



11-07-2000

U.S. Patent & TMO/TM Mail Rpt. Dt. #40

12-08-2000



101545662

**RECORDATION FORM COVER SHEET
TRADEMARKS ONLY**

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- ☒ **New**
- ☐ **Resubmission (Non-Recordation)**
Document ID #
- ☐ **Correction of PTO Error**
Reel # Frame #
- ☐ **Corrective Document**
Reel # Frame #

Conveyance Type

- ☐ **Assignment** ☐ **License**
- ☒ **Security Agreement** ☐ **Nunc Pro Tunc Assignment**
Effective Date
Month Day Year
- ☐ **Merger**
- ☐ **Change of Name**
- ☐ **Other**

Conveying Party

☐ Mark if additional names of conveying parties attached

Name

Execution Date
Month Day Year

Formerly

- ☐ **Individual** ☐ **General Partnership** ☐ **Limited Partnership** ☒ **Corporation** ☐ **Association**
- ☐ **Other**
- ☒ **Citizenship/State of Incorporation/Organization**

Receiving Party

☐ Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- ☐ **Individual** ☐ **General Partnership** ☐ **Limited Partnership**
- ☒ **Corporation** ☐ **Association**
- ☐ **Other**

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

- ☒ **Citizenship/State of Incorporation/Organization**

FOR OFFICE USE ONLY

12/07/2000 MTHA11 00000296 500709 76024439

01 FC:481 40.00 CH
02 FC:482 175.00 CH

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Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK
REEL: 002191 FRAME: 0200

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

202-457-5210

Name

George M. Borababy

Address (line 1)

PATTON BOGGS LLP

Address (line 2)

2550 M Street, N.W.

Address (line 3)

Washington, D.C. 20037

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

12

Trademark Application Number(s) or Registration Number(s)

☐

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

76024439

76024864

75940886

76051888

75940885

76051887

76024866

75940883

Number of Properties

Enter the total number of properties involved.

#

8

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

215.00

Method of Payment:

Enclosed ☐

Deposit Account ☒

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

50-0709

Authorization to charge additional fees:

Yes

☒

No

☐

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

George M. Borababy

Name of Person Signing

Signature

Date Signed

11/6/2000

TRADEMARK COLLATERAL SECURITY AGREEMENT

THIS TRADEMARK COLLATERAL SECURITY AGREEMENT is made to be effective as of the 17 day of August, 2000, by and between SOUTHWEST ROYALTIES, INC., a Delaware corporation ("Borrower"), having a mailing address at 407 N. Big Spring Street, Suite 300, Midland, Texas 79701, and FOOTHILL CAPITAL CORPORATION (in its capacity as agent, for itself and the hereinafter defined the Lender Group, collectively with its successors and assigns, the "Agent"), a California corporation, having a mailing address at 2450 Colorado Avenue, Suite 3000 West, Santa Monica, California 90404.

BACKGROUND

Agent has entered into that certain Amended and Restated Loan and Security Agreement with Borrower and the lenders (the "Lender Group") signatory thereto dated as of August 17, 2000 (the "Loan Agreement"), which provides for certain credit accommodations from the Lender Group to Borrower. In order to induce the Lender Group to provide the credit accommodations set forth in the Loan Agreement, Borrower agreed to execute and deliver to Agent, for the ratable benefit of the Lender Group, this Trademark Collateral Security Agreement ("Security Agreement"). This Security Agreement, covering Trademarks (as hereinafter defined), is being executed in connection with the Loan Agreement under which Agent for the ratable benefit of the Lender Group is granted a lien on and security interest in the Trademarks, whereby Agent shall have the right to foreclose simultaneously on the Trademarks in the event of the occurrence and continuance of a default hereunder or an Event of Default under the Loan Agreement.

NOW, THEREFORE, in consideration of the premises, Borrower, Agent and the Lender Group hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Loan Agreement shall have their defined meanings when used herein and the following terms shall have the following meanings, unless the context otherwise requires:

"Code" shall mean the Uniform Commercial Code as the same may from time to time be in effect in the State of California.

"Collateral" shall have the meaning assigned to it in Section 2 of this Security Agreement.

"Licenses" shall mean the trademark license agreements of Borrower designated on Schedule I hereto, as any of the same may from time to time be amended or supplemented.

