

ASSIGNMENT AND BILL OF SALE

THE STATE OF NEW MEXICO  
COUNTY OF LEA

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§  
§

KNOW ALL MEN BY THESE PRESENTS:

THAT for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned REDROCK OPERATING LTD. CO., a New Mexico Limited Liability Company corporation, whose address is P. O. Box 140505, Dallas, Texas 75214 ("Assignor"), does hereby SELL, ASSIGN, TRANSFER, SET OVER and CONVEY unto ROCA RESOURCE COMPANY, INC., whose address is P. O. Box 1981, Midland, Texas 79702 ("Assignee"), subject to the terms and provisions set forth herein, all of the Assignor's right, title and interest in, to and under, or derived from, the oil and gas leases, oil, gas and mineral leases and other interests therein (the "Leases") specifically described or referred to in Exhibit "A" attached hereto and made a part hereof for all purposes; together with identical interests in and to all property and rights incident thereto, including without limitation, all materials, equipment, personal property and fixtures located thereon (excepting and reserving the compressor and appurtenances thereto) or used in connection therewith and all of Assignor's rights in, to and under all agreements, leases, permits, rights-of-way, easements, licenses, options and orders in any way relating thereto as of 7 A.M. Local Time April 1, 1999, (the "Effective Time"); all of the foregoing properties, rights and interests being hereinafter sometimes called the Subject Interests.

Assignor hereby excepts and reserves unto itself as an overriding royalty interest two percent (2%) of all oil, gas, and associated hydrocarbons produced and saved from the E/2 of Section 10 under the terms and provisions of the Leases 1 and 2 more fully described on Exhibit "A" and an overriding

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BOOK 960 PAGE 340

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12622 Exhibit No. 3  
Submitted by:  
Nearburg Exploration Company, L.L.C.  
Hearing Date: June 28, 2001

royalty interest of ten percent (10%) percent of all oil, gas, and associated hydrocarbons produced and saved from the S/2 of Section 34 under the terms and provisions of Lease 4 more fully described on Exhibit "A". This overriding royalty interest shall be in addition to all royalties, overriding royalties, and burdens payable out of production heretofore created. Said overriding royalty shall be delivered to Assignor free and clear of all liens and all costs of development and operation, (including charges for gathering, transportation, compression and treatment), but will be subject to a proportionate part of any and all applicable taxes. Assignor shall have the right to take or separately dispose of its proportionate share of all production which is attributable to the overriding royalty interest herein reserved.

The overriding royalty interest reserved herein to Assignor shall be reduced proportionately if Assignor's interest in the Oil and Gas Leases cover less than the full undivided interest in the oil and gas and associated hydrocarbons in the assigned premises or if Assignor does not own all leasehold rights in said leases.

TO HAVE AND TO HOLD the Subject Interests unto Assignee, its successors and assigns forever.

1. Assignor further gives and grants unto Assignee full power and right of substitution and subrogation in and to all covenants and warranties by others heretofore given or made in respect of the Subject Interests. THIS ASSIGNMENT IS FURTHER MADE AND ACCEPTED UPON THE UNDERSTANDING AND AGREEMENT THAT ASSIGNOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA, INFORMATION, OR MATERIALS HERETOFORE OR HEREAFTER FURNISHED ASSIGNEE IN CONNECTION WITH THE SUBJECT

INTERESTS, OR AS TO THE QUALITY OR QUANTITY OF HYDROCARBON RESERVES (IF ANY) ATTRIBUTABLE TO THE SUBJECT INTERESTS, OR THE ABILITY OF THE INTERESTS TO PRODUCE HYDROCARBONS. ANY AND ALL SUCH DATA, INFORMATION, OR OTHER MATERIALS FURNISHED BY ASSIGNOR IS PROVIDED ASSIGNEE AS A CONVENIENCE AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT ASSIGNEE'S SOLE RISK. ASSIGNEE EXPRESSLY WAIVES THE PROVISIONS OF CHAPTER XVII, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED), VERNON'S TEXAS CODE ANNOTATED BUSINESS AND COMMERCE CODE (THE "DECEPTIVE TRADE PRACTICES ACT").

2. THIS ASSIGNMENT IS MADE BY ASSIGNOR AND ACCEPTED BY ASSIGNEE WITHOUT REPRESENTATIONS, COVENANTS OR WARRANTIES AS TO TITLE OR QUANTUM OF INTEREST CONVEYED, EITHER EXPRESSED OR IMPLIED, ASSIGNEE HAVING MADE ITS OWN INDEPENDENT EXAMINATION AND FOUND SAME TO BE SATISFACTORY. IT IS UNDERSTOOD AND AGREED THAT ASSIGNEE HAS INSPECTED THE PROPERTY AND PREMISES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION AND THAT ASSIGNEE SHALL ACCEPT ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION.
3. Assignor will execute and deliver all such other and additional instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, as may be necessary more fully to assure to Assignee or its successors or assigns all of the respective rights and interests herein and hereby granted or intended to be granted.
4. By its acceptance of this Assignment, Assignee shall comply with and does hereby assume and agree to perform Assignee's proportionate part of all express and implied covenants,

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obligations and reservations contained in the Leases, and the interests assigned herein are subject to and shall bear their proportionate share of all existing burdens on the Leases.

