

QUITCLAIM ASSIGNMENT, BILL OF SALE AND CONVEYANCE

Jack K. Hillis, Roy L. Herman, Billie L. Herman, d/b/a Two J. Oil Company and/or J. C. Oil Company and Jack K. Hillis Individually, whose address is, P.O. Box 1831, Montrose, Colorado 81402 ("Grantors") for Ten Dollars and other sufficient consideration, the receipt of which is hereby acknowledged, do hereby grant, bargain, sell, convey, assign, transfer and deliver unto Rio Mesa Resources, Inc., whose address is 226 1/2 East Main Street, Rangely, Colorado 81648 ("Grantee") the following described properties, equipment, rights and interest:

- A. Grantors' right, title and interest in and to the properties described in Exhibit "A" attached hereto and made a part hereof;
- B. Grantors' right, title and interest in and to the properties described in Exhibit "A" of whatever kind or character in and to the oil, gas and other minerals in and under and that may be produced from lands described in Exhibit "A" hereto, including without limitation, Grantors' interest in oil, gas and /or mineral leases covering all or any part of such lands, overriding royalty interest, production payments and net profits interest in all or any part of such lands or such leases;
- C. Grantors' right , title and interest in and to the properties described in Exhibit "A" in and to all presently existing and valid oil, gas and / or mineral unitization, pooling and / or communization agreements, covered and the units created thereby, including without limitation, units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction, voluntary unitization agreements, designations and / or declarations, and so called "working interest units" created under operating agreements or otherwise which relate to any of the properties described in Exhibit "A";
- D. Grantors' right, title and interest in and to the properties described in Exhibit "A" in and to all presently existing and valid production sales contracts, which relate to any of the properties described in Exhibit "A", or which relate to the exploration, development, operating or maintenance thereof or the treatment, storage, transportation or marketing or production therefrom or allocated thereto; and
- E. Grantors' right, title and interest in and to the properties described in Exhibit "A" in and to all materials, supplies, machinery, equipment, improvements, and other personal property and fixtures, including but not by way of limitation, all wells, wellhead equipment, pumping units, flowlines, tanks, buildings, gathering systems and other equipment, all easements, rights-of-way, surface leases and other surface rights, all permits and licenses, and all other appurtenances, being used or held for use in connection with, or otherwise related to, the exploration,

development, operation or maintenance of any of the properties described in Exhibit "A."

- F. Grantors' right, title and interest in and to the properties described in Exhibit "B" in and to all support and surplus; materials, supplies, drilling equipment, transportation equipment, improvements and other personal property, fixtures, surface leases and surface rights, being used or held for use in connection with or otherwise related to the exploration, development, operation or maintenance of any of the properties described in Exhibit "A".

TO HAVE AND TO HOLD unto Grantee, its successors and assigns , forever, with warranty of title against all claiming by, through and under Grantors, but not otherwise.

1. Unless provided otherwise, all recording references in Exhibit "A" are to the official real property records of the county or counties in which the Interest are located.
2. Grantors convey all personal property and fixtures in Exhibit "A" and Exhibit "B" to Grantee in its present condition, as is, where is, with all faults, known or unknown as of the Effective Date (as defined below) of this Quitclaim Assignment, Bill of Sale and Conveyance.
3. Separate conveyances, assignments, transfers or other instruments (Conveyances) of the Interest may be executed on approved forms by Grantor to Grantee, in sufficient counterparts to satisfy applicable statutory and regulatory requirements. Said conveyances shall be deemed to contain all of the exceptions, reservations, rights, titles, powers and privileges set forth herein as fully as though the same were set forth in each such Conveyance. The Interests conveyed by such separate conveyance are the same, and not in addition to, the Interest conveyed herein.

THIS AGREEMENT, may be executed in one or more counterparts, each of which shall be deemed a original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this conveyance has been executed and delivered on August 23, 1996, an effective as of 8:00 a.m., Mountain Daylight Time, August 1, 1996 ("Effective Date").

TWO J. OIL COMPANY and/or
J.C. OIL COMPANY

BY: *Jack K. Hillis*
Jack K. Hillis

BY: *Roy L. Herman*
Roy L. Herman

BY: *Billie L. Herman*
Billie L. Herman

JACK K. HILLIS, Individually

BY: *Jack K. Hillis*
Jack K. Hillis

RIO MESA RESOURCES, INC.