"Obligations" shall mean all indebtedness, liabilities and other obligations of Borrower now or hereafter existing under the Loan Agreement or the other Loan Documents,

whether for principal, interest, fees, expenses or otherwise, and all obligations of the Borrower now or hereafter existing under this Security Agreement.

“Proceeds” shall have the meaning assigned to it under Section 9306 of the Code, and in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guarantee payable to Borrower from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under color of governmental authority), and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

“Security Agreement” shall mean this Trademark Collateral Security Agreement, as the same may from time to time be amended or supplemented.

“Trademarks” shall mean the U.S. registered trademarks and pending applications shown in the attached Exhibit A, and all trademarks which are now owned or hereafter adopted or acquired by Borrower, and all right, title and interest therein and thereto, whether or not registered, and all registrations, applications, and recordings thereof, including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, all whether now owned or hereafter acquired by Borrower.

2. Grant of Security Interest. As collateral security for the prompt payment of the Obligations, Borrower hereby grants and conveys to Agent, for the ratable benefit of the Lender Group, a security interest in and to (a) the entire right, title and interest of Borrower in and to the Trademarks, including the registrations and applications appurtenant thereto, listed in Exhibit A hereto (as the same may be amended pursuant hereto from time to time), and in and to any and all trademarks, and registrations and applications appurtenant thereto, hereafter acquired or filed by Borrower, including without limitation all renewals thereof, all proceeds of infringement suits, the rights to sue for past, present and future infringements and all rights corresponding thereto in the United States and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and the goodwill of the business to which each of the Trademarks relates and (b) all of Borrower’s right, title and interest in, to and under the following:

(i) all Licenses;

(ii) all accounts, contract rights and General Intangibles (as defined in the Code) arising under or relating to each and every License (including, without limitation, (A) all moneys due and to become due under any License, (B) any damages arising out of or for breach or default in respect of any such License, (C) all other amounts from time to time paid or payable under or in connection with any such License, and (D) the right of Borrower to terminate any such License or to perform and to exercise all remedies thereunder); and

(iii) to the extent not otherwise included, all Proceeds and products of any or all of the foregoing.

All of the property referred to in this paragraph 2 is hereinafter collectively called the "Collateral."

3. Representations and Warranties. Borrower covenants and warrants that as of the date of this Security Agreement:

(a) The Trademarks, if any exist, are subsisting and have not been adjudged invalid or unenforceable in whole or in part;

(b) To the best of Borrower's knowledge, each of the Trademarks, if any exist, is valid and enforceable;

(c) To the best of Borrower's knowledge, there is no outstanding claim that the use of any of the Trademarks violates the rights of any third person;

(d) Borrower is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks, if any exist, free and clear of any liens, charges and encumbrances, except Permitted Liens, (including without limitation pledges, assignments, licenses, registered user agreements and covenants by Borrower not to sue third persons), except for the Licenses referred to in Schedule I attached hereto;

(e) Borrower has the right to enter into this Security Agreement and perform its terms; and

(f) Borrower will use for the duration of this Security Agreement, proper statutory notice, where appropriate, in connection with its use of the Trademarks, if any exist.

4. Right of Inspection. Without limiting Agent's rights under the Loan Agreement, Borrower hereby grants to Agent and its employees and agents the right to inspect and audit Borrower's records, books and facilities in accordance with the Loan Agreement.

5. New Trademarks. (a) If, before the Obligations shall have been satisfied in full, Borrower shall obtain rights to any new trademarks or become entitled to the benefit of any trademark application or trademark for any reissue, division, continuation, renewal, extension, or continuation in part of any Trademark of any improvement on any Trademark, the provisions of paragraph 2 shall automatically apply thereto and Borrower shall give Agent prompt written notice thereof; (b) Borrower grants Agent a power-of-attorney, irrevocable so long as the Obligations remain unsatisfied, to modify this Security Agreement by amending Exhibit A to include any future trademarks, including trademark registrations or applications appurtenant thereto covered by this Security Agreement.

6. Covenants. Borrower covenants and agrees with Agent and the Lender Group that from and after the date of this Security Agreement and until the Obligations are fully satisfied:

(a) Further Documentation; Pledge of Instruments. At any time and from time to time, upon the written request of Agent, Borrower will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Agent may reasonably deem desirable in obtaining the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Code with respect to the liens and security interests granted hereby. Borrower also hereby authorizes Agent to file any such financing or continuation statement without the signature of Borrower to the extent permitted by applicable law. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged to Agent, for the ratable benefit of the Lender Group hereunder, duly endorsed in a manner satisfactory to Agent.

