

R. V. (Reg) Penner Contract Landman

TO: 432 685 5905

BP America Production Company P. O. Box 51273 Midland, TX 79710-1273

Telephone: (432) 685-1917 Email: ronpep@cox.net

November 29, 2005

VIA: Certified Mail

Katherine Ann Malone, Individually & Trustee of the Charles F. Malone Living Trust U/T/A dated 8/1/87 4104 24th Street #551 San Francisco, CA 94114

RE:

Term Assignment Request Section 4: W/2, T19S-R28E Eddy County, New Mexico Senita 4 Area

Dear Ms. Malone:

A preliminary search of the records indicates that you, individually and as Trustee of the subject Trust own a .17361% leasehold interest and approximately .5578 net leasehold acres within the captioned acreage. BP America Production Company (hereinafter referred to as "BP") hereby offers to acquire your interest by Term Assignment providing the following terms and conditions:

1. Primary Term:

One (1) Year

2. Bonus Consideration:

\$350.00 per net leasehold acre

3. ORRI to be retained:

The difference of existing lease burdens as of 11/1/2005 and

25%, thus delivering a 75% NRI to BP

4. Depths to be included:

All rights owned below 3500 feet to the Base of the Morrow

formation

5. Continuous Development: 180 days with release of all non-producing spacing units and

depths

Should you wish to accept this offer please sign two (2) copies of the enclosed Term Assignment before a Notary Public and return the executed documents to the above address. Upon receipt of such executed assignments, a check in the amount of \$195.23 will be processed and mailed to you promptly.

> BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. 13718 Exhibit No. 3 Submitted by:

OXY USA WTP LIMITED PARTNERSHIP Hearing Date: June 22, 2006

Katherine Ann Malone, Individually & Trustee of the Charles F. Malone Living Trust U/T/A dated 8/1/87

Term Assignment Section 4: W/2-T19S-R28E Eddy Co., NM

This offer shall remain open until December 15, 2005 subject to being withdrawn at any time without prior notice. Further, any agreement reached hereunder will be subject to of conformation of title and approval by management. We appreciate your immediate consideration of this request. If you have any questions, please call collect at the number above indicated.

Sincerely,

R.V. (Ron) Pepper

RVP/wrd enclosures (3)

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SERVER. COMPLETE THE SECTION	COMPLETE THIS SECTION ON BEHIND	av i i		
Print your name and address on the reverse so that we can return the card to you.	B. Received by (Printed Name) C.	Agent Addresses Date of Dalivary		
W Attach this card to the back of the multiplece, or on the front if apace permits.	Chiano -			
1. Article Addressed to:	D. is delivery address different from item 17 If YES, enter delivery address below:	D No		
Katherine Am Malone a	** 選			
Trustre	• •	7,		
4104 24 th Street #551	a. Service Type			
Son Francisco, CA 94114	Contined Mell Dispress Mell Registered Dispress Mell reused Mell Dispress Mell	for Merchandise		
	4. Restricted Delivery? (Extra Fee)	□ Yes		
2. Article Number 7005 03*	4P84 20PP 5000 0F			
PS Form 3811 February 2004 Domestic B	turn Anceiol	100005-0044-1540		



R. V. (Ron) Pepper Contract Landman

BP America Production Company P. O. Box 51273 Midland, TX 79710-1273

TO: 432 685 5905

Telephone: (432) 685-1917 Email: ronoep@cox.net

November 30, 2005

VIA: Certified Mail

Ms. Anne S. Johnson P.O. Box 490 Kechi, Kansas 67067

RE:

Tcrm Assignment Request Section 4: W/2, T19S-R28E Eddy County, New Mexico Senita 4 Arca

Dear Ms. Johnson:

A preliminary search of the records indicates that you own a .13021% leasehold interest and approximately .4184 net leasehold acres within the captioned acreage. BP America Production Company (hereinafter referred to as "BP") hereby offers to acquire your interest by Term Assignment providing the following terms and conditions:

1. Primary Term:

One (1) Year

2. Bonus Consideration:

\$350.00 per net leasehold acre

3. ORRJ to be retained:

The difference of existing lease burdens as of 11/1/2005 and

25%, thus delivering a 75% NRI to BP

4. Depths to be included:

All rights owned below 3500 feet to the Base of the Morrow

formation

5. Continuous Development: 180 days with release of all non-producing spacing units and

depths

Should you wish to accept this offer please sign two (2) copies of the enclosed Term Assignment before a Notary Public and return the executed documents to the above address. Upon receipt of such executed assignments, a check in the amount of \$146.44 will be processed and mailed to you promptly.

