

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

2008 MAR 26 AM 10 55

**IN THE MATTER OF THE APPLICATION
OF EOG RESOURCES, INC.
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO**

CASE NO. 13912

**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. 13945

ORDER NO. R-12832 *DE NOVO*

RESPONSE TO MOTION TO DISMISS

Occidental Permian LTD ("OPL"), through its undersigned attorneys, Montgomery & Andrews, P. A., (J. Scott Hall) for its Response to the Verified Motion To Dismiss in Case No. 13945¹ filed on behalf of EOG Resources, Inc., ("EOG"), and Cimarron Exploration Company, ("Cimarron"), states:

Introduction

EOG and Cimarron contend that the Commission lacks jurisdiction over this dispute. The movants further mischaracterize OPL's Application in Case No. 13945, suggesting incorrectly that OPL seeks to have the Commission accord relief in the nature of an equitable quiet title proceeding.

¹ See Case No. 13945 and Case No. 13912 were previously consolidated, resulting in the issuance by the Division of Order No. R-12832 on October 25, 2007.

More accurately, in Case No. 13945, OPL is following precisely the procedures the Commission has prescribed in circumstances such as these where one operator seeks to challenge another party's drilling permit. Moreover, the EOG/Cimarron motion makes no mention of EOG's Application in Case No. 13912 which seeks to invoke the agency's compulsory pooling powers as a substitute for proper due diligence to cure defects in their title. In Case No. 13912, EOG must present evidence establishing that it has the right to drill. The movants cannot seek the dismissal of OPL's case while simultaneously promoting EOG's case when both applications necessarily seek a determination of each party's right to drill.

Background of the Cases

To invoke the agency's compulsory pooling authority, an applicant must establish that it has, "the right to drill". NMSA 1978 §70-2-17 C. Further, an applicant for a permit to drill "must have a good faith claim to title". Order No. R-12108-C.² When it filed its APD and compulsory pooling application, EOG knew it had neither one.

Case No. 13912: In Case No. 13912, EOG Resources, Inc., ("EOG"), filed an its application force pool 40-acre units in the SW/NW of Section 17, T18S R34E in order to drill its Cimarron "17" State Well No. 1 to the Bone Spring formation from a location 1650' FNL and 330' FWL (Unit E) of Section 17. This wellsite is part of a larger package of acreage (the "Subject Lands") covered by two operating rights assignments and joint operating agreements discussed below. OPL contends that neither EOG nor Cimarron own leasehold rights in the Subject Lands and that EOG does not have the right to drill the Cimarron "17" State Well No. 1.

² See Case No. 13153 De Novo, *Application of Pride Energy Company for Cancellation of a Drilling Permit and Reinstatement of a Drilling Permit, etc., Lea County, New Mexico.*

Case No. 13945: OPL filed Case No. 13945 in order to oppose EOG's invocation of the Division's compulsory pooling authority and to have EOG's Application for Permit to Drill ("APD") rescinded. OPL is the owner of one hundred percent of the working interest in the SW/4 NW/4 of Section 17 and has the exclusive right to drill thereon. OPL plans to drill its Desert Bighorn 17 State Well No. 1 to the Bone Spring formation at the same location in Section 17 where EOG proposes to drill its Cimarron "17" State Well No. 1. Correspondingly, OPL seeks an order (1) determining that EOG does not have the "right to drill", (2) cancelling the drilling permit for the EOG Resources, Inc. Cimarron "17" State Well No. 1 and (3) approving OPL's drilling permit for the Desert Bighorn 17 State Well No. 1.

OPL is the successor in interest to Amoco Production Company ("Amoco") in the Subject Lands. Amoco owned 100% of the lease interests in the Subject Lands, including the SW/4 NW/4 of Section 17. On January 21, 1985, by two companion assignments, Amoco assigned 75% of its operating rights in the acreage (the "Assignments of Operating Rights" or "Amoco Assignments") in those depths from the base of the Queen formation down to 14,100' subsurface to Santa Fe Exploration Company ("Santa Fe Exploration") (37.5%) and Union Texas Petroleum Corporation ("Union Texas Petroleum") (37.5%). The assignments to Santa Fe Exploration and Union Texas Petroleum included automatic termination and re-assignment provisions that were made subject to two 1983 Joint Operating Agreements under which Union Texas Petroleum was designated operator. Through various mesne assignments, Cimarron and EOG purport to have succeeded to the interests of Santa Fe Exploration and Union Texas Petroleum in the Subject Lands under the January 21, 1985 Amoco assignments.

