

ASSIGNMENT OF OPERATING RIGHTS

THIS AGREEMENT, made and entered into by and between:

AMOCO PRODUCTION COMPANY, a Delaware corporation, whose mailing address is P. O. Box 3092, Houston, Texas 77253, and who has an office at 501 WestLake Park Boulevard, Houston, Texas 77079, hereinafter called "Assignor,"

and

SANTA FE EXPLORATION COMPANY, P. O. Box 1136, Roswell, New Mexico 88201, and UNION TEXAS PETROLEUM CORPORATION, 1400 Wilco Building, Midland, Texas, 79701, hereinafter collectively called "Assignee,"

WITNESSETH:

THAT, WHEREAS, pursuant to the provisions of a certain Farmout Contract and Joint Operating Agreement dated March 1, 1983 between Amoco Production Company and Santa Fe Exploration Company and Joint Operating Agreement dated September 30, 1983 between Union Texas Petroleum Corporation and Amoco Production Company, et al, Assignor desires to convey to Santa Fe Exploration Company and Union Texas Petroleum Corporation seventy-five percent (75%) of its interest in the Operating Rights (as defined hereinafter) in the percentage of 37.5% each, in and to those oil and gas leases described in Exhibit "A-1" attached hereto and made a part hereof, INsofar (AND ONLY INsofar) as said leases cover the interval in the following described tract of land:

S/2 N/2, N/2 SW/4 and NE/4 NW/4 Section 17, N/2 NE/4, SW/4 NE/4 and E/2 SE/4 Section 18, T-18-S, R-34-E, Lea County, New Mexico.

AND THAT, WHEREAS, pursuant to the provisions of said certain Farmout Contract dated March 1, 1983 between Amoco Production Company and Santa Fe Exploration Company, Assignor desires to convey to Santa Fe Exploration Company seventy-five percent (75%) of its interest in the Operating Rights (as defined hereinafter) in and to those oil and gas leases described in Exhibit "A-1" attached hereto and made a part hereof, INsofar (AND ONLY INsofar) as said leases cover the interval in the following described tract of land:

NW/4 SE/4 Section 7, SW/4 SW/4 Section 8, and NW/4 Section 21, T-18-S, R-34-E, Lea County, New Mexico,

Oil Conservation Division

Case No. \_\_\_\_\_

Exhibit No. 4

EOG

from the base of the Queen formation down to and including, but not below, that subsurface depth which is 14,100 feet below the surface of the earth (the said interval in the above-described land is sometimes hereinafter referred to as the "Assigned Premises"); and

WHEREAS, the above-described oil and gas leases (whether one or more), the rights therein, and the land covered thereby, insofar (and only insofar) as said leases cover the Assigned Premises, are hereinafter sometimes referred to as the "Lease Acreage"; and the term "Operating Rights" in said Lease Acreage means the exclusive right to drill and operate for the discovery and production of oil and gas in and on the above-described Lease Acreage, with the exclusive right to take and appropriate the oil and gas so produced from the said Lease Acreage, subject to the terms and provisions of said leases;

NOW, THEREFORE, in consideration of the premises and of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, Assignor hereby does assign, transfer and convey, subject to all of the provisions hereinbelow set out, without warranty of title, either express or implied, unto Assignee, seventy-five percent (75%) as set out hereinabove of Assignor's right, title and interest in and to the said Operating Rights in the above-described Lease Acreage.

TO HAVE AND TO HOLD said interest in the Operating Rights in the Lease Acreage unto Assignee and Assignee's successors in interest, subject to the following terms, covenants and conditions:

ARTICLE I:     SUBJECT TO ALL EXISTING BURDENS ✓

The term "Existing Burdens" as used herein shall mean all royalties (including, but not limited to, that royalty which is reserved to the owners of the minerals covered by an oil and gas lease under the terms of such lease), overriding royalties, production payments, net profits obligations, carried working interests and all other payments out of or with respect to production with which the Lease Acreage is burdened as of the date hereof. The interest in the Lease Acreage covered hereby is conveyed by Assignor and accepted by Assignee subject to the Existing Burdens with which said Lease Acreage is encumbered (including royalties and overriding royalties owned by Assignor, if any); and Assignee hereby

assumes and agrees to pay, perform or carry, as the case may be, its proportionate part of each of said Existing Burdens to the extent that such Existing Burdens are or remain a burden on the interest in the Lease Acreage herein assigned.