5. This Assignment of the Subject Interests is made subject to all reservations, exceptions, limitations, contracts and other burdens or instruments which are of record or of which Assignee has actual or constructive notice, including any matter included or referenced in the materials made available by Assignor to Assignee.

6. As used in this paragraph 6, and the subparagraphs hereunder "claims" shall include claims, demands, causes of action, liabilities, damages, penalties and judgments of any kind or character and all costs and fees in connection therewith.

(a) Assignee shall, (i) at the Effective Time assume, and be responsible for and comply with all duties and obligations of Assignor, express or implied, with respect to the Subject Interests, including, without limitation, those arising under or by virtue of any lease, contract, agreement, document, permit, applicable statute or rule, regulation or order of any governmental authority (specifically including, without limitation, any governmental request or requirement to plug, re-plug and/or abandon any well of whatsoever type, status or classification, or take any clean-up or other action with respect to the property or premises), and (ii) defend, indemnify and hold Assignor harmless from any and all claims in connection therewith, except any such claims arising directly or indirectly from, or incident to, Assignor's

ownership or operation of the Subject Interests prior to the Effective Time.

- (b) Assignor shall indemnify and hold harmless Assignee from any and all claims, costs, expenses, liabilities or causes of action to or by third parties arising out of or relating to the ownership or operation of the Subject Interests prior to the Effective Time. Assignee shall indemnify and hold harmless Assignor from any and all claims, costs, expenses, liabilities or causes of action to or by third parties arising out of or relating to the ownership or operation of the Subject Interests after the Effective Time. Each indemnified party hereunder agrees that upon its discovery of facts giving rise to a claim for indemnity under the provisions of this Assignment, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial or otherwise, by any third party (such third party actions being collectively referred to herein as the "Claim"), with respect to any matter as to which it is entitled to indemnity under the provisions of this Assignment, it will give prompt notice thereof in writing to the indemnifying party together with a statement of such information respecting any of the foregoing as it shall then have. Such notice shall include a formal demand for indemnification under this Assignment. The indemnified party shall afford the indemnifying party a reasonable opportunity to pay, settle or contest the Claim at its expense.
- (c) Assignor shall (i) be responsible for any and all claims arising out of the production or sale of hydrocarbons from the Subject Interests—or the proper accounting or payment to

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parties for their interests therein—insofar as such claims relate to periods of time prior to the Effective Time, and (ii) defend, indemnify and hold Assignee harmless from any and all such claims. Assignee shall be responsible for all of said types of claims insofar as they relate to periods of time from and after the Effective Time and shall defend, indemnify and hold Assignor harmless therefrom.

7. All ad valorem taxes, real property and similiar obligations ("Property Taxes") for the year 1999 shall be prorated and settlement shall be made at Closing or as soon thereafter as possible.
8. All proceeds (including proceeds held in suspense or escrow) from the sale of production actually sold and delivered by Assignor prior to the Effective Time and attributable to the Subject Interests shall belong to Assignor and all proceeds from the sale of production actually sold and delivered after the Effective Time attributable to the Subject Interests shall belong to Assignee. In addition, all oil, condensate or liquid hydrocarbons (hereinafter in this paragraph called "oil") in storage above the pipeline connection shall be gauged and all gas meter charts shall be replaced at the Effective Time (with Assignee having the right to have a representative present). Assignee shall pay Assignor for such oil at the highest posted field price prevailing for oil of like grade and gravity for the particular field as of the Effective Time.
9. All costs, expenses and obligations relating to the Subject Interests which accrue prior to the Effective Time shall be paid

and discharged by Assignor; and all costs, expenses and obligations relating to the Subject Interests which accrue after the Effective Time shall be paid and discharged by Assignee.

10. All taxes (other than ad valorem and income taxes) which are imposed on or with respect to the production of oil, gas or other hydrocarbons or minerals or the receipt of proceeds therefrom (including but not limited to severance, production, excise and windfall profit taxes) shall be apportioned between the parties based upon the respective shares of production taken by the parties. Payment or withholding of all such taxes which have accrued prior to the Effective Time and filing of all statements, returns and documents pertinent thereto shall be the responsibility of Assignor. Payment or withholding of all such taxes which have accrued from and after the Effective Time and filing of all statements, returns and documents incident thereto shall be the responsibility of Assignee.
11. The provisions hereof shall be covenants running with the lands and shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns.
12. This Assignment and Bill of Sale may be executed in multiple counterparts, all of which shall be construed together as an original instrument to the same extent and with like effect as though all the parties hereto had executed each counterpart. The parties specifically agree that the execution and acknowledgment pages from the several counterparts may be aggregated into one counterpart for recordation and other purposes.

