

COPY

Clay County
Original
STATE OF ILLINOIS
CLAY COUNTY 149,503
THIS INSTRUMENT WAS FILED FOR RECORD IN THE
RECORDERS OFFICE OF CLAY COUNTY AFORESAID ON
THE 3rd DAY OF May
20 04 AT 12:05 O'CLOCK P.
RECORDED DOCUMENT # 149,503
Phyllis Melton
RECORDER

ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS

STATE OF ILLINOIS

§

KNOW ALL MEN BY THESE PRESENTS:

§

COUNTY OF CLAY

§

Tsar Energy II, LLC, 3600 Armstrong Ave, Dallas, TX 75205, hereinafter called "Assignor", for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, does hereby **BARGAIN, SELL, ASSIGN, and CONVEY**, without warranty to title, either expressed or implied, except as set forth below, unto the parties named in Exhibit "B" hereto, in the undivided interest set beside each such party's name therein, and to their respective heirs, successors and assigns, hereinafter collectively called "Assignee", an overriding royalty interest in and to all the oil, gas and other minerals produced from the leases covering lands in Clay County, Illinois, described more fully in Exhibit "A" attached hereto and by reference incorporated herein, sometimes referred to herein as the "Leases," in the amount of Six Thousand Five Hundred Seventeen Ten Thousandths of One Percent (0.6517%) in each Lease, as of March 1, 2004 (collectively, the "ORIs").

This Assignment is made and accepted subject to the following terms and provisions:

1. The ORIs assigned hereby are based upon and cover One Hundred Percent (100%) of production from each Lease, not reduced by the percentage interest in each Lease owned by Assignor. But, if any of the Leases covers less than the entire mineral fee estate in any of the lands described therein, then the ORIs hereby assigned, as to such land, shall be reduced to the proportion thereof which the mineral fee estate covered by such Lease bears to the entire mineral fee estate.
2. The ORIs hereby assigned are applicable to and covers and includes all oil, gas, casinghead gas and other hydrocarbons; and, they also cover and include coal and gas or other hydrocarbons produced from any coal formation, to the full extent the same is covered by any of the Leases.
3. In the event any of the Leases and lands described in said Exhibit "A", or any portion thereof, is pooled or combined with other lands or leases to comprise a pooled unit, Assignee herein shall receive payment for the ORIs granted hereby upon production from such unit, based upon the number of net mineral acres covered by the Leases to which the ORIs are applicable that are included in such unit, in proportion to the total number of net mineral acres included in said unit. Assignor shall have the affirmative right to pool any ORI consistent with the pooling provisions of the underlying Lease.
4. All ORIs assigned hereby shall extend not only to the Leases and lands as described on Exhibit "A" attached hereto, but also to any and all extensions or renewals of any of the Leases which may be acquired by Assignor, or its successors and assigns, within twelve (12) months of the expiration of any Leases.
5. On all oil and liquid hydrocarbons, including all condensate, distillate and other liquid hydrocarbons recovered or separated from oil or gas by separator or other equipment ("Oil"), the ORIs shall be paid based upon all Oil produced and saved from the Leases, and at a price equal to the price received by Lessee (including all available bonuses or premiums), so long as the Oil is sold in an arms-length transaction to a party unaffiliated with Assignor; but, in the case of an affiliated sale, the royalty price shall, at Assignee's option, be payable based upon the current market value thereof at the time of production and at the point of sale. Assignee's Oil shall be sold by Assignor with its Oil; or, at Assignee's option, Assignee's share of Oil shall be delivered to Assignee, free of cost, into the storage tanks or pipeline to which the wells may be connected. To exercise such option (which may be done by Assignee from time to time), Assignee shall give sixty (60) days written notice to Operator/Assignor.
6. On all gas produced from the Leases, including casinghead gas and residue gas at the tailgate of any plant through which the gas is processed, the ORIs shall be paid based on the volume of gas produced and saved, and a price equal to lessee's proceeds so long as the gas is sold in an arms-length transaction to a party unaffiliated with Assignor; but, in the case of an affiliated sale, the royalty price

shall, at Assignee's option, be payable upon the current market value at the time of production at the place of sale or use.

7. All ORIs on Oil and gas payable to Assignees shall be paid free and clear of all costs of production and development, including, without limitation, drilling, completion, reworking, or other operations, and all costs associated therewith; and, without deduction for any costs of marketing, gathering, transporting, separating, treating, processing, dehydrating, compressing or other costs in making the Oil and gas and other minerals available and marketable at the place of sale or use.