ARTICLE II: GEOLOGICAL INFORMATION ON ADDITIONAL WELLS

As to any wells drilled on the Lease Acreage by Assignee after the delivery of this assignment, Assignee shall give Assignor access to said wells and the derrick floor of said wells at all reasonable hours and, upon request of Assignor, shall furnish to Assignor well samples of all cores and cuttings, consecutively taken, unless Assignor elects to take such samples itself; and, at the request of Assignor, Assignee shall furnish to Assignor copies of any electrical well formation or other surveys made.

ARTICLE III: SURFACE RIGHTS OF ASSIGNOR ON ASSIGNED ACREAGE

Since in this assignment Assignor retains a part of or interest in a portion of the leases affected hereby, Assignor reserves unto itself, its successors and assigns, during the term of such leases, or any extensions or renewals thereof, the right to maintain existing installations and the right to construct, maintain and operate on the assigned Lease Acreage all facilities necessary or convenient to the enjoyment of Assignor's retained estate.

ARTICLE IV: REASSIGNMENT

Assignee shall not surrender, let expire, abandon, re-lease, or fail to maintain by proper payment of delay rentals, royalties, shut-in gas well royalties, operations, or otherwise as may be necessary to maintain the interests of both Assignor and Assignee hereunder, all or any of its rights in said Lease Acreage, or any part thereof, unless Assignee has given Assignor written notice thereof at least sixty (60) days prior to such surrender, expiration, abandonment, or release, or to the time such payment, operations or other action is necessary to maintain said rights; and thereafter, if requested so to do by Assignor, Assignee shall immediately reassign such rights in said Lease Acreage, or

such part thereof, to Assignor. When (and if) production from the Lease Acreage has been established, it shall be conclusively presumed that Assignee has abandoned all rights hereunder unless Operations, as hereinafter defined, are thereafter conducted upon said Lease Acreage with no cessation for more than sixty (60) consecutive days. The term "Operations" as used herein, shall mean production of oil and/or gas in commercial quantities (a gas well which is capable of commercial production of gas but which is shut in pursuant to the terms of the lease or leases covering the land on which said well is located shall be deemed to be commercially productive of gas for the purposes of this article), or operations for, and any of, the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil and/or gas, and when such abandonment occurs, at the request of Assignor, Assignee shall reassign the Lease Acreage to Assignor. It is further covenanted and agreed that Assignor shall have the right to acquire such reassignment of the Lease Acreage, or part thereof, prior to the abandonment of the last producing well located on such Lease Acreage or part thereof, with the exclusive right and option of acquiring all equipment and material appurtenant to said well located thereon, payment for which shall be made by Assignor to Assignee based on the salvage value of such equipment and material in said well (by "salvage value" is meant the fair market value at the surface of the wellsite of such equipment and material as can be removed from the hole to the surface, after deduction of an amount equivalent to such costs and expenses as would be necessary to actually remove such equipment and material from the hole). In the event Assignee fails or refuses to deliver a reassignment to Assignor as provided herein, Assignor may execute and record a document relating the facts and describing the title involved, and upon the filing of such document in the County (or Parish) Records where the Lease Acreage is located, all rights granted hereunder to Assignee shall terminate absolutely and shall revert to and revest in Assignor. All provisions herein with regard to reassignment to Assignor are in addition to and not in lieu of other rights of Assignor hereunder. In the event any rights in the Lease Acreage revert or are assigned to Assignor under the provisions

of this paragraph, the same shall be free and clear of any and all overriding royalties, production or other payments, and other interests or rights acquired from and under Assignee, all of which shall be acquired subject to this limitation, and shall be extinguished and terminated upon such reversion or assignment. In no event shall Assignee be relieved of any obligation which accrued prior to the date of such reversion or retransfer, and Assignee shall indemnify Assignor for and hold Assignor harmless from all claims and causes of action whatsoever arising as the result of or in connection with Assignee's operations on the Lease Acreage.

ARTICLE V: COMPLIANCE WITH LEASES

This assignment is made subject to all of the terms and the express and implied covenants and conditions of the leases comprising the Lease Acreage, which terms, covenants and conditions Assignee hereby assumes and agrees to perform; and the terms, covenants and conditions of such leases shall be binding on Assignee not only in favor of the Lessors therein and Lessor's heirs and assigns, but also in favor of Assignor herein, its successors and assigns.

