 2005.

Mewbourne Oil Company

By: Harvey - Ed - Fect
Title: Attorney-in-Fact

STIPULATION OF INTEREST AND CROSS-CONVEYANCE

This Stipulation of Interest and Cross-Conveyance (the "**Stipulation**") is entered into by and between Mewbourne Oil Company ("**Mewbourne**"), and Chevron U.S.A. Inc. ("**Chevron**"). The foregoing parties are referred to individually as "**Party**" and collectively referred to as the "**Parties**". This Stipulation shall be effective October 1, 2013.

Notice Is Taken of the Following Facts:

1. The Forty-Niner Ridge Unit, dated July 1, 1973, was approved by the United States Geological Survey on August 2, 1973, and effective August 2, 1973, assigned Unit Agreement No. 14-08-0001-12406, and approved by the Commissioner of Public Lands for the State of New Mexico on July 24, 1973. Pursuant to Section 20 of the Unit Agreement, the same was partially terminated, effective December 18, 1978, as to all lands not then within a participating area, by Bureau of Land Management decision dated April 10, 1979. The partial contraction was also approved by the Commissioner of Public Lands. The following lands comprise those currently committed to the Forty-Niner Ridge Unit Agreement and Unit Operating Agreement as to all depths:

Township 23 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

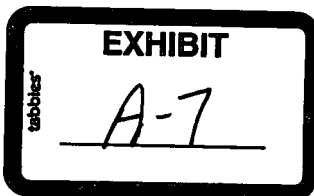
Section 09: All
 Section 10: All, except NW/4 NW/4
 Section 15: All
 Section 16: All
 Section 21: All
 Section 22: All; and

2. By Term Assignment dated effective September 8, 2004, recorded in Book 566, Page 150, Eddy County Records (the "**Term Assignment**"), Chevron assigned to Strata Production Company all of its operating rights in certain oil and gas leases, more particularly described in Exhibit "A" attached to the Term Assignment, and covering the following lands, limited to all depths below the base of the Delaware formation, (the "**Lands**"):

Township 23 South, Range 30 East, N.M.P.M., Eddy County, New Mexico

Section 09: All
 Section 10: All, except NW/4 NW/4
 Section 15: All
 Section 16: All
 Section 21: All
 Section 22: All; and

3. By Assignment dated February 23, 2005, recorded in Book 605, Page 630, Eddy County Records (the "**Assignment**"), Strata Production Company assigned to Mewbourne, all of its interest and its participants' interests in the Term Assignment; and



MARILYN EDWARDS
 CHEVRON USA INC
 1400 SMITH ST ROOM 40007
 HOUSTON TX 77002

4. By Letter dated March 1, 2005, Chevron granted its consent to the Assignment; and
5. By Amendment To Term Assignment dated December 15, 2005 and effective February 1, 2005, recorded in Book 625, Page 364, Eddy County Records, Chevron and Mewbourne amended the Term Assignment; and
6. Effective February 1, 2005, Strata Production Company and Mewbourne entered into an Exploration Agreement (the "**Exploration Agreement**") covering the Lands and Leases listed on Exhibit "A" attached hereto, pursuant to which Mewbourne has the right to earn from surface to the base of the Delaware formation in certain wellbores as described therein; and
7. By Letter dated February 23, 2005, Strata Production Company and Mewbourne entered into an agreement for cash consideration which remains in force as future drilling is contemplated; and
8. On June 1, 2006 Mewbourne was designated Sub-Operator for the Morrow Formation in the Forty-Niner Ridge Unit; and
9. The undivided interests currently owned by Mewbourne in and to the operating rights in the Morrow formation within the boundary of the Forty-Niner Ridge Unit are not included and are not a part of this Stipulation; and
11. The Parties desire to clarify and stipulate as to their respective interests in and to the oil and gas leasehold estate in the Lands, as limited to the depths more particularly identified herein, and further to cross-convey any interests necessary thereto .

