



**OXY USA WTP LIMITED PARTNERSHIP**

6 Desta Drive, Suite 600, Midland, Texas 79705  
P.O. Box 50250, Midland, Texas 79710

David R. Evans  
Senior Landman Advisor

432/685-5769  
FAX 432/685-5905

February 21, 2006

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Chevron U.S.A. Inc.  
Attention: Robert A. Nunmaker III  
11111 South Wilcrest  
Houston, Texas 77009

RE: OXY Peso State #1  
1980' FNL & 1530 FWL  
Section 24, T18S-R27E  
Eddy County, New Mexico

Gentlemen:

OXY USA WTP Limited Partnership does hereby propose the drilling of the referenced well to test the Morrow formation at the location shown above.

The enclosed Authorization for Expenditure (AFE) has been prepared and should you be interested in participating in this well it would be appreciated if you would please sign and return a copy of the enclosed AFE. An Operating Agreement and Drilling Title Opinion will be forwarded to you at a later date.

If you are not interested in participating in this test well, then we would be interested in a Term Assignment of your leasehold interest under terms previously accepted.

Should you have any questions, please advise.

Very truly yours,

OXY USA WTP Limited Partnership

David R. Evans

bic

Enclosure

An Occidental Oil and Gas Company

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13719 Exhibit No. 2  
Submitted by:  
**OXY USA WTP LIMITED PARTNERSHIP**  
Hearing Date: June 22, 2006

**SENDER COMPLETE THIS SECTION** **COMPLETE THIS SECTION OR DELIVERY**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece or on the front if space permits.

1. Article Addressed to:

**Chevron U.S.A. Inc.  
 Attention: Robert A. Nunmaker III  
 11111 South Wilcrest  
 Houston, Texas 77009**

- A. Signature  Agent  Address
- B. Restricted by (Printed Name)  Date of Delivery
- D. Is delivery address different from item 1?  Yes  No  
 If YES, enter delivery address below:

Signature: *[Handwritten Signature]*  
 Restricted by: *[Handwritten Name]*  
 Date of Delivery: *[Handwritten Date]*

2. Article Number 7004 1160 0000 4841 7009  
*(Transfer from ser)*

PS Form 3811, February 2004 Domestic Return Receipt 102596-02-44-15r

- 3. Service Type
  - Certified Mail
  - Registered
  - Insured Mail
  - Registered Mail
  - Return Receipt for Merchandise
  - C.O.D.
  - Express Mail
- 4. Restricted Delivery? (Extra Fee)  Yes

OXY USA Inc.  
 Attention: LINDA BETTY CHATWELL  
 P. O. BOX 50250  
 MIDLAND, TX 79710-0250

- Check type of mail or service:
- Certified
  - COD
  - Delivery Confirmation
  - Express Mail
  - Insured
  - Registered Delivery (International)
  - Registered
  - Return Receipt for Merchandise
  - Signature Confirmation

Affix Stamp Here  
 (If issued as a certificate of mailing, or for additional copies of this bill) Postmark and Date of Receipt

Line	Article Number	Addressee Name, Street, and PO Address	Postage	Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	DC Fee	SC Fee	SH Fee	RD Fee	RR Fee
1	20041100000048417009	Chevron U.S.A. Inc. Attention: Robert A. Nummaker III 11111 South Wilcrest Houston, Texas 77009											
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
Total Number of Pieces Listed by Sender		Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)	The full declaration of value is required on all domestic and international registered mail. The maximum indemnity payable for the reconstruction of nonnegotiable documents under Express Mail document reconstruction insurance is \$500 per piece subject to additional limitations for multiple pieces lost or damaged in a single catastrophic occurrence. The maximum indemnity payable on Express Mail merchandise insurance is \$500, but optional Express Mail Service merchandise insurance is available for up to \$5,000 to some, but not all countries. The maximum indemnity payable is \$25,000 for registered mail. See Domestic Mail Manual 8900, S913, and S921 for limitations of coverage on insured and COD mail. See International Mail Manual for limitations of coverage on international mail. Special handling charges apply only to Standard Mail (A) and Standard Mail (B) parcels.									