281 366 7067 EKONIER HMEKICH MKUD CO

TO: 432 685 5905

P.7/7

Ms. Anne S. Johnson Term Assignment Section 4: W/2-T19S-R28E Eddy Co., NM

This offer shall remain open until December 15, 2005 subject to being withdrawn at any time without prior notice. Further, any agreement reached hereunder will be subject to of conformation of title and approval by management. We appreciate your immediate consideration of this request. If you have any questions, please call collect at the number above indicated.

Sincerely,

R.V. (Ron) Pepper

RVP/wrd enclosures (3) PS Form 3811, February 2004

Domestic Return Receipt

102395-02-44-1340

P.5/7



David R. Evans Senior Landman Advisor

OXY USA WTP LIMITED PARTNERSHIP

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

> 432/685-5769 FAX 432/685-5905

> > March 7, 2006

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

SEE ATTACHED

RE:

OXY Senita State #1 1800' FNL & 1070 FWL Section 4, T19S-R28E 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. A Drilling Title Opinion is also enclosed and the Operating Agreement 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

Wm. J. Derrick, Trustee of the Gretchen S. White Test Trust for Cheryl White Derrick 6006 Balcones #20 El Paso, Texas 79912

Elizabeth Eaton 2121 Biscayne Court Highlands Ranch, CO 80126

Dr. Earl L. Malone P. O. Box 87 Roswell, New Mexico 88201

Baynard W. Malone, Trustee of the Anderson Malone Trust P. O. Box 87 Roswell, New Mexico 88201

Anne S. Johnson P. O. Box 490 Kechi, Kansas 67067

Charles F. Malone, Jr. Individually & Trustee of Charles F. Malone Lvg Tr 4104 24th Street #551 San Francisco, California 94114

Jane Malone Stockton, Individually & Trustee of Charles F. Malone Lvg Tr 6756 Old Chisum Trail Dexter, New Mexico 88230

Katherine Ann Malone, Individually & Trustee of Charles F. Malone Lvg Tr 4104 24th Street #551 San Francisco, California 94114

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

Marbob Energy Corporation P. O. Box 227 Artesia, New Mexico 88211-0227 COG Oil & Gas, L.P. 550 West Texas, Suite 1300 Midland, Texas 79701

L. R. French, et ux P. O. Box 11327 Midland, Texas 79702-8327

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

Marathon Oil Company Attention: Dan Hanchero P. O. Box 552 Midland, Texas 79702-0552

EOG Resources Attention: Mr. D. H. McCright P. O. Box 2267 Midland, Texas 79702

Gilbert J. Eaton 1843 Windov'r Way West Chester, Pennsylvania 19382



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

May 15, 2006

SEE ATTACHED

RE:

OXY Senita State #1 1800' FNL & 1070 FWL Section 4, T19S-R28E Eddy County, New Mexico

Gentlemen:

The oil & gas rights in the 320-acre, 80-acre and 40-acre spacing units that may be attributable to the OXY Senita State #1 are severed as to product – the oil is owned in different proportions than the gas. The table below outlines the working interest in each possible spacing unit.

Current Working Interest by Spacing Unit*

WIO	320-acre Gas	320-acre Oil	80-acre Gas	80-acre Oil	40-acre Gas	40-acre Oil
OXY	38.50%	31.11%	43.08%	28.37%	50.00%	20.57%
ВР	38.50%	31.11%	43.08%	28.37%	50.00%	20.57%
COG	6.23%	6.23%	0.00%	0.00%	0.00%	0.00%
Chesapeake	2.71%	7.96%	5.41%	15.85%	0.00%	22.30%
Harvard Pet	2.34%	3.13%	1.56%	3.13%	0.00%	3.13%
Yates Pet	1.08%	3.91%	0.36%	5.99%	0.00%	8.42%
Read & Stevens	0.17%	0.28%	0.09%	0.32%	0.00%	0.45%
Roy G. Barton, Jr.	0.17%	0.28%	0.09%	0.32%	0.00%	0.45%
L. R. French, Jr.	6.23%	6.23%	0.00%	0.00%	0.00%	0.00%
V-F Pet	2.63%	7.72%	5.25%	15.37%	0.00%	21.63%
S. K. Lawlis	0.03%	0.08%	0.05%	0.16%	0.00%	0.22%
M Wayne Luna	0.05%	0.16%	0.11%	0.32%	0.00%	0.45%
Elizabeth Eaton	0.39%	0.52%	0.26%	0.52%	0.00%	0.52%
Dr. Earl L. Malone	0.39%	0.52%	0.26%	0.52%	0.00%	0.52%
The Anderson-Malone Trust	0.39%	0.52%	0.26%	0.52%	0.00%	0.52%
Anne S. Johnson	0.20%	0.26%	0.13%	0.26%	0.00%	0.26%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

OXY proposes consolidating the oil and gas working interests on a spacing unit basis such that each working interest owner would have a common working interest in both the oil and gas in all zones

An Occidental Oil and Gas Company

spaced on 320-acre spacing. Initial drilling costs will be based on these interests. OXY further proposes consolidating the oil and gas working interests for all zones spaced on 80-acre spacing and on 40-acre-spacing. The table below outlines the proposed consolidated working interest in each possible spacing unit.