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration, the Parties stipulate and agree as follows:

- (a) The Parties do hereby stipulate and spread the undivided interests currently owned by Mewbourne and Chevron in and to the operating rights in the Forty-Niner Ridge Unit as to all depths from (i) the base of the Delaware formation to the top of the Morrow formation excluding any wells drilled prior to the date this Stipulation is fully executed, with such excluded wells more particularly described in Exhibit "B" attached hereto, (ii) the surface down to the base of the Delaware formation only as to those certain wellbores more particularly described in Exhibit "C" attached hereto and (iii) 100 feet below the base of the Morrow formation and below as follows:

	<u>Operating Rights</u>	
	<u>Before Payout</u>	<u>After Payout</u>
Mewbourne	40.000%	28.567%
Chevron	36.181%	28.567%

(“Payout” is defined in the Assignment. After Payout numbers listed above take into consideration Strata Production Company’s retained back-in as defined in Exploration Agreement.)

- (b) The Parties do hereby grant, assign and convey to each other such interests in the operating rights as may be necessary to give effect to the provisions of Paragraph (a) above.
- (c) The Parties will observe and comply with all covenants, terms and provisions, express or implied, contained in the assignments, agreements, leases, easements, permits, unit agreements, operating agreements, and all other agreements pertaining to the Parties’ interests in the Forty-Niner Ridge Unit.
- (d) The Parties shall, at their own cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Stipulation. Accordingly, to effectuate this Stipulation and the transfer of operatorship of the Forty-Niner Ridge Unit from Chevron to Mewbourne, the Parties shall do the following within 60 days of the date this Stipulation is fully executed:
 - (1) Chevron will execute and deliver an Assignment of Record Title to Mewbourne covering all federal lands within the Forty-Niner Ridge Unit.
 - (2) Chevron will execute and deliver a Transfer of Operating Rights to Mewbourne evidencing ownership as stipulated herein.
 - (3) As necessary, Mewbourne will execute and deliver a Transfer of Operating Rights to Chevron evidencing ownership as stipulated herein.
 - (4) Chevron will execute and deliver a Resignation of Unit Operator with respect to the Forty-Niner Ridge Unit.
 - (5) Chevron will execute and deliver a Designation of Successor Unit Operator in order to designate Mewbourne as Operator of the Forty-Niner Ridge Unit.
 - (6) Mewbourne will handle the filing of record of this Stipulation and the above instruments in the Eddy County Records and the BLM, as appropriate. Chevron shall reimburse Mewbourne for 50% of the total fees associated with such filings.
- (e) The Parties execute and deliver this Stipulation without warranties of any kind, express, implied, statutory or otherwise, all of which are disclaimed by the Parties.
- (f) The provisions of this Stipulation are and shall be deemed to be covenants running with the land, and shall be binding upon, and shall

inure to the benefit of, the Parties and their respective successors and assigns.

- (g) This Stipulation shall only affect the lands and depths described in Paragraph (a) above and shall not affect any interest in wells that were drilled between the base of the Delaware and top of the Morrow before the date this Stipulation is fully executed; those interests shall remain the same.
- (h) For convenience, this Stipulation may be executed in separate or multiple counterparts by the Parties. All of such counterparts collectively shall be deemed to be one document.

MEWBOURNE OIL COMPANY

By: *[Signature]*
NAME: *James Allen Brinson* *huh*
TITLE: *Attorney-In-Fact* *de*

CHEVRON U. S. A. INC.

By: *[Signature]*
NAME: *D. L. SLEEPER*
TITLE: *ATTORNEY-IN-FACT*

STATE OF TEXAS

COUNTY OF

Smith

This instrument was acknowledged before me on October 15, 2013
 by James Allen Brinson, as Attorney-In-Fact of Mewbourne Oil
 Company, a Delaware Corporation on behalf of said corporation.

Julie Schuber
 Notary Public

My Commission Expires:

9-23-2017

STATE OF TEXAS

COUNTY OF

Harris

This instrument was acknowledged before me on October 8th, 2013
 by D.L. Sheefer, as attorney in fact of Chevron U.S.A.
 Inc.

