

PEGASUS PLACE
125 WEST FOURTH STREET
POST OFFICE BOX 298
ROSWELL, N.M. 88202-0298

Phil Brewer
ATTORNEY & COUNSELOR

TELEPHONE: 505-625-0298
FACSIMILE: 505-625-0299
E-MAIL: pbrewer@pegasusplace.com

June 14, 2007

Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Cont to 7/12

RECEIVED
2007 JUN 15 AM 9 53

RE: In the Matter of the Application of Occidental Permian Ltd.
Case No. 13945

Dear Sir or Madam:

Enclosed is an original and one copy of a Motion to Continue Hearing in the above-referenced matter. Please return an endorsed copy to us in the envelope provided.

Thank you.

Very truly yours,

Carol Parker

Carol Parker
Secretary to Phil Brewer
and Adriann Ragsdale

Call Scott Hall

/cp

Encl.



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

IN THE MATTER OF THE APPLICATION
OF OCCIDENTAL PERMIAN LTD.
FOR CANCELLATION OF A DRILLING
PERMIT, FOR A DETERMINATION OF
THE RIGHT TO DRILL, AND APPROVAL
OF A DRILLING PERMIT,
LEA COUNTY, NEW MEXICO.

CASE NO. 10949

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MOTION TO CONTINUE HEARING

Cimarron Exploration Company, through the undersigned counsel, hereby moves the Division to vacate and continue the hearing set in the above-captioned cause for June 21, 2007 at 8:15 a.m. As grounds for this motion, Cimarron states:

1. Cimarron is the successor in interest to Santa Fe Exploration Company as to all of Santa Fe's oil and gas properties in Lea County, New Mexico and elsewhere as shown by the motion and order entered in United States Bankruptcy Court El Paso, Texas District Jointly Administered Cause Nos. 96-31711-LMC-11 and 96-31712-LMC-11, copies of which are collectively attached hereto as Exhibit A.
2. As the successor in interest to Santa Fe, Cimarron is the owner of a 37.5% gross working interest in State of New Mexico Oil and Gas Lease LG-1125 dated April 1, 1973, originally in favor of

Amoco Production Company, covering the SW/4NW/4 Section 17, Township 18 South, Range 34 East, N.M.P.M., Lea County, New Mexico for depths between the base of the Queen formation to 100 feet below the total depth drilled in the well provided for in Article III of the Assignment of Operating Rights between Amoco and Santa Fe, et al. referenced in the Application of Occidental Permian Ltd. in this case.

3. Cimarron has not received formal notice of these proceedings and only accidentally became aware of the same through contact with Clarence W. Stumhoffer late last week.

4. Cimarron has not had the opportunity to engage qualified and competent Division counsel to represent its interest in this matter and continuance of the hearing referenced above should be allowed so as to give Cimarron this opportunity.

5. Notwithstanding Applicant's claim of complete leasehold ownership in and under the lands in question, Cimarron claims the working interest set forth above and will, in the very near future, commence appropriate quiet title proceedings against Applicant, among others, in Lea County, New Mexico in order to establish its rights as against the adverse claims of Applicant.

WHEREFORE, Cimarron respectfully prays that this motion be granted.

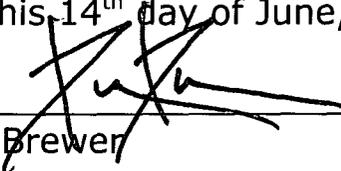
Respectfully submitted,



PHIL BREWER
ADRIANN RAGSDALE
P.O. Box 298
Roswell, New Mexico 88202-0298
(505) 625-0298
Attorneys for Cimarron Exploration

Company

I hereby certify that a true and correct copy of the foregoing was mailed to J. Scott Hall, P.O. Box 1986, Santa Fe, New Mexico 87504-1986 on this 14th day of June, 2007.



Phil Brewer

Robert B. Wilson, Trustee
P.O. Box 10236
Lubbock, Texas 79408
(806) 763-9555

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

IN RE:

SANTA FE EXPLORATION COMPANY,
a New Mexico Corporation
and
SANTA FE EXPLORATION COMPANY,
a Texas Corporation
Debtors

CASE NO. 96-31711-LK
(Jointly administered)

MOTION TO SELL REAL AND PERSONAL PROPERTY
OF THE ESTATES

COMES NOW Robert B. Wilson ("Trustee"), Trustee for Santa Fe Exploration Company, Inc., Debtor-in-Possession ("Santa Fe") and files this Motion to Sell Real and Personal Property of the Estates pursuant to 11 U.S.C. § 363(b) and would show the Court as follows:

1. Santa Fe proposes to sell the real and personal property described in Exhibit "A" to Cimarron Exploration Company ("Cimarron") under the terms and conditions and for the considerations set out therein.
2. Santa Fe proposes to sell such properties free and clear of liens. There are lien holders on various properties reflected in Exhibit "A" and same have been served with Notices as required by law.
3. Santa Fe would show that this proposed sale is in the best interest of all the

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creditors of the estates as well as of other parties in interest affected by environmental issues present in this proceeding.

