

**STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION  
FOR THE PURPOSES OF CONSIDERING:**

**CASE NO. 13913**

**APPLICATION OF OGX RESOURCES LLC FOR  
COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO**

Before the Oil Conservation Division  
Exhibit No. 2  
OGX Resources LLC  
OCD CASE 13913  
Hearing: May 10, 2007

**AFFIDAVIT OF RICHARD H. COATS**

**STATE OF TEXAS                                   §  
  § ss.  
COUNTY OF MIDLAND                       §**

Before me, the undersigned authority, personally appeared Richard H. Coats and being first duly sworn stated:

A. My name and qualification as expert are as follows:

Richard H. Coats

Education:                   BA Finance, University of Texas—1981  
Experience:                  Practicing Landman and Oil and Gas Professional for 23 years in  
New Mexico  
Occupation:                 Part owner of OGX Resources LLC

I am over the age of majority and competent to make this Affidavit.

I am responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

I am personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements.

This affidavit has been prepared in accordance with the New Mexico Oil Conservation Division Rule 1207.A(1)(b).

B. My expert opinions are based on the following facts and events:

**Affidavit of RICHARD H. COATS**

**NMOCD Case 13913**

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## CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

- (1) OGX is a working interest owner in the oil and gas minerals underlying the E/2 of Section 21, T24S, R28E, NMPM, Eddy County, New Mexico, to be dedicated as a standard 320-acre gas proration and spacing unit consisting of the E/2 of this section for production from the New Zipper Federal Com Well No. 1 located in Unit P of this section.
- (2) On April 14, 2004, Occidental Permian Limited Partnership ("OPL") sent to all working interest owners, including the applicant and unleased mineral interest owners, its written well proposal, including an AFE, for its OPL New Zipper Federal Com Well No. 1 to be drilled at a standard well location in Unit P of Section 21, T24S, R28E, Eddy County, New Mexico, and dedicated to the E/2 of this section. 30-015-  
33531  
990 FSL  
990 FEL
- (3) On October 15, 2004, OPL completed this wellbore for production from the Morrow formation.
- (4) Except for the interest of D. W. Lyon, deceased, and his unknown heirs (a spacing unit interest of 1.5625%), all working interest and unleased mineral interest owners entered into a Joint Operating Agreement designating Occidental Permian Limited Partnership as the operator and have reached a voluntary agreement with all other working interest owners in this spacing unit.
- (5) OGX Resources LLC believed it had leased the D. W. Lyon's interest when it took a lease dated May 1, 2003 from Gail A. Johnson, et vir, recorded in Book 512, Page 267, Eddy County Records.
- (6) This lease turned out to be invalid and OGX Resources LLC by this pooling application is seeking to "cure" a title requirement regarding a Stipulation of Interest and Assignment of Oil and Gas Leases involving this interest.
- (7) Despite reasonable efforts, neither OGX nor OPL were able to identify or locate the unknown heirs of D. W. Lyon, date of death June 30, 1955.
- (8) This gas spacing is located within one mile of the boundaries of the Malaga-Morrow Gas Pool.
- (9) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, OGX needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

- (10) Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A (1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.
- (11) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 10, 2007.

### **RULE 1207.A (1)(b) REQUIREMENTS**

In accordance with Division Rule 1207.A (1)(b) attached are the following statements and exhibits in support of this case:

- (i) No opposition for the hearing is expected because the parties to be pooled either cannot be located or have failed to respond.
- (ii) Map (a) outlining the spacing unit already pooled, being the E/2 of Section 21, T24S, R28E, NMPM, Eddy County, New Mexico (b) showing the well location and (c) percentage of ownership interest. **See Exhibit "B" attached.**
- (iii) For name and last known address of the party to be pooled with the nature and percent of their interest, I attest that a diligent search has been conducted of all public records in the county where the well is located and we have attempted to contact possible heirs many times. **See Exhibit "A" attached.**
- (iv) This gas well is within one mile of the boundary of the Malaga-Morrow Gas Pool.
- (v) The pooled unit is for gas.
- (vi) Written evidence of attempts to reach voluntary agreement including letters and summaries of telephone calls are included herein. **See Exhibit "C" attached.**
- (vii) The maximum 200% risk factor penalty was justified prior to drilling the well in accordance with Commission Order R-11992 and Division Order R-11926
- (viii) The well costs overhead rates of \$6000.00/month drilling and \$600.00/month producing well rates, subject to COPAS adjustment, should continue to apply for this case. **See Exhibit "D" attached.**
- (ix) Copy of Division approval APD and form C-102 showing the well location and the proposed depth of the well (approximately 12,500 feet). **See Exhibit "E" attached.**

