

I. Gramma Ridge Working Interest Unit

By Operating Agreement, dated August 15, 1977, by and between Getty Oil Company as Operator and Belring Company, et al, as Non-Operators, the following leases were unitized among the working interest owners as the "Gramma Ridge Working Interest Unit", covering all of Section 35, Township 21 South, Range 34 East and all of Section 2, Township 22 South, Range 34 East, Lea County, New Mexico, from the surface to the base of the depth that is stratigraphically equivalent to the base of the producing horizon at a total depth of approximately 13,381:

1. NM L-723

Lessor: State of New Mexico

Lessee: Aztec Oil and Gas Company

Recorded: Not recorded

Description: Township 21 South, Range 34 East, NMPM
Section 35: S/2

Containing 320.00 acres, Lea County, New Mexico, from the surface down to and including the depth that is stratigraphically equivalent to the base of the producing horizon at a total depth of approximately 13,381 feet drilled in the test well in the NW/4 of Section 2, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico.

2. NM LG-1487

Lessor: State of New Mexico

Lessee: Belco Petroleum Corporation

Recorded: Not recorded

Description: Township 21 South, range 34 East, NMPM
Section 35: N/2

Containing 320.00 acres, Lea County, New Mexico, from the surface down to and including the depth that is stratigraphically equivalent to the base of the producing horizon at a total depth of approximately 13,381 feet drilled in the test well in the NW/4 of Section 2, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico.

3. NM LG-1207

Lessor: State of New Mexico

Lessee: Getty Oil Company

Date: June 1, 1973

Recorded: Not recorded

Description: Township 22 South, Range 34 East, NMPM

Section 2: Lots 1,2,3,4, SW/4NW/4, S/2NE/4 and SE/4, and SE/4NW/4 as to depths below the base of the Brushy Creek formation found at 8,373' on Schlumberger's CNL/FDC log dated December 15, 1977 on the Getty "2" State well #1, located 1980' FNL and 1980' FWL of Section 2, T22S, R34E, Lea County, New Mexico,

Containing 489.00 acres, Lea County, New Mexico

4.

Lessor: State of New Mexico

Lessee: Pubco Petroleum Corporation

Recorded: Book 282, Page 474

Description: Township 22 South, Range 34 East, NMPM

Section 2: SW/4

Containing 160.00 acres more or less, Lea County, New Mexico, from the surface down to and including the depth that is stratigraphically equivalent to the base of the producing horizon at a total depth of approximately 13,381 feet drilled in the test well in the NW/4 of Section 2, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico.

II. Communitization Agreement as to W/2 of Section 35

The W/2 of Section 35, which includes the subject well, was communitized as to the Pennsylvanian formation by Communitization Agreement, dated September 24, 1979, by and between the State of New Mexico, Getty Oil Company as Operator and Southland Royalty Company and Belco Petroleum Corporation as Lessees of record, with the NW/4 of Section 35 being committed out of Lease #2 above and the SW/4 of Section 35 being committed out of Lease #1 above. The current lessees of record as to the NW/4 of Section 35 are Mitchell Energy Corporation, and as to the SW/4 of Section 35 are Pug Petroleum, Inc., Trinity Bay Oil & Gas, Inc., RRS Oil, Inc., Elfin Oil, Inc., KNW Oil & Gas, Inc., and TXW Oil, Inc. The State of New Mexico, with a one-eighth (1/8) royalty, is the only royalty owner in the communitized area of the subject well.

By virtue of the Gramma Ridge Working Interest Unit, at the present time the following working interest owners will be allocated a portion of production from the subject well: (i) Pug Petroleum, Inc., Trinity Bay Oil & Gas, Inc., RRS Oil, Inc., Elfin Oil, Inc., KNW Oil & Gas, Inc., and TXW Oil, Inc. as successors in interest to Getty Oil Company and Aztec Oil & Gas Company's interests in leases #1 and 3 above; Mitchell Energy Corporation as successor in interest to Belco Petroleum Corporation's interest in lease #2 above; and Parker & Parsley Development Partners, L.P. as successor in interest to Pubco Petroleum Corporation's interest in lease #4 above.