UNLESS OBJECTION IS FILED WITH THE BANKRUPTCY COURT AS BELOW STATED, SAID PROPERTY SHALL BE SOLD ON OR AFTER 9:00 A.M. ON THE 18TH DAY OF JULY, 1997.

NOTICE TO CREDITORS AND PARTIES IN INTEREST:

YOU ARE HEREBY NOTIFIED THAT, PURSUANT TO §102 OF THE BANKRUPTCY CODE, YOU ARE GIVEN UNTIL JULY 8, 1997, TO FILE YOUR WRITTEN OBJECTION TO THIS MOTION WITH THE BANKRUPTCY CLERK, U.S. COURTHOUSE, 8515 LOCKHEED, EL PASO, TEXAS 79925. IF NO WRITTEN OBJECTION IS FILED BY THAT DATE, THE COURT MAY ACT UPON THE MATTER WITHOUT FURTHER NOTICE. IF WRITTEN OBJECTIONS ARE FILED, THE MATTER WILL BE SET FOR HEARING BEFORE THE BANKRUPTCY JUDGE WITH NOTICE GIVEN ONLY TO THE OBJECTING PARTIES.

Respectfully submitted,

SIMS, KIDD, HUBBERT & WILSON
P.O. Box 10236
Lubbock, Texas 79408
(806) 763-9555

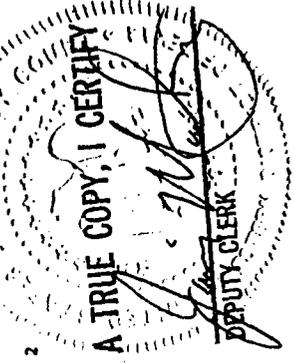
Attorneys for Trustee


Richard Hubbert
Texas Bar No. 10144500

THE STATUTORY 20 DAYS IS NOT REFLECTED ABOVE BECAUSE A MOTION FOR EXPEDITED HEARING ON OR ABOUT JULY 10, 1997 IS BEING FILED CONTEMPORANEOUSLY WITH THIS MOTION.

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2



THE OFFICES OF
CIMARRON EXPLORATION COMPANY
P.O. BOX 12320
EL PASO, TEXAS 79913-0320

4401 North Mesa - Ste. 201; El Paso 79902
(915) 533-1122
FAX (915) 533-1172

I hereby certify that a true and correct copy of the foregoing has been mailed to Mr. Henry Hobbs, United States Trustee, 903 San Jacinto #230, Austin, Texas 78701, Mr. Gerald P. Keith, Villa & Keith, 210 Campbell, El Paso, Texas 79901, and all parties shown on the attached matrix this 27th day of June, 1997.


Richard Hubbert

June 25, 1997

Mr. Robert B. Wilson
SIMS, KIDD, HUBBERT & WILSON, L.L.P.
1205 Broadway
Lubbock, Texas 79401

Re: Santa Fe Exploration Company (Texas and New Mexico) Bankruptcies

Dear Mr. Wilson:

This letter expresses the offer of Cimarron Exploration Company ("Cimarron") to purchase all of the assets of the above-captioned Debtors, except those specific properties excluded below. If this proposal is acceptable to you, the resulting transaction will require Bankruptcy Court approval and the drafting of documents of closing, which will be prepared by Cimarron's oil and gas counsel Phillip Brewer and be subject to your review and approval as to form. Unless we agree otherwise, the closing is to take place in Mr. Brewer's office in Roswell, New Mexico. The conveyances and instruments of transfer shall be, as to real property, special warranty deeds; as to personalty, bills of sale; and as to any other forms of assets not usually transferred by deeds or bills of sale, according to general industry custom. The transfers shall be transfers of the entire interests of the estates of both of the Debtors, if they are separate entities, and all covenants made and exchanged in the purchase shall run to both Debtors, if they are separate entities. The operating rights to be transferred in the purchase, shall be subject to voting procedures within the appropriate groups of working interests; except, however, the purchase includes a relinquishment by the Debtor(s) of all letter agreements the Debtor(s) have with Cimarron and/or W.L. Hunt respecting elections and/or removals of the operator, within the respective groups of holders of working interests in the properties purchased. The proposed terms and conditions also include the following:

1. Purchase Price: The purchase price will be \$962,500.00, payable as follows:

- a) \$612,500.00 for all property save and except the Backshot Unit, payable upon final order of the Bankruptcy Court.

d. The "Santa Fe Exploration No. 2" in Lea County, New Mexico, is the subject of a general unsecured claim by Harvey B. Yates Co. for \$59,019.28. (Mr. Gilliland has informed Cimarron that there are valid reasons to object to the "HERYCO" claim.)

Of these properties, Cimarron does not wish to purchase any except the Danciger lease. Please note that Cimarron is not buying the Conoco lease; also that Cimarron does not want the Santa Fe Exploration No. 2 but does want the Santa Fe Exploration No. 1. Cimarron misidentified the Santa Fe Exploration No. 1 as No. 2, in previous discussions with you.