**Affidavit of RICHARD H. COATS**

**NMOCD Case 13913**

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- (x) Copy of the AFE in the amount of \$1,520,415 completed well costs for this well, which we conclude, is fair, reasonable and current for wells of this type in this area. **See Exhibit "F" attached.**

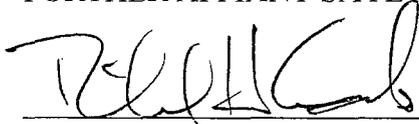
**ATTESTATION**

I, Richard H. Coats, attested that this submittal was prepared by me and the information is correct and complete to the best of my knowledge and belief.

I recommend that a compulsory pooling order be entered which provides that:

- (1) Occidental Permian Limited Partnership be to the named Operator;
- (2) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production the costs of the drilling, completing, equipping and operating the gas well, including a risk factor penalty; and
- (3) Provisions for overhead rates of \$6000.00 per month drilling and \$600.00 per month operating and a provision for an adjustment method of the overhead rates as provided by COPAS.

FURTHER AFFIANT SAYETH NOT:

  
Richard H. Coats

STATE OF TEXAS           §  
  §  
COUNTY OF MIDLAND   §

SUBSCRIBED AND SWORN TO before me this 24th day of April 2007 by Richard H. Coats.



  
Notary Public

**ACKNOWLEDGMENT**

STATE OF TEXAS                   §  
   §  
COUNTY OF MIDLAND           §

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 24th day of April 2007 personally appeared Richard H. Coats to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.



*Cara L. Pruitt*  
\_\_\_\_\_  
Notary Public

My Commission expires:  
11/14/09

Party to be Pooled: D. W. Lyon, deceased, and the unknown heirs of D. W. Lyon

Last Known Address: 1808 South Fremont, Alhambra, CA 82106; June 30, 1955

Mineral Interest: Full mineral interest in the E/2 NE/4 SW/4 NE/4 of Section 21, T24S-R28E, N.M.P.M., Eddy County, New Mexico, containing 5 acres, more or less

Proration Unit Interest: 1.5625% of the E/2 (320-acre proration unit) of Section 21, T24S-R28E, N.M.P.M., Eddy County, New Mexico,

New Zipper Federal Com #1

Pooled Unit:

E/2 of Section 21, T24S-R28E, N.M.P.M.  
Eddy County, New Mexico

Well Location:

990' FSL & 990' FEL (Unit P) of Section 21

Percentage of Ownership Interest:

Occidental Permian Limited Partnership	42.20953%
Devon Energy Production Company, LP	6.46979%
Fasken Land & Minerals, Ltd.	2.11900%
OGX Resources LLC	49.20168%
	<u>100.00000%</u>