Delivery Confirmation  
 Signature Confirmation  
 Special Handling  
 Restricted Delivery  
 Return Receipt

PS Form 3877, August 2000

Complete by Typewriter, Ink, or Ball Point Pen

APR 24 2006



Robert A Nunmaker III  
Land Department  
Non-Operated Joint Ventures

MidContinent SBU  
Chevron North America  
Exploration and Production  
11111 S. Wilcrest  
Houston, Texas 77099  
Tel (281) 561-4767  
robertnunmaker@chevron.com

April 19, 2006

OXY USA WTP Limited Partnership  
Attn: David Evans  
6 Desta Drive, Ste 600  
Midland, Texas 79705

Re: OXY Peso State Term Assignment  
SE1/4SW1/4 of Section 24  
T18S-R27E; Eddy County, New Mexico  
QLS# 314959

Dear David,

Enclosed are two executed and notarized Term Assignments covering the above captioned acreage. Please fully execute both copies and return one to me. Also send a recorded copy when available.

Thank you and if you have any questions, please call at (281) 561-4767.

Yours truly,

A handwritten signature in black ink, appearing to read "Robert Nunmaker III".

Robert Nunmaker III  
Land Representative

*Steve, here is Chevron's T/A. Some form accepted by BP. Chevron will not make any changes. I know we don't necessarily like this form but this is the offset to the Oxy Whiptail 15 m.m.c.f. & Yates Wisetail.*

*Please sign & return*  
*RAN*

**Evans, David (Midland, Texas)**

**From:** Evans, David (Midland, Texas)

**Sent:** Thursday, June 01, 2006 2:54 PM

**To:** 'robertnunmaker@chevron.com'

**Subject:** Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

Rob, I know this is an old story but is there anyway we can modify Chevron's Term Assignment language with regards to the following?:

1. Page 3: under the Environmental Indemnification provision please delete the sentence at the end of the provision stating "The provision of this article will survive termination of this Term Assignment"

2. Page 4: because it is New Mexico and there can be only one Operator Designated per formation we request that were able to earn to the base of the

Morrow formation. Can we delete "or 50 feet below the deepest commercially productive perforation"

3. Page 4: because this is a gas play can we change your gas well provision from 100 acres to 320?

4. Page 10: We would like to delete your call on production due to the fact you have an 1/8<sup>th</sup> or less of the call under a 320 acre unit

I believe Tommy Morris has been asked for similar changes by OXY's Dean Christiansen in another area. Let me know if there is anything that can be done.

David

06/01/2006

**Evans, David (Midland, Texas)**

**From:** Evans, David (Midland, Texas)  
**Sent:** Tuesday, June 06, 2006 8:35 AM  
**To:** 'robertnunmaker@chevron.com'  
**Subject:** RE: Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

Rob, Thanks for your help on items 2,3 and 4. However, I need see if under the Environmental Indemnification in the "bold" portion if we can delete the words " During or after the Term of this Term Assignment".. We believe the intent of this language is to make us responsible for any damages we cause but not for damage that Chevron may have caused previously. Does this make sense? If so can we do anything to fix it? Let me know. David

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David

06/20/2006

**Evans, David (Midland, Texas)**

**From:** Evans, David (Midland, Texas)  
**Sent:** Thursday, June 15, 2006 10:17 AM  
**To:** 'Nunmaker, Robert A'  
**Subject:** RE: Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

Rob, we haven't heard from your attorney. Any idea what when? David

**From:** Nunmaker, Robert A [mailto:RobertNunmaker@chevron.com]  
**Sent:** Tuesday, June 06, 2006 8:55 AM  
**To:** Evans, David (Midland, Texas)  
**Subject:** RE: Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

David, to my knowledge the intent of the indemnification language is to make OXY responsible for any damage caused by your operations and should you earn the acreage, Chevron would be off the hook for any liability because the provision allows the assignee to inspect the acreage beforehand. Trying to change this will be a huge uphill battle for me. I have tried in the past and have not gotten changes to this particular provision changed.  
Rob