3. **Extent of Assets Purchased:** The assets to be purchased by Cimarron shall consist of those items of real and personal property and intangible rights (including rights to operate the properties and any insurance in place for the operation of the assets purchased) owned by the estates legally or beneficially, and whether or not described in the schedules of assets on file in their respective bankruptcies. The Trustee and Cimarron shall cooperate in assembling any more detailed descriptive list of the assets, deemed necessary for purposes of Court approval and/or closing of this sale.

4. **Status of Assets:** Cimarron acknowledges that it is purchasing the assets "as is-where is," and no warranty shall be given by you as to condition of the properties or status of oil and gas leases. Notwithstanding the foregoing, the assignments or other instruments of conveyance shall be free and clear of liens, interests, and encumbrances, including operator's liens for joint billing interests, if any, pursuant to 11 U.S.C. § 363.

5. **Affirmative Covenants:** Prior to payment of the initial purchase price, you will in good faith and with reasonable diligence operate the real properties owned by the Debtor(s) in such a manner that the same will not suffer a material adverse change.

After payment of the initial purchase price, you will also in good faith and with reasonable diligence proceed to accomplish the following:

a. Prosecute (along with Cimarron) the defense of the Frost litigation identified in Paragraph 1(c) above, so that the resolution thereof will benefit the estate as well as Cimarron. Cimarron and the estate shall each bear their own expenses, attorney's fees, and costs in said litigation, but Cimarron is willing to bear those

The Trustee is not to transfer to Cimarron any claims or rights of action he has, arising under Title 11 or other applicable law, except claims and rights of action he may have against Cimarron, if any.

- b) \$50,000.00 for immediate transfer of the operating rights to all properties including the Buckshot.
- c) \$300,000.00 upon full and final resolution of that certain adversary proceeding styled Frost et al v. Santa Fe Exploration et al., in such fashion that the Buckshot Unit remains intact with leases that were in place as of January 1, 1995. The estate's working interest in the Buckshot unit shall be transferred to Cimarron upon the payment of the \$300,000.00.

There is an attachment hereto, showing how the price is allocated to specific assets. This offer is for the entirety of the assets, however, and is not an offer for piecemeal sales.

Additional but unquantified components of this offer are that Cimarron will (i) assume and hold the estate harmless from all environmental claims on file in this case upon the properties purchased; and (ii) assume and hold the estate harmless from all ad valorem taxes upon the properties purchased. Cimarron will also withdraw its proofs of claim in these proceedings, provided that the Trustee recognizes that the Debtor(s)' interests in the "Holmstrom" and "Langlie Matrix" properties were either already assigned to Cimarron absolutely or, if any interest remains in the Debtor(s), such remaining interest will pass to Cimarron as part of this sale. Copies of our documentation for those assignments will be forthcoming shortly. The foregoing purchase price will be reduced by the amounts shown below (or by the actual sales prices obtained by the estate) if prior to closing the Trustee has received and accepted offers to purchase the following properties substantially as here set out:

B-K Queen Unit	\$131,000.00
Lecaff (Dean) Field (salvage)	\$ 6,000.00
Atlantic University (salvage)	\$ 5,400.00

2. Certain properties of the estate(s) that are not operated by Santa Fe Exploration Co. are subject to "joint interest billings" and/or operator's liens. These are:

- a. Hanson Operating Co., \$75,060.74 claimed on the "Biggs" and other leases in Frio County, Texas.
- b. Conoco, Inc. \$4,664.34 "joint interest billing" on the Danciger and Conoco leases, Lea County, New Mexico (filed unsecured).
- c. Wind River Energy, Inc., \$10,882.15, operator's lien for charges on the McFarland 4567 Queen Unit, Andrews County, Texas.

10. **Escrow.** No escrow will be required in view of Cimarron's advancement of administrative expenses.
11. The Trustee and Cimarron will release all claims against each other at closing, with the exceptions that (a) the Trustee shall recognize and specially class, if necessary, Cimarron's post-petition administrative expense claims for monies advanced to continue debtor's operations; (b) the Trustee shall return to Cimarron at the closing any funds on hand which were advanced by Cimarron for administrative expenses; and (c) Cimarron shall defray the Trustee's litigation expenses in the Proved suit, as set forth above.
12. The Trustee shall seek Court approval of the purchase and sale on an expedited basis.
13. **General:** Headings and captions in this letter are used for locating operative provisions and shall not be read restrictively. The parties agree to use best faith efforts to correct any mutual mistakes or mutual omissions herein, and to do what is necessary and proper to effect the closing.

By your signature below, please indicate your assent to these terms of purchase and sale.