8. In the event Assignee should ever elect to take its share of production in-kind, but fails to make arrangement necessary to take in-kind or separately dispose of its proportionate share of Oil and/or gas produced from the properties, Assignor shall sell (or cause the Assignor's well operator to sell) such Oil and/or gas, of Assignee for the account of the Assignee at the same time and upon terms no less favorable than is received by Assignor for its share of production; any such sale by Operator/Assignor of Assignee's share of Oil and/or gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances. Any such sale, or any payments hereunder based upon a "proceeds" royalty (a) shall include Assignor's payment of all severance and/or production taxes due on such sale for the account of Assignee out of Assignee's proceeds; (b) shall require Assignee to be paid for Oil and/or gas sold on its behalf directly by the purchaser; and (c) with respect to any sales by Operator/Assignor that are made to an affiliated entity, payments to Assignee shall be based upon the amount realized in the first sale by an affiliate of Operator/Assignor to an unaffiliated third party, less any actual and necessary costs incurred through the point of sale, but excluding any marketing fees paid to any affiliate of Operator/Assignor.

9. IN CONNECTION WITH ALL OPERATIONS ON THE LEASES, ASSIGNOR AGREES TO DEFEND AND HOLD HARMLESS ASSIGNEE, AND THEIR RESPECTIVE HEIRS, SUCCESSORS AND ASSIGNS, FROM ANY AND ALL COSTS, LOSSES, CLAIMS, JUDGMENTS, SETTLEMENTS, AND DAMAGES OF EVERY KIND AND CHARACTER (INCLUDING VIOLATIONS OF ENVIRONMENTAL LAWS AND REGULATIONS, PERSONAL INJURY AND DEATH), LAWSUITS AND/OR CAUSES OF ACTION (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS), WHICH MAY GROW OUT OF, ARISE FROM, OR IN ANY MANNER BE CONNECTED WITH ANY SUCH OPERATIONS OR THE ACTIVITIES OF ASSIGNOR, OR ASSIGNOR'S AGENTS, INVITEES, GUESTS, CONTRACTORS AND EMPLOYEES, WHETHER ACTING WITHIN THE SCOPE OF THEIR EMPLOYMENT OR NOT, AND WHETHER NEGLIGENT OR NOT, ON THE LEASES, OR ANY ADJACENT PROPERTY.

10. This Assignment is given and received subject to the terms of that certain unrecorded letter agreement dated April 30, 2004, between Assignor and Brett G. Taylor, Trustee, which includes, among other things, certain warranties and remedies with respect to the net revenue interests in production from four fields that will be covered by the ORIs, and certain remedies available to Assignee if title to any of the ORIs hereby assigned should fail. The terms of such letter agreement shall survive the closing and the recording of this Assignment.

11. This Assignment is executed with special warranty of title to the ORIs hereby assigned, and Assignor hereby warrants and agrees to defend title thereto against the claims and demands of all persons claiming or to claim all or any part of the same by, through or under Assignor, and its predecessors in title, through and including ERG Illinois, Inc., but not otherwise.

12. This Assignment is effective as of March 1, 2004, at 7:00 a.m., Central Time.

All the provisions of this Assignment shall be binding upon the respective heirs, successors, and assigns of the Assignor and Assignee herein.

TO HAVE AND TO HOLD the same unto Assignee, and their respective heirs, successors and assigns, forever.

DATED the 30th day of APRIL, 2004, however effective as of the 1st of March, 2004.

ASSIGNOR

TSAR ENERGY II, LLC

By: [Signature]

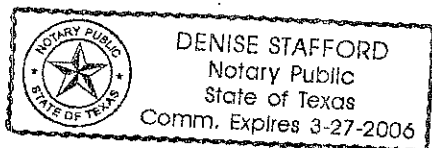
Printed Name: RICHARD M. CHEATHAM

Its: PRESIDENT

ACKNOWLEDGMENTS

STATE OF TEXAS §
 Dallas §
COUNTY OF ~~TARRANT~~ §

BEFORE ME, the undersigned authority, on this 30th day of April, 2004, personally appeared Richard Cheatham, Resident of Tsar Energy II, LLC, a limited liability company, known to me to be the person whose name is subscribed in the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.



