

**TERM ASSIGNMENT OF OIL & GAS LEASE
And Reservation of Overriding Royalty**

RECEIVED

NOV 23 2010

HOBBSOCD

STATE OF NEW MEXICO

§

COUNTY OF LEA

§

§

FOR CONSIDERATION PAID, the receipt and sufficiency of which is hereby acknowledged, **John H. Hendrix Corporation**, whose address is 110 N. Marienfeld, suite # 400, Midland, TX 79701-4461 (hereinafter referred to as "**Assignor**") does hereby grant, sell, assign and convey unto **Cimarex Energy Co.**, a Delaware corporation, whose address is 600 N. Marienfeld, Suite 600, Midland, Texas 79701, (hereinafter referred to as "**Assignee**"), all of **Assignor's** right, title and interest in and to the oil and gas operating rights and working interest production in and to the leases set forth on Exhibit "A" attached hereto (hereinafter referred to as the "Lease Acreage").

This assignment is made subject to the following terms and conditions:

1. **Term:** Subject to the further provisions of this Paragraph 1, the rights and interests assigned hereby shall be for a term of two (2) years from the effective date set forth below ("Primary Term") and thereafter so long as (a) a well drilled or re-entered by **Assignee** on the Lease Acreage is capable of commercially producing oil and/or gas, (b) the Lease Acreage is partially or completely included in a proration unit prescribed by lawful authority ("Spacing Unit") which contains a well capable of commercially producing oil and/or gas and the Spacing Unit must be communitized under a Communitization Agreement approved by the State of New Mexico prior to expiration of the Primary Term, or (c) any lease saving operation permitted under said oil and gas lease or applicable Communitization Agreement is being diligently conducted on the Lease Acreage or on acreage included in the Spacing Unit with no cessation of more than 60 consecutive days. In addition, if **Assignee** (i) has completed a well as a commercial producer or abandoned as a dry hole within 30 days prior to the expiration of the Primary Term or (ii) is engaged in actual drilling or reworking operations on a well on the Lease Acreage or in a Spacing Unit including the Lease Acreage at the expiration of the Primary Term which reworking operations subsequently result in completion as a producer or abandonment as a dry hole, **Assignee** shall have the option, but not the obligation, to conduct a continuous development program on the Lease Acreage or lands communitized therewith. If **Assignee** elects to conduct such program it shall then commence, at its sole cost, risk and expense, the drilling of a well at a location of its choice on the Lease Acreage or on lands included in a Spacing Unit assigned to the well, within 180 days from completion or abandonment of said well drilled or reworked and completed prior to or over expiration of the Primary Term. Thereafter, not more than 180 days shall have

elapsed between completion of one well and the commencement of actual drilling operations (i.e. "turning to the right") on the next succeeding well. For purposes of this assignment, completion shall be deemed to be the date of drilling rig release. **Assignee** shall act in accordance with good oilfield practices in its drilling, testing and completion operations.

At the end of the Primary Term hereof or the expiration of the continuous development program as described in this Paragraph 1, whichever is later, this assignment shall automatically terminate as to (i) all of the lease acreage not then included in a Spacing Unit assigned to a producing well or well then capable of commercially producing oil and/or gas and (ii) all depths below 100 feet below the stratigraphic equivalent of the base of the deepest formation in the Spacing Unit for each said producible well then capable of commercially producing oil and/or gas. This assignment shall also automatically terminate as to the Lease Acreage within each retained Spacing Unit and depths retained in connection therewith when commercial production and/or operations cease as provided above without restoration of commercial production. Despite the automatic termination of this assignment in the above specified situations **Assignee** shall in each instance promptly execute and deliver to **Assignor** a reassignment of the terminated Lease Acreage free and clear of all burdens and liens created or incurred by **Assignee** or which may have become a burden or lien on the operating rights assigned hereby as a consequence of ownership thereof by **Assignee**. Said reassignment to be delivered to **Assignor** within thirty (30) days after written notice by **Assignor** to **Assignee**. The rights of reverter and the rights of reassignment retained herein by **Assignor** shall be superior to all liens, encumbrances, debts, judgments, claims, overriding royalty and production payment interests and other obligations created or incurred by **Assignee** as asserted against the rights and interests assigned hereby.

2. **Ingress and Egress:** **Assignee** shall have the rights of ingress and egress to the Lease Acreage as permitted by said oil and gas lease and applicable law to the extent it may deem necessary in conducting drilling and other operations thereon.