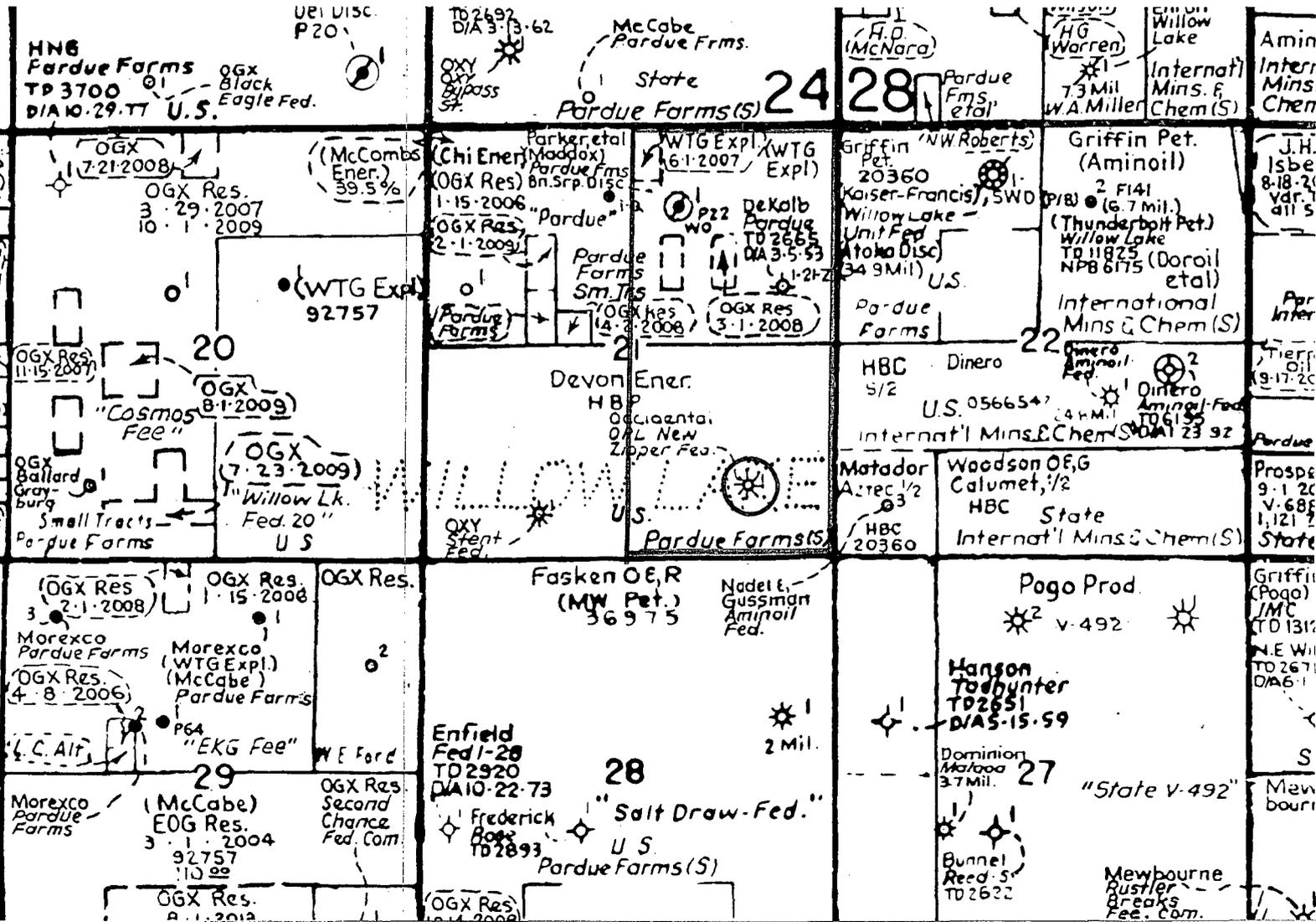


Exhibit "B" to  
Affidavit of Richard H. Coats  
NMOCD Case 13913

**New Zipper Federal Com #1  
E/2 of Section 21, T24S-R28E, N.M.P.M.  
Eddy County, New Mexico**

**E/2 NE/4 SW/4 NE/4 (aka Malaga Tract 905), 5 acres  
Owner: D. W. Lyon**

**SUMMARY OF LEASING, EVIDENCE OF INVALID LEASE, AND ATTEMPTS TO  
CONTACT UNKNOWN HEIRS OF D. W. LYON:**

11/26/2002    OGX Resources LLC received a Mineral/Leasehold Takeoff covering all of Section 21, T24S-R28E, which included the above referenced five-acre tract, and showed that the owner of this tract was:  
                  Gail Johnson, whose husband is Paul Johnson  
                  Address: 277 Echo Way, Merlin, Oregon 97532.

Notes from this takeoff indicated that prior leases on this tract were as follows:

- (1)    Oil and Gas Lease dated January 12, 1976  
          Lessor:        D. W. Lyon, dealing in his sole and separate property, but joined by his wife, Margaret Jewel Lyon  
                          No address given, but notarized in Los Angeles Co., California  
          Lessee:        David J. Sorenson  
                          P. O. Box 1453, Roswell, NM 88201  
          Recording:    Book 133, Page 318, Misc. Records, Eddy Co., NM
- (2)    Oil and Gas Lease dated December 1, 1997  
          Lessor:        Gail Johnson and Paul Johnson, husband and wife  
                          No address given but notarized in Josephine Co., Oregon  
          Lessee:        Chi Energy, Inc.  
                          P. O. Box 1799, Midland, Texas 79702  
          Recording:    Book 301, Page 1078, Eddy County Records, Eddy Co., NM