Union Texas Petroleum drilled and completed the Amoco State No. 1 Well in the Bone Spring formation underlying the SW/4 NE/4 of Section 18, T18S, R34E on the Subject Lands.

This was the only well drilled on the contract acreage under the farmout agreement accompanying the Amoco assignments and was the test well. The Amoco State No. 1 Well was subsequently plugged and permanently abandoned on October 31, 1997. (See C-103 Plug & Abandonment Report, Exhibit A, attached.) Notably, the January 21, 1985 assignments from Amoco to Santa Fe Exploration and Union Texas Petroleum provided that the rights of the assignees were “*conclusively presumed*” to have been abandoned in the event of the cessation of production or operations for more than sixty consecutive days.

For a period exceeding sixty days from October 31, 1997, no subsequent production or operations to restore production from the Amoco State No. 1 Well occurred. As a consequence of the cessation of production and the subsequent plugging and abandonment of the Amoco State No. 1 Well, all rights that EOG’s predecessors had previously owned in the Subject Lands were then abandoned. Correspondingly, EOG never acquired a right to drill.

These circumstances were known to EOG and Cimarron before EOG obtained its APD and filed its compulsory pooling application in Case No. 13912.

On August 30, 2006, EOG received a drilling title opinion covering a portion of the Subject Lands. The opinion noted as follows: “[W]e call to your attention to the fact that [the Amoco Assignment] contains a provision that the assignment shall automatically terminate sixty days from the date the assignees elect to surrender or abandon the interest assigned therein or at such time as the lands assigned are no longer producing.” The curative requirement generated by this comment on title directed EOG to verify that the assignment had been maintained by production. (See excerpts from August 30, 2006 title opinion, Exhibit B.) EOG did not satisfy the curative requirement and did not inform OPL that it had failed to do so. OPL was not aware of EOG’s failure to perform due diligence until it OPL had obtained its own drilling title opinion

for the Desert Bighorn “17” State No. 1 Well. In accordance with the terms of the January 21, 1985 Assignment, on April 11, 2007, OPL requested a reassignment of all right, title, and interest from EOG. EOG failed and refused to deliver such a release and on April 30, 2007, OPL filed of record with the Lea County Clerk’s office the Termination of Assignment of Operating Rights dated April 26, 2007. (See Exhibit C, attached hereto.) The relevant terms of the Amoco Assignments are set forth in the Termination instrument that was filed of record.

Administrative Precedent

Directly applicable agency precedent supports the maintenance of Case No. 13945.

In *Pride Energy*,³ the Oil Conservation Commission, citing to Order No. R-11700-B⁴, said “[t]hat an applicant for permit to drill must have a good faith claim of title.” (Order No. R-12108-C). The agency then established a specific administrative procedure to make a determination whether or not a good faith claim of title exists:

“(f) Although the Division can and should cancel an APD when it properly determines that no such good faith claim exists ‘as the Commission determined, based a District Court judgment, in Order No. R-11700-B’, it should not make that determination, which necessarily cannot be made on the face of the APD or from Division records, without first giving the Applicant notice and an opportunity for a hearing. Although the Division doubts that the right conferred by an approval of an APD is properly characterized as “property,” it nevertheless concludes that such approval confers rights that should not be revoked arbitrarily.” (Order No. R-1208-C, ¶ 8.)

The Division and Commission also allowed the parties to follow this procedure in the *TMBR/Sharp* case, where, after the administrative challenge to David H. Arrington Oil

³ See Case No. 13153 De Novo, Application of Pride Energy Company for Cancellation of a Drilling Permit and Reinstatement of a Drilling Permit, Lea County, New Mexico.

⁴ See Case No. 12731, Application of TMBR/Sharp Drilling, Inc. For An Order Staying David H. Arrington Oil and Gas, Inc. From Commencing Operations, Lea County, New Mexico; Case No. 12744, Application of TMBR/Sharp Drilling, Inc. Appealing The Hobb’s District Decision Approval Of Two Applications For A Permit To Drill filed by TMBR/Sharp Drilling, Inc., Lea County, New Mexico.