**From:** David\_Evans@oxy.com [mailto:David\_Evans@oxy.com]  
**Sent:** Tuesday, June 06, 2006 8:35 AM  
**To:** robertnunmaker@chevron.com  
**Subject:** RE: Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

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**From:** Evans, David (Midland, Texas)  
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**To:** 'robertnunmaker@chevron.com'  
**Subject:** Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

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06/20/2006

David

06/20/2006

**Evans, David (Midland, Texas)**

**From:** Evans, David (Midland, Texas)  
**Sent:** Tuesday, June 20, 2006 11:00 AM  
**To:** 'Nunmaker, Robert A'  
**Subject:** RE: Term assignment  
**Importance:** High

Rob, are you aware the Peso force pooling is this Thursday. I will be flying out in the morning to Santa Fe for this well and another. Really hope we can resolve the language problem and drop Chevron off the list....let me know. David

**From:** Evans, David (Midland, Texas)  
**Sent:** Tuesday, June 20, 2006 8:54 AM  
**To:** 'Nunmaker, Robert A'  
**Subject:** RE: Term assignment

Rob, our attorney is waiting to talk to yours. His name is Tom Janiszewski 713-366-5529.....

**From:** Evans, David (Midland, Texas)  
**Sent:** Tuesday, June 20, 2006 8:29 AM  
**To:** 'Nunmaker, Robert A'  
**Subject:** Term assignment

Rob any progress? David

06/20/2006

**Evans, David (Midland, Texas)**

**From:** Evans, David (Midland, Texas)  
**Sent:** Tuesday, June 20, 2006 8:29 AM  
**To:** 'Nunmaker, Robert A'  
**Subject:** Term assignment

Rob any progress? David

06/20/2006

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**Evans, David (Midland, Texas)**

**From:** Nunmaker, Robert A [RobertNunmaker@chevron.com]  
**Sent:** Tuesday, June 06, 2006 8:55 AM  
**To:** Evans, David (Midland, Texas)  
**Subject:** RE: Peso Term Assignment SE/4SW/4 Section 24 T18S-R27E Eddy County New Mexico your QLS#314959

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David

06/06/2006

**Evans, David (Midland, Texas)**

**From:** Evans, David (Midland, Texas)  
**Sent:** Monday, June 05, 2006 10:40 AM  
**To:** Flynn, Steve (Houston)  
**Subject:** Chevron Term Assignment

Steve per our discussion this morning with regards to the Chevron Term Assignment it is now my understanding that we can accept the Chevron Term Assignment without changes including the Environmental Indemnification language that will survive termination of the Term Assignment even though the well will not be located on this lease. Is this correct? Also, I have been advised by BP they can not accept an assignment of this document. I guess they can pay for it and just have a contractual interest? Let me know. David

06/05/2006

# Oxy USA WTP LP Authorization for Expenditure Form

DATE PREPARED: 08/14/2005 0:00

RMT/PMT: Frontier

Control No. 7804

PROJECT NAME: Drill & Equip OXY Peso State #1

LEASE/UNIT: OXY Peso State #1

OPERATOR: Oxy USA WTP LP

LEGAL LOCATION: 1850 FNL & 1850 FWL Sec 24, T18S, R27E Eddy Co., NM

BUDGET CATEGORY: Exploitation

**PROJECT DESCRIPTION:**

It is proposed to drill and equip the OXY Peso State #1 as a Morrow producer in Eddy County, New Mexico. Your approval is requested.

**ACCOUNTING USE ONLY:**

Use/Plt Name: OXY Peso State #1  
 AFE Type: D&E O&G WELL  
 Production Coordinator No.: 14201441  
 State/County: New Mexico/Eddy  
 Operator Name: Oxy USA WTP LP  
 Lease/Plant CC: \_\_\_\_\_  
 Company/Division No.: 24177  
 Oxy Wt: (%) 30.0000  
 AFE Category: Original  
 Project AFE No.: 99104056  
 Organization Rollup Key: NRC  
 Overhead Type: Drilling

