



OXY USA WTP Limited Partnership

6 Desta Drive, Suite 6000, Midland, TX 79705

P.O. Box 50250, Midland, TX 79710-0250

Direct 432/685-5769

Fax 432/685-5742

David R. Evans
Senior Landman Advisor

January 25, 2005

OVERNIGHT MAIL

Mr. George Scott
Energex Company
100 North Pennsylvania Ave.
Roswell, NM 88201

Notice of Violation
Oxy Pronghorn State No. 2
T-21-S, R28E, Section 2
Eddy County, New Mexico
NM VB-0183-02
6-3019268

RECEIVED

JAN 26 2005

OCD-ARTESIA

Dear Mr. Scott,

Enclosed for your immediate review and further handling is a copy of the State of New Mexico's letter dated October 22, 2004 notifying that the captioned lease is out of compliance.

Oxy is forwarding Energex this notice because the lease was re-assigned to Energex etal by Assignment of Oil and Gas Lease dated January 31, 2000, a copy is enclosed for your review. The assignment reflects that Energex assumed this liability and is responsible for the remediation.

Please contact the New Mexico Energy, Minerals and Natural Resources Department and advise them as to Energex's plan to remediate State of New Mexico Lease NM VB-0183-02. Oxy appreciates your prompt handling of this matter.

If you need to discuss this matter with me please contact me at 432/685-5769 or by cell 432/634-4402.

Very truly yours,

David R. Evans

Overnight Cc: Mr. Mark E. Fesmire, Director
Artesia OCD Division
1301 W. Grand
Artesia, NM 88210



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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JAN 26 2005

ARTESIA

22-Oct-04

OXY USA INC
PO BOX 50250
MIDLAND TX 79710

NOTICE OF VIOLATION – Inspection

Dear

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

OXY PRONGHORN STATE No.002

15-2-21S-28E

30-015-29931-00-0

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No
10/22/2004	Routine/Periodic	Gerry Guye	Yes	No	11/8/2004	

iGEG0429635691

Comments on Inspection: Unlined, undeclared Drilling Pit Open, shows indications of truck dumping. Contains hydrocarbons and BS&W(Rule 116). Pit must be remediated and closed in accordance with Rule 50.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

Artesia OCD District Office

RECEIVED
JAN 26 2000
OIL ARTS

BOOK 382 PAGE 746

ASSIGNMENT OF OIL AND GAS LEASE(S)
(without warranty of title)

THE STATE OF NEW MEXICO)
) SS.
COUNTY OF EDDY)

This Assignment of Oil and Gas Lease(s), effective as of June 1, 1999, ("Effective Date"), is by and between OXY USA Inc., a Delaware corporation, with a mailing address at P. O. Box 50250, Midland, Texas 79710, as "Assignor", and Energex Company, whose mailing address is 100 North Pennsylvania Avenue, Roswell, New Mexico 88201, as "Assignee".

WITNESSETH:

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignor hereby grants, conveys, assigns, transfers and delivers to Assignee, effective as of the Effective Date, that 4.25% of 8/8ths portion of the leasehold working interest estate in and to the oil and gas lease(s) described in Exhibit "A", attached hereto and made a part hereof, it being the intention of the parties that Assignee shall receive from Assignor the same interest that was conveyed to Assignor from Assignee in that certain Assignment of Oil and Gas Lease effective May 1, 1997, and recorded at Volume 319, Page 946 of the Oil and Gas Records of Eddy County, New Mexico, said oil and gas lease(s) being hereinafter called the "Properties".

TO HAVE AND TO HOLD the Properties unto Assignee, its successors and assigns, forever subject to the terms, reservations and conditions contained herein.

With the acceptance of this instrument Assignee accepts the Properties in their "AS IS, WHERE IS, condition. The Properties, whether real or personal, are conveyed without WARRANTY OF TITLE of any kind either express or implied and WITHOUT WARRANTIES AS TO CONDITION, including NO WARRANTY MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

By acceptance of this Assignment, on and after the Effective Date Assignee assumes and agrees to pay, perform and discharge all of Assignor's responsibilities, liabilities and obligations of whatever kind or nature in any manner related to the Properties occurring or arising on or after the Effective Date including, but not limited to, such obligation as may arise to plug, or otherwise repair and clean up any well located on the Properties SAVE and EXCEPT only the OXY Pronghorn State No. #1, API No. 30-015-29778, provided, however, should said well be re-entered or otherwise disturbed by any party other than the Assignor then, as between the parties hereto, Assignee shall have the obligation to plug or otherwise repair and clean up said well should the need so arise for any reason and Assignor shall have been relieved of any such obligation.

Assignee agrees to defend, indemnify and hold harmless Assignor from and against all losses, costs, claims, demands, suits, liability and expense with respect to the Properties which arise out of or relate to Assignee's ownership and/or operation of such properties, for any event, operation, act, or condition occurring or arising after the Effective Date.

EXECUTED by Assignor and Assignee as of January 31, 2000.

ASSIGNOR

OXY USA Inc.

By: Gary C. Timmermann
Gary C. Timmermann, Attorney-in-Fact

ASSIGNEE

Energex Company

RECEPTION
005085

By: Real Time Zone Inc

Pronghorn #1

Real Time Zone Inc
100 N Pennsylvania
Roswell NM 88201

ASSIGNMENT OF OIL AND GAS LEASE(S)

Page 2

STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 31 day of January 2000, by Gary C. Timmermann, as Attorney-in-Fact, for and on behalf of OXY USA Inc., a Delaware corporation.

Witness my hand and official seal.

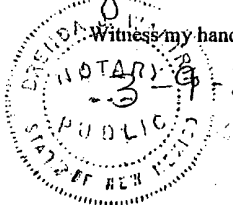
Betty L. Chatwell
Notary Public



STATE OF NEW MEXICO)
) SS.
COUNTY OF)

The foregoing instrument was acknowledged before me this 29th day of March 2000 by George Scott, as President, for and on behalf of Energex Company.

Witness my hand and official seal.



Brenda J. Wally
Notary Public

BK 382 PAGE 748

EXHIBIT "A" - Attached to and made a part of Assignment of Oil and Gas Lease(s) between OXY USA Inc. and Energex Company.

LEASE NUMBER: 6-3019265/3019265 - 00976500
LEASE DATE: February 1, 1988
LESSOR: State of New Mexico
LESSEE: Manzano Oil Corporation
RECORDING DATA: VB-0183

DESCRIPTION: INSOFAR AND ONLY INSOFAR as said lease shall concern Township 21 South, Range 28 East, N.M.P.M.: Section 2: Lots 1-16 and the South Half (S/2) limited to rights below the base of the Bone Springs formation, Eddy County, New Mexico.

STATE OF NEW MEXICO } ss
County of Eddy

FILED MAY 24 2000 FOR
12:02 P. RECORD
at 12:02 P. and was duly
recorded in BK 382 PAGE 746
of the Records of Eddy County
Jean Etcheverry, County Clerk
By: Anna M. Padilla, Deputy