Angela Renee Harmon
 Notary Public

My Commission Expires:

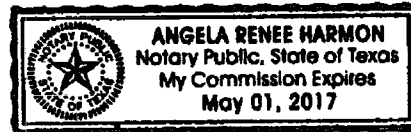
May 01, 2017

Exhibit "A"

Attached to and made a part of that certain Stipulation of Interest for the Forty-Niner Ridge Unit dated effective October 1, 2013, by and between Mewbourne Oil Company and Chevron U.S.A. Inc.

LEASES

Lease/Serial Number	Lessor	Original Lessee	Lease Date	Recorded			Map Description – Insofar and only insofar as said Leases cover the following:
				Book	Page	Registry	
NMNM 0531075	United States of America	G. Burke and H. McCall	05/01/1964	66	718	NA	<u>Township 23 South, Range 30 East</u> Section 10: E/2, E/2NW/4, SW/4NW/4, SW/4, comprising 600 acres
NMNM 0531277	United States of America	Bonnie J. Andrikopoulos	05/01/1964	NA	NA	NA	<u>Township 23 South, Range 30 East</u> Section 15: S/2, comprising 320 acres
NMNM 531731	United States of America	Claude C. May	05/01/1964	NA	NA	NA	<u>Township 23 South, Range 30 East</u> Section 15: S/2NW/4, Section 21: SE/4NE/4, Section 22: NE/4NE/4, and comprising 160 acres
NMNM 543280	United States of America	Roxie E. Hudson	07/01/1964	94	102	NA	<u>Township 23 South, Range 30 East</u> Section 09: E/2NE/4, NE/4SE/4, comprising 120 acres
NMNM 543748	United States of America	W. E. Corn	07/01/1964	95	420	NA	<u>Township 23 South, Range 30 East</u> Section 15: NE/4, N/2NW/4, comprising 240 acres
NMNM 0543827	United States of America	James L. Cleary	06/01/1964	99	732	NA	<u>Township 23 South, Range 30 East</u> Section 21: SW/4 NE/4, comprising 40 acres
NMNM 104965 (segregated from NMNM 0543827)	United States of America	James L. Cleary	06/01/1964	99	732	NA	<u>Township 23 South, Range 30 East</u> Section 09: W/2NE/4, W/2, S/2SE/4, NW/4SE/4, Section 21: SE/4, W/2NW/4, and comprising 760 acres
NMNM 86441	United States of America	R. Heeren	05/01/1965	NA	NA	NA	<u>Township 23 South, Range 30 East</u> Section 21: S/2SW/4; being contractual rights only in 80 acres
NMNM 18996	United States of America	Nuclear Corporation of New Mexico	09/01/1973	NA	NA	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4SW/4, comprising 40 acres
E-5229-7	State of New Mexico	Malco Refineries, Inc.	05/10/1951	NA	NA	NA	<u>Township 23 South, Range 30 East</u> Section 16: All, Section 21: E/2NW/4, NE/4SW/4, NE/4NE/4,

							Section 22: W/2, SE/4, S/2NE/4, NW/4NE/4; being contractual rights only in 1,400 acres
QLS 089921	William O. James, et ux Joanne B.	Griffin, Ross & Burnett, Inc.	07/13/1973	109	220	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4NE/4, comprising 40 acres
QLS 089936	Jean Ann Tully Stell, et vir Philip G.	Griffin, Ross & Burnett, Inc.	07/13/1973	109	226	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4NE/4, comprising 40 acres
QLS 089940	James DeBlois	Griffin, Ross & Burnett, Inc.	09/17/1973	109	232	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4NE/4, comprising 40 acres
QLS 089948	Marilie Tully Walker	Griffin, Ross & Burnett, Inc.	09/28/1973	112	433	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4NE/4, comprising 40 acres
QLS 089951	Lena James, widow of Frank James	Griffin, Ross & Burnett, Inc.	12/21/1973	112	798	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4NE/4, comprising 40 acres
QLS 089954	T. T. Sanders, Jr.	Skelly Oil Company	07/20/1974	124	472	NA	<u>Township 23 South, Range 30 East</u> Section 21: NW/4NE/4, comprising 40 acres

End of Exhibit "A"

Exhibit "B"

Attached to and made a part of that certain Stipulation of Interest for the Forty-Niner Ridge Unit dated effective October 1, 2013, by and between Mewbourne Oil Company and Chevron U.S.A. Inc.