Consolidated Working Interests by Spacing Unit*

Working Interest Owners	320-acre	80-acre	40-acre
OXY USA WTP Limited Partnership	38.3010794%	36.8931561%	31.0836665%
BP America Production Company	38.3010794%	36.8931562%	31.0836665%
COG Oil & Gas, L.P.	6.2250996%	0.0000000%	0.0000000%
Chesapeake PRH Corp.	2.8518435%	9.6022699%	14.3323577%
Harvard Petroleum Corporation	2.3610370%	1.8932131%	2.0086059%
Yates Petroleum Corporation	1.1562327%	3.6278232%	5.4148926%
Read & Stevens	0.1747064%	0.1918686%	0.2863832%
Heirs of Roy G. Barton	0.1747064%	0.1918686%	0.2863832%
L. R. French, Jr.	6.2250996%	0.0000000%	0.0000000%
V-F Petroleum Inc.	2.7662881%	9.3142019%	13.9023870%
S. K. Lawlis	0.0285187%	0.0960227%	0.1433236%
M. Wayne Luna	0.0570374%	0.1920454%	0.2866471%
Elizabeth Eaton	0.3935063%	0.3155356%	0.3347677%
Dr. Earl L. Malone	0.3935062%	0.3155355%	0.3347676%
The Anderson-Malone Trust	0.3935062%	0.3155355%	0.3347676%
Anne S. Johnson	0.1967531%	<u>0.1577677%</u>	0.1673838%
Total	100.0000000%	100.0000000%	100.0000000%

^{*}The decimals do not equal 100% in either table due to rounding up.

At casing point, a completion proposal will be under a new AFE identifying working interests for the zone wherein a completion is proposed. Completion costs will be based on these interests. A priority of operations will allow for completion attempts to proceed upward from the deepest potential zones. Lease operating expenses will be based on the working interest in the assigned spacing unit based on the table above.

The consolidated interests are based on an analysis of cumulative oil and gas production from the South Millman (Morrow) Pool spaced on 320-acres, the Travis (Upper Penn) Pool spaced on 80-acre spacing, and the Travis (Wolfcamp) Pool spaced on 40-acre spacing. Only those wells within a five-mile radius of the OXY Senita State #1 were included in the analysis.

The twenty Morrow gas wells included in the analysis have produced 16,526,165 MCF and 74,600 BO, for a cumulative condensate-gas ratio of 0.0045 Bbls/MCF. Given a hypothetical 1000 MCF of Morrow gas produced on a single day, a corresponding 4.5 barrels of condensate would also be produced, which is equivalent to 27.1 MCF using a 6:1 conversion. The total equivalent gas would therefore be 1027.1 MCFE. OXY would own 38.50% of the gas, being 385.0 MCF (1000 MCF * 38.50%), and 31.11% of the condensate (or equivalent gas), being 8.4 MCF (27.1 MCFE * 31.11%). On an equivalent basis, OXY would therefore own 393.4 MCFE of the 1027.1 MCFE produced, or 38.3% of the consolidated produced oil & gas. This would now be OXY's working interest for all zones spaced on 320-acres. The same calculation was performed for each working interest owner.

The thirty-two Upper Penn oil wells included in the analysis have produced 2,229,708 BO and 8,704,330 MCF. Since these are oil wells, the analysis was done in equivalent barrels of oil, rather then equivalent MCF. These wells have a cumulative gas-oil ratio of 3.9 MCF/Bbl. Given a hypothetical 100 BO of Upper Penn oil produced on a single day, a corresponding 390.4 MCF of gas would also be produced, which is equivalent to 65.1 BO using a 6:1 conversion. The total equivalent oil would therefore be 165.1 BOE. OXY would own 28.4% of the oil, being 28.4 BO (100 BO * 28.4%), and 43.08% of the gas (or equivalent oil), being 32.5 BOE (65.1 BOE * 43.08%). On an equivalent basis, OXY would therefore own 60.9 BOE of the 165.1 BOE produced, or 36.9% of the consolidated produced oil & gas. This would now be OXY's working interest for all zones spaced on 80-acres. The same calculation was performed for each working interest owner.