BY: *Gerald A. Hayes*
Gerald A. Hayes
President

ATTEST
Gerald A. Hayes
(Corporate Seal)
RIO MESA RESOURCES, INC.
COLORADO

STATE OF COLORADO)
) S
COUNTY OF MESA)

This Instrument was acknowledged before me this 23rd day of August 1996, by Jack K. Hillis, Partner of Two J. Oil Company and J.C. Oil Company.

WITNESS my hand and official seal.
MY COMMISSION EXPIRES

STATE OF COLORADO

My Commission expires
December 17, 1999

Susan P. Lasley
Notary Public

STATE OF COLORADO)
) S
COUNTY OF MESA)

This Instrument was acknowledged before me this 22nd day of August 1996, by Roy L. Herman, Partner of Two J. Oil Company and J.C. Oil Company.

WITNESS my hand and official seal.
MY COMMISSION EXPIRES

STATE OF COLORADO

My Commission expires
December 17, 1999

Susan P. Lasley
Notary Public

STATE OF COLORADO)
) S
COUNTY OF MESA)

This Instrument was acknowledged before me this 23rd day of August 1996, by Billie L. Herman, Partner of Two J. Oil Company and J.C. Oil Company.

WITNESS my hand and official seal.
MY COMMISSION EXPIRES

STATE OF COLORADO

My Commission expires
December 17, 1999

Susan P. Lasley
Notary Public

STATE OF COLORADO)
) S
COUNTY OF Mesa)

This instrument was acknowledged before me this 23rd day of August 1996, by Jack K. Hills, individually.

WITNESS my hand and official seal.

MY COMMISSION EXPIRES

My Commission expires
December 17, 1999



Susan P. Lasley
Notary Public

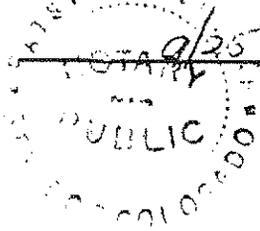
STATE OF COLORADO)
) S
COUNTY OF RIO BLANCO)

This instrument was acknowledged before me this 23rd day of August 1996, by Gerald A. Hayes, President of Rio Mesa Resources, Inc., a Colorado Corporation, on behalf of said corporation.

WITNESS my hand and official seal.

MY COMMISSION EXPIRES

9/25/96



Cathy Lee Lellan
Notary Public

EXHIBIT "A"

Attached to and made a part of that certain Quitclaim Assignment, Bill of Sale and Conveyance dated August 23, 1996 by and between Jack K. Hillis, Roy L. Herman, Billie L. Herman, d/b/a Two J Oil Company and/or J.C. Oil Company and Jack K. Hillis individually ("Grantors"), and Rio Mesa Resources, Inc., a Colorado Corporation ("Grantee").

LESSOR: Associated Oil Company of Wyoming
LESSEE: Stanolind Oil and Gas Company
DATE: May 23, 1945
BOOK / PAGE: 284/239
DESCRIPTION:

Township 1 North, Range 102 West of the 6th P.M.

Section 3: Lots 6, and 7

Section 4: Lots 1, 5, 8, 9. and 12

Section 5: Lot 4

Section 8: Lot 1, the West 24.34 acres of Lot 2, and Lot 4

Section 9: Lots 3, and 4

from the surface down to the top of the Frontier Sand Formation

Brick Well 19A;

Total Depth: 2071 feet

Casing: 2000 feet 5 1/2"

Tubing: 2041 feet 2 3/8"

Sucker Rods: 2000 feet 5/8"

Pumping Unit: Lufkin 40DT6-A-9A S/N 798

Power: Electric, 7 1/2 hp, U.S. Motor, S/N 453774

Tank Battery: 2-400 bbl. welded tanks, 1-4' X 6' Water Knockout Heater

Brick Well 29A;

Total Depth: 2500 feet

Casing: NA

Tubing: 2500 feet 2 3/8"

Sucker Rods: 2500 feet 5/8"

Pumping Unit: Lufkin 25DT7L S/N 246

Power: Electric, 5 hp, S/N MF6817

Tank Battery: 1-40 bbl. welded tank

Brick Well 28;

Gas well no equipment, TD 3000

Brick Well 31;

Gas well no equipment, TD 2000

Brick Well 32;

No equipment (water). TD 2000

LESSOR: Mary E. Hefley and Harvy E. Hefley
LESSEE: John Blockhold
DATE: April 21, 1943
BOOK / PAGE: 98/211

Exhibit "A" Page 2

DESCRIPTION;

Township 1 North, Range 102 West of the 6th P.M.