**EXCLUDED WELL LISTING – BASE OF DELWARE FORMATION TO TOP OF
MORROW FORMATION**

**Forty-Niner Ridge Unit #102 – API No. 30-015-35033 – UL G – Section 16, Township 23
South, Range 30 East, Eddy County, New Mexico**

Exhibit "C"

Attached to and made a part of that certain Stipulation of Interest for the Forty-Niner Ridge Unit dated effective October 1, 2013, by and between Mewbourne Oil Company and Chevron U.S.A. Inc.

WELL LISTING - SURFACE TO BASE OF DELWARE FORMATION

**Forty-Niner Ridge Unit #101 - API NO. 30-015-34331 - UL N - Section 16, Township 23
South, Range 30 East, Eddy County, New Mexico**

**Forty-Niner Ridge Unit #102 - API No. 30-015-35033 - UL G - Section 16, Township 23
South, Range 30 East, Eddy County, New Mexico**

RECEPTION NO: 1312536 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 11/13/2013 11:54 AM
BOOK 0958 PAGE 0209 *Bradley*
DARLENE ROSPRIM, COUNTY CLERK



Sharon T. Shaheen

From: Seth McMillan
Sent: Monday, October 29, 2018 1:49 PM
To: Sharon T. Shaheen
Subject: FW: Deep Disposal Guidance
Attachments: NMOCD input permit guidelines for deep saltwater disposal wells Final.docx

From: Tyrrell, Timothy [mailto:Timothy_Tyrrell@xtoenergy.com]
Sent: Monday, October 29, 2018 6:41 AM
To: Trais Kliphuis <trais@nmoga.org>
Subject: Deep Disposal Guidance

All,
NMOGA will be submitting the attached Deep Disposal Guidance input to NMOCD Director Riley. The document represents the Deep Disposal Group's consensus formulated during our meetings and emails. There are essentially no changes from the draft sent out for comment a few weeks ago. Phillip Goetz will be referencing this input in the NMOCD's effort to update their UIC Guidelines.

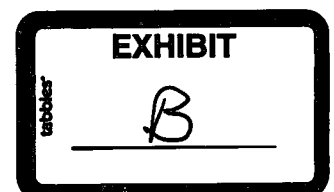
Thanks to all who contributed to this effort.

Please let me know if you have any questions.

Thanks,

Tim Tyrrell
XTO Geoscience Technical Manager
22777 Springwoods Village Pkwy
Spring Texas

832-625-2911 New Office Number
713-702-3267 Cell



NMOCD Permit Guidelines for Delaware Basin Deep Saltwater Disposal Wells

The Guidelines below apply to all Delaware Basin salt water disposal (SWD) well applications seeking to inject below the base of the Woodford Shale into Silurian-Devonian reservoirs. Applicants choosing to complete notifications and analyses in accordance with this technical guidance may be subject to administrative approval of the application.

1. 19.15.26.8.

- B.2: Notification requirement increased from 'one-half mile of the well' to 'one mile of the well'.
- Notification to include current SWD well permit holders/operators

2. UIC Manual – Permitting Class II Wells

- 5. Area of Review: 'within one-half mile of each proposed injection well' increased to 'within one mile of each proposed injection well'.

