

ASSIGNMENT, CONVEYANCE AND BILL OF SALE

STATE OF NEW MEXICO §

COUNTY OF LEA §

KNOW ALL MEN BY THESE PRESENTS:

THAT, **Watson Properties, LLC**, a New Mexico limited liability company, whose address is 3905 Futura Dr., Roswell, New Mexico 88201, **Robert H. Watson**, whose address is 3905 Futura Dr., Roswell, New Mexico 88201, and **Barbara J. Watson** whose address is 3905 Futura Dr., Roswell, New Mexico 88201 (hereinafter collectively referred to as "**Assignor**"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby GRANT, BARGAIN, SELL, ASSIGN, TRANSFER and CONVEY to: **Highland (Texas) Energy Company**, a Texas corporation, whose address is 7557 Rambler Road, Suite 918, Dallas, Texas 75231 (hereinafter referred to as "**Assignee**"), without warranty of title of any kind, express or implied, and subject to the terms and conditions hereinafter set out, all of Assignor's right, title and interest in, to and under (i) the oil and gas leases and/or leasehold rights underlying the lands described in Exhibit "A", attached hereto and made a part hereof, and the oil and gas leasehold estates created thereunder, insofar and only insofar as it covers the lands described in Exhibit "A" hereto, (ii) all real, personal and tangible property rights appurtenant to such lands and leases listed on Exhibit "A", including, without limitation, the following (all of Assignor's rights, title and interest described below being hereinafter collectively referred to as the "Interests"):

- a. Leasehold interests in oil, gas, natural gas liquids, hydrocarbons or other minerals, including, without limitation, working interests, carried working interests, rights of assignment and reassignment and other interests of any kind under or in the oil and gas leases, and interests in rights to explore for and produce oil, gas and other minerals;
- b. Fee interests in oil, gas, natural gas liquids, hydrocarbons or other minerals, including, without limitation, rights under mineral deeds, conveyances or assignments;
- c. Royalties, overriding royalty interests, production payments, rights to take royalties in kind or other interests of any kind in production or oil, gas or other minerals;
- d. Rights and interests in or derived from unit agreements, orders and decisions of state and federal regulatory authorities establishing units, joint operating agreements, enhanced recovery and injection agreements, gas sales contracts, farmout agreements and farm-in agreements, options, participation agreements, drilling agreements, exploration agreements, assignments of operating rights, working interests and subleases;
- e. Rights-of-way, easements, servitudes and franchises acquired or used in connection with operations for the exploration and production of oil, gas, natural gas liquids, hydrocarbons or other minerals;
- f. Permits and licenses of any nature, including seismic data, owned, held or having the rights to in connection with operations for the exploration and production of oil, gas, natural gas liquids, hydrocarbons or other minerals, to the extent such permits and licenses are transferable;
- g. Rights and interests in and to the wells, machinery, equipment, fixtures, related inventory and personal property located on and used in connection with the operation of the property described in Exhibit "B" attached hereto ("Equipment").

THIS Assignment, Conveyance and Bill of Sale, hereinafter referred to as "Conveyance" shall be subject to the following terms, conditions, or exceptions:

1. This Conveyance shall be effective as of the 1st day of March, 2019, at 12:00 a.m., local time ("Effective Time").
2. The Interests herein assigned and conveyed shall be subject to all instruments and agreements through which Assignor derived its title or to which the Interests are subject.