(b) Maintenance of Trademarks. Borrower will not do any act, or omit to do any act, where good business judgment dictates otherwise whereby the Trademarks, if any exist, or any registration or application appurtenant thereto, may become abandoned, invalidated, unenforceable, avoided, avoidable, or will otherwise diminish in value, and shall notify Agent immediately if it knows of any reason or has reason to know of any ground under which this result may occur. Borrower shall take appropriate action at its expense, where good business judgment calls for the same, to halt the infringement of the Trademarks and shall properly exercise its duty to control the nature and quality of the goods offered by any licensees in connection with the Licenses set forth in Schedule I.

(c) Indemnification. (A) Borrower assumes all responsibility and liability arising from the use of the Trademarks, and Borrower hereby indemnifies and holds Agent and the Lender Group (and each of them) harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees) arising out of Borrower's operations of its business from the use of the Trademarks. (B) In any suit, proceeding or action brought by Agent or the Lender Group under any License for any sum owing thereunder, or to enforce any provisions of such License, Borrower will indemnify and keep the Lender Group (and each of them) and Agent harmless from and against all expense, loss or damage suffered by reason of any defense, set off, counterclaim, recoupment or reduction or liability whatsoever of the obligee thereunder, arising out of a breach of Borrower of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligee or its successors from Borrower, and all such obligations of Borrower shall be and remain enforceable against and only against Borrower and shall not be enforceable against the Lender Group and Agent.

(d) Limitation of Liens on Collateral. Except for Permitted Liens, Borrower will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove any lien, security interest, encumbrance, claim or right, in

or to the Collateral, and will defend the right, title and interest of Agent and the Lender Group in and to any of Borrower's rights under the Licenses and to the Proceeds thereof against the claims and demands of all persons whomever.

(e) Limitations on Modifications of Licenses. Borrower will not (i) amend, modify, terminate (other than in accordance with its terms) or waive any provision of any License in any manner which might materially adversely affect the value of such License or the Trademarks as Collateral, (ii) fail to exercise promptly and diligently each and every material right which it may have under each License (other than any right of termination), or (iii) fail to deliver to Agent a copy of each material demand, notice or document sent or received by it relating in any way to any License or Trademark.

(f) Notices. Borrower will advise Agent promptly, in reasonable detail, (i) of any lien or claim made or asserted against any of the Collateral, (ii) of any material change in the composition of the Collateral, and (iii) of the occurrence of any other event which could reasonably be expected to have a Material Adverse Change on the value of any of the Collateral or on the security interests created hereunder.

(g) Limitation on Further Uses of Trademarks. Borrower will not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license, or otherwise dispose of any of the Collateral, without prior written consent of Agent.

7. Agent's Appointment as Attorney-in-Fact.

(a) Borrower hereby irrevocably constitutes and appoints Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Borrower and in the name of Borrower or in its own name, from time to time in Agent's discretion, for the purposes of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement and, without limiting the generality of the foregoing, hereby gives Agent the power and right, on behalf of Borrower, to do the following:

(i) Upon the occurrence and continuance of an Event of Default, to ask, demand, collect, receive and give acquittances and receipts for any and all moneys due and to become due under any License and, in the name of Borrower or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any License and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Agent for the purpose of collecting any and all such moneys due under any License whenever payable;

(ii) To pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any

insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

(iii) Upon the occurrence and continuance of an Event of Default, (A) to direct any party liable for any payment under any of the Licenses to make payment of any and all moneys due and to become due thereunder directly to Agent shall direct; (B) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (C) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (D) to defend any suit, action or proceeding brought against Borrower with respect to any Collateral; (E) to settle, compromise, or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Agent may deem appropriate; and (F) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Agent were the absolute owner thereof for all purposes, and to do, at Agent's option all acts and things which Agent deems necessary to protect, preserve or realize upon the Collateral and Agent and the Lender Group's security interest therein, in order to effect the intent of this Security Agreement, all as fully and effectively as Borrower might do.

This power of attorney is a power coupled with an interest and shall be irrevocable. Notwithstanding the foregoing, Borrower further agrees to execute any additional documents which Agent may require in order to confirm this power of attorney, or which Agent may deem necessary to enforce any of its rights contained in this Security Agreement.