The three Wolfcamp oil wells included in the analysis have produced 24,009 BO and 80,066 MCF. Since these are oil wells, the analysis was done in equivalent barrels of oil, rather then equivalent MCF. These wells have a cumulative gas-oil ratio of 3.3 MCF/Bbl. Given a hypothetical 100 BO of Wolfcamp oil produced on a single day, a corresponding 333.5 MCF of gas would also be produced, which is equivalent to 55.6 BO using a 6:1 conversion. The total equivalent oil would therefore be 155.6 BOE. OXY would own 20.6% of the oil, being 20.6 BO (100 BO * 20.6%), and 50.00% of the gas (or equivalent oil), being 27.8 BOE (55.6 BOE * 50.00%). On an equivalent basis, OXY would therefore own 48.4 BOE of the 155.6 BOE produced, or 31.1% of the consolidated produced oil & gas. This would now be OXY's working interest for all zones spaced on 40-acres. The same calculation was performed for each working interest owner.

Enclosed for your review is a copy of our draft Operating Agreement which shows the consolidated Working Interest. Please review and advise if you are in agreement with the consolidated formula. The well is set for force pooling on June 8, 2006. We anticipate a late July, 2006 spud.

Very truly yours.

OXY USA WTP Limited Partnership

David R. Evans

Chesapeake PRH Corp. Attention: Kevin Feister P. O. Box 18496 Oklahoma City, OK 73154-0496

V-F Petroleum Inc. P. O. Box 1889 Midland, Texas 79702

M. Wayne Luna c/o V-F Petroleum Inc. P. O. Box 1889 Midland, Texas 79702

S. K. Lawlis c/o V-F Petroleum Inc. P. O. Box 1889 Midland, Texas 79702

Harvard Petroleum Corporation P. O. Box 936 Roswell, New Mexico 88201-0936

Read & Stevens P. O. Box 1518 Roswell, New Mexico 88202-1518

Roy G. Barton, Sr. & Opal Barton Revocable Trust u/t/a dated 1/28/82 1919 N. Turner St. Hobbs, New Mexico 88240

Elizabeth Eaton 5870 S. Curtice St. Littleton, CO 80120

Dr. Earl L. Malone P. O. Box 87 Roswell, New Mexico 88201

Baynard W. Malone, Trustee of the Anderson Malone Trust P. O. Box 87 Roswell, New Mexico 88201 Anne S. Johnson P. O. Box 490 Kechi, Kansas 67067

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

COG Oil & Gas, L.P. 550 West Texas, Suite 1300 Midland, Texas 79701

L. R. French, et ux P. O. Box 11327 Midland, Texas 79702-8327

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



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

June 12, 2006

SEE ATTACHED

RE:

OXY Senita State #1 1800' FNL & 1070 FWL Section 4, T19S-R28E Eddy County, New Mexico

Gentlemen:

Enclosed for your review and file is the final draft of the Senita State #1 Joint Operating Agreement. This Agreement has been specifically modified to address the differences of the oil and gas rights ownership as per my letter dated May 15, 2006.

Please sign and return the enclosed signature page as soon as possible.

If you have any questions, please advise.

Yours very truly,

OXY USA WTP Limited Partnership

David R. Evans

DRE/bic

Enclosure

An Occidental Oil and Gas Company

Chesapeake PRH Corp. Attention: Kevin Feister P. O. Box 18496 Oklahoma City, OK 73154-0496

V-F Petroleum Inc. P. O. Box 1889 Midland, Texas 79702

M. Wayne Luna c/o V-F Petroleum Inc. P. O. Box 1889 Midland, Texas 79702

S. K. Lawlis c/o V-F Petroleum Inc. P. O. Box 1889 Midland, Texas 79702

Western Reserves Oil Company, Inc. P. O. Box 993 Roswell, New Mexico 88201

Harvard Petroleum Corporation P. O. Box 936 Roswell, New Mexico 88201-0936

Read & Stevens P. O. Box 1518 Roswell, New Mexico 88202-1518

Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr. & Opal Barton Revocable Trust P. O. Box 978 Hobbs, New Mexico 88240-0978

Anne S. Johnson P. O. Box 490 Kechi, Kansas 67067

Katherine Ann Malone 4104 24th Street #551 San Francisco, California 94114 Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

COG Oil & Gas, L.P. 550 West Texas, Suite 1300 Midland, Texas 79701

L. R. French, et ux P. O. Box 11327 Midland, Texas 79702-8327

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