ARTICLE VI: NOTICES

All notices, reports and other communications required or permitted hereunder or desired to be given with respect to the rights or interests herein assigned or reserved shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail (return receipt requested) or by telex or telegraph, with all postage or charges fully prepaid, and addressed to Assignor at P. O. Box 3092, Houston, Texas 77253, or to its office at 501 WestLake Park Boulevard, Houston, Texas 77079; and to Assignee at the address hereinabove set out.

The date of service by mail (unless specifically provided hereinbelow to the contrary) shall be the date on which such written notice or other communication is deposited in the United States Post Office, addressed as above provided. The date of service by telegraph or telex shall be the date when it is sent. Each party hereto shall have

the right to change its address for all purposes of this assignment by notifying the other party hereto.

ARTICLE VII: RENTALS AND SHUT-IN GAS WELL ROYALTY

Assignor shall make a bona fide effort to pay any delay rental on the Lease Acreage assigned hereunder that may become due on said Lease Acreage; and Assignee shall, within fifteen (15) days after receipt of invoice from Assignor, reimburse Assignor to the extent of seventy-five percent (75%) of any rental so paid by Assignor. Assignee shall give Assignor written notice prior to the time that any gas well located on the Lease Acreage is shut in. Assignee shall make a bona fide effort to pay seventy-five percent (75%) of the shut in gas well royalty that may become due and payable under the provisions of the lease or leases comprising the Lease Acreage covered hereby, and shall receive no reimbursement therefor from Assignor. Either Assignor or Assignee may be relieved of its obligations with regard to payment of its share of any delay rentals and shut-in gas well royalty by notifying the other party thirty (30) days in advance of the date on which such delay rentals or shut-in gas well royalty is due and payable, of its election not to bear its share of said rentals or shut-in gas well royalty, and immediately thereafter assigning, without covenants of warranty, all of said party's interest in the Lease Acreage, to the party desiring to pay said delay rentals or shut-in gas well royalty.

ARTICLE VIII: OPTION TO PURCHASE LEASE ACREAGE

In the event that Assignee receives a bona fide offer which it is willing to accept for the purchase of said Lease Acreage, or any part thereof or interest therein, from a person, firm or corporation ready, able and willing to purchase such Lease Acreage, part thereof or interest therein, Assignee immediately shall give written notice thereof to Assignor, including in said notice the name and address of such offerer, the price offered, and all other pertinent items and conditions of the offer. Assignor, for a period of thirty (30) days after receipt of said notice, shall have the prior and preferred right and option to purchase from Assignee the Lease Acreage, or the part thereof or interest

*Prof R. J. R.*

therein covered by said offer, at the price and according to the terms and conditions specified in said offer; provided, that if Assignor fails to exercise its said right and option by giving written notice of its acceptance within thirty (30) days after receipt of the above-mentioned notice, Assignee shall accept said offer and complete said sale in accordance with said offer within sixty (60) days after the expiration of said period of thirty (30) days; and provided further, that if Assignee fails to accept said offer or to complete said sale within said period of sixty (60) days, the preferred right and option of Assignor under this paragraph shall be considered as revived, and Assignee shall not complete said sale to said prospective purchaser unless and until said offer again has been presented to Assignor, as hereinabove provided; and Assignor again has failed to elect to purchase on the terms and conditions of said offer. In the event any offer to purchase which Assignee is willing to accept, includes other leases or properties in addition to the Lease Acreage, or part thereof covered hereby, then during the period of time above provided, Assignor shall have the prior and preferred right to purchase such Lease Acreage, or part thereof, segregated from the other leases or properties included in said offer and at the fair cash market value thereof as of the date of such offer. All offers at any time made to Assignee, its successors or assigns, for the purchase of said Lease Acreage, or any part thereof or interest therein, shall be subject to all the terms and conditions of this paragraph.

ARTICLE IX: OPTION AND PREFERENTIAL RIGHT TO PURCHASE PRODUCTION

Assignor at any time, at all times and from time to time, shall have the option and the exclusive right to purchase all oil produced and saved from Assignee's interest in said Lease Acreage, at the market price for production of similar kind and quality prevailing in the field where produced on date of delivery.

