

ASSIGNMENT AND CONVEYANCE OF OIL AND
GAS LEASES AND INTERESTS THEREIN

SANTA FE EXPLORATION COMPANY, a corporation formed under the laws of the states of Texas and New Mexico, ("Assignor"), for consideration paid, hereby grants, transfers, assigns, conveys, bargains and sells unto CIMARRON EXPLORATION COMPANY, a corporation formed under the laws of the state of Texas, whose address is 4401 N. Mesa, Ste. 201, El Paso, Texas 79913 ("Assignee"), the following (sometimes collectively the "Subject Property") :

- A. All of the interest, legal or equitable, of the Assignor (the "Assigned Interest") in the oil and gas leases (the "Leases") described in Exhibit "A" attached hereto insofar as the same embrace the lands set forth beside the Leases, as to the depths owned by Assignor.
- B. The Assigned Interest in pooling, unitization, and communitization agreements, and declarations of pooled unit which relate to the Leases insofar as they embrace the Lands or to the production of oil, gas and other hydrocarbons therefrom or attributable thereto and the properties covered and the units created thereby (including, without limitation, all

units formed under order, regulation, rules, or other official acts of any federal or state governmental body or agency having jurisdiction;

C. The Assigned Interest in all personal property and improvements situated upon the Land or any lands pooled therewith, including, but not limited to, all wells, casing, tubing, derricks, tanks or tank batteries, boilers, treating units, separators, rods, pumps, flow lines, water lines, gas lines, buildings, fixtures, machinery and other equipment, pipelines, gathering systems, power lines, telephone and telegraph lines, roads and other appurtenances. SELLER EXPRESSLY DISCLAIMS AND NEGATES ANY IMPLIED OR EXPRESSED WARRANTY OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE EQUIPMENT, MACHINERY, FIXTURES AND OTHER PERSONAL PROPERTY COMPRISING A PORTION OF THE PROPERTIES AND SUCH PERSONAL PROPERTY IS SOLD ON AN "AS IS" BASIS.

D. The Assigned Interest in easements, permits, licenses, servitudes and rights-of-way used or useful for future use in connection with the exploration, development or operation of the Leases insofar as they

embrace the Lands or with the production, treating, storing, or transportation of oil, gas or other hydrocarbons or other minerals therefrom.

E. The Assigned Interest in all operating agreements, oil or gas sales agreements, water disposal agreements, leases, rights of refusal, contracts, farmout agreements (to the extent such may be assigned) and other agreements and instruments to the extent that the same relate, belong or are incidental to the Leases insofar as they embrace the Lands.

F. The Assigned Interest in all oil on hand, without regard to the effective date hereof, and all revenues derived from prior production from the Subject Lands for which Assignor has not been paid by the purchaser thereof.

G. Without limiting the foregoing, the Assigned Interest (whether now owned or hereafter acquired by operation of law) in and to the Lands and in and to the Leases insofar as the same embrace the Lands, even though the same be incorrectly described herein or a description thereof be omitted herefrom.

TO HAVE AND TO HOLD the Assigned Interest in the Subject Property unto Assignees, their successors and assigns, forever.

Assignee assumes and agrees to pay all ad valorem property taxes attributable to the Subject Property for the year 1997 and prior years, if any remains unpaid. Assignee further assumes the obligations incident to plugging and abandoning any wells on the Subject Property in accordance with law. Assignee also assumes and agrees to satisfy any claims arising from the environmental conditions on or about the Subject Property. Assignor binds itself, its successors and assigns, to warrant and forever defend the Assigned Interest in the Subject Property unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming the same or any part thereof, by, through, or under Assignor, but not otherwise. 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 to the Subject Property as to the Assigned Interest.

Assignor is the subject of bankruptcy proceedings pending before the United States Bankruptcy Court for the Western District of Texas (El Paso Division) bearing Cause Nos. 96-31711-LK and 96-31712-LK. The

conveyance accomplished hereby has been approved by said Bankruptcy Court pursuant to order entered on July 30, 1997. Said conveyance is free and clear of all liens, interests and encumbrances, including but not limited to any operator's liens for joint billings, if any, pursuant to 11 U.S.C. § 363.

It is understood and agreed that with respect to oil, gas and mineral leases from the United States of America or any agency thereof or from any State, or agency thereof, separate assignments on approved forms may be executed by Assignor to Assignee in sufficient counterparts to fulfill applicable statutory and regulatory requirements. The interests conveyed by such separate assignments are the same as, and not in addition to, the interests herein assigned. As to the Leases hereby assigned in which the State of New Mexico is Lessor, this Assignment and Conveyance shall be deemed to be a "Contract for Development" for the purpose of Section 19-10-13 N.M.S.A. (1978 Comp.).

Assignor hereby agrees to execute, acknowledge and deliver such other instruments, deeds and assignments containing terms, conditions, representations, warranties, agreements and covenants consistent with the intent of this Assignment and Conveyance and Assignor further agrees to take

such other action as may be reasonably necessary, convenient or appropriate to confer on Assignee the benefit of this Assignment.

IN WITNESS WHEREOF, Assignor has caused this Assignment and Conveyance to be duly executed on the 14 day of August, 1997, to be effective the 1st day of August, 1997 at 7:00 a.m., local time.

SANTA FE EXPLORATION COMPANY


Robert Wilson, Trustee in Western District
of Texas (El Paso Division) Bankruptcy Cause
Nos. 96-31711-LK and 96-31712-LK

CIMARRON EXPLORATION COMPANY

By: 
Ron Glover, President

PROPERTY NAME: STATELINE

OIL AND GAS LEASES

i. Lessor: State of New Mexico
ii. Lessee: Continental Oil Company
iii. Serial No: B-2657
iv. Date: May 1, 1991
v. Book/Page:
vi. Lands: S/2NE/4 and N/2NW/4 Section 5, Township
24 South, Range 38 East, N.M.P.M.

i. Lessor: State of New Mexico
ii. Lessee: The Ohio Company
iii. Serial No: A-2614
iv. Date: April 21, 1930
v. Book/Page:
vi. Lands: S/2 SW/4, N/2 SE/4 Section 32, Township
23 South, Range 38 East, N.M.P.M.

Lea County, New Mexico

A-13

BOOK 829 PAGE 441