3. **Compliance with Lease, Laws and Regulations:** While this assignment is in force and effect, **Assignee** will promptly, and as a prudent operator, comply with all covenants and conditions applicable to said oil and gas lease, the terms of this assignment and with all applicable laws, rules and regulations affecting drilling, completing and other petroleum operations on the lease acreage or on lands communitized therewith.

6. **Assignor's Override:** **Assignor** hereby reserves an overriding royalty equal to the positive difference between 25% and existing royalty, if any, on the lease and other overriding royalty interests and other non-expense bearing interests burdening the rights and interests assigned hereby. Said reserved override shall be subject to proportionate reduction in the event **Assignor** assigns less than 100% of its rights and

interests in the Lease Acreage to **Assignee** in this assignment. The override reserved herein to **Assignor** shall be free and clear of all costs and expenses, except applicable taxes and except as otherwise expressly provided herein, said overriding royalty shall be computed and paid in the same fashion and in the same manner as royalty payable under the applicable leases is computed and paid, and **Assignor** shall be responsible for its proportionate part of all applicable taxes from the production of oil and/or gas. **Assignor's** override may be committed by **Assignee** to one or more Communitization Agreements for the purpose of forming a well Spacing Unit without necessity of joinder or consent by **Assignor**.

8. **Reservation:** Notwithstanding anything in this agreement to the contrary, it is expressly understood and agreed that this agreement shall not cover, and shall not be deemed to have conveyed, or have any obligation to convey (i) any well located within the Lease Acreage (as defined) that as of the effective date of this Assignment is producing or capable of producing oil and/or gas, including all personal property associated with, or used in connection with any such well, including, but not limited to, casing, tubing, surface equipment, tanks pipelines compressors and all other associated personal property, (ii) any rights to production from any such well, and (iii) any leasehold interest in the spacing or proration unit allocated to any such well by applicable governmental authority. This paragraph also applies to any well that has been temporarily abandoned and any type of injection or saltwater disposal well.

9. **Well Information:** Upon written request, **Assignee** shall furnish **Assignor** with copies of drilling reports, logs, test results and all other information obtained by **Assignee** relative to any well that may be drilled hereunder by **Assignee** on the Lease Acreage or on lands pooled therewith.

10. **Abandonment of wells:** Prior to the abandonment of any well drilled hereunder on the Lease Acreage, **Assignor** shall have the right within forty-eight (48) hours after receipt of notice of **Assignee's** intention so to abandon, to take over the well or wells for additional testing by any method, with **Assignor** being solely responsible for all costs and expenses in connection therewith, including standby rig time and plugging costs, if required. If the well is taken over by **Assignor** for the limited purposes expressed hereinabove, and such work results in a completion attempt wherein a well capable of commercial production is encountered, all of **Assignee's** rights in such well and unit established for such well shall automatically cease, provided that **Assignor** agrees to pay **Assignee** the reasonable salvage value of any salvageable material in the hole which **Assignee** has contributed, less the cost of salvaging same.

11. **Relationship of the Parties:** This assignment is not intended to create, and nothing herein shall be construed to create, an association, trust, joint venture, mining partnership or other partnership or entity of any kind.

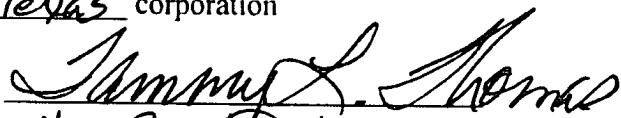
12. **Special Warranty of Title:** Assignor agrees to warrant and defend title to the rights and interests herein assigned to Assignee against the claims and demands of all persons claiming or to claim the same or any part thereof, by, through or under Assignor, but not otherwise.

13. **Counterparts:** This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes, and for the purpose of filing this instrument of record each original counterpart may be combined to form a single instrument.

Dated and executed this 15th day of March 2010, but effective the 1st day of March 2010.