Sincerely,

CIMARRON EXPLORATION COMPANY



Ronald C. Glover
President

ACCEPTED AND AGREED TO:



ROBERT B. WILSON, Trustee
Beneficiary of Santa Fe Exploration Company,
a New Mexico corporation, and Santa Fe
Exploration Company, a Texas corporation
FF-EM-060497

litigation costs such as fees of expert witnesses, court reporters' charges for depositions, and costs of procuring documentary evidence and necessary technical reports. The estate is to bear the fees of the Trustee's attorney, travel costs for the Trustee and his counsel, reproduction costs for the Trustee's copies, and the like. Legal research, like other attorney's services, would be paid for by the client whose attorney did the research. Cimarron will, however, advance the lesser of \$15,000.00 or one-half of the Court-approved attorney's fees of the Trustee incurred in efforts to defend against breakup of the Buckshot Unit as an expense of administration for which Cimarron may request Court approved reimbursement.*

b. Cooperate with Cimarron in effecting a smooth transition of the operations associated with the assets purchased by Cimarron.

6. **Closing:** Unless Cimarron and the Trustee so agree in writing, the purchase agreement will provide that closing will occur at a mutually agreeable time and place, but in no event later than July 18, 1997.

7. **Limited Conditions for Withdrawal of Offer:** Cimarron and the Trustee agree to work diligently to draft and approve a mutually-satisfactory set of closing documents in good faith and conforming with high substantiality to this purchase agreement. Cimarron may not withdraw its offer after this purchase agreement is signed, except in the event that either (i) the Court will not approve the agreement as submitted, or (ii) there occurs new and major damage to the subject assets, substantially affecting their value. Cimarron shall have a right of prior approval as to the form of the Motion and proposed Order to be submitted to the Bankruptcy Court. Cimarron and the Trustee agree to correct and/or to supply any mutually-overlooked details and to seek promptly any Court approval that may be necessitated thereby.

8. You should assume based on this latest offer that Cimarron has decided to become an operating company in the active sense. In order to maintain best economies of scale for operations, Cimarron no longer wants to sell its working interest in the West Knowles leases. Cimarron does wish you to sell the E-K Queen, however, as Cimarron does not have the same incentives to operate that property, as the other offeror has.

9. The decision to become an active operating company is prompted by Mr. Gilliland's recent advice to us, that he received an offer to go to work at \$60,000.00 per year from another operating company in Roswell. Without Gilliland, Cimarron believes it would have a very difficult time trying to hold and operate the acquired properties for re-sale. In order to keep him available to Cimarron, we have, after much thought, decided to assure him (if the Court approves this sale) a similar long-term prospect of continuing employment, to that which he has received from the other company. Cimarron therefore intends to be an active operating company. To keep operations in scale, Cimarron will want to operate all those properties it is here purchasing, including the Buckshot Unit.

CIMARRON EXPLORATION'S PURCHASE OFFER

Date: June 25, 1977

IMMEDIATE LIQUIDATION

	Current Value
Buckshot Unit	300,000
Corbin Area (including acreage and unit)	12,000
E-K Queen Unit	134,000
Golden Lane Federal	1,000
Locoff (Queen) Field	6,000
Santa Fe Exploration No. 1 (including royalties & minerals)	1,000
Stateline	1,000
Superior State - Adit acreage ONLY	20,000
Anchor Deep Unit	10,000
Langley Marble Area	5,500
Turkey Track Area	5,500
	1,000
	486,000

IMMEDIATE LIQUIDATION TOTAL

2-YR. LIQUIDATION

Atlantic University	6,400
Dendiger 'A' Lease	8,700
Federal '25' Lease	1,000
Mescalero Ridge (EK Deep)	14,200
Mobil Federal Lease	1,000
New Mexico Federal	5,400
Anderson Conn No. 1	900
Gulf Federal	900
Huber Federal	3,500
Santa Fe Explo-HEYCO	3,100
State OE (Ranger Lake)	14,400
Hightower State '10' #1	84,000
Hughes, Lora B. #1	13,300
O'Brien Strawn Unit	82,400
Superior State #1	23,300
West Knowles Area	101,100
	323,000

2-YR. LIQUIDATION TOTAL

OTHER ASSET LIQUIDATION

Vehicles (3 pick-ups)	3,500
CD's for Plugging Bonds	75,000
Office Furniture & Equipment	5,000
Post-petition Contracts of Insurance, Employment and Office Functions	10,000
	93,500

OPERATING RIGHTS TO ALL PROPERTIES

TOTAL LIQUIDATION VALUE

\$42,500

Gerald P. Keith
Vills & Keith
210 Campbell
El Paso, Texas 79901

Sierra Well Services, Inc.
P.O. Box 10460
Midland, Texas 79702

Texas Comptroller of Public
Accounts
P.O. Box 13528
Austin, Texas 78711-9939

William A. McAlpine, Jr.
c/o Christopher Mott
Attorney at Law
P.O. Box 1322
El Paso, Texas 79947-1322

I & W Transportation, Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Williamson Petroleum Consultants
310 West Wall, Suite 1200
Midland, Texas 79701