Denise Stafford
Notary Public, State of Texas
My Commission Expires: 3-27-06

EXHIBIT "B"
TO ASSIGNMENT OF OVERRIDING ROYALTY INTERESTS *RC*

0.0041 (0.41%)	Jeff Taylor P.O. Box 688 Mineola, Texas 75773	0.0082 (0.82%)	William F. Daily 500 Green River Trail Fort Worth, Texas 76103
0.0687 (6.87%)	Brett G. Taylor Royalty Trust P.O. Box 9 Aledo, Texas 76008	0.0082 (0.82%)	Hubbard Colley, Jr. Margaret E. Colley, Tenants in Common 2622 Oakland Dr Vernon, Texas 76384
0.0329 (3.29%)	James Tyrrell Hearn 109 North Rivercrest Dr. Fort Worth, Texas 76107	0.0049 (0.49%)	Lowry Energy Partners 1106 Aspen Court Rockwall, Texas 75087
0.0164 (1.64%)	Billy R. and Joyce C. Taylor, Tenants in Common 210 Willowwood Lane Levelland, Texas 79336	0.0012 (0.12%)	Courtenay A. Taylor Royalty Trust P.O. Box 9 Aledo, Texas 76008
0.0197 (1.97%)	Robert C. Grable 201 Main Street, Suite 2500 Fort Worth, Texas 76102	0.0493 (4.93%)	Eric F. Roberts 869 East Jeter Road Bartonville, Texas 76226
0.0041 (0.41%)	Whit Coffield P.O. Box 7 Aledo, Texas 76008	0.2464 (24.64%)	LA Roach O & G LTD. 100 Throckmorton, Suite 480 Fort Worth, Texas 76102
0.0329 (3.29%)	EHD Ltd. P.O. Box 2038 San Angelo, Texas 76902	0.4195 (41.95%)	Kimbell Art Foundation 301 Commerce Street, Suite 2240 Fort Worth, Texas 76102
0.0777 (7.77%)	Caprock Minerals P.O. 17418 Fort Worth, Texas 76102		
0.0041 (0.41%)	Gay C. Hoff P. O. Box 688 Mineola, Texas 75773		
0.0017 (0.17%)	The Michael C. Barton & Kathryn S. Barton Revocable Trust 1412 Keeneland Hill Aledo, Texas 76008		