**OSI INPUT ONLY:**  
 Oracle AFE No.: \_\_\_\_\_

**COMPLETE FOR NEW WELLS:**

PRODUCER     OIL WELL     GAS WELL     WATER DISPOSAL  
 DEVELOPMENT WELL     EXPLORATORY WELL  
 SINGLE COMPLETION     DUAL COMPLETION

Regulatory Horizon Name: \_\_\_\_\_  
 Regulatory District Number: \_\_\_\_\_

PROJECT QUALIFIED FOR EOR TAX CREDITS?     YES     NO    IF YES, WHAT % QUALIFIES? \_\_\_\_\_

EXPENSE/CAPITAL/ PXA	DESCRIPTION	ESTIMATED COST	
		100%	OXY NET
CAPITAL	TANGIBLES	\$361,518	\$108,455
CAPITAL	INTANGIBLES	\$1,643,000	\$492,900
<b>TOTAL PROJECT COST</b>		<b>\$2,004,518</b>	<b>\$601,355</b>

PROJECT CONTACTS:	NAME	TITLE	PHONE NUMBER
	<u>Scott Gangler</u>	<u>Production Engineer</u>	<u>685-5825</u>
	<u>David Evans</u>	<u>Land</u>	<u>685-5789</u>
	<u>Bob Doty</u>	<u>Geology</u>	<u>685-5681</u>

PROJECT APPROVED BY: \_\_\_\_\_  
(signature)

NOTICE TO NONOPERATOR: Costs shown on this form are estimates only. Nonoperators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

APPROVAL: YES \_\_\_\_\_ NO \_\_\_\_\_  
 Company Name: \_\_\_\_\_  
 BY: \_\_\_\_\_ DATE \_\_\_\_\_  
(print name)  
 BY: \_\_\_\_\_  
(signature)

Requested By: Bob Doty  
 Prepared By: Joe Fleming

OXY USA INC.  
 DETAILED WELL ESTIMATE

LEASE - WELL NO. OXY Peso State #1 DATE: 31-May-06  
 LOCATION 1650 FNL & 1850 FWL DEPTH: 10,500  
 S 24 T 18-S R 27-E COUNTY Eddy STATE New Mexico AFE NO. \_\_\_\_\_

DESCRIPTION	GRADE	\$/FT	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE BCP	ESTIMATE ACP	REVISED BCP	REVISED EST PROD
<b>TANGIBLES</b>									
Casing									
Surface 13-3/8", 48#, H-40 ST&C	A	30.00	400		12,000	12,000			
Intermediate 9-5/8", 36#, K-55 ST&C	A	23.50	2500		58,750	58,750			
Production 5-1/2", 17#, N-80 LT&C	A	12.00	10500		126,000				
Wellhead Connections					12,500	4,000			
Tubing 2-7/8", 6.5#, L-80		5.17	10400		53,768				
Sucker Rods									
Bottom Hole Pump									
Engine or Motor									
Pumping Unit									
Electrical Equipment									
Line Pipe & Fittings					5,000				
Packer and Accessories					8,500				
<b>TANK BATTERY</b>									
Stock Tanks 2 500 bbl					25,000				
Separator, Heater Treater, Dehydrator					30,000				
Meter Run & Housing					5,000				
Labor & Transportation					25,000				
<b>Total Tangibles</b>					<b>361,518</b>	<b>74,750</b>			
<b>INTANGIBLES</b>									
Contract Drilling Labor					720,000	720,000			
Rig Supervision					48,000	43,000			
Service Rig Work @ \$1800/day					31,500				
Subsurface Casing Equipment					7,000	3,000			
D.S.T., Electric, Radioactivity Logs, etc.					25,000	25,000			
Acidizing, Fracing					120,000				
Perforating					25,000				
Misc. Company & Contract Labor					75,000	50,000			
Road Building, Location					30,000	30,000			
Cement & Cementing Services					65,000	45,000			
Cement Squeeze Jobs									
Drilling Mud, Chemicals					50,000	50,000			
Diamond Coring & Analyses, Bits, Reamers					55,000	55,000			
Directional drilling									
Mud Logging Unit					25,000	25,000			
Rental of Miscellaneous Equipment					50,000	50,000			
Contract Hauling					35,000	25,000			
Water					28,000	20,000			
Fuel					50,000	50,000			
Miscellaneous Incidentals & solids control					200,000	200,000			
Archaeological Services					3,500	3,500			
<b>Total Intangibles</b>					<b>1,643,000</b>	<b>1,394,500</b>			
<b>Total Estimated Cost - 100%</b>					<b>2,004,518</b>	<b>1,469,250</b>			