3. To the extent transferable, Assignee shall have the right of full substitution and subrogation in and to any and all rights and actions or warranty which Assignor had or may have with respect to the Interest conveyed hereunder of which Assignor has or may have against any and all preceding owners, vendors or warrantors.
4. ASSIGNOR AND ASSIGNEE ACKNOWLEDGE AND AGREE THE INTERESTS ARE TO BE CONVEYED WITHOUT WARRANTY OF TITLE. THE INTERESTS ARE CONVEYED HEREIN BY ASSIGNOR "AS IS, WHERE IS" AND IN THEIR PRESENT CONDITION WITH ALL FAULTS. ASSIGNOR HAS NOT MADE, DOES NOT HEREBY MAKE AND SPECIFICALLY DISCLAIMS, ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESSED OR IMPLIED, AT COMMON LAW, BY STATUTE, OR OTHERWISE, ORAL OR WRITTEN, PAST, PRESENT, OR FUTURE AS TO, CONCERNING OR WITH RESPECT TO THE INTERESTS, INCLUDING, BUT NOT LIMITED TO (AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING). THE FOLLOWING: (A) ANY GEOLOGICAL, SEISMIC, AND OTHER GEOPHYSICAL DATA; THE EXISTENCE OR EXTENT OF OIL, GAS OR MINERAL RESERVES; THE RECOVERABILITY OF OR COST OF RECOVERING ANY SUCH RESERVES; THE VALUE OF SUCH RESERVES; ANY PRODUCT PRICING ASSUMPTIONS; AND THE ABILITY TO SELL OIL OR GAS PRODUCTION AFTER CLOSING; (B) THE NATURE, QUALITY OR CONDITION OF THE INTERESTS INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL OR GEOLOGY OF THE PROPERTY SUBJECT TO THE LEASES; (C) THE EXISTING SOIL CONDITIONS OR OTHER CONDITIONS OF ANY PROPERTY SUBJECT TO THE LEASES; (D) THE INCOME TO BE DERIVED FROM ANY OF THE INTERESTS; (E) THE SUITABILITY FOR ANY AND ALL ACTIVITIES AND USES WHICH ASSIGNEE MAY CONDUCT THEREON OR THEREWITH; (F) THE COMPLIANCE OF THE INTERESTS, OR THEIR OPERATION, WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OR ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (G) THE HABITABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE INTERESTS; (H) THE GOOD AND WORKMANLIKE CONSTRUCTION OF THE EQUIPMENT; (I) THE DESIGN OF THE EQUIPMENT; (J) THE NATURE OR QUALITY OF THE CONSTRUCTION, STRUCTURAL DESIGN AND/OR ENGINEERING OF THE EQUIPMENT; (K) THE QUALITY OF THE LABOR AND MATERIALS INCLUDED IN THE EQUIPMENT; (L) THE COMPOSITION OF THE MATERIALS INCLUDED IN THE EQUIPMENT; OR (M) ANY OTHER MATTER WITH RESPECT TO THE EQUIPMENT, WITHOUT LIMITING ANY OF THE FOREGOING, ASSIGNOR HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES REGARDING (i) THE PRESENCE OR ABSENCE FROM THE LANDS COVERED BY THE INTERESTS OF HAZARDOUS SUBSTANCES AND/OR SOLID WASTE AS DEFINED BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS PROMULGATED PURSUANT TO THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT AS AMENDED ("CERCLA"); OR (ii) THE COMPLIANCE OR NONCOMPLIANCE OF THE INTERESTS WITH CERCLA, THE RESOURCE CONSERVATION AND RECOVERY ACT, THE FEDERAL WATER POLLUTION CONTROL ACT, THE FEDERAL CLEAN AIR ACT (AS ANY OF THE SAME MAY HAVE BEEN AMENDED FROM TIME TO TIME), OR ANY OTHER STATUE, LAW ORDINANCE, REGULATION, ORDER OR DECREE RELATING TO ENVIRONMENTAL MATTERS.
5. As used in this Paragraph 5, and in the subparagraphs hereunder, "claims" shall include claims, demands, causes of action, liabilities, damages, penalties, and judgments of any kind or character arising out of or in any way connected with the Interests and all costs and fees in connection therewith.
 - a. Assignee shall (i) be responsible for any and all claims arising from the production and sale of hydrocarbons from the Interests assigned hereunder, insofar as such claims relate to hydrocarbons produced from the Interests and sold after the Effective Time, (ii) at the Effective Time assume and be responsible for and comply with all duties and obligations of Assignor, expressed or implied, with respect to the Interests under or by virtue of any lease, contract, agreement, document, permit, applicable statute or rule, regulation or order of any governmental authority or at common law (specifically including, without limitation, any governmental request or requirement to plug, re-plug and/or abandon any

well of whatsoever type, status or classification, or take any clean up or other action with respect to the Interests) and (iii) defend, indemnify and hold Assignor harmless from any and all claims, including, but not limited to, any and all claims in favor of any person or governmental authority for personal injury, death or damage to property or to the environment, or for any other relief, arising directly or indirectly from, or incident to, the use, occupation, operation, maintenance or abandonment of any of the interests, or conditions of the interests, whether latent or patent, which have occurred and been asserted against Assignee and/or Assignor after the Effective Time.