EXHIBIT "A" Oil and Gas Leases

File No.	County	State	Type of Instrument	Lessor	Lessee	Instrument Date	Township	Range	Section	Description	Recording Data	
											Qtr/Qtr	Book
	Clay	Illinois	Oil and Gas Lease	E.E. Rose, Trustee	Joe K. Barker	8/5/1946	3N	5E	23	Among other lands not affected hereby, 25 acres of even width off of the east side of the NW/4 SW/4 and NE/4 SW/4 and West 15 acres of the NW/4 SE/4, Section 23, T3N, R5E	37	1
	Clay	Illinois	Oil and Gas Lease	Flaura M. Colclasure, et al	Joe K. Barker	8/24/1946	3N	5E	23	Among other lands not affected hereby, 25 acres of even width off of the east side of the NW/4 SW/4 and NE/4 SW/4 and West 15 acres of the NW/4 SE/4, Section 23, T3N, R5E	38	478
	Clay	Illinois	Oil and Gas Lease	Delbert Colclasure, a minor, by Flaura M. Colclasure, his Guardian	Phillips Petroleum Company	10/23/1946	3N	5E	23	Among other lands not affected hereby, 25 acres of even width off of the east side of the NW/4 SW/4 and NE/4 SW/4 and West 15 acres of the NW/4 SE/4, Section 23, T3N, R5E	37	377
	Clay	Illinois	Oil and Gas Lease	George R. Younger, et ux	Joe K. Barker	3/12/1946	3N	5E	23	Among other lands not affected hereby, SE/4 SW/4, W/2 SW/4 SE/4, Lots 2, 3, 4 of SW/4 SW/4, Section 23, T3N, R5E	35	270
	Clay	Illinois	Oil and Gas Lease	William Bell, a widower	Joe K. Barker	3/15/1946	3N	5E	23	Among other lands not affected hereby, Lots 2, 3 and 4 of SW/4 SW/4, SE/4 SW/4 and W/2 SW/4 SE/4	35	275
	Clay	Illinois	Oil and Gas Lease	Clarence O. Spiker, et al	Joe K. Barker	8/22/1946	3N	5E	23	Among other lands not affected hereby, Lots 2, 3 and 4 of SW/4 SW/4, SE/4 SW/4 and W/2 SW/4 SE/4	36	405
	Clay	Illinois	Oil and Gas Lease	Carl R. McElvain, et ux	Joe K. Barker	9/3/1946	3N	5E	23	Among other lands not affected hereby, SW/4 SW/4, SE/4 SW/4 and W/2 SW/4 SE/4	37	375
	Clay	Illinois	Oil and Gas Lease	Loyal E. Burkett, et ux	Phillips Petroleum Company	12/17/1946	3N	5E	23	Lot 1 of the SW/4 SW/4	38	218
	Clay	Illinois	Oil and Gas Lease	Leslie A. Smith, et ux	Joe K. Barker	9/9/1946	3N	5E	23	North 15 acres of East 25 acres of NW/4 SE/4	37	3
	Clay	Illinois	Oil and Gas Lease	Carey L. Smith, et ux	Joe K. Barker	9/16/1946	3N	5E	23	South 10 acres of East 25 acres of the NW/4 SE/4	36	281
	Clay	Illinois	Oil and Gas Lease	William H. Randall, et ux	Jane Edgar Walters	4/23/1937	3N	5E	23	Among other lands not affected hereby, SW/4 NE/4	8	597
	Clay	Illinois	Oil and Gas Lease	W. K. Prewitt, Trustee, and W. K. Prewitt	Joe K. Barker	9/7/1946	3N	5E	23	Among other lands not affected hereby, NW/4 NE/4 & NE/4 NW/4	37	5
	Clay	Illinois	Oil and Gas Lease	Jerome H. Howard, et ux	Joe K. Barker	8/14/1946	3N	5E	23	Among other lands not affected hereby, NE/4 NW/4 & NW/4 NE/4	38	4
	Clay	Illinois	Oil and Gas Lease	Ella J. Howerd, widow, William Martin Howard, et ux	Joe K. Barker	8/7/1946	3N	5E	23	W/2 SE/4 NW/4	36	388
	Clay	Illinois	Oil and Gas Lease	Everett Barr, a single man	Joe K. Barker	8/7/1946	3N	5E	23	E/2 SE/4 NW/4	36	387
	Clay	Illinois	Oil and Gas Lease	Effie E. Spiker, a widow	Joe K. Barker	8/29/1946	3N	5E	23	SW/4 NW/4	37	9
	Clay	Illinois	Oil and Gas Lease	B. H. Heynes, et ux	Joe K. Barker	8/29/1946	3N	5E	23	SW/4 NW/4	37	6
	Clay	Illinois	Oil and Gas Lease	Medora H. Below, et vir	Phillips Petroleum Company	8/8/1946	3N	5E	23	Among other lands not affected hereby, E/2 NE/4 & NE/4 SE/4	37	2
IL-040-003-00-00	Clay	Illinois	Oil and Gas Lease	Robert A. Pierson, et ux	Plains Illinois Inc.	6/10/2003	3N	5E	24	Beginning at the SW/corner of Section 24 running thence East 40 rods; thence North 21 1/2 rods; thence angling in a Southwesterly direction to the section line at a point 9 1/2 rods North of the place of beginning; thence South 9 1/2 rods to the place of beginning	145	482
	Clay	Illinois					3N	5E	25	W/2 NW/4 NW/4		
	Clay	Illinois					3N	5E	26	A part of the NE/4 of Sec. 26 more particularly described as follows: Beginning at the NE/corner of said NE/4 NE/4; thence South 40 rods; thence West 40 rods; thence North 40 rods; thence East 40 rods to the place of beginning, containing 10 acres more or less.		
IL-040-004-00-00	Clay	Illinois	Oil and Gas Lease	Steve D. Anderson, et ux	Plains Illinois Inc.	5/21/2003	3N	5E	23	E/2 SW/4 SE/4, except commencing at the SW/corner of the E/2 SW/4 SE/4, thence North 357 feet to a point; thence East 451 feet to a point; thence South 357 feet to a point; thence West 451 feet to the point of beginning; also SE/4 SE/4	145	481
	Clay	Illinois					3N	5E	24	16.14 acres off of the North end of the W/2 SW/4 SW/4 known as Lot number 3 of the SW/4 of Section 24		
	Clay	Illinois					3N	5E	26	Lot #2 of the NE/4 NE/4		
IL-040-004-01-01	Clay	Illinois	Oil and Gas Lease	Alice M. Vosburgh	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	483
IL-040-004-01-02	Clay	Illinois	Oil and Gas Lease	Sara Richey	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	484
IL-040-004-01-03	Clay	Illinois	Oil and Gas Lease	Jay D. Richey	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	485
IL-040-004-01-04	Clay	Illinois	Oil and Gas Lease	Marjorie Ann Wilson	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	486
IL-040-004-01-05	Clay	Illinois	Oil and Gas Lease	Thelma C. Scudamore Trust dtd 11/1/82	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	487
IL-040-004-01-06	Clay	Illinois	Oil and Gas Lease	Charles O. Stanford III	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	488
IL-040-004-01-07	Clay	Illinois	Oil and Gas Lease	M. J. Brown	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	489
IL-040-004-01-08	Clay	Illinois	Oil and Gas Lease	Lloyd C. Colclasure	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	490
IL-040-004-01-09	Clay	Illinois	Oil and Gas Lease	Rebecca Sue Stocke	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	491
IL-040-004-01-10	Clay	Illinois	Oil and Gas Lease	Marilyn Jane Cain	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	492
IL-040-004-01-11	Clay	Illinois	Oil and Gas Lease	Bonnie Lambert	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	493
IL-040-004-01-12	Clay	Illinois	Oil and Gas Lease	Esther M. Heringer	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	494
IL-040-004-01-13	Clay	Illinois	Oil and Gas Lease	Gene A. Bowman	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	495
IL-040-004-01-14	Clay	Illinois	Oil and Gas Lease	Patsy E. King Trust U/T/A dtd 11/27/89	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	496
IL-040-004-01-15	Clay	Illinois	Oil and Gas Lease	Frank P. Campbell II	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	497
IL-040-004-01-16	Clay	Illinois	Oil and Gas Lease	Wanda Rose Munden	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	498