Company's APD's, TMBR/Sharp Drilling was able to prove-up that it had title to support the issuance of its drilling permits.

More recently, in Case No. 13877,⁵ the Division entertained the claims of Bold Energy LP to an application for a permit to drill. In Order No. R-12747-A, after hearing, the Division found that the applicant was unable to show a good faith basis to assert that it had, "a present legal right" to enter onto the property to drill a proposed well and accordingly denied the issuance of an APD to Bold Energy.

These are precisely the procedures OPL invokes now in Case No. 13945.

Consistent with the precedent established by the *Pride*, *TMBR/Sharp* and *Bold Energy* orders, after the presentation of evidence, OPL will ask the Commission to find that EOG does not have the right to drill and that its compulsory pooling application should be denied. OPL will correspondingly ask that it's APD for the drilling of the Desert Bighorn "17" State Well No. 1 be approved.

Conclusion

For the foregoing reasons, OPL respectfully requests that EOG/Cimarron Motion To Dismiss be denied.

⁵ See Case No. 13387, Application of Bold Energy, LP for Approval of an Application for Permit to Drill and to Allow Two Operators on a Well Unit, Eddy County, New Mexico

MONTGOMERY & ANDREWS, P. A.

By:



J. Scott Hall, Esq.

Post Office Box 2307

Santa Fe, New Mexico 87504-2307

505) 982-3873

Attorneys for Occidental Permian LTD.

Certificate of Service by Facsimile

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 26th day of March, 2008, as follows:

James Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504
505-982-2151

W. Thomas Kellahin, Esq.
706 Gonzalez Road
Santa Fe, NM 87501
505-982-2047

Cheryl Bada, Esq.
NM Energy Minerals & Natural Resources Dept.
1220 South St. Francis Drive
Santa Fe, NM 87505



J. Scott Hall

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

OIL CONSERVATION DIVISION

DISTRICT I
Box 1980, Hobbs NM 88241-1980

2040 Pacheco St.
Santa Fe, NM 87505

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

WELL API NO.

30-025-28177

5. Indicate Type of Lease

STATE ☒

FEE ☐

6. State Oil & Gas Lease No.

LG-1125

7. Lease Name or Unit Agreement Name

AMOCO STATE

8. Well No.

1

9. Pool name or Wildcat

Mescalero Escarpe Bone Spring

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"
(FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:

OIL
WELL ☒

GAS
WELL ☐

OTHER

2. Name of Operator

SEELY OIL COMPANY

3. Address of Operator

815 W. 10TH ST.

4. Well Location

Unit Letter H : 1980 Feet From The NORTH Line and 660 Feet From The EAST Line

Section 18 Township 18-S Range 34-E NMPM LEA NM County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)

4072.3 GL

11.

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

REMEDIAL WORK ☐

ALTERING CASING ☐

RARELY ABANDON ☐

CHANGE PLANS ☐

COMMENCE DRILLING OPNS. ☐

PLUG AND ABANDONMENT ☒

PULL OR ALTER CASING ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

OTHER: ☐

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

- 1) MRI RU NIPPLE UP BOP RIH W/TBG & 4-3/4 BIT & SCRAPER TO 8600'.
- 2) POOH W/TBG RIH W/5-1/2" CIBP @ 8500' SET IT DESP W/MUD.
- 3) PLUG 1 8500' 25 SXS ON TOP 8500 TOP CMT 8293, PULL TO 5299 SPOT 25 SXS.
- 4) PLUG 2 5299 RU W/L (CUT CSG @ 4567') LAY DOWN 118 JTS 5-1/2".
- 5) RIH W/TBG TO 4617' SPOT 35 SXS ON STUB WOC 3 HRS RIH TAG CMT (4505).
- 6) SPOT 25 SXS 3100' SPOT 25 SXS 1850' SPOT 25 SXS 459 CIRC CMT TO SURFACE.
- 7) CUT WELL HEAD & INSTALL DRY HOLE MARKER.

4-6-97

Well plugged & abandoned effective 4/11/97
per field log book.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

TITLE P&A SUPERVISOR

DATE 11/19/97

TYPE OR PRINT NAME

TELEPHONE NO.

