

**Bold Energy, LP**  
**415 W. Wall, Suite 500**  
**Midland, Texas 79701**

Main: 432-686-1100  
Fax: 432-686-1104

HAND DELIVERED ON  
11/28/06

November 27, 2006

Oxy USA WTP L.P.  
6 Desta Drive, Suite 6000  
Midland, TX 79705

Attn: Mr. David R. Evans

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL  
Section 8, T19S, R29E  
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion and both the Canyon and Wolfcamp will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will have a rig available on or around February 15<sup>th</sup> 2007.

An Authorization for Expenditure is attached for a completed well cost of \$3,095,305.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,

Peggy Kerr  
VP of Land

\_\_\_\_\_  
IN BLANK) AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE

Oxy USA WTP L.P.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Oil Conservation Division  
Case No. 4  
Exhibit No. 1

Bold Energy, LP  
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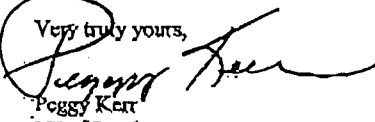
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Oxy USA WTP L.P.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Peggy, per my earlier e-mail it is Oxy's position that Bold does not have the right to propose a new well under the Letter Agreement dated 3-27-97 since Bold will not have an interest under the well until after payout. Articles 9 and 13 are clear as to your interest. With no expiration date to the Letter Agreement Article 18 would also apply. With no interest in a new well Bold can not propose. We hope to have this resolved in January 07. David Evans

## BOLD ENERGY, LP

415 W. WALL, SUITE 500  
MIDLAND, TEXAS 79701

MAIN: 432-686-1100  
FAX: 432-686-1104

December 29, 2006

Mr. David R. Evans  
OXY USA WTP L.P.  
6 Desta Drive, Suite 6000  
Midland, TX 79705

Subject: **Well Proposal OXY Checker State #2**  
Section 8, T19S-R29E, Turkey Track (Canyon), Eddy County, NM

Gentlemen:

By letter dated November 27, 2006 Bold Energy LP ("Bold") proposed the drilling of the Oxy Checker State #2 in the subject location. To date, OXY USA WTP LP ("Oxy") has not consented to the proposed well, and the time for a consent election has now passed. We have communicated with you concerning this proposal, but your most recent facsimile (12-27-06 at 1:50 pm attached) indicates Oxy does not accept Bold's right to make this well proposal. Oxy refers to the Letter Agreement dated March 27, 1997 (the "1997 LA") between Oxy, Broad Street Financial, and Threshold Development Company to which Bold is the successor.

Bold firmly disagrees with your reading of the 1997 LA and the Operating Agreement appended thereto. The 1997 LA was simply an agreement that allowed Oxy to drill wells and earn assignments of interests in sections 8 and 9. Oxy's right to propose wells and proceed under this 1997 LA was obviously exclusive during such drilling and earning period. However, the time period set out in the 1997 LA for Oxy to drill wells and earn assignments has expired. The Test Wells and the Option Wells drilled by Oxy have paid out, and reassignment of ownership rights have been made to Bold. Bold and Oxy now own their respective rights, and the JOA appended to the 1997 LA governs our respective ownership rights. There is no language in the 1997 LA to suggest any perpetual relinquishment of the rights to propose and drill wells. In fact, all language suggesting Oxy would exclusively propose wells refers to the Test Wells or any Option Wells.

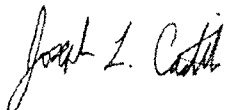
Furthermore, Bold makes no claim to any carried or after-payout interest in either the subject proposed well or any other wells that Bold may propose in Sections 8 and 9 as Bold correctly recognizes that these provisions of the 1997 LA are no longer applicable. Logic would dictate that Oxy would consider the full meaning of Article 8 which clearly states that the rights set out in the 1997 LA would expire following a 180 day cessation of drilling activity. Therefore, Oxy's position concerning the 1997 LA is untenable, and an attempt by Oxy to prevent Bold from developing its perceived value in these sections would be unlawful.

Bold intends to proceed with the drilling of the subject well. Since Oxy is non-consent, Bold will operate the well and proceed with the permitting process. A report notice and request for waiver for a permit will follow under separate cover.

Bold hopes to resolve this matter through an open exchange with Oxy's management as it is only our intent to maximize the value of our assets. Therefore, Bold would be open to a meeting with Oxy management to discuss the efficient and prudent development of the remaining reserves in these sections, and to work together toward that end. However, Bold will not postpone its efforts to drill the subject well.

Please advise Peggy Kerr at the above number if and when a meeting with Oxy management may be arranged.

Sincerely for Bold Energy,



Joseph Castillo  
President