IL-040-004-01-17	Clay	Illinois	Oil and Gas Lease	Kent E. Rose	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	499
IL-040-004-01-18	Clay	Illinois	Oil and Gas Lease	Gerald Byars	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	500
IL-040-004-01-19	Clay	Illinois	Oil and Gas Lease	Bill Knapp	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	501
IL-040-004-01-20	Clay	Illinois	Oil and Gas Lease	Old National Trust, Guardian of the Estate of Virginia Hartline	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	502
IL-040-004-01-21	Clay	Illinois	Oil and Gas Lease	Mary Ellen Knapp	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	503
IL-040-004-01-22	Clay	Illinois	Oil and Gas Lease	Robert A. Eskridge	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	504
IL-040-004-01-23	Clay	Illinois	Oil and Gas Lease	Michael L. Knapp	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	505
IL-040-004-01-24	Clay	Illinois	Oil and Gas Lease	Leona S. Volintine by Roger G. Hickman as A/F	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	506
IL-040-004-01-25	Clay	Illinois	Oil and Gas Lease	Stella Virginia Andry	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	507
IL-040-004-01-26	Clay	Illinois	Oil and Gas Lease	Mildred Lane Trust, Arthur Lee Staley, Trustee	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	508
IL-040-004-01-26	Clay	Illinois	Oil and Gas Lease	Lola Colclasure	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	509
IL-040-004-01-27	Clay	Illinois	Oil and Gas Lease	Lola Colclasure	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	510
IL-040-004-01-28	Clay	Illinois	Oil and Gas Lease	Charlene Milone	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	511
IL-040-004-01-29	Clay	Illinois	Oil and Gas Lease	Myra Gayle Richey Lincoln	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	512
IL-040-004-01-30	Clay	Illinois	Oil and Gas Lease	Rex E. Rose	Plains Illinois Inc.	6/11/2003	3N	5E	23	E/2 SW/4 SE/4	145	512
IL-040-004-02-00	Clay	Illinois	Oil and Gas Lease	Jeffrey D. Colclasure	Plains Illinois Inc.	6/11/2003	3N	5E	23	A tract located in the SW/4 SE/4, more particularly described as commencing at the SW/corner of the E/2 SW/4 SE/4, thence North 357 to a point; thence East 451 feet to a point; thence South 357 feet to a point; thence West 451 feet to the point of beginning	145	513