(This space for State Use)

APPROVED BY

TITLE

CONDITIONS OF APPROVAL, IF ANY:

EXHIBIT

A

STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.
ATTORNEYS AT LAW

MIDLAND, TEXAS
FASKEN CENTER - TOWER TWO
550 WEST TEXAS AVENUE, SUITE 800 • 79701
P.O. BOX 1540 • 79702
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DAVID A. SUTTER
LICENSED IN TEXAS, NEW MEXICO AND NEBRASKA
DIRECT DIAL 888-6270
dsutter@stubbemanlawfirm.com

August 30, 2006

ORIGINAL DRILLING TITLE OPINION

EOG Resources, Inc.
P. O. Box 2267
Midland, TX 79702

Attn: Mr. Douglas W. Hurlbut, CPL

Re: **State of New Mexico Lease LG-1125** insofar as it covers the following lands in **LEA COUNTY, NEW MEXICO:**

Township 18 South, Range 34 East, NMPM

Section 18: SW/4 NE/4, limited to depths from the base of the Queen Sand formation found at approximately 4,886' subsurface to the base of the Bone Spring formation.

containing 40 acres, more or less.

Gentlemen:

At your request, we have examined the following:

ABSTRACT

Abstract No. 54593 certified by Federal Abstract Company as covering the records of the Offices of the Commissioner of Public Lands of the State of New Mexico affecting the oil and gas mineral rights to the captioned lease insofar as it covers the S/2 NE/4 of Section 18 for the period from inception of the records to July 18, 2006 at 9:00 a.m., containing 40 pages.

EXAMINATION OF THE RECORDS

We have examined the records of Lea County, New Mexico pertaining to the mineral estate only of captioned land based upon the indices of Elliott & Waldron Title & Abstract Co., Inc. of Lovington, New Mexico, and the indices and copies of the records maintained by Caprock Title Company of Midland, Texas covering the period from inception of the records to July 12, 2006 at 7:00 a.m.

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find that as of July 18, 2006 at 9:00 a.m. as to the records of the Offices of the Commissioner of Public Lands of the State of New Mexico, and as of July 12, 2006 at 7:00 a.m. as to the records of Lea County, New Mexico, title to captioned land is vested as follows:

FEE TITLE

Surface and Mineral Estates:

State of New Mexico All

OIL AND GAS LEASEHOLD ESTATE

Record Title:

Occidental Permian Ltd. All

Operating Rights for depths from the base of the Queen Sand formation found at approximately 4,886' subsurface to the base of the Bone Spring formation:

Occidental Permian Ltd. 25.00000% of 7/8 WI

H:\DOCS\288939\dsd\to.wpd



SCANNED

Clarence W. Stumhoffer and wife, Frieda T. Stumhoffer 2.57250% of 7/8 WI
J. Cleo Thompson & James Cleo Thompson, Jr., L.P. 8.73375% of 7/8 WI
Boswell Interests, Ltd., a Texas limited partnership 2.79375% of 7/8 WI *
John P. Oil Company 1.04625% of 7/8 WI *
C.E.B. Oil Company 1.04625% of 7/8 WI *
E.A.B. Oil Company 1.05000% of 7/8 WI *
P.V.B. Oil Company 1.05000% of 7/8 WI *
Houston and Emma Hill Trust Estate 3.49275% of 7/8 WI
Express Air Drilling, Inc. 2.18250% of 7/8 WI
Wes-Tex Drilling Company 2.18250% of 7/8 WI
North Brook Business Center 2.18250% of 7/8 WI
Burnett Oil Company 3.49275% of 7/8 WI
Merlyn W. Dahlin and wife, Ruth G. Dahlin 0.69750% of 7/8 WI
The heirs or devisees of Charles P. Davis and Shirley A.
Davis, who apparently are Stephen Forrest Bainter, Marcie
K. Bainter Kirpatrick and David Jefferies Bainter 0.69750% of 7/8 WI
David L. Henderson and wife, Dawn Henderson 0.34912% of 7/8 WI
Michael J. Havel and wife, Kathleen A. Havel 0.34913% of 7/8 WI
C. W. Seely and wife, Ina B. Seely 3.58125% of 7/8 WI
EOG Resources, Inc. 37.50000% of 7/8 WI

* The operating rights of Boswell Interests, Ltd., John P. Oil Company, C.E.B. Oil Company, E.A.B. Oil Company and P.V.B. Oil Company are proportionately subject to a .9314% of 8/8 overriding royalty interest owned by Marc H. Lowrance, Jr. and wife, Mary Anne Lowrance.