3. New Item – Seismicity Risk Assessment

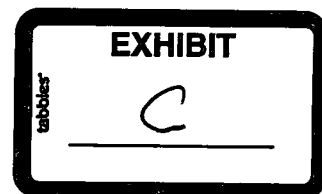
- Suggest current wording requiring statement from 'knowledgeable person' be removed.
- Seismicity Risk Assessment should include:
 - A. Assessment of historical seismicity within 6 miles of the proposed location utilizing USGS and/or other resources that may become publically available (example: WIPP data). *This loosely leverages the Texas Railroad Commission requirement*
 - B. Characterization of subsurface stress conditions
 - Stress regime (normal, strike-slip, reverse)
 - Orientation of maximum horizontal stress (Hmax)
 - C. Characterization of basement involved faults in the area of the proposed SWD well
 - Fault strike orientation and fault dip
 - D. Characterization of potential pore pressure increases due to the proposed SWD well
 - E. Integration of items A through D into a consolidated risk assessment

4. New Item - Initial Static Reservoir Pressure Measurement

- The operator shall determine the static reservoir pressure prior to initiating disposal operations.
- The pressure information shall be submitted to the NMOCD utilizing Form C103

5. New Item – SWD Well Spacing

- Spacing for new SWD wells should be at least 1.5 miles from existing or permitted Deep SWD wells.



6. New Item – Casing / Tubing

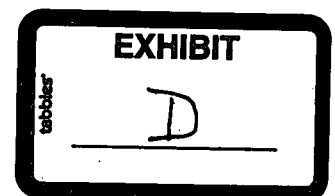
- *NMOCD's primary concern is the ability to plug the well should downhole configuration not allow for effective fishing operations*
- Casing / Tubing relative dimensions:
 - A. The tubing OD must have adequate clearance with the casing ID. The tubing size selected should permit washover and fishing operations in case the tubing becomes stuck and requires recovery. A wash pipe must be available that has an outside coupling dimension less than the casing drift diameter and an internal drift diameter that is greater than the tubing coupling OD. Also, the tubing OD should permit use of an overshot inside the casing that will go over the body of the pipe. (It is assumed for the purposes of this policy that tubing collars may be milled.)
 - B. Special circumstances requiring small clearances (0.5" or less difference between the tubing pipe body OD and casing drift ID) shall be risk assessed by the operator and the risk assessment attached to the well application or sundry notice. The operator shall describe in the risk assessment how plugging will be accomplished through stuck tubing should fishing not be successful.

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

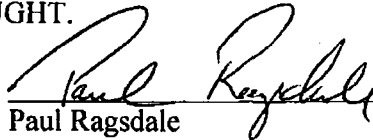
Affidavit of Paul Ragsdale

I, Paul Ragsdale, being first duly sworn, do hereby depose and attest as follows:

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.
2. I offer this Affidavit in support of Strata Production Company's (Strata) Response to Mewbourne Oil Company's (Mewbourne) Motion to Dismiss in the matter of the Application of Strata Production Company to Revoke the Injection Authority Granted Under SWD-1591-A for the Forty Niner Ridge SWD Well No.1, Operated by Mewbourne Oil Company in Eddy County, New Mexico, bearing Case No. 16447 before the Oil Conservation Division.
3. I am currently the Operations Manager for Strata. Prior to employment in my current position, I was employed as the Operations Manager for Yates Petroleum for 5 years, the President and Operations Manager of Agave Energy for 12 years, a Completion and Production Engineer for Yates Petroleum for 3 years, the Operations Manager for McClellan Oil Company for 10 years and 5 years with Halliburton as the District Engineer in Artesia, NM. I am a petroleum engineer with a degree in Industrial Engineering from NMSU, 10 weeks of Petroleum Engineering Training at Halliburton's Duncan, OK facility, various PE seminars and 40 years of actual experience in Drilling and Completion of Oil and Gas wells. As Operations Manager, I have gained personal knowledge relating to the facts recited herein.
4. In my experience, drilling Mewbourne's proposed Forty Niner Ridge SWD Well No. 1 (API 30-015-44950) to the Devonian formation may require high mud weights, which can damage upper formations. The potential damage is especially concerning in a potash area where the surface area for development is limited.



FURTHER THE AFFIANT SAYETH NAUGHT.


Paul Ragsdale

The foregoing Affidavit of Paul Ragsdale was sworn or affirmed before me on this 1st
day of November, 2018.


Notary Public

My commission expires: 9-12-2022.