Hanson Operating Company, Inc.
P.O. Box 1515
Roswell, New Mexico 88202-1515

B&P Roustabouting, Inc.
P.O. Box 396
Lovington, New Mexico 88260

Dixie Electric
218 S. Williams
Odessa, Texas 79763

John S. Nelson
Atwood, Malone, Turner & Sabin
P.O. Drawer 700
Roswell, New Mexico 88202

HEYCO
P.O. Box 1933
Roswell, New Mexico 88202-1933

Ritter, Barr & Company
P.O. Box 1836
Roswell, New Mexico 88202-1836

Bank of the Southwest
P.O. Box 1638
Roswell, New Mexico 88202-1638

Gandy Corporation
P.O. Box 827
Tatum, New Mexico 88267

Pogo Producing Company
P.O. Box 840498
Joint Interest Remittances
Dallas, Texas 75284-5159

La Salle Partners Limited
200 East Randolph Drive
Chicago, Illinois 60601

Steve Carter, Inc.
P.O. Box 26
Loco Hills, New Mexico 88255

Reda Company
P.O. Box 1181
Bartlesville, Oklahoma 74005

DA&S Oil Well Servicing, Inc.
P.O. Box 2545
Hobbs, New Mexico 88241-2525

Andrew J. Cloutier
Hinkle, Cox, Eaton, Coffield
& Hensley, L.L.P.
P.O. Box 10
Roswell, New Mexico 88202

Well-Co. Oil Service, Inc.
P.O. Box 631
Brownfield, Texas 79316

Wind River Energy, Inc.
P.O. Box 50455
Midland, Texas 79710-0455

Santa Fe Exploration Company,
Texas Corporation
201 W. Third Street
Roswell, New Mexico 88201

Cinarron Exploration Company
P.O. Box 12220
El Paso, Texas 79913-0220

Union Supply Company
P.O. Box 85
Midland, Texas 79702-0085

Santa Fe Exploration Company,
a New Mexico Corporation
201 W. Third Street
Roswell, New Mexico 88201

Betty McAlpine
216 Golf Crest Lane
Austin, Texas 78734-4632

Mounce & Galatzan
P.O. Drawer 1977
El Paso, Texas 79950-1977

Norwest Bank NM, N.A.
Roswell Office
400 North Pennsylvania Avenue
Roswell, New Mexico 88202-1977

H. Christopher Mott
Krafsur, Gordon, Mott, Sanders &
Miranda, P.C.
7400 Viscount, Suite 103
El Paso, Texas 79925

American State Bank, Trustee of
 E. Hayes Sieber Trust
 c/o Joe Postnikoff
 P.O. Box 2547
 Lubbock, Texas 79408
 Andrews County
 c/o James H. Burshtyn
 Calame, Lineberger, Graham & Pen
 P.O. Box 17428
 Austin, Texas 78760

American State Bank
 6312 Seward Pk Ave. S
 Seattle, WA 98118
 Re: Eugene Hurwitz, M.D.
 Knox County Appraisal District
 McCreary, Veselka, Bragg & Allen
 5929 Balcones Dr., Ste 200
 Austin, Texas 78755

County of Schleicher Plateau Unde
 McCreary, Veselka, Bragg & Allen
 5929 Balcones Dr., Ste 200
 Austin, Texas 78755

Conoco, Inc.
 Susan F. Short
 Legal Department, ML 1158
 P.O. Box 4783
 Houston, TX 77210
 C. W. Stumbhoffer
 P.O. Box 100416
 Fort Worth, TX 76185

McCasland Services, Inc.
 Dr. Gideon Waldrop
 P.O. Box 99
 Eumice, NM 88231
 Rochester ISD Tax Office
 McCreary, Veselka, Bragg & Allen
 5929 Balcones Dr., Ste 200
 Austin, Texas 78755

William A. Frazell
 Assistant Attorney General of Texas
 Collections Div. c/o Eileen Hallman
 P.O. Box 12548
 Austin, Texas 78711-2548
 Phil Brewer
 125 W. 4th Street
 Roswell, New Mexico 88201

Hughes Services, Inc.
 P.O. Box 68
 Loco Hills, NM 88255
 Kenneth Tank Service
 P.O. Box 100
 Crossroads NM 88114

B K Electric Coop, Inc.
 P.O. Box 672
 Seymour, TX 76380

Eddins Walcher Company
 P.O. Drawer 1920
 Midland, Texas 79702-1920

Callaway Safety Equipment Co.
 P.O. Box 2336
 Hobbs, NM 88241-2336

Soodgrass Packer Service
 P.O. Box 0
 Hobbs, NM 88241

Liberty Pump and Supply Co.
 P.O. Box 1366
 Hobbs, NM 88241-1366

Internal Revenue Service
 Special Procedures Staff
 P.O. Box 250 STOP 5022 AUS
 300 E. 5TH Street
 Austin, Texas 78767

Ralph C. Perry-Miller
 Perry-Miller & Besley, LLP.
 3500 Oak Lawn Avenue, Suite 775
 Dallas, Texas 75219
 Ronald Glover
 Hunt Building Corporation
 4401 N. Mesa, Suite 201
 El Paso, Texas 79902