EXISTING OIL AND GAS LEASE

Serial No.: LG-1125.
Date: April 1, 1973.
Recorded: Book 282, page 578, Oil and Gas Records.
Lessor: The State of New Mexico acting by and through its Commissioner of Public Lands.
Lessee: Amoco Production Company.
Land Covered: **Township 18 South, Range 34 East, NMPM**
Section 17: S/2 N/2, N/2 SW/4 and NE/4 NW/4
Section 18: NE/4 and E/2 SE/4,

containing 520 acres, more or less.
Primary Term: Five years from date, plus a secondary term of an additional five years if at the end of the primary term Lessee is not producing oil or gas in paying quantities from the leased premises, provided that the rental paid by the Lessee is doubled.
Royalties: 1/8 on oil and gas.

ENCUMBRANCE

The leasehold interest of Clarence W. Stumhoffer and wife, Frieda T. Stumhoffer, in the captioned lease is subject to a Federal Tax Lien dated January 12, 2006, a notice of which is recorded in Book 1423, page 135, Official Public Records, filed by the Department of Treasury-Internal Revenue Service against Clarence W. Stumhoffer in the amount of \$397,017.80.

TAXES

Taxes are not assessed against lands owned by the State of New Mexico.

TITLE REQUIREMENTS

1.

The primary term of the oil and gas lease described above has long since expired.

REQUIREMENT: You must be certain that the oil and gas lease described above has been maintained in full force and effect since the expiration of its primary term by production or operations on the lands covered by the lease or lands communitized therewith.

2.

We call your attention to the necessity of paying the annual rentals for the oil and gas lease described above regardless of drilling operations or production from the leased premises.

REQUIREMENT: Advisory.

3.

In Assignment No. 1 above, Amoco Production Company assigned 75% of its interest in the lease insofar as it covers the SW/4 NE/4 of Section 18 to Santa Fe Exploration Company and Union Texas Petroleum Corporation. Amoco Production Company reserved a preferential right to purchase the interest assigned to the assignees together with the option to purchase the oil and gas produced from the assigned premises. Under the terms of Assignment No. 1, if the assignees or their successors or assigns receive a bona fide offer which the assignees are willing to accept to purchase the assignees' interest in the assigned acreage, then the assignees shall immediately notify Amoco of such offer in writing, which notice shall include the name and address of the offeror, the price offered and all other pertinent conditions of the offer. Amoco shall then have thirty days after receipt of said notice in which to exercise its preferential right. There is nothing in the materials examined to indicate whether Amoco or its successors and assigns ever waived its right to purchase the interest assigned by Santa Fe Exploration Company to Seely Oil Company in Assignment No. 6 above, the interest assigned by Seely Oil Company to Clarence W. Stumhoffer in Assignment No. 10 above, the interest assigned by Seely Oil Company to J. Cleo Thompson & James Cleo Thompson, Jr., L.P., et al. in Assignment No. 11 above, the interest assigned by Burlington Resources Oil & Gas Company to EOG Resources, Inc. in Assignment No. 16 above or the interest assigned by Patricia Dean Boswell, Trustee of the Revocable Trust Agreement dated March 18, 1988, to Boswell Interests, Ltd. in Assignment No. 18 above.

We also call your attention to the fact that Assignment No. 1 covers depths from the base of the Queen formation down to the total depth drilled by the assignees, but not below 14,100' subsurface. Subsequent assignments from the assignees of Assignment No. 1 would indicate that Assignment No. 1 does in fact cover those depths from the base of the Queen formation down to 14,100' subsurface, but we cannot be certain of that fact since we do not know if the assignees of Assignment No. 1 did in fact drill to a depth of 14,100' subsurface.

In addition, we call your attention to the fact that Assignment No. 1 contains a provision that the assignment shall automatically terminate sixty days from the date the assignees elect to surrender or abandon the interest assigned therein or at such time as the lands assigned are no longer producing.

