

34082

CONDITIONAL ASSIGNMENT OF OIL, GAS AND MINERAL LEASES

THE STATE OF TEXAS §

KNOW ALL MEN BY THESE PRESENTS, THAT:

COUNTY OF DeWITT §

TANA OIL AND GAS CORPORATION, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by WILLIAM E. COLSON, hereinafter referred to as "Assignee", the receipt and sufficiency of which are hereby acknowledged, has GRANTED, BARGAINED, SOLD, TRANSFERRED, and ASSIGNED, and by these presents does hereby GRANT, BARGAIN, SELL, TRANSFER, and ASSIGN unto the said Assignee, his heirs, successors and assigns, a twelve and one-half percent (12.5%) working interest in seventy-four percent (74%) net revenue interest leases as to those certain Oil and Gas Leases scheduled on Exhibit "A" attached hereto and made a part hereof.

Assignor reserves unto itself and its assigns an overriding royalty interest equal to the difference between twenty-six percent (26%) of the entire oil, gas and mineral estate and the total royalty and overriding royalty ownership presently burdening Assignor's ownership. In the event that any of the Oil, Gas and Mineral Leases described on Exhibit "A" cover less than the entire undivided oil, gas and mineral fee estate in the lands described therein, the overriding royalty interest reserved hereby shall be proportionately reduced in the subject lease.

In addition to the overriding royalty interest reserved above, there is further reserved and retained hereunder an undivided 1.10% overriding royalty interest in and to the Sublease Agreement (and the leases pertaining thereto) by and between George R. Brown Partnership and Tana Oil and Gas Corporation, as said Sublease Agreement and leases are described on Exhibit "A" attached hereto and made a part hereof, INSOFAR AND ONLY INSOFAR as said leases and acreage include 352 acres out of the 628.09 acre George R. Brown Partnership Sublease Agreement dated March 29, 1988, recorded in Volume 274, Page 399, Oil and Gas Lease Records, DeWitt County, Texas, as further shown on Exhibit "A-1" attached hereto.

It is the intent of this conveyance to deliver unto Assignor a 72.9% net revenue interest in the above-described 352 acres around the Tana Oil and Gas Corporation Brushy Creek Gas Unit #1 well, and a 74% net revenue interest in the balance of the acreage.

This Assignment is made by Assignor and accepted by Assignee expressly subject to that certain Letter Agreement dated April 12, 1989, between William E. Colson and Tana Oil and Gas Corporation, and further made subject to the Farmout Agreement dated November 23, 1988, between TXO Production Corp. and Tana Oil and Gas Corporation, as amended, and specifically to the back-in working interest contained therein as more particularly set out in the Amendment to Farmout Agreement dated May 11, 1989.

TO HAVE AND TO HOLD the above-described leaseholds unto the said Assignee, his heirs, successors and assigns, in accordance with the terms of said leases and in accordance with the terms of this Assignment; and, Assignor, for itself and its successors and assigns, does hereby warrant and agree to defend the title to the leaseholds conveyed herein unto the said Assignee, his heirs, successors and assigns, against all persons whomsoever lawfully claiming, or to claim, the same, or any part thereof, by, through, or under it, but not otherwise.