

MILLER STRATVERT

PROFESSIONAL ASSOCIATION

Ranne B. Miller
Alice T. Lorenz
Stephen M. Williams
Stephan M. Vidmar
Seth V. Bingham
Timothy R. Briggs
Rudolph Lucero
Deborah A. Solove
Gary L. Gordon
Lawrence R. White
Virginia Anderman
Marte D. Lightstone
J. Scott Hall*
Thomas R. Mack
Thomas M. Domme

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James J. Widland
Bradley D. Tepper**
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James R. Wood
Dana M. Kyle
Kirk R. Allen
Ruth Fuess
H. Brook Laskey
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M. Dylan O'Reilly
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Neil Graham Sale
Scott P. Hatcher

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Randall J. McDonald
Robert H. Clark
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Marcy Baysinger
Caroline Blankenship
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Karen E. Wootton
Nicole V. Strauser
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Deron B. Knoner
Charlotte Lamont

Patricia A. Bradley
T. Aaron Garrett
Amy P. Hauser
Rebecca M. Alves
Alisa R. Wigley-DeLara
W. Scott Jaworski
Anita M. Kelley
Elizabeth B. Driggers
Jerome A. O'Connell

Of Counsel
William K. Stratvert
James B. Collins
Sharon P. Gross
Robert D. Taichert

Reply to Santa Fe

150 Washington Ave., Suite 300
Santa Fe, NM 87501

Mailing Address:
P.O. Box 1986
Santa Fe, NM 87504-1986

Telephone: (505) 989-9614
Facsimile: (505) 989-9857

Writer's Direct E-Mail:
shall@mstlaw.com

* Board Certified Specialist: Natural Resources - Oil & Gas Law
** Board Certified Specialist: Real Estate Law

March 7, 2007

VIA FACSIMILE

David Brooks, Esq.
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 13711: Application of the New Mexico Oil Conservation Division for an Order Requiring Tempo Energy, Peterson Petroleum Company and/or Joe D. Peterson to Plug 1 Well, etc., Lea County New Mexico

Dear David:

As promised, enclosed is a copy of the title report prepared by Jim Bruce in the above referenced matter.

Very truly yours,

MILLER STRATVERT P.A.

J. Scott Hall

J. Scott Hall

JSH/glb

Enclosure

cc: Frank Pannell
Greg Gardiner

LAW OFFICES

ALBUQUERQUE
(505) 842-1950

FARMINGTON
(505) 326-4521

LAS CRUCES
(505) 523-2481

SANTA FE
(505) 989-9614

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

james@jbruce.com

March 7, 2007

J. Scott Hall
Miller Stratvert P.A.
P.O. Box 1986
Santa Fe, New Mexico 87504

Re: Title Report
SE $\frac{1}{4}$ NE $\frac{1}{4}$ §4-22S-35E
Lea County, New Mexico

Dear Mr. Hall:

In connection with the mineral title to the subject lands, I have examined:

A. The Oil and Gas Tract Book and file for Lease LG-4234 in the office of the Commissioner of Public Lands of the State of New Mexico for the period from inception of records to January 20, 2007 at 8:00 a.m.; and

B. Instruments recorded with the County Clerk of Lea County, New Mexico for the period from inception of records to December 1, 2007 at 7:00 a.m., as reflected by an examination of the tract and miscellaneous indices maintained by Elliot & Waldron Title & Abstract Co., Inc. of Lovington, New Mexico.

The records were examined to determine whether any of the following persons or entities owned an interest in the subject lands: (a) Joe D. Peterson; (b) Peterson Consulting; (c) Peterson Petroleum Company; and (d) Tempo Energy, Inc. The results of my examination, together with some related matters, are set forth below.

1. Land Status – Lease: The surface estate of the subject lands is owned in fee. I did not examine any records having to do with the surface estate.

The mineral estate of the subject lands is owned by the State of New Mexico, and is subject to State Oil and Gas Lease LG-4234-2, from the Commissioner of Public Lands

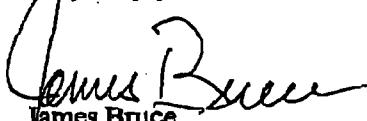
to HNG Oil Company, dated June 1, 1977, unrecorded. The current record title owner of the lease is EOG Resources, Inc. Over the last 7-8 years there have been assignments of operating rights in the lease insofar as it covers the subject lands (as to certain depths), but since they do not involve the entities named above, I did not examine these instruments except to verify that Joe D. Peterson, *et al.* were not parties thereto.

2. Peterson Entities: There are no assignments, farmout agreements, or any other type of conveyance of record by which Joe D. Peterson, Peterson Consulting, or Peterson Petroleum Company acquired a leasehold interest in the subject lands. The only instrument reflecting a claim by these persons is an Affidavit of Notice of Abandonment of Assets, with an attached Trustee's Report of No Distribution and Notice of Abandonment of Assets, recorded at Miscellaneous Book 564, page 174. These documents are from the bankruptcy proceedings of Joe Peterson and Beverly Peterson in Case No. 7-91-14079 RR in the United States Bankruptcy Court for the District of New Mexico. Copies of these documents are attached hereto as Exhibit A. The Trustee's Report lists the "SS#6" in Unit H of Section 4. While this could be evidence of a claim to title, requiring curative work, the bankruptcy trustee abandoned all assets of the estate, meaning Mr. Peterson had no further claim. As a result, title to these assets (if any) would revert to the owner(s) of record.

3. Tempo Energy: There are no assignments, farmout agreements, or any other type of conveyance of record by which Tempo Energy, Inc. acquired any interest in the subject lands.

Due to the nature of your request, I have not prepared a complete title opinion on the subject lands. If you need me to do so, please let me know.