03/2003 to    The Johnson's were contacted, negotiations were made by phone and mail  
07/07/2003    resulting in the following lease:  
                  Lessor:        Gail A. Johnson, joined pro forma by her husband, Paul W. Johnson  
                          277 Echo Way, Merlin, Oregon 97532  
                  Lessee:        OGX Resources LLC  
                          P. O. Box 2064, Midland, Texas 79702  
                  Recording:    Book 512, Page 267, Eddy County Records, Eddy Co., NM

During this time period, Kaye Smith, with OGX Resources LLC, informed the Johnson's that OGX/OXY would be needing copies of probate proceedings on her uncle, D. W. Lyon, the supposed original owner of this mineral interest; her aunt, Margaret Caroline Lyon, widow and supposed sole heir of D. W. Lyon; and her mother, Ketty Mayers, sister and sole heir of Margaret Caroline Lyon. OGX was furnished a copy of Final Distribution for the Estate of Margaret J. Lyon, a copy of her death certificate, and a copy of the Last Will and Testament of Ketty Mayers. We were also provided a copy of an Affidavit of Heirship on Margaret J. Lyon that was recorded by Chi Energy, Inc., on 12/19/1997 in the Eddy County Records in Book 301, Page 1080.

- 04/08/2004 to OXY began preparations to drill the New Zipper Federal Com #1 Well.
- 06/12/2005 A Drilling Title Opinion was ordered and contained a title requirement to obtain probate proceedings for the Estate of D. W. Lyon. The well was drilled, completed, and began selling gas. A Division Order Title Opinion was ordered. The well reached payout on 6/12/2005. The Johnson's advised Kaye Smith that OXY was paying them on their interest, so OGX made the assumption that OXY was satisfied with the Affidavit of Heirship on Mrs. Lyon referred to above.
- Summer 2006 Paul Johnson contacted Kaye Smith to ask for assistance in dealing with OXY. OXY had ceased paying them and Mr. Johnson could not understand from OXY what they needed to do. Mrs. Smith found out that OXY had put them in suspense for the unsatisfied title requirement pertaining to probate on D. W. Lyon, even though OXY had at first been paying on this interest.
- 07/2006 to Mrs. Smith wrote letters for the Johnson's to send for a certified copy of D. W.  
09/2006 Lyon's death certificate and for a probate search on D. W. Lyon in Alameda County, California. OGX received the death certificate on D. W. Lyon. There was no probate record found. The Johnson's called to say that OXY had sent them affidavits to fill out and record in Eddy County and Mrs. Smith asked them to fax copies to OGX' office for our files after they were recorded.
- 10/02/2006 OGX received the fax copies of Affidavits of Heirship on D. W. Lyon, Margaret J. Lyon, and Ketty Mayers. This was the first time that we were advised that D. W. Lyon had been married prior to Margaret J. Lyon and that he had children.

It was around this time that Kaye Smith realized that the D. W. Lyon and Margaret J. Lyon that were related to Gail Johnson could not be same D. W. Lyon that acquired this mineral interest based on the following facts:

This acreage was deeded to D. W. Lyon, of Estancia, Territory of New Mexico, by Trustees' Deed dated July 24, 1909, recorded in Deed Records. Gail Johnson's uncle, D. W. Lyon, would only have been 12 years old at this time. He was born 02/19/1897 to missionary parents in China and it doesn't fit with his personal history that he would have been in New Mexico.

There is of record a Quit Claim Deed dated January 17, 1928, from C. P. Pardue, Trustee, to D. W. Lyon recorded in Volume 48, Page 628, Deed Records, stating that "This deed is given for the purpose of correcting title." It describes the acreage as Tract Number 905 in Section 21, T24S-R28E.

There is a Quit Claim Deed dated April 29, 1950, recorded in Volume 112, Page 267, Deed Records, from D. W. Lyon and wife, Nania E. Lyon, notarized in Los Angeles County, California, to C. P. Pardue conveying the surface rights and retaining the mineral rights to this 5-acre tract of land.

**With the knowledge of D. W. Lyon's wife's name, Mrs. Smith was able to obtain additional information through census records and military registration records that confirm D. W. Lyon and Nania E. Lyon were the rightful owners of this mineral interest.**

With this knowledge, OGX believes that the following instruments of record are inaccurate and fraudulent:

(a) The two Oil and Gas Leases set out as items (1) and (2) on the first page of this Exhibit "C", and

(b) the Affidavit of Marital Status dated March 13, 1976, executed by D. W. Lyon, no address given but notarized in Los Angeles County, California, wherein he states that he was a single man, having never been married, on February 17, 1928, when he acquired title to this tract of land. The information obtained through census records and military registration records prove this information to be false.