- b. Assignor shall (i) be responsible for any and all claims arising from the productions and sale of hydrocarbons from the Interests assigned hereunder, including the accounting or payment to third parties of monies attributable to their interests in such production, insofar as such claims relate to hydrocarbons produced and sold before the Effective Time and (ii) shall defend, indemnify and hold Assignee harmless from any and all claims which occurred before the Effective Time.

Assignee shall pay defend and hold Assignor harmless with respect to the payment of all ad valorem taxes on the Interests for 2019 Tax Period and thereafter, together with any interest or penalty assessed thereon. Regardless of the foregoing, Assignor agrees to reimburse Assignee, upon evidence from Assignee that such taxes have been paid, Assignor's proportionate share of taxes in respect of its ownership of the Interests during the Tax Period.

Assignee shall further defend and hold Assignor harmless with respect to the payment of sales taxes or other taxes in connection with this Assignment, if any, including interest or penalty assessed thereon.

All taxes (other than ad valorem and income taxes) which are imposed on or with respect to the production of oil, gas, natural gas liquids or other hydrocarbons or minerals or the receipt of proceeds therefrom (including but not limited to severance, production and excise taxes) shall be apportioned between the parties as follows: (i) payment or withholding of all such taxes applicable or relating to production sold prior to the Effective Time and filing of all statements, returns and documents pertinent thereto shall be the responsibility of Assignor; and (ii) payment or withholding of all such taxes applicable or relating to production sold from and after the Effective Time and the filing of all statements, returns, and documents incident thereto shall be the responsibility of Assignee.

Each of the parties hereto shall execute, acknowledge and deliver to the other such further instruments, conveyances, deeds, acquittances, division orders and transfer orders, and take such other actions as may be reasonably necessary to carry out the provisions of this Conveyance. However, Assignee shall assume all responsibility for notifying the purchaser of oil and gas production from the interests, and such other designated persons who may be responsible for disbursing payments for the purchase of such production, of the change of ownership of the Interests. Assignee shall take all actions necessary to effectuate the transfer of such payments to Assignee as of the Effective Time. Assignor shall have no responsibility or liability for the proper distribution of proceeds from and after the Effective Time, however, Assignor shall transfer all revenues received by Assignor attributable to the interests after the Effective Time to Assignee.

The terms and conditions contained herein shall constitute covenants running with the land and shall be binding upon the parties hereto, their legal representatives, successors, assigns and heirs.

Assignee joins in the execution hereof for the purpose of being bound by all of the terms, provisions, obligations and covenants herein specified.

TO HAVE AND TO HOLD unto Assignee, its legal representatives, successors, assigns and heirs, in accordance with the terms and provisions hereof.

IN WITNESS WHEREOF, this Conveyance is executed this 2nd day of May, 2019, but shall be effective as of the Effective Time, for all purposes. RHW

Witness:

By: Marina Mahan
Printed Name: MARINA MAHAN

ASSIGNOR: Watson Properties, LLC

By: Robert H. Watson
Its: Managing Member

Witness:

By: Marina Mahan
Printed Name: MARINA MAHAN

ASSIGNOR: Robert H. Watson

By: Robert H. Watson
Robert H. Watson

Witness:

By: Marina Mahan
Printed Name: MARINA MAHAN

ASSIGNOR: Barbara J. Watson

By: Barbara J. Watson
Barbara J. Watson

Witness:

By: Gray Richardson
Printed Name: GRAY RICHARDSON

ASSIGNEE: Highland (Texas) Energy Co.

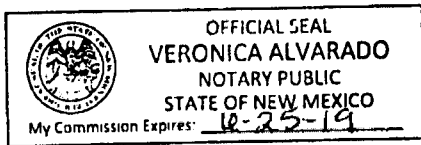
By: Steven M. Burr
Steven M. Burr, President

STATE OF New Mexico

COUNTY OF Chaves

This instrument was acknowledged before me on May 2nd, 2019 by Robert H. Watson as Managing Member of Watson Properties, LLC, a limited liability company.

Given under my hand and seal of office this the 2nd day of May, 2019.