EXECUTED this 27<sup>th</sup> day of May, 1999, but effective as of the  
1st day of April, 1999.

"ASSIGNOR"

REDROCK OPERATING LTD. CO.

By: Mark L. Stanger  
Title: Partner  
Date: 5/27/99

"ASSIGNEE"

ROCA RESOURCE COMPANY, INC.

By: [Signature]  
Title: Vice-President  
Date: 5/27/99

STATE OF TEXAS §  
COUNTY OF Dallas §

This instrument was acknowledged before me on 27<sup>th</sup> of May,  
1999, by Mark L. Stanger, of REDROCK OPERATING LTD. CO., a limited  
liability company, on behalf of said company.



My Comm. Expires:

[Signature] New Mexico  
Notary Public, State of Texas  
Tami L. Treisch  
Printed/Typed Name of Notary

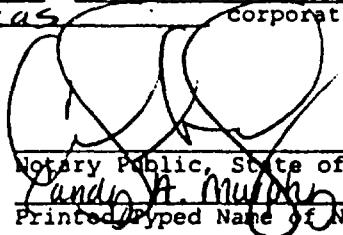
BOOK 960 PAGE 347



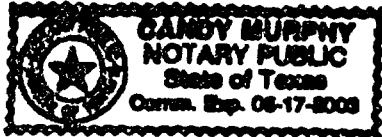
STATE OF TEXAS                    §  
COUNTY OF MIDLAND            §

This instrument was acknowledged before me on Mar 27th,  
1999, by Duke L. Hillman, Vice-President  
of ROCA RESOURCE COMPANY, INC., a Texas corporation, on behalf  
of said corporation.

My Commission Expires:  
5-17-2003

  
\_\_\_\_\_  
Notary Public, State of Texas

Candy A. Murphy  
\_\_\_\_\_  
Printed/Typed Name of Notary



BOOK 960 PAGE 348

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EXHIBIT 'A'

Attached to and made a part of that certain Assignment and Bill of Sale dated \_\_\_\_\_, 1999 and between Redrock Operating Ltd. Co. and Roca Resources Company, Inc.

All of Seller's rights, title and interest in, to and under or derived from the oil and gas leases, oil, gas and mineral leases, mineral interests, unit agreements, operating agreements and all other contracts and agreements and all other interests derived therefrom located in whole or in part within the surface boundaries of the following described tracts of land.

Lease #1

Lessor: United States of America  
Serial Number: NM-049943  
Original Lessee: Charles H. Quinn  
Lease Date: April 1, 1958  
Recording Information: Unrecorded  
Lands Covered: NE/4 of Section 10, T-22-S, R-34-E, Lea County, New Mexico

Lease #2

Lessor: United States of America  
Serial Number: NM-033312  
Original Lessee: Mary W. Goodpasture  
Lease Date: April 1, 1958  
Recording Information: Unrecorded  
Lands Covered: INSOFAR as lease covers the SE/4 of Section 10, T-22-S, R-34-E, Lea County, New Mexico

Lease #3

Lessor: United States of America  
Serial Number: NM-033312  
Original Lessee: Mary W. Goodpasture  
Lease Date: April 1, 1958  
Recording Information: Unrecorded  
Lands Covered: INSOFAR as lease covers the W/2 of Section 10, T-22-S, R-34-E, Lea County, New Mexico

Lease #4

Lessor: State of New Mexico  
Serial Number: E-9659  
Original Lessee: Gulf Oil Corporation  
Lease Date: December 20, 1955  
Recording Information: Unrecorded  
Lands Covered: S/2 of Section 34, T-21-S, R-34-E, Lea County, New Mexico, LIMITED from surface of the earth to the top of the Silurian formation, SAVE AND EXCEPT the interval from 12,722' to 13,208' subsurface in the SW/4

Lease #5

Lessor: United States of America  
Serial Number: NM-69400  
Original Lessee: Hadson Petroleum(USA), Inc.  
Lease Date: 9/21/87  
Recording Information: Unrecorded  
Lands Covered: Well access road with a total length of 1.572 miles (503.03 rods) in the NE/4 SE/4 and S/2 SE/4 of Section 9 and N/2 NE/4, SW/4 NE/4, SE/4 NW/4 and N/2 SW/4 of Section 10, T-22-S, R-34-E, Lea County, New Mexico

-45057

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

JUN 11 1999

at 11:36 o'clock A M  
and recorded in Book \_\_\_\_\_  
Page \_\_\_\_\_  
Per Chappell, Lea County Clerk  
By RJ Deputy