Assignor shall also have the option and the exclusive right to purchase all gas, casinghead gas, and all other products produced and saved therewith from Assignee's interest in said Lease Acreage, and payment therefor to Assignee shall be made at the wellhead price under contracts for the sale of production of similar kind and quality

prevailing in the field at the time such option and right is initially exercised; provided that, if Assignor shall contract for the resale of such gas, casinghead gas, and other products at the wellhead, such payment shall be based upon the net proceeds accruing to Assignor at the wellhead under such contract. Assignor shall have said option and exclusive right (to purchase all gas, casinghead gas, and all other products produced and saved therewith from Assignee's interest in said Lease Acreage) for a period of thirty (30) days after being notified by certified or registered mail of the completion on the Lease Acreage of a well capable of producing such gas, casinghead gas, and other products produced and saved therewith, except that, if an expenditure of more than \$50,000 is required for construction of an extraction plant or any other extraction facility of any kind or for a pipeline or gathering system, then said exclusive option shall extend for a period of three (3) months after said notification. If, at the expiration of said thirty (30) days or three (3) months, as the case may be, Assignor has not exercised such exclusive option, then the exclusive option of Assignor shall expire, but in the event that Assignee thereafter receives a bona fide offer which it is willing to accept for the purchase of said gas and products or any part thereof or interest therein, from a prospective purchaser ready, able and willing to purchase such gas and products or any part thereof or interest therein, Assignee shall immediately give written notice thereof to Assignor (by certified or registered mail), including in said notice the name and address of such offerer, the price offered, and all other pertinent items and conditions of the offer. Assignor, for a period of thirty (30) days after receipt of said notice, shall have the prior and preferred right and option to purchase from Assignee the gas and products or part thereof or interest therein covered by said offer, at the price and according to the applicable terms and conditions specified in said offer; provided that, if Assignor fails to exercise its right and option by mailing written notice of its acceptance within thirty (30) days after the receipt of the above-mentioned notice, Assignee may accept said offer and complete said sale in accordance with said offer within thirty (30) days; and provided further, that if Assignee fails to accept said offer or to complete said sale (at the price and under the terms and conditions



specified in this offer) within said period of thirty (30) days, the preferred right and option of Assignor under this Article shall be considered as revived, and Assignee shall not complete such sale to said prospective purchaser or to any other prospective purchaser unless or until said offer again has been presented to Assignor, as hereinabove provided, and Assignor has again failed to elect to purchase on the terms and conditions of said offer. In the event that Assignee completes any sale, the preferred right and option of Assignor under this Article shall also revive upon the termination of such contract of sale. Any election not to purchase under the provisions of this Article shall apply to any portion of such gas and products as are attributable to any leasehold or working interest which the Assignor may thereafter acquire by virtue of any back-in option which Assignor may have under any of the other provisions of this contract, and likewise, Assignor's option shall apply to any back-in interest which Assignor may elect to exercise under this agreement.

At any time prior to the time limits prescribed above, Assignor may indicate its intention to waive all or any part of its preferential right, but such waiver, to be effective, must be in writing.

It is understood and agreed that the right to purchase hereby granted may be assigned by Assignor at any time, at all times and from time to time without limitation. The rights covered by this Article shall be a covenant running with the land, and shall bind the successors and assigns of the parties.

ARTICLE X:     ASSIGNOR'S RIGHTS TO APPLY TO EXTENSION AND RENEWALS OF LEASES

The rights herein reserved to Assignor, including Assignor's Overriding Royalty and the right to convert same to a leasehold or Working Interest, shall apply to all extensions and renewals of the leases comprising the Lease Acreage.

ARTICLE XI:     SUBJECT TO FARMOUT CONTRACT AND JOINT OPERATING AGREEMENT

This assignment, and the Lease Acreage covered hereby, is subject to all the terms and provisions of that certain Farmout Contract and Joint Operating Agreement between Assignor and Assignee to which a

copy of this form of assignment is attached as an Exhibit and to which reference is made for all purposes.

ARTICLE XII: EFFECT ON ASSIGNS

The terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns; and such terms, covenants and conditions shall be covenants running with the land above-described and the Lease Acreage herein assigned and with each transfer or assignment of said land or Lease Acreage.

EXECUTED this 21<sup>st</sup> day of January, 1985.