10/27/2006 Kaye Smith wrote a letter to the California Office of Vital Records to obtain copies of death certificates on D. W. Lyon, Margaret J. Lyon, and Nania E. Lyon, the wife of D. W. Lyon. When she received the death certificate of D. W. Lyon, it confirmed the information that had been gathered (referenced above) and listed Nania Elizabeth Lyon as the spouse and informant of David William Lyon. It also stated that his body had been removed for burial in Newkirk, Kay County, Oklahoma, where the Lyon's had lived previously according to 1930 census records.

02/12/2007 The 1930 U. S. Census records show that D. W. Lyon and his wife, Nania Lyon lived in Newkirk, Kay County, Oklahoma, at that time. They also had four nieces living with them; Marguerite O. Barre, Theresa C. Barre, C. Louise Barre, and E. Leona Barre. Further research showed that these girls were the children of D. W. Lyon's sister, Susie Lyon Barre and her husband, Emile Barre.

We found that a Theresa Barre had married Frank Filbert Chappell in July 1932. Mr. Chappell was born 03/23/1896 in Newkirk, Oklahoma, and died on 08/23/1992 in Newkirk, Oklahoma. Theresa Barre would have been born about 1907 according to the 1930 census records. We found Mr. Chappell's military registration card dated June 4, 1917, stating he was single at that time.

02/14/2007 Kaye Smith found probate records for Theresa B. Chappell in Kay County Court. She died intestate on February 8, 1967. Probate records for Frank F. Chappell in Kay County Court indicate that he had remarried and then died on August 23, 1992. Apparently, Theresa and Frank Chappell had one daughter, Judith I. McCollum. We were able to trace Mrs. McCollum's family history to see that she and her husband had a son, Frank McCollum; but attempts to contact this person have been unsuccessful. And, of course, these were not direct descendents of D. W. Lyon anyway.

02/21/2007 Mrs. Smith wrote a letter to the Division of Vital Records, Oklahoma State Department of Health requesting a death certificate on Nania Elizabeth Lyon. On April 13, 2007, she received a death certificate on an Elizabeth Ellen Lyon, not the correct person. We have not been able to find any death record on Nania Lyon through the [REDACTED] Death Index or any other sources.

Numerous searches have been performed on various websites, Ancestry.com, Intelius.com, as well as the many phone search sites being the primary sources, and many phone calls have been made to various leads for potential heirs of this family. Probate records have been obtained for persons we believe were distant relations; but it has not been a successful venture. This was made harder because apparently D. W. Lyon (David William Lyon) and Nania Elizabeth Lyon had no children of their own.

We believe we have conducted an extremely diligent search for the heirs of D. W. Lyon and have been unable to locate anyone able to claim this mineral interest.

A.A.P.L. FORM 610-1982

**MODEL FORM OPERATING AGREEMENT**

OPERATING AGREEMENT

DATED

June 1 , 2004 ,  
Year

OPERATOR Occidental Permian Limited Partnership

CONTRACT AREA East Half (E/2) of Section 21

T24S-R28E, N.M.P.M.

COUNTY OR PARISH OF Eddy

STATE OF New Mexico

COPYRIGHT 1982 - ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT  
WORTH, TEXAS, 76137-2791, APPROVED  
FORM, A.A.P.L. NO. 610 - 1982 REVISED

Exhibit "D" to  
Affidavit of Richard H. Coats  
NMOCD Case 13913

COPAS

1 12. Insurance

2  
3 Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the  
4 event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation  
5 and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-  
6 insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

7  
8 13. Abandonment and Reclamation

9  
10 Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory  
11 authority.

12  
13 14. Communications

14  
15 Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and  
16 microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint  
17 Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

18  
19 15. Other Expenditures

20  
21 Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which  
22 is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint  
23 Operations.

24  
25  
26 III. OVERHEAD

27  
28 1. Overhead - Drilling and Producing Operations

29  
30 i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge  
31 drilling and producing operations on either:

- 32  
33 ( x ) Fixed Rate Basis, Paragraph 1A, or  
34 ( ) Percentage Basis, Paragraph 1B  
35

36 Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and  
37 salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under  
38 Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of  
39 taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in  
40 the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are  
41 agreed to by the Parties as a direct charge to the Joint Account.