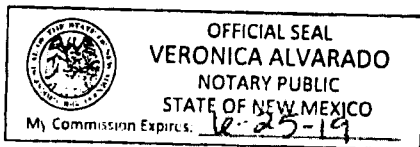
Veronica Alvarado
Notary Public in and for the State of New Mexico
Printed Name: Veronica Alvarado
Commission expires: June 25, 2019

STATE OF New Mexico

COUNTY OF Chaves

This instrument was acknowledged before me on May 2nd, 2019 by Robert H. Watson.

Given under my hand and seal of office this the 2nd day of May, 2019.



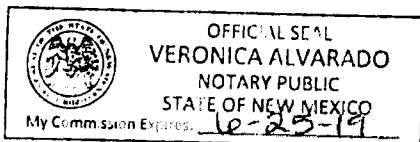
Veronica Alvarado
Notary Public in and for the State of New Mexico
Printed Name: Veronica Alvarado
Commission expires: June 25, 2019

STATE OF New Mexico

COUNTY OF Chaves

This instrument was acknowledged before me on May 2nd, 2019 by Barbara J. Watson.

Given under my hand and seal of office this the 2nd day of May, 2019.



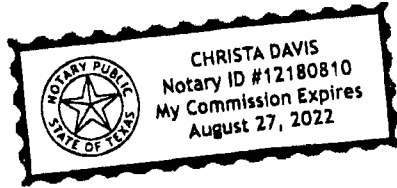
Veronica Alvarado
Notary Public in and for the State of New Mexico
Printed Name: Veronica Alvarado
Commission expires: June 25, 2019

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on April 15th, 2019 by Steven M. Burr as President for Highland (Texas) Energy Company, a Texas corporation.

Given under my hand and seal of office this the 15th day of April, 2019.



Christa Davis

Notary Public in and for the State of TX

Printed Name: CHRISTA DAVIS

Commission expires: AUGUST 27, 2022

EXHIBIT A

ATTACHED TO AND MADE A PART OF THAT CERTAIN ASSIGNMENT, CONVEYANCE AND BILL OF SALE, EFFECTIVE AS OF MARCH 1, 2019, BETWEEN WATSON PROPERTIES, LLC, ROBERT H. WATSON, BARBARA J. WATSON (COLLECTIVELY REFERRED TO AS "ASSIGNOR") AND HIGHLAND (TEXAS) ENERGY COMPANY ("ASSIGNEE")

THE LANDS

Description of Lands subject to this Agreement: All right, title and interest, to all depths, on the lands subject to the Leases.

Section 33, T19S-R34E: NW/4 NW/4
 Section 33, T19S-R34E: SE/4 SW/4; S/2 SE/4
 Section 5, T20S-34E: Lot 4; SW/4 NW/4 from surface to base of Bone Spring
 Section 4, T20S-34E: SE/4 NE/4 from surface to 8,210'
 Section 4, T20S-34E: NE/4 NE/4 from surface to 8,380'
 Section 4, T20S-34E: NW/4 NE/4 from surface to 8,300'
 Section 4, T20S-34E: NE/4 NW/4 from surface to 8,350'
 Section 15, T20S-R34E: E/2 from surface to 13,921' save and except the NE/4 SE/4 from surface to 3868'
 Section 10, T20S-R34E: SE/4
 Section 10, T20S-R34E: NW/4 NE/4 (less and except producing interval of N. Lea #3)
 Section 10, T20S-R34E: E/2 NE/4 (less and except Morrow producing interval of N. Lea #3)
 Section 10, T20S-R34E: SW/4 NE/4 (all depths except Morrow)
 Section 10, T20S-R34E: N/2 NW/4 (less and except Morrow producing interval of N. Lea #2)
 Section 10, T20S-R34E: SE/4 NW/4 (less and except Morrow producing interval of N. Lea #2)
 Section 10, T20S-R34E: SW/4 NW/4 from surface to 6,500'
 Section 10, T20S-R34E: SW/4 NW/4 below 6,500' (less and except Morrow producing interval of N. Lea #2)
 Section 14, T20S-R34E: NE/4 NW/4; S/2 NW/4; SW/4
 Section 23, T20S-R34E: N/2 NW/4

