

BOOK 399 PAGE 352
OFFICIAL RECORDS
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EUREKA COUNTY, NEVADA
M.N. REBALEATI, RECORDER
FILE NO. FEES

193774

1700

NOVEMBER 8, 2004

ASSIGNMENT OF OVERRIDING ROYALTY IN AN OIL AND GAS
LEASE

BETWEEN LACY PROPERTIES, LTD. AND PROVIDENCE
PETROLEUM, L. C.

LACY PROPERTIES, LTD.
222 EAST TYLER STREET
P.O. BOX 2146
LONGVIEW, TX. 75606

(903)758-8276

ASSIGNMENT OF OVERRIDING ROYALTY

STATE OF NEVADA §
 §
COUNTY OF EUREKA §

THIS ASSIGNMENT OF OVERRIDING ROYALTY (this "Assignment"), dated effective October 1, 2004 (the "Effective Date"), is from Lacy Properties, Ltd., whose address is P.O. Box 2146, Longview, Texas 75606 ("Assignor") to Providence Petroleum, L.C., whose address is 2800 Waubun Dr., Marshall, Texas 75672 ("Assignee").

WHEREAS, Assignor owns all of the leasehold interest under that certain Oil and Gas Lease dated August 6, 2004 from Black Stone Minerals Company, L.P. to Lacy Properties, Ltd. (the "Lease"), a Memorandum of which is recorded in Volume 393, page 71 of the Official Records of Eureka County, Nevada, covering lands more particularly described therein and containing 7,666.76 acres, more or less (the "Lands"); and

WHEREAS, pursuant to that certain letter agreement dated February 19, 2003 between Assignor and Assignee (the "Letter Agreement"), Assignor desires to assign to Assignee, and Assignee agrees to assume and accept, an overriding royalty under the Lease.

NOW, THEREFORE, for ten dollars and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, Assignor does hereby grant, convey, assign, and deliver unto Assignee, and Assignee's successors and assigns, an overriding royalty interest in all oil, gas and other minerals produced, saved, and marketed pursuant to the terms of the Lease equal to 2.5% of 8/8^{ths} (the "Override"). Assignee agrees that the Override shall be proportionately reduced if it is determined the Lease covers less than 100% of the mineral estate in the Lands, or Assignor owns less than 100% of the leasehold estate in the Lease.

TO HAVE AND TO HOLD the Override unto Assignee and its successors and assigns forever, though subject to the following terms and conditions:

1. THIS ASSIGNMENT IS MADE AND ACCEPTED WITHOUT WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WARRANTIES RELATING TO TITLE TO THE LEASE.

2. Assignor reserves the right, at its election, and Assignee expressly permits Assignor, to pool and unitize the Lease, including Assignee's interests, with other leases or lands as authorized under the terms of the Lease or as later amended or authorization by the lessors. In the event of any pooling or unitization, Assignee's Override shall be proportionately reduced in accordance with the terms of such pooling or unitization.

3. The interest assigned herein shall bear and be subject to its proportionate share of all burdens affecting or against the Lease which are of record or known to Assignee as of the Effective Date of this Assignment. In addition, this Assignment is executed in accordance with, and subject to, the Letter Agreement.

4. The Override shall be free and clear of all costs and expenses of developing, exploring, drilling, and operating wells located on the Lands covered by the Lease, but the Override shall bear and pay all gross production, severance, ad valorem, sales and/or other applicable taxes and costs, including, but not limited to, compression and marketing charges. In addition, Assignor shall have free use of oil and/or gas, including casinghead gas or other gaseous substances from the Lease for all operations on the Lease or lands pooled or unitized therewith. The payment of the Override on oil and/or gas shall be computed after deducting the oil and/or gas utilized by Assignor.

5. The assignment of the Override shall impose no obligation on Assignor to: (a) keep or maintain the Lease in force and effect either by the payment of rentals, shut-in gas royalty, compensatory royalty, or other payments; or, (b) drill or develop the lands covered by the Lease. Assignee is to receive the Override only out of the oil, gas, and other minerals produced, saved, and marketed at the will of Assignor. Subject to the conditions set out below, Assignor shall have the right at any time and from time to time, at its election, to surrender or abandon the Lease, in whole or in part, without liability to Assignee. In case of such surrender or abandonment, Assignor may release the Lease in whole or in part.

6. Assignee shall bear and pay any Federal, State or local government sales, documentation, transfer, gross proceeds or similar taxes incident to or caused by the Assignment.

7. Assignor and Assignee shall take all such further actions and execute such further documents that are reasonable and necessary to carry out the purposes of this Assignment and the intent of Assignor and Assignee evidenced herein.

8. This Assignment shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

9. This Assignment may be executed in one or more originals and/or counterparts, each of which counterpart shall be deemed an original, but all of which originals and/or counterparts together shall constitute one and the same conveyance. A separate assignment of the Override may be executed on officially approved forms by Assignor to Assignee in sufficient counterparts to satisfy applicable statutory and regulatory requirements. Such assignment shall be deemed to contain all of the exceptions, reservations, rights, titles, power and privileges set forth herein as fully as though they were set forth in each such assignment.

IN WITNESS WHEREOF, this instrument is executed as of this 1st day of November, 2004, but is made effective as of the Effective Date.

ASSIGNOR:

LACY PROPERTIES, LTD.

By: Lacy Property Management, Inc.,
Its General Partner

By: Neal A Hawthorn

Neal A. Hawthorn, Vice President

[Signature]

ASSIGNEE:

PROVIDENCE PETROLEUM, L.C.

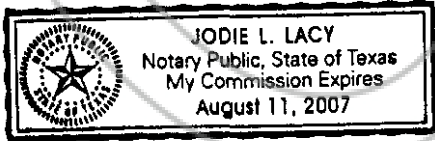
By: James A. Carpenter

Name: James A. Carpenter
Its: Manager

ACKNOWLEDGMENTS

STATE OF TEXAS §
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COUNTY OF GREGG §

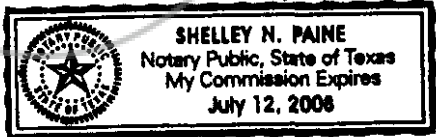
This instrument was acknowledged before me on this 1st day of November, 2004 by Neal A. Hawthorn, Vice President of Lacy Property Management, Inc., General Partner for Lacy Properties, Ltd., a Texas Limited Partnership on behalf of said limited partnership.



Jodie L. Lacy
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF GREGG §

The foregoing instrument was acknowledged before me this 3rd day of November, 2004, by James A. Carpenter, manager for Providence Petroleum, L.C., a Texas limited liability company, on behalf of said entity.



Shelley N. Paine
Notary Public, State of Texas

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