42  
43 ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant  
44 services and contract services of technical personnel directly employed on the Joint Property:

- 45  
46 ( ) shall be covered by the overhead rates, or  
47 ( x ) shall not be covered by the overhead rates.

48  
49 iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services  
50 and contract services of technical personnel either temporarily or permanently assigned to and directly employed in  
51 the operation of the Joint Property:

- 52  
53 ( x ) shall be covered by the overhead rates, or  
54 ( ) shall not be covered by the overhead rates.

55  
56 A. Overhead - Fixed Rate Basis

57  
58 (1) Operator shall charge the Joint Account at the following rates per well per month:

59  
60 Drilling Well Rate \$ 6000.00  
61 (Prorated for less than a full month)

62  
63 Producing Well Rate \$ 600.00

64  
65 (2) Application of Overhead - Fixed Rate Basis shall be as follows:

66  
67 (a) Drilling Well Rate

68  
69 (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date  
70 the drilling rig, completion rig, or other units used in completion of the well is released, whichever

0471

*Berry*  
UNITED STATES N.M. Oil Cons. DIV-Dist. 2  
DEPARTMENT OF THE INTERIOR 1301 W. Grand Avenue  
BUREAU OF LAND MANAGEMENT Artesia, NM 88210

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		Lease Serial No. NM-36975
1b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Occidental Permian Limited Partnership		7. Unit or CA Agreement Name and No.
3a. Address P.O. Box 50250 Midland, TX 79710-0250		8. Lease Name and Well No. OPL New Zipper Federal #1
3b. Phone No. (include area code) 432-685-5717		9. API Well No. 30-015-33531
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 990 FSL 990 FEL SESE(P)  At proposed prod. zone		10. Field and Pool, or Exploratory Undsq. Malaga Morrow
14. Distance in miles and direction from nearest town or post office* 5 miles south from Loving, NM		11. Sec., T., R., M., or Blk. and Survey or Area Sec 21 T24S R28E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 990'	16. No. of Acres in lease 320	12. County or Parish Eddy
17. Spacing Unit dedicated to this well 320	13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 12900'	20. BLM/BIA Bond No. on file 9312774
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3010'	22. Approximate date work will start* 6/1/04	23. Estimated duration 30 days

RECEIVED  
APR 22 2004

24. Attachments CARLSBAD CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. Well plat certified by a registered surveyor.</li> <li>2. A Drilling Plan</li> <li>3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).</li> </ol> | <ol style="list-style-type: none"> <li>4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).</li> <li>5. Operator certification.</li> <li>6. Such other site specific information and/or plans as may be required by the authorized officer.</li> </ol> |
|---|---|

25. Signature 	Name (Printed/Typed) David Stewart	Date 3/5/04
Title Sr. Regulatory Analyst		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 1 APR 2004
Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on Reverse)

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

V AGO

Witness Surface Casing.

Exhibit "E-1" to  
Affidavit of Richard H. Coats  
NMOCD Case 13913

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-	Pool Code 80920	Pool Name Undesignated Malaga Morrow
Property Code	Property Name OPL NEW ZIPPER	Well Number 1
OGRID No. 157984	Operator Name Occidental Permian LP	Elevation 3010'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	21	24-S	28-E		990	SOUTH	990	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill N	Consolidation Code	Order No.
------------------------	----------------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME Y = 43604.7 N X = 57626.0 E LAT. 32°11'54.81"N LONG. 104°05'2.44"W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>David Stewart</i> Signature</p> <p>David Stewart Printed Name</p> <p>Sr. Regulatory Analyst Title</p> <p>3/5/04 Date</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JANUARY 28, 2004 Date Surveyed L.A.</p> <p><i>Gary Eidson</i> Signature &amp; Seal of Professional Surveyor</p> <p>04.11.0098</p> <p>Certificate No. GARY EIDSON 12641</p>

Exhibit "E-2" to  
Affidavit of Richard H. Coats  
NMOCD Case 13913

**Occidental Permian Ltd.  
Authorization for Expenditure Form**

DATE PREPARED: 04/14/2004 13:52

Control No. 4046

RMT/PMT Frontier

PROJECT NAME: DRILL AND EQUIP

LEASE/UNIT: OPL New Zipper Federal Com #1

OPERATOR: Occidental Permian Ltd.