THE LEASES

<u>Lease Number</u>	<u>Effective Date</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Legal Description</u>
NMNM-94622	3/1/1995	USA	Read & Stevens, Inc.	Section 33, T19S-R33E: SE/4 SW/4; S/2 SE/4
NMNM-097156	9/1/1996	USA	Read & Stevens, Inc.	Section 33, T19S-R34E: W/2 NW/4
NMNM-101115	9/1/1998	USA	Read & Stevens, Inc.	Section 5, T20S-R34E: Lot 4; SW/4 NW/4
NMLC-065607	9/1/1948	USA	Delmar Hudson Lewis	Section 4, T20S-R34E: Section 4, T20S-R34E: SE/4 NE/4 from surface to 8,210' Section 4, T20S-R34E: Lot 1 from surface to 8,380' Section 4, T20S-R34E: Lot 2 from surface to 8,300' Section 4, T20S-R34E: Lot 3 from surface to 8,350'
NMNM-0006570	2/1/1952	USA	Ernest A. Hanson	Section 15, T20S-R34E: E/2 from surface to 13,921' save and except the NE/4 SE/4 from surface to 3868'
NMNM-78273	12/1/1988	USA	Doug J. Schutz	Section 14, T20S-R34E: NE/4 NW/4; S/2 NW/4; SW/4 Section 23, T20S-R34E: N/2 NW/4
NMNM-56264	6/1/1983	USA	Read & Stevens, Inc.	Section 10, T20S-R34E: SE/4 Section 10, T20S-R34E: NW/4 NE/4 Morrow only (less and except producing interval of N. Lea #3) Section 10, T20S-R34E: E/2 NE/4 (less and except Morrow producing interval of N. Lea #3)

						<p>Section 10, T20S-R34E: SW/4 NE/4 (all depths except Morrow)</p> <p>Section 10, T20S-R34E: N/2 NW/4 (less and except Morrow producing interval of N. Lea #2)</p> <p>Section 10, T20S-R34E: SE/4 NW/4 (less and except Morrow producing interval of N. Lea #2)</p> <p>Section 10, T20S-R34E: SW/4 NW/4 from surface to 6,500'</p> <p>Section 10, T20S-R34E: SW/4 NW/4 below 6,500' (less and except Morrow producing interval of N. Lea #2)</p>
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EXHIBIT B

ATTACHED TO AND MADE A PART OF THAT CERTAIN ASSIGNMENT, CONVEYANCE AND BILL OF SALE, EFFECTIVE AS OF MARCH 1, 2019, BETWEEN WATSON PROPERTIES, LLC, ROBERT H. WATSON, BARBARA J. WATSON (COLLECTIVELY REFERRED TO AS "ASSIGNOR") AND HIGHLAND (TEXAS) ENERGY COMPANY ("ASSIGNEE")

WELLS

All wells, drilled to all depths, located within or pooled with the Lands, located in Lea County, New Mexico. The following wells are located within the Lands:

Chaparral 33 Fed Com 2	3002536403
Chaparral 33 Fed 3H	3002540253
Chaparral 33 Fed Com 4	3002540328
Chaparral 33 Fed Com 5H	3002541879
Highway 5 Fed Com #1	3002539120
Hudson Fed #1	3002532819
Hudson Fed #2	3002532971
Hudson Fed #3	3002533017
Hudson Fed #5	3002533247
Laguna 23 Fed Com 1H	3002540742
Laguna 23 Fed Com 2H	3002540697
Laguna 23 Fed Com 4H	3002541946
Laurie D Fed #1	3002529365
Laurie D Fed #2	3002539822
Lucy Fed 2	3002540055
Marathon Road 14 NC Fed 1H	3002540984
Marathon Road 14 MD Fed 1H	3002541215
Marathon Road 15 PA Fed 1H	3002541575
Marathon Road 15 B3OB Fed 1H	3002541945
Marathon Road 15 NC Fed 1H	3002542201
N Lea Federal #1-Y	3002529134
N Lea Federal #4	3002531355
N Lea Federal #5	3002531413
N Lea Federal #6	3002531719
N Lea Federal #7	3002531737
N Lea Federal #8	3002531886
N Lea Federal #9	3002531819
N Lea Federal #10	3002531822
N Lea Federal #11	3002534748
N Lea Federal #12	3002539939
Pearl 33 Fed #1	3002534119
Truman Fed #1	3002533043