AMOCO PRODUCTION COMPANY



By: William T. Hale

Its Attorney-in-Fact  
WILLIAM T. HALE

SANTA FE EXPLORATION COMPANY

By: Wm. A. McCall

UNION TEXAS PETROLEUM CORPORATION

By: J. A. Watt

J. A. Watt  
Attorney-in-Fact

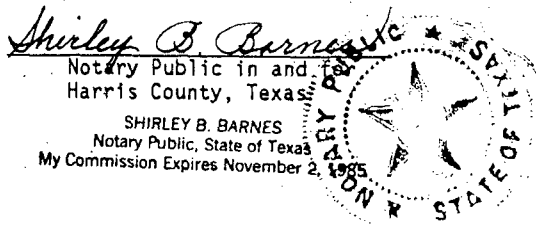
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OP2LR039

THE STATE OF TEXAS §

COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 21 day of January, 1985, by WILLIAM T. HALE as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

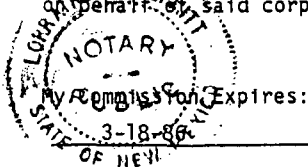


BOOK 455 PAGE 674

THE STATE OF NEW MEXICO §

COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me this 21st day of November, 1985 by William A. McAlpine, Jr., President of SANTAFE EXPLORATION COMPANY, a New Mexico corporation, on behalf of said corporation.

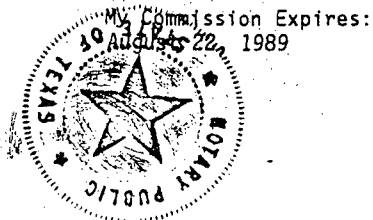


*[Signature]*  
Notary Public in and for  
Chaves County, New Mexico

THE STATE OF TEXAS §

COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 25th day of September, 1985, by J. A. Watt, Attorney-in-Fact of UNION TEXAS PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.



*[Signature]*  
Notary Public in and for  
the State of Texas

## EXHIBIT "A-1"

Amoco Lease:  
State of New Mexico Lease:  
Lessor:  
Lessee:  
Lease Date:  
Recording Date:  
Term of Lease:  
Acreage Description:

522061  
LG-1284  
State of New Mexico  
Amoco Production Company  
August 1, 1973  
Volume 283, Page 872  
10 years  
NW/4 SE/4 Section 7 and SW/4 SW/4  
Section 8, T-18-S, R-34-E, Lea County,  
New Mexico, being only those rights  
covered by this lease from the base of  
the Queen formation to 100' below  
total depth drilled in the initial  
well provided for in Article 3 herein.

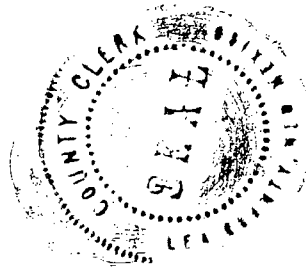
Amoco Lease:  
State of New Mexico Lease:  
Lessor:  
Lessee:  
Lease Date:  
Recording Date:  
Term of Lease:  
Acreage Description:

521886  
LG-1125  
State of New Mexico  
Amoco Production Company  
April 1, 1973  
Volume 282, Page 578  
10 years  
S/2 N/2, N/2 SW/4 and NE/4 NW/4  
Section 17 and NE/4 and E/2 SE/4  
Section 18 T-18-S, R-34-E, Lea County,  
New Mexico, being only those rights  
covered by this lease from the base of  
the Queen formation to 100' below  
total depth drilled in the initial  
well provided for in Article 3 herein.

Amoco Lease:  
State of New Mexico Lease:  
Lessor:  
Lessee:  
Lease Date:  
Recording Date:  
Term of Lease:  
Acreage Description:

565593  
LG-5988  
State of New Mexico  
Amoco Production Company  
November 1, 1978  
Volume 315, Page 423  
10 years  
NW/4 Section 21, T-18-S, R-34-E, Lea  
County, New Mexico, being only those  
rights covered by this lease from the  
base of the Queen formation to 100' be-  
low total depth drilled in the initial  
well provided for in Article 3 herein.

/ss1  
OP2LR039



STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

NOV 26 1985

At 12:09 o'clock P.M.  
and recorded in Book \_\_\_\_\_  
Page \_\_\_\_\_  
Pat. Spiller, County Clerk  
By AB Deputy

61564