

BOLD ENERGY, LP

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RECEIVED

July 13, 2007

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Oxy USA WTP Limited Partnership
6 Desta Drive, Suite 600
Midland, TX 79701

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

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

Gentlemen:

Bold Energy, LP ("Bold") and Oxy USA WTP Limited Partnership ("Oxy") have been entangled in a dispute over the drilling of the above proposed well for the last nine months. OXY has contested Bold's right to propose and drill this well using the argument that the expired Farmout Agreement (dated March 27, 1997, between Threshold Development and OXY, et al.) somehow renders the JOA moot. This issue has been settled through the Termination Letter Agreement of May 8, 2007 ("Termination"). For a myriad of reasons OXY has contested Bold's right to propose and drill this well, however, the only remaining argument that OXY has articulated before the NMOCD to further delay the drilling of this well is that the Termination is not a valid termination of the Farmout Agreement. This argument is seemingly based on the idea that, notwithstanding the fact that OXY has signed the Termination, there was an error in the Exhibit "A" document to the Termination entitled, "Stipulation of Interest."

Bold strongly disagrees with the position taken by OXY, but delivers this proposal, together with a clear statement of the facts surrounding the execution of the Termination, such that OXY is afforded a third and last opportunity to participate in this well.

Prior to the May 10, 2007 hearing before the NMOCD in Case No. 13,877, Bold obtained signatures to the Termination from OXY, and all other parties to the Operating Agreement covering this property, except the signatures of Thomas M. Beall and Carolyn Read Beall, and Fuel Products, Inc., of which Mr. Beall is President. Prior to the hearing Mr. Beall advised Bold that he would sign the documents. After the hearing, Mr. Beall advised Bold that he was prepared to sign the Termination Letter Agreement, but that he believed the Stipulation of Interest contained an error. Mr. Beall and his wife have since executed the Termination with a corrected Exhibit "A" Stipulation, and all other owners other than OXY have also signed the same corrected Stipulation.

By email dated June 13, 2007, Bold forwarded the corrected Stipulation document to Oxy. Since that time, OXY has seemingly been unwilling to return our phone calls or answer our emails regarding the status of the Stipulation document. OXY has also intentionally not communicated with Bold concerning correcting the Termination that was signed some two months ago. It is apparent to Bold Energy that OXY has resorted to apparent subterfuge and obstructionism regarding answering the issues for the subject well proposal.

Bold believes that the Termination is effective, as it has been signed by all parties. Bold will accommodate a correction Stipulation on whatever timetable OXY chooses, but by this letter is once again proposing the above referenced well. OXY has the time dictated by the Operating Agreement to respond to this proposal.

Bold does not believe it to be "fair" or "equitable" for OXY to object to proposals on the basis that the Farmout is not terminated, given that OXY and all parties have previously agreed to terminate the Farmout. OXY's refusal to correct the Stipulation is the only remaining act that even arguably must be done for an effective termination.

This proposal is made again so that when OXY and Bold again appear at the NMOCD, in the de novo proceedings for the case referenced herein, OXY will clearly have had thirty (30) days in which to make it's election to the proposed well. Any deficiency in the time for Oxy to make an election is solely the result of OXY's delaying execution of the Stipulation. It is time for OXY to deal with its working interest partners in a professional and honest manner.

Sincerely for Bold Energy, LP,



Joseph Castillo
President

CC: Phyllis Merrill, VP Land, OXY USA
Commissioners of the NMOCD
Richard I. Ezeanyim, Examiner
David R. Catanach, Examiner
Mark E. Fesmire, Director
David Brooks, Esq.
James Bruce, Esq.
William F. Carr, Holland & Hart, LLP
Rick Montgomery, Esq.