Very truly yours,


James Bruce

MISC 564 PAGE 174

31057

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW MEXICO

IN RE:
JOE PETERSON

NO. 7-91-14079 RR

and
BEVERLY PETERSON

AFFIDAVIT OF NOTICE OF ABANDONMENT OF ASSETS

Before me, the undersigned, Max Houston Proctor, after being duly sworn states as follows:

1. Joe Peterson and Beverly Peterson filed a Petition in the United States Bankruptcy Court for the District of New Mexico entitled No. 7-91-14079 RR.
2. Attached hereto is the Trustee's Report of No Distribution and Notice of Abandonment of Assets.
3. Certain real estate and oil and gas interests including mineral interests were set forth on the petition for bankruptcy.
4. Any and all interest set forth in the petition for bankruptcy are hereby abandoned by the trustee and released back to the debtors, Joe Peterson and Beverly Peterson.
5. With the filing of this Affidavit and Trustee's Report of No Distribution and Notice of Abandonment of Assets, the Debtors retain the legal claim to any and all property set forth on the Petition in Bankruptcy.

EXHIBIT A

03/05/2007 03:07 9022151

JAMES BRUCE

PAGE 05

MISC 564 PAGE 175

RESPECTFULLY SUBMITTED BY:

Max Houston Proctor
MAX HOUSTON PROCTOR
Attorney for Debtors
905 N. Dalmont
Nobbs, NM 80240
(505) 392-1521
(505) 392-1522 FAX

SUBSCRIBED AND SWORN to before me this 23rd day of November.

Tasha Herrington
NOTARY PUBLIC

My Commission Expires:

3-11-95

03/05/2007 03:07 9822151

JAMES BRUCE

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MSC 564 PLOT 176

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW MEXICO

IN RE:
JOE PETERSON
and
BEVERLY PETERSON

No. 7-81-14079 RR

TRUSTEE'S REPORT OF NO DISTRIBUTION
AND NOTICE OF ABANDONMENT OF ASSETS

I, James E. Burke, having been appointed trustee of the estate of the above-named Debtor(s), report that I have neither received any property nor paid any money on account of this estate except exempt property; that I have made a diligent inquiry into the financial affairs of the Debtor(s) and the location of property belonging to the estate; and that there is no property available from the estate over and above that exempted by law.

Pursuant to FMR 5009, I hereby certify that the estate of the above-named Debtor(s) has been fully administered. Furthermore, I hereby abandon any and all Assets listed on the statements and schedules filed in this case that have not been otherwise administered. I further certify that there are no requests for notice of abandonment of record at this time.

I request that this report be approved, and that I be discharged from any further duties as trustee.

Dated: October 15, 1992

James E. Burke
James E. Burke
Trustee in Bankruptcy
Post Office Box 2266
Albuquerque, New Mexico 87103
505-242-8340

11/ Ope

MISC 564 PAGE 177

In re:
Joe Duane Peterson
Beverly Gayle Peterson

Case No.

SCHEDULE A -- REAL PROPERTY

Except as directed below, list all real property in which the debtor has any legal, equitable, or future interest, including all property owned as a co-tenant, community property, or in which the debtor has a life estate. Include any property in which the debtor holds rights and powers exercisable for the debtor's own benefit. If the debtor is married, state whether husband, wife, or both own the property by noting H, W, J, or C (for Husband, Wife, Joint, or Community, respectively). If the debtor holds no interest in real property, write "None" under "Description and Location of Property."

Do not include interests in executory contracts and unexpired leases on this schedule. List them on Schedule G - Executory Contracts and Unexpired Leases.

If an entity claims to have a lien or hold a secured interest in any property, state the amount of the secured claim. See Schedule D. If no entity claims to hold a secured interest in the property, write "None" in the column labeled "Amount of Secured Claim."

If the debtor is an individual or if a joint petition is filed, state the amount of any exemption claimed in the property only on Schedule C - Property Claimed as Exempt.

Description and Location of Property	Nature of Debtor's Interest in Property	H W J C	Current Market Value of Debtor's Interest in Property without Deducting Any Secured Claim or Exemption	Amount of Secured Claim
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See Attachment

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SS#2 LG4234 F-S4 T-22-S R-35-E
 SS#3 LG4234 L-S4 T-22-S R-35-E
 SS#4 LG4234 N S4 T-22-S R-35-E
 SS#5 LG4234 J S4 T-22-S R-35-E
 SS#6 LG4234 H S4 T-22-S R-35-E
 MD#1 E1673 E S33 T-21-S R-35-E
 MD407#5 NE1/4 S33 F-21-S R-35-E
 WarDeck State#1 NW 1/4 NE 1/4 S33 T-21-S R-35-E

SS#2	12% WI BOPD5	\$2700.00
SS#5	10.97 WI BOPD3.8	\$1875.87
SS#1	3.08333WI BOPD3	\$ 416.25
MD#1	12.22 WI BOPD10	\$5499.00
407	60% WI x 80%	\$5760.00

Pokerlake #68	5%	\$1034.00
Phillips State #2	2%	\$ 286.00
PayneFed #14		\$ 491.07

SS#1	3.663% of 8/8th 3BOPD	\$1800.00
SS#2	5.00 % of 8/8th 5BOPD	\$3000.00
SS#5	5% of 8/8th 3.8BOPD	\$2800.00
MD#1	2.5% of 8/8th 10BOPD	\$3000.00

TOTAL: 28662.19

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

NOV 23 1992

3:10
 and recorded in Book _____
 Page _____
 By _____
 _____ Deputy



31057

TRANSACTION REPORT

MAR-07-2007 WED 02:02 PM

FOR:

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