A tract of land in the SE corner of the Charles Helley Homestead, more particularly described as follows: Beginning at the SE corner of Lot 7; thence North 1320 ft; thence West 1320 ft; thence South 1320 ft; thence East 1320 ft. to the point of beginning, containing 40 acres, more or less in Sec. 2 T1N, R102W, of the 6th P.M. with said Lot 7 being described by the plat of the Resurvey of said T1N, R102W of the 6th P.M., Rangely Field, Rio Blanco County, State of Colorado.

King Well No. 1;

Total Depth: 2500 feet
Casing:
Tubing: 2500 feet 2 3/8"
Sucker Rods: 2500 feet 5/8"
Pumping Unit: Lufkin 40DT6D9B, S/N 994
Power: Electric, 7 1/2 hp, S/N 453756
Tank Battery: 1-300 bbl. welded tank

King Well No. 2;

No equipment. TD 2600 +/-, fish at 2500'

LESSOR: United States of America, C-4078

LESSEE: Ed F. Delaney

DATE: April 1, 1969

BOOK / PAGE:

DESCRIPTION;

Township 1 North, Range 101 West of the 6th P.M.

Section 4: S 1/2 NW 1/4

Gillam No. 1;

Total Depth: 3400 feet
Casing: 233 feet 7"
Tubing: 3260 feet 2 3/8"
Sucker Rods: 3225 feet 5/8"
Pumping Unit: Continental Emsco D-40, S/N 652
Power: Fairbanks Morse Gas Engine-208

Gillam No. 2;

Total Depth: 2617 feet (3000')
Casing: 1600 feet 4 1/2"
Tubing: 2545 feet 2 3/8"
Sucker Rods: 1775 feet 5/8" and 775 feet 3/4"
Pumping Unit: National D-40, S/N 14816
Power: LeRoi Gas Engine, 5 1/4" X 5 1/4", Model A114
Tank Battery: 1-250 bbl. bolted tank

Exhibit "A" Page 3

LESSOR: United States of America, C-02894-B
LESSEE: Newton Oil Company
DATE: August 1, 1951
BOOK / PAGE:
DESCRIPTION;

Township 1 North, Range 102 West, of the 6th P.M.
Section 10: W 1/2 SE 1/4; NE 1/4 SE 1/4

from the Surface to the top of the Dakota

LuBauer Govt. No. 4;

Total Depth: 2500 feet
Casing: 1500 feet 5 1/2"
Tubing: 2480 feet 2 3/8"
Sucker Rods: 2470 feet 5/8"
Pumping Unit: Bethlehem 25-D, S/N 6002
Power: Electric 10 hp, S/N RH25142

LuBauer Govt. No. 5:

Total Depth: 2900 feet
Casing: 2000 feet 5 1/2"
Tubing: 2890 feet 2 7/8"
Sucker Rods: 2870 feet 5/8"
Pumping Unit: American D-40, S/N 3362
Power: Electric, 7 1/2 hp, S/N 2254567

LuBauer Govt. No. 7:

Total Depth: 2500 feet
Casing: 2000 feet 5 1/2"
Tubing: 2480 feet 2 3/8"
Sucker Rods: 2870 feet 5/8"
Pumping Unit: Lufkin T6-A-9A-40D, S/N 652
Power: Electric, 7 1/2 hp, S/N 324
Tank Battery: 2-500 bbl. bolted tanks

LESSOR: United States of America, C-033804-B
LESSEE: Newton Oil Company
DATE:
BOOK / PAGE:
DESCRIPTION;

Township 1 North, Range 102 West, of the 6th P.M.
Section 10: SE 1/4 NW 1/4

LuBauer Govt. No. 2;

Total Depth: 2551 feet
Casing: 1655 feet 5 1/2"
Tubing: 2535 feet 2 3/8"
Sucker Rods: 2500 feet 5/8"
Pumping Unit: Bethlehem 25-D, S/N 6002
Power: Electric 10 hp, S/N RH25142

Exhibit "A" Page 4

LESSOR: Carrie E. Hill and Don F. Hill
LESSEE: Burton E. Cole, Trustee
DATE: August 9, 1945
BOOK / PAGE: 98/260
DESCRIPTION:

Township 1 North, Range 101 West of the 6th P.M.