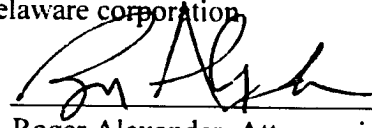
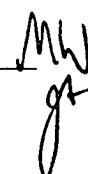
ASSIGNOR:

John H. Hendrix Corporation,
a Texas corporation

By: 
Title: Vice-President, Finance

ASSIGNEE:

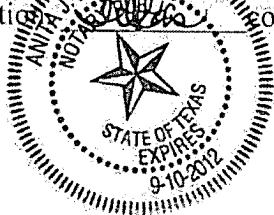
Cimarex Energy Co.,
a Delaware corporation

By:  
Roger Alexander, Attorney-in-Fact

ACKNOWLEDGEMENTS

STATE OF TEXAS)
) ss.
COUNTY OF Midland)

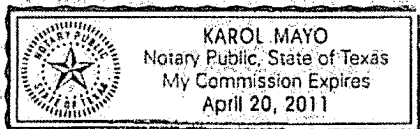
The foregoing instrument was acknowledged before me this 23rd day of March 2010, by Joseph R. Thomas as VP - Finance, of John H. Hendrix Corporation, on behalf of said corporation.



Anita J. Henderson
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 8th day of April 2010, by Roger Alexander, as Attorney-in-Fact., of Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.



Karol Mayo
Notary Public

10/10/11 10:30

Amberley

Case 17-97

Amberley

Amberley

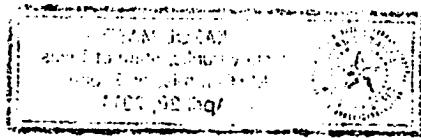


Exhibit "A"

Attached to and made part of that certain Term Assignment dated March 15th, 2010, by and between John H. Hendrix Corporation, as Assignor, and Cimarex Energy Co., a Delaware corporation, as Assignee.

LEASE DATE: 09/01/1956
LESSOR: United States of America
LESSEE: Howard W. Jennings
LEASE NUMBER: NM-025497
DESCRIPTION: Insofar and only insofar as lease covers:

E/2. E/2 W/2 of Section 15, Township 19 South, Range 32 East, N.M.P.M.

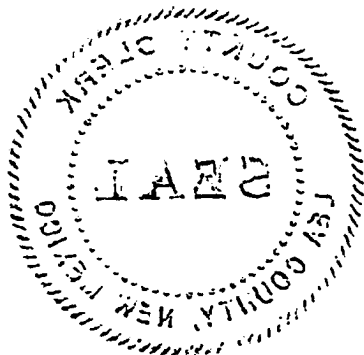
STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAY 04 2010

at 2:08 P M
and recorded in Book 1677
Page 863
Pat Chappelle, Lea County Clerk
By J J Deputy



16958



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAY 04 2008
10:08
LEA
CLERK OF COUNTY

REC'D

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

RECEIVED

NOV 23 2010
HOBBSDOCD

OPERATING AGREEMENT

DATED

MAY 1 , 2010 ,
year

OPERATOR CIMAREX ENERGY CO.

CONTRACT AREA N/2 S/2 SEC 15 T19S R32E

COUNTY OR PARISH OF Lea , STATE OF NEW MEXICO

COPYRIGHT 1989 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between CIMAREX ENERGY CO. hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

A.1. The term "Affiliate" shall mean a company, partnership, other legal entity or individual which controls, is controlled by, or which is under common control by an entity or individual which controls a party to this agreement. "Control" means the ownership directly or indirectly of more than 50% of the shares or voting rights in a company, partnership or legal entity, and, in the case of an individual, means the ability to significantly influence or direct the decision-making or activities of another.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. "Deepen", as used in conjunction with horizontal drilling, shall mean a single operation whereby a well is drilled to a distance beyond the horizontal distance to which the well was previously drilled, or beyond the total horizontal distance proposed in the associated AFE.

E. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI.B.2.

J. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

O. The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling. Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties.

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas. The terms "Initial Objective" or "Objective Zone", when used in conjunction with horizontal drilling, shall mean after drilling to a vertical depth of approximately 11,000 feet or a depth sufficient to test the Bone Spring Formation, whichever is less, a horizontal distance which Operator deems advisable, or as is more particularly set out or proposed in the associated AFE.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.

EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- X A. Exhibit "A," shall include the following information:
- (1) Description of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Parties to agreement with addresses and telephone numbers for notice purposes,
 - (4) Percentages or fractional interests of parties to this agreement,

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

- 1
2 (5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
3 (6) Burdens on production.
4 ☒ B. Exhibit "B," Form of Lease.
5 ☒ C. Exhibit "C," Accounting Procedure.
6 ☒ D. Exhibit "D," Insurance.
7 ☒ E. Exhibit "E," Gas Balancing Agreement.
8 ☒ F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.
9 ☒ G. ~~Exhibit "G," Tax Partnership.~~
10 ☒ H. Other: Recording Supplement to Operating Agreement and Financing Statement

11
12 Continued on next Page 2
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74