(b) The powers conferred on Agent hereunder are solely to protect the interests of the Lender Group in the Collateral and shall not impose any duty upon it to exercise any such powers. Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to Borrower for any act or failure to act, except for its own willful misconduct.

(c) Borrower also authorizes Agent to execute, in connection with the sale provided for in paragraph 10(b) of this Security Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

8. Execution of Power of Attorney. Concurrently with the execution and delivery hereof, Borrower is executing and delivering to Agent, in the form of Schedule II hereto, ten (10) originals of a Power of Attorney for the implementation of the assignment, sale or other disposal of the Trademarks pursuant to paragraph 7 hereof.

9. Performance by Agent of Borrower's Obligations. If Borrower fails to perform or comply with any of its agreements contained herein and Agent, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of Agent and the Lender Group incurred in

connection with such performance or compliance shall be payable by Borrower to Agent on demand and shall constitute Obligations secured hereby.

10. Remedies, Rights Upon Event of Default.

(a) If an Event of Default shall occur and be continuing:

(i) All payments received by Borrower under or in connection with any of the Collateral shall be held by Borrower in trust for Agent for the ratable benefit of the Lender Group, shall be segregated from other funds of Borrower and shall forthwith upon receipt by Borrower, be turned over to Agent, in the same form as received by Borrower (duly endorsed by Borrower to Agent, if required); and

(ii) Any and all such payments so received by Agent (whether from Borrower or otherwise) may, in the sole discretion of Agent, be held by Agent as collateral security for, and/or then or at any time thereafter applied in whole or in part by Agent and the Lender Group against all or any part of the Obligations in such order as Agent shall elect. Any balance of such payments held by Agent and remaining after payment in full of all the Obligations shall be paid over to Borrower or to whomsoever may be lawfully entitled to receive the same.

(b) If any Event of Default shall occur and be continuing, Agent and the Lender Group may exercise in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Borrower shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which Agent is entitled. Borrower shall also be liable for the reasonable fees of any attorneys employed by Agent to collect any such deficiency and also as to any reasonable attorney's fees incurred by Agent with respect to the collection of any of the Obligations and the enforcement of any of Agent or the Lender Group's respective rights hereunder.

11. Termination. At such time as Borrower shall completely pay in full all of the Obligations and the Loan Agreement is terminated, this Security Agreement shall terminate and Agent shall execute and deliver to Borrower all such releases, deeds, assignments and other instruments as may be necessary or proper to re-vest in Borrower full title to the Trademarks, subject to any disposition thereof which may have been made by Agent pursuant hereto.

12. Notices. Any notice to Agent or the Lender Group shall be deemed to have been duly given when deposited in the mail, first class, postage prepaid, addressed to Agent at 2450 Colorado Avenue, Suite 3000 West, Santa Monica, California, 90404, Attention: Business Finance Division Manager, with copies to Patton Boggs LLP, 2001 Ross Avenue, Suite 3000, Dallas, Texas 75201, Attention: James C. Chadwick, Esq. Any notice to Borrower hereunder shall be deemed to have been duly given when deposited in the mail, first class postage prepaid, addressed to Borrower at 407 N. Big Spring Street, Suite 300, Midland, Texas, 79701, Attention:

Bill Coggin, CFO, with copies to Baker, Donelson, Bearman & Caldwell, 1800 Republic Centre, 633 Chestnut Street, Chattanooga, Tennessee, 37450, Attention: J. Porter Durham.

13. No Waiver. No course of dealing between Borrower, the Lender Group and Agent, nor any failure to exercise, nor any delay in exercising, on the part of the Agent or the Lender Group, any right, power or privilege hereunder or under the Loan Agreement or the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

14. Cumulative Remedies. All of the rights and remedies of the Lender Group and Agent with respect to the Collateral, whether established hereby or by the Loan Agreement, the other Loan Documents or by any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently.

15. Severability. The provisions of this Security Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Security Agreement in any jurisdiction.

16. No Modification Except in Writing. This Security Agreement is subject to modification only by a writing signed by the parties, except as provided in paragraphs 5 and 7.

17. Successors and Assigns. The benefits and burdens of this Security Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

18. Governing Law. The validity and interpretation of this Security Agreement and the rights and obligations of the parties shall be governed by the laws of the State of California.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the day and year first above written.

WITNESS:

[Signature]

SOUTHWEST ROYALTIES, INC.
INC.