**OXY USA WTP LIMITED PARTNERSHIP**

6 Desta Drive, Suite 600, Midland, Texas 79705  
P.O. Box 50250, Midland, Texas 79710

David R. Evans  
Senior Landman Advisor

432/685-5769  
FAX 432/685-5905

March 6, 2006

FAX – 713/499-6747

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Marathon Oil Company  
Attention: J. F. Rusnak  
P. O. Box 3487  
Houston, Texas 77253-3487

RE: OXY Peso State #1  
1980' FNL & 1530 FWL  
Section 24, T18S-R27E  
Eddy County, New Mexico

Gentlemen:

OXY USA WTP Limited Partnership does hereby propose the drilling of the referenced well to test the Morrow formation at the location shown above.

The enclosed Authorization for Expenditure (AFE) has been prepared and should you be interested in participating in this well it would be appreciated if you would please sign and return a copy of the enclosed AFE. An Operating Agreement and Drilling Title Opinion will be forwarded to you at a later date.

If you are not interested in participating in this test well, then we would be interested in a Term Assignment of your leasehold interest under terms previously accepted.

Should you have any questions, please advise.

Very truly yours,

OXY USA WTP Limited Partnership

David R. Evans

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Enclosure

An Occidental Oil and Gas Company



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April 4, 2006

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Houston, Texas 77099

RE: Proposed Term Assignment  
OXY Peso State  
Section 24: SE/4SW/4, T18S-R27E  
Eddy County, New Mexico  
Your QLS #314959

Gentlemen:

With respect to your letter dated March 27, 2006, please be advised that OXY USA WTP Limited Partnership, subject to review of formal documents, accepts the terms outlined in your letter. Please forward your proposed form of agreement.

Very truly yours,

OXY USA WTP Limited Partnership

David R. Evans

DRE/bic



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Senior Landman Advisor

432/685-5769  
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May 31, 2006

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

**WORKING INTEREST OWNERS**

RE: OXY Peso State #1  
1650' FNL & 1850 FWL  
Section 24, T18S-R27E  
Eddy County, New Mexico

Gentlemen:

OXY USA WTP Limited Partnership does hereby propose the drilling of the referenced well to test the Morrow formation at the location shown above. We anticipate a June 30, 2006 spud date.

The enclosed Authorization for Expenditure (AFE) has been prepared and should you be interested in participating in this well it would be appreciated if you would please sign and return a copy of the enclosed AFE.

An Operating Agreement with an extra set of signature pages for your execution and the Drilling Title Opinion are also enclosed.

If you are not interested in participating in this test well, then we would be interested in a Term Assignment of your leasehold interest under terms previously accepted.

Should you have any questions, please advise.

Very truly yours,

OXY USA WTP Limited Partnership

David R. Evans

bic

Enclosure

BP America Production Company  
Attention: Tom Furtwangler  
501 Westlake Park Boulevard  
Houston, Texas 77079

Yates Petroleum Corporation  
Attention: Rob Bullock  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2177

John A. Yates  
Attention: Rob Bullock  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2177

John A. Yates, as Trustee of the Trust Q  
created u/w/o Peggy A. Yates  
Attention: Rob Bullock  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2177

Yates Drilling Company  
Attention: Rob Bullock  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2177

Pitch Energy Corporation  
Attention: Mr. Raye Miller  
P. O. Box 304  
Artesia, New Mexico 88211-0304

Marbob Energy Corporation  
Attention: Mr. Raye Miller  
P. O. Box 227  
Artesia, New Mexico 88211-0227



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April 25, 2006

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David R. Evans

bic

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