Mr. Clarke C. Coll, Attorney for
 Charles H. Coll, Jon F. Coll & James
 N. Coll
 P.O. Box 550
 Roswell, New Mexico 88202-0550

Great Southwest Aviation
 P.O. Box 5700
 Roswell, NM 88202-5700

Well Co. Oil Service, Inc.
 c/o Larry Glazner
 516 Avenue H
 Levelland, Texas 79336-3727

Penroc Oil Corp.
 P.O. Box 5970
 Hobbs, NM 88241

Kinney, Incorporated
 P.O. Box 809
 Andrews, TX 79714

Dowell Division of Schlumberger
 Tech. Co.
 1325 So. Dairy Ashford
 Suite 300
 Houston, TX 77077

Hallwood Petroleum, Inc.
 P.O. Box 378111
 Denver Co. 80237

Nolan H. Brunson
 c/o Hanna & Labree
 P.O. Drawer A
 Hobbs, NM 88240

Ralph C. Perry-Miller
 Perry-Miller & Besley, LLP.
 3500 Oak Lawn Avenue, Suite 775
 Dallas, Texas 75219

Ronald Glover
 Hunt Building Corporation
 4401 N. Mesa, Suite 201
 El Paso, Texas 79902

Mr. Clarke C. Coll, Attorney for
 Charles H. Coll, Jon F. Coll & James
 N. Coll
 P.O. Box 550
 Roswell, New Mexico 88202-0550

Great Southwest Aviation
 P.O. Box 5700
 Roswell, NM 88202-5700

Well Co. Oil Service, Inc.
 c/o Larry Glazner
 516 Avenue H
 Levelland, Texas 79336-3727

Penroc Oil Corp.
 P.O. Box 5970
 Hobbs, NM 88241

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 Houston, TX 77077

Hallwood Petroleum, Inc.
 P.O. Box 378111
 Denver Co. 80237

Nolan H. Brunson
 c/o Hanna & Labree
 P.O. Drawer A
 Hobbs, NM 88240

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

FILED

JUL 29 P 2:33

In re §
§
SANTA FE EXPLORATION COMPANY, § No. 96-31711-LMC-11
a New Mexico corporation, §
and §
SANTA FE EXPLORATION COMPANY, § No. 96-31712-LMC-11
a Texas corporation, §
§ (Jointly administered)
Debtors. §
§

ORDER APPROVING TRUSTEE'S MOTION
TO SELL REAL AND PERSONAL PROPERTY
OF THE ESTATE TO CIMARRON EXPLORATION COMPANY

On July 29, 1997 in El Paso there came on for hearing the Motion of the Chapter 11 Trustee ROBERT B. WILSON to Sell Real and Personal Property of the Estate to CIMARRON EXPLORATION COMPANY ("CIMARRON"), pursuant to 11 U.S. C. § 363. And the Court, having heard the evidence, the arguments of the parties, and the points of law that were raised, finds as follows:

1. The Trustee has properly noticed his Motion to Sell to all creditors in this case and to all parties who have filed Rule 2002 Notices of Appearance in this case.
2. The Trustee filed a Report on April 29, 1997, outlining his conclusions that these Chapter 11 proceedings should be handled as a liquidation of operating oil and gas properties. The Trustee has disclosed the terms of this sale and the reasons why the sale is in the best interests of creditors and these estates.
3. The sale disposes of most of the property of the estates in these consolidated cases. The estates will have left unsold, only the following:
 - a. The E-K Queen Unit, Lea County, New Mexico. The E-K Queen Unit is the subject of a separate Motion to Sell, scheduled to be heard in this Court on 11/17/97.

July 30, 1997. If that hearing does not result in approval of the sale of the E-K Queen Unit to the other purchaser, or if the Trustee cannot close the sale of the E-K Queen Unit to that purchaser, CIMARRON may purchase the same for the amount shown on the property/pricing attachment to its letter offer; and CIMARRON may close its E-K Queen Unit purchase together with those other properties it is purchasing, or as soon thereafter as reasonably practicable.

- b. The estates' working interest in the Buckshot Unit, without operating rights, still belongs to the estates. It shall be conveyed to CIMARRON by the Trustee for the sum of \$300,000.00 in cash (the "Buckshot Litigation Proceeds"), at such time as Adversary proceeding No. 96-3027 concludes in either a judgment or a settlement recognizing that the leases of the Plaintiffs in that action have not expired. If a determination that the leases have not expired is reached judicially, and the Plaintiffs in that adversary appeal from that determination, CIMARRON may, at its option, close into an escrow pending outcome of the appeal; close as if there were no appeal; or postpone the closing until the appeal is resolved. In any event, CIMARRON shall not charge the estates any joint billings for operating expenses after the operating rights to the Buckshot Unit are transferred to CIMARRON.
- c. The Trustee is not here selling the Riggs lease and any other SANTA FE EXPLORATION COMPANY property in Frio County, Texas; the Conoco lease in Lea County, New Mexico; the McFarland 4567 Queen Unit in Andrews County, Texas; or the Santa Fe

Exploration Unit No. 2 lease in Lea County, New Mexico.