By:

Name: Bill E. Coggin

Title: Vice President

WITNESS:

[Signature]

FOOTHILL CAPITAL CORPORATION, as Agent

By:

Name: Scott D. Ryan

Title: VP

STATE OF TEXAS)

COUNTY OF DALLAS)

ss.:

Before me, the undersigned, on this 16 day of August, 2000, personally appeared Bill E. Coggin, to me known personally, and who being by me duly sworn, deposes and says that he is the Vice President of SOUTHWEST ROYALTIES, INC., and that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation.



[Signature]
Notary Public

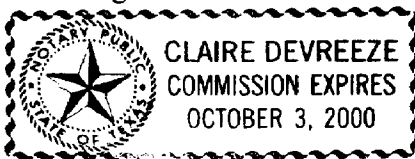
My Commission Expires:

STATE OF TEXAS)

COUNTY OF DALLAS)

ss.:

Before me, the undersigned, on this 16 day of August, 2000, personally appeared Scott D. Ryan, to me known personally, and who being by me duly sworn, deposes and says that he is the Vice President of FOOTHILL CAPITAL CORPORATION, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation.



[Signature]
Notary Public

My Commission Expires: 10-3-2000

EXHIBIT A

Schedule A to a Trademark Collateral Security Agreement dated as of August 17, 2000, by and between SOUTHWEST ROYALTIES, INC. ("SOUTHWEST") and FOOTHILL CAPITAL CORPORATION, in its capacity as agent for itself and certain lenders.

For SOUTHWEST (Applications):

<u>Application. No.</u>	<u>Mark</u>	<u>Application Date</u>
76-024439	e(bullet)bacus	12 April 2000
76-051888	e(bullet)bacus & design	17 May 2000
76-024866	e(bullet)bacus solutions	12 April 2000
76-024864	E(bullet)bacus.com	12 April 2000
75-940885	e-bacus	10 March 2000
75-940883	e-bacus solutions	10 March 2000
75-940886	e-bacus.com	10 March 2000
76-051887	Miscellaneous Design (logo)	17 May 2000

For SOUTHWEST (Registrations):

None

SCHEDULE I

None.

Schedule I

Trademark Collateral Security Agreement
9142.100:126452.01

TRADEMARK
REEL: 002191 FRAME: 0212

SCHEDULE II
SPECIAL POWER OF ATTORNEY

STATE OF TEXAS)
) ss.:
COUNTY OF DALLAS)

KNOW ALL MEN BY THESE PRESENTS, that SOUTHWEST ROYALTIES, INC., a corporation formed under the laws of Delaware, with its principal office at 407 N. Big Spring Street, Suite 300, Midland, Texas, 79701, hereinafter called "Borrower"), pursuant to a Trademark Collateral Security Agreement, dated the date hereof (the "Security Agreement"), hereby appoints and constitutes FOOTHILL CAPITAL CORPORATION, as agent for itself and certain other lenders, having a mailing address at 2450 Colorado Avenue, Suite 3000 West, Santa Monica, California, 90404 (hereinafter called the "Agent"), its true and lawful attorney, with full power of substitution, and with full power and authority to perform the following acts on behalf of Borrower:

1. Assigning, selling or otherwise disposing of all right, title and interest of Borrower in and to the Trademarks listed on Exhibit A of the Security Agreement, and including those trademarks which are added to the same subsequent hereto, and all registrations and recordings thereof, and all pending applications therefor, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to the foregoing, and to execute and deliver any and all agreements, documents, instruments of assignment or other papers necessary or advisable to effect such purpose;
2. To execute any and all documents, statements, certificates or other papers necessary or advisable in order to obtain the purposes described above as Agent may in its sole discretion determine.

This power of attorney is made pursuant to the Security Agreement, dated the date hereof, between Borrower, Agent for the ratable benefit of the Lender Group and may not be revoked until the payment in full of all Obligations as defined in such Security Agreement.

SOUTHWEST ROYALTIES, INC.

Name:
Title:

STATE OF TEXAS)
) ss.:
COUNTY OF DALLAS)

On this ____ day of August, 2000, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he/she is the _____ of Southwest Royalties, Inc., the corporation described in and which executed the foregoing instrument; and that he/she signed his name thereto by order of the Board of Directors of said corporation.

Notary Public
My Commission Expires:

Schedule II

Trademark Collateral Security Agreement
9142.100:126452.01

RECORDED: 11/07/2000

TRADEMARK
REEL: 002191 FRAME: 0213