Section 1: SE 1/4 SE 1/4

Section 12: E 1/2 NE 1/4, NE 1/4 SE 1/4

also described as follows:

Section 6: Lots 13, 15, 17, 18, 21 and 22

Section 7: Lots 6, 7, 10 and 11

By the plat of resurvey (C. E. 477)

from the surface down to the top of the Frontier Sand Formation

HILL Well No. 5;

Total Depth: 3610 feet

Casing: 2632 feet 4 1/2"

Tubing: 3568 feet 2 3/8"

Sucker Rods: 3550 feet 5/8"

Pumping Unit: Bethlehem 57D S/N D57196F

Power: Electric, 7 1/2 hp, S/N 680B105G33

Tank Battery: 1-400 bbl. welded tank

HILL Well No. 7;

Total Depth: 3308 feet

Casing: NA

Tubing: 3040 feet 2 3/8"

Sucker Rods: 3000 feet 5/8" and 3/4"

Pumping Unit: National 40D S/N 12106

Power: Electric, 5 hp, S/N CP40261

HILL Well No. 8;

Total Depth: 3625 feet

Casing: 3400 feet 4 1/2"

Tubing: 3545 feet 2 3/8"

Sucker Rods: 3525 feet 5/8"

Pumping Unit: Lufkin 40D S/N 951

Power: Electric, 5 hp, S/N 166EM483

EXHIBIT "B"

Attached to and made a part of that certain Quitclaim Assignment, Bill of Sale and Conveyance dated August 23, 1996 by and between Jack K. Hillis, Roy L. Herman, Billie L. Herman, d/b/a Two J Oil Company and/or J.C. Oil Company and Jack K. Hillis individually ("Grantors"), and Rio Mesa Resources, Inc., a Colorado Corporation ("Grantee").

VEHICLES:

1979 Ford 1-ton Winch Truck, Title No. 49E075097, S/N F37SRDG6991

1975 Ford 600 Winch Truck, Title No. 49E 40276, S/N F61EVV82656

1959 Ford Water Truck, Title No. 08M113878, S/N F60C8K39630

1953 GMC 2 1/2-ton Truck, Title No. 49E 40277, S/N 13866

DRILLING EQUIPMENT:

1957 Walker Neer Cable Tool Rig, Model No. S-43, S/N 1605
w/ trailer mounted steel dog house,
All associated cable tools, bailers, various sizes (4' to 15")

Three steel dog houses (Hill Yard),

Elevators;

5 1/2" Casing (2 sets)
7" Casing
7 5/8" Casing
8 5/8" Casing
2 7/8" Tubing (4 sets)
4 1/2" Casing (2 sets)

Spider and Slips;

4 1/2" Casing
2 7/8" Tubing

7" Drilling Head;

SURPLUS PRODUCTION EQUIPMENT:

Pumping Units; (Hill Yard)

Lufkin 57D, S/N 1037, W/ Fairbanks 208 Motor
Bethlehem 51D, S/N 9529
Hellstar W-30, S/N 00878
National 57D, S/N 24459

Exhibit "B" Page 2

Surface Production Equipment continued:

Pumping Units; (King Yard)

Cabot 57D, S/N D571427B
Lufkin T6-9A, S/N 281, W/ 5hp Electric Motor S/N KJ-5758
Alten D25, S/N NA, W/ 5hp Electric Motor S/N KK-3472
National 40D, S/N 14820, W/ 5hp Electric Motor S/N 6E2012
Behlehem 57 DA, S/N R-362
Oilwell 40-D9, S/N T166-190
Continental D40, S/N 1577

Tubular Equipment; (Hill and King yards)

16,000 feet of 5/8" and 3/4" rods
10,500 feet of 2/8" tubing
2,200 feet of 4 1/2" casing
1,800 feet of 5 1/2" casing
280 feet of 7" casing
400 feet of 8 5/8" casing

Tanks, Treaters, and Compressors; (Brick, Hill and King yards)

1-500 bbl tank in Brick yard
BS&B 2' X 6' line heater
2" Transfer pump, 7 1/2 hp w/ a 1" X 2" pump
Air Compressor, Ingersoll Rand, 8 X 4 1/2 X 8
Air Compressor / Vacuum Pump w/ a 3.5 hp motor

SURFACE:

All surface rights, title or interest if any in and to the Brick Yard.

All surface rights, title or interest if any in and to the Hill Yard.

All surface rights, title or interest if any in and to the King Yard.