- d. Regarding vehicles of the estates, CIMARRON is purchasing the vehicles that are titled in the name of either Debtor; any such vehicles in the possession of WILLIAM A. McALPINE shall be delivered to CIMARRON by McALPINE.
 - e. The estates are also retaining, subject to any Court-approved reimbursement to CIMARRON for surcharge advances cash on hand, accounts in banking or other depository institutions, accounts receivable, and any property which is not mentioned in CIMARRON's letter offer of June 17, 1997 and July 28, 1997, the Motion, or this Order and its attachments.
4. All other property of the estates is being sold to CIMARRON free and clear of liens and interests. The property being sold is all rights, titles, and interests of the Debtor(s) in that property described in CIMARRON's letter offer of June 17, 1997, attached to the Trustee's Motion to Sell; together with all tools, implements, equipment in place thereon, and improvements situated thereon; all technical and geological records necessary and/or beneficial to the operation of the properties; all petroleum and hydrocarbons and products of the same (raw, in process, or refined) in storage upon the properties; all deposits and post-petition contracts which the Trustee has put in place for utilities or other services; and whatever else is on hand for the operation of the properties listed in the offer. The properties purchased shall also include those assets, rights, and

*A 1966 spudder is no longer titled; it is being treated as field equipment under this sale.

interests described on Exhibit 1 hereto attached, to the extent the same are not elsewhere indicated in this Order and/or the Motion. The Trustee is to cooperate reasonably after the sale in seeing to it that any further documentation necessary and proper to the closing, is furnished to CIMARRON. The Trustee is to retain all choses in action (except those, if any, which could be brought against CIMARRON), whether arising under Bankruptcy law or other law. The Trustee shall cooperate reasonably with CIMARRON so that he and CIMARRON each have as necessary for their respective purposes the financial records of the Debtors; any costs of duplication shall be borne by CIMARRON. After the closing upon the properties (other than the estates' working interest in the Buckshot Unit), CIMARRON shall not be responsible for any new surcharges for the Trustee's administration of these cases.

5. The Trustee shall convey the real property interests by special warranty deed, and the personalty by bill of sale. The instruments of transfer shall be drafted by PHIL BREWER, CIMARRON's oil and gas counsel. The form of the instruments shall be subject to the Trustee's approval, which shall not be unreasonably withheld if the instruments are in a standard form that is consistent with the terms of this Order and the Motion to Sell. CIMARRON shall bear all costs of drafting and recording the instruments of transfer. The closings** shall take place in the office of Mr. BREWER, and at the closings (or as soon thereafter as practicable) CIMARRON shall pay whatever delinquent property taxes there are outstanding upon the assets purchased. CIMARRON shall also bear all responsibility for 1997 ad valorem taxes upon the

**"Closings" is plural so as to include the Buckshot Unit closing, which will not occur until Adversary No. 96-3027 is disposed of as hereinabove described.

properties purchased. The Trustee shall as reasonably necessary furnish CIMARRON with whatever additional documentation is necessary and proper to complete the transfers of licenses, registrations, permits, and other applicable state, local and federal governmental requirements.

6. There is no finding being made at this time as to which lien and encumbrances the proceeds of the sale will follow, except that the \$75,000.00 which is being paid for operating rights is to be paid to BANK OF THE SOUTHWEST in Roswell, New Mexico. The valid, properly-perfected liens and incumbrances against the properties sold shall follow and attach to the proceeds of the sale in the same priority and amount as exist on this date under applicable bankruptcy law.
7. The Court notes that CIMARRON and the Trustee have made minor refinements in their purchase letter agreement since it was first signed on June 17, 1997, as reflected in a letter dated July 28, 1997, attached to this Order as Exhibit 2 for purposes of better identification. The Court has been apprised of the changes made in the letter agreement and is satisfied that the sale, with such changes, should be approved.
8. \$75,000.00 of the funds to be received from CIMARRON by the Debtors' estate at the closing of the sale shall be and are hereby determined to be for operating rights on the Buckshot Unit, and the BANK OF THE SOUTHWEST in Roswell ("Bank") shall have a first lien on such \$75,000.00 in proceeds; further, no surcharge of such \$75,000.00 proceeds will be made by the Trustee or CIMARRON, including any § 506(c) charges; further, the foregoing will not waive or limit the Bank's claims or liens on the other proceeds that may be received by the Debtors' estates from the Buckshot Unit (including the

\$300,000.00 to be paid by CIMARRON contingent upon success of the FROST litigation--herein "Buckshot Litigation Proceeds"), and the Bank shall have a valid lien on the Buckshot Litigation Proceeds or any other proceeds from the sale of the Buckshot Unit if the sale to CIMARRON does not close.

a. There will be no surcharge, including any § 506(c) charges, on the Buckshot Litigation Proceeds (or any other proceeds from the sale of the Buckshot Unit if the sale to CIMARRON does not close) that would adversely affect the payment of the Bank's lien or LA SALLE's lien on such proceeds.

b. The Trustee shall use his best efforts to pursue the FROST litigation successfully and diligently for the Debtors' estates.

c. McALPINE and LA SALLE have withdrawn their objection to the Motion.