LEGAL LOCATION: 990' FSL, 990' FEL, Section 21, T24S, R28E, Eddy County, NM

BUDGET CATEGORY: Exploitation

**PROJECT DESCRIPTION:**

It is proposed to drill and equip the OPL New Zipper Federal Com #1 as a Morrow producer in Eddy County, New Mexico. Your approval is requested.

**ACCOUNTING USE ONLY:**

Lse/Pit Name: OPL New Zipper Federal Com #1  
 AFE Type: D&E O&G WELL  
 Production Coordinator No.: 14201441  
 State/County: New Mexico/Eddy  
 Operator Name: Occidental Permian Ltd.  
 Lease/Plant CC: \_\_\_\_\_  
 Company/Division No.: 25077  
 Oxy Wt: (%) 35.4260  
 AFE Category: Original  
 Project AFE No. 99104045  
 Organization Rollup Key: NRC  
 Overhead Type: Drilling

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

**COMPLETE FOR NEW WELLS:**

PRODUCER     OIL WELL     WATER DISPOSAL  
 DEVELOPMENT WELL     GAS WELL  
 SINGLE COMPLETION     EXPLORATORY WELL  
 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	\$292,415	\$103,591
CAPITAL	INTANGIBLES	\$1,228,000	\$435,031
<b>TOTAL PROJECT COST</b>		<b>\$1,520,415</b>	<b>\$538,622</b>

PROJECT CONTACTS:

NAME	TITLE	PHONE NUMBER
<u>Jeff Davis</u>	<u>Engineering</u>	<u>685-5710</u>
<u>David Evans</u>	<u>Land</u>	<u>685-5769</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: O&G Resources LLC

BY: Richard H. Coats (print name) DATE July 1, 2004

BY: \_\_\_\_\_ (signature)

Exhibit "F" to  
 Affidavit of Richard H. Coats  
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Requested By: T.E.C.A.T.E  
 Prepared By: JDAVIS

OXY USA INC.  
 DETAILED WELL ESTIMATE

LEASE - WELL NO. OPL New Zipper Federal Com #1 DATE: 14-Apr  
 LOCATION 990' FSL, 990' FEL DEPTH: 13,000  
 S 21 T 24S R 28E COUNTY EDDY STATE New Mexico AFE NO.

DESCRIPTION	GRADE	\$/FT	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	ACTU COS
<b>TANGIBLES</b>							
<b>Casing</b>							
Surface: 13-3/8", 48#, H-40	A	17.05	700		11,935	10,906	
Intermediate: 9-5/8", 36#, K-55	A	13.65	2400		32,760	47,700	
Protection: 7", 26#, K-55 & S-95	A	10.75	9700		104,275		
Production: 4-1/2", 11.6#, P-110/S	A	4.65	3300		15,345		
<b>Wellhead Connections</b>							
Tubing 2-3/8", 4.7#, N-80	A	3.05	12000		36,600		
Line Pipe & Fittings					7,500		
Packer and Accessories					9,000		
<b>TANK BATTERY</b>							
Stock Tanks 2 500 bbl	A				10,000		
Separator, Heater Treater, Dehydrator	A				20,000		
Meter Run & Housing	A				5,000		
Labor & Transportation					20,000		
<b>Total Tangibles</b>					<b>292,415</b>	<b>58,606</b>	
<b>INTANGIBLES</b>							
Contract Drilling Labor					525,000	525,000	
Drilling Consultants		50			37,500	37,500	
Mobilization					25,000	20,000	
Service Rig Work		10			20,000		
Subsurface Casing Equipment					10,000	2,000	
D.S.T., Electric, Radioactivity Logs, etc.					25,000	18,000	
Acidizing, Fracing					108,000		
Perforating					18,000		
Misc. Company & Contract Labor					20,000	15,000	
Road Building, Location					20,000	20,000	
Cement & Cementing Services					55,000	25,000	
Cement Squeeze Jobs							
Drilling Mud, Chemicals					50,000	45,000	
Diamond Coring & Analyses, Bits, Reamers					50,000	50,000	
Mud Logging Unit					25,000	14,500	
Rental of Miscellaneous Equipment					92,000	22,000	
Contract Hauling					30,000	23,500	
Water, Fuel					40,000	20,000	
Miscellaneous Incidentals					75,000	30,000	
Archeological Services					2,500	2,500	
<b>Total Intangibles</b>					<b>1,228,000</b>	<b>870,000</b>	
<b>Total Estimated Cost - 100%</b>					<b>1,520,415</b>	<b>928,606</b>	