9. The Court notes there have been several objections brought to the Trustee's Motion to Sell. McALPINE and LA SALLE PARTNERS LTD. have withdrawn their objections. All other objections are OVERRULED, except with regard to the Objection of the Texas ^{Railroad Commission,} ~~Natural Resources Conservation Commission ("TNREC").~~ The properties being sold to CIMARRON do not pass to CIMARRON free and clear of any environmental and/or plugging liens that follow those properties as a matter of Texas law.

10. The Trustee's § 363 Motion to Sell Real and Personal Property to CIMARRON free and clear of liens and interests is therefore APPROVED. The final terms of the purchase and sale are as set out in the June 17, 1997 letter agreement, as modified by the letter of July 28, 1997; and as further delineated in this Order and its

attachments 1 and 2. Either the Trustee or CIMARRON shall have the right to file Motions in this Court hereafter for the purpose of clarifying or ascertaining any incidental matters they may have inadvertently overlooked in their request for approval of this \$ 363 sale.

SO ORDERED.

Dated: July 29, 1997.



FRANK MONROE
UNITED STATES BANKRUPTCY JUDGE
PRESIDING

5K-KM-072897

E.P. BUD KIRK

Attorney at Law

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Fax: (915) 581-3452

July 28, 1997

FACSIMILE

Robert B. Wilson
Chapter 11 Trustee
Sims, Kidd, Hubbert & Wilson
1205 Broadway
Lubbock, TX 79401

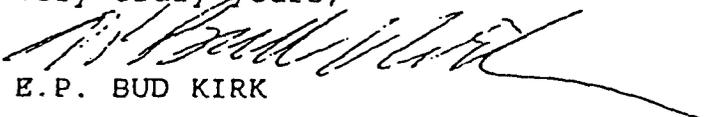
Dear Mr. Wilson:

On behalf of CIMARRON EXPLORATION COMPANY I am writing to confirm that my client is slightly modifying its purchase offer of June 17, 1997, in the following respects, in order to facilitate the compromise you have reached with WILLIAM A. McALPINE and LA SALLE PARTNERS, LTD.:

1. The purchase price shall be re-allocated as to its component parts.
2. The sum paid for the operating rights shall increase from \$50,000.00 to \$75,000.00.
3. Since you have agreed with Mr. McALPINE that he is to receive the most valuable vehicles used by the Debtors, while CIMARRON receives the least valuable, the sum paid for the vehicles CIMARRON receives shall be \$1,500.00 and not \$3,500.00.
4. The sum paid for the West Knowles Area shall be lessened by \$11,100.00, to a figure of \$90,000.00.
5. The sum paid for the O'Brien Strawn Unit shall be lessened by \$12,400.00, to a figure of \$50,400.00.
6. CIMARRON agrees that from and after the closing date upon the transfer of the operating rights, CIMARRON will not charge to the Chapter 11 estates any joint interest billings on the Buckshot Unit.

In all other respects, CIMARRON's agreement to purchase is unchanged. I am working on the form of approving order.

Very truly yours,



E.P. BUD KIRK

- (a) The oil, gas and other mineral leasehold interests affecting those properties in the purchase agreement, including the leases under which said interests are created, and Seller's interest in any pooled, communitized, or unitized acreage derived by virtue of Seller's ownership of such interests (including any interest acquired by virtue of any compulsory pooling and/or statutory unitization order issued by governmental authority having jurisdiction) (the "Interests");
- (b) The Seller's interests in the wells, equipment and facilities located on, and used exclusively in connection with the Interests, including, but not limited to pumps, well equipment (surface and subsurface), saltwater disposal wells, lines and facilities, compressors, compressor stations, dehydration facilities, treating facilities, pipeline gathering lines, flow lines, transportation lines (including long lines and laterals), valves, meters, separators, tanks, tank batteries, and other fixtures;
and
- (c) Oil, condensate, natural gas liquids attributable to the Interests sold after the Effective Date;
- (d) All contracts and agreements covering or related to the Interests including, but not limited to, unit agreements, pooling agreements, areas of mutual interest agreements, farmout agreements, farmin agreements, saltwater disposal agreements, water injection agreements, line well injection agreements, drilling contracts, operating agreements, well service contracts, production sales contracts, gas balancing agreements, storage or warehouse agreements, supplier contracts, service contracts, insurance contracts, construction agreements, division orders and transfer orders; and
- (e) All surface use agreements, easements, rights of way, licenses, authorizations, permits and similar rights and interests or portions thereof used exclusively in connection with the Interests.