REQUIREMENT A: Submit for examination written evidence indicating that Amoco Production Company or its successors in interest, namely Altura Energy Ltd and/or Occidental Permian Limited Partnership, waived the preferential right reserved by Amoco in Assignment No. 1 with regard to Assignment Nos. 6, 10, 11, 16 and 18.

REQUIREMENT B: You should satisfy yourself that Assignment No. 1 has been maintained in full force and effect by continuous production from the assigned premises or lands pooled therewith with no cessation of production lasting more than sixty days.

Termination of Assignment of Operating Rights

County of Lea §
 §
 State of New Mexico §

Whereas, by Assignment of Operating Rights dated January 21, 1985, recorded in Book 455, page 664, Miscellaneous Records ("the Assignment"), Amoco Production Company assigned 75% of its operating rights in the lease insofar as it covers the NW/4 SE/4 Section 7, SW/4SW/4 Section 8, NW/4 Section 21, S/2 N/2, N/2SW/4 and NE/4NW/4 Section 17, N/2NE/4, SW/4NE/4 and E/2SE/4 Section 18, Township 18 South, Range 34 East, Lea County, New Mexico, limited to depths from the base of the Queen formation down to 14,100' subsurface ("the Lease Acreage") to the following parties in the stated percentages: Santa Fe Exploration Company (37.5%) and Union Texas Petroleum Corporation (37.5%).

Whereas, such interest was subject to two unrecorded joint operating agreements (JOA) both of which expired 60 days after October 31, 1997, to wit:

JOA dated March 1, 1983 (as amended July 30, 1983)

- Contract Area: NW/4SE/4 Section 7, SW/4SW/4 Section 8, NW/4 Section 21, T18S, R34E
- Operator: Santa Fe Exploration Company
- Non-Operators: Amoco Production Company

JOA dated September 30, 1983

- Contract Area: Section 17 and the E/2 of 18, T18S, R34E
- Operator: Union Texas Petroleum Corporation
- Non-Operators: Amoco Production Company et al

Whereas, Occidental Permian Limited Partnership ("OPL") successor in interest of Amoco Production Company under chain of title.

Whereas, the interest conveyed by the Assignment has been re-assigned to EOG Resources, Inc. and various other parties.

OPL, as successor in interest to Amoco Production Company as Assignor under the Assignment does hereby state and certify the following:

1. The Amoco State #1 well was drilled and located on the Lease Acreage and notice of plugging and abandonment was filed with the New Mexico Oil Conservation Division on October 31, 1997. Said well was the only well located on the Lease Acreage and there has been no production or operations to restore production for more than 60 days subsequent to October 31, 1997.
2. Amoco reserved in the Assignment a right of reassignment requiring the assignees to reassign their interest in the Leased Acreage within 60 days from the date the assignees elect to surrender or abandon the interest assigned therein or at such time as the lands assigned are no longer producing. Article V of the Assignment specifically provides:

Assignee shall not surrender, let expire, abandon, release, or fail to maintain by proper payment of delay rentals, royalties, shut-in gas well royalties, operations, or otherwise as may be necessary to maintain the interests of both Assignor and Assignee hereunder, all or any of its rights in said Lease Acreage, or any part thereof, unless Assignee has given Assignor written notice thereof at least sixty (60) days prior to such surrender, expiration, abandonment, or release, or to the time such payment, operations or other action is necessary to maintain said rights; and thereafter, if requested so to do by Assignor, Assignee shall immediately reassign such rights in said Lease Acreage, or such part thereof, to Assignor.

When (and if) production from the Lease Acreage has been established, it shall be conclusively presumed that Assignee has abandoned all rights hereunder unless Operations, as hereinafter defined, are thereafter conducted upon said Lease Acreage with no cessation for more than sixty (60) consecutive days

In the event Assignee fails or refuses to deliver a reassignment to Assignor as provided herein, Assignor may execute and record a document relating the facts and describing the title involved and upon the filing of such document in the County Records where the Lease Acreage is located, all rights granted hereunder to Assignee shall terminate absolutely and shall revert to and revert in Assignor.

In the event any rights in the Lease Acreage revert or are assigned to Assignor under the provisions of this paragraph, the same shall be free and clear of any and all overriding royalties, production or other payments, and other interests or rights acquired from and under Assignee, all of which shall be acquired subject to this limitation, and shall be extinguished and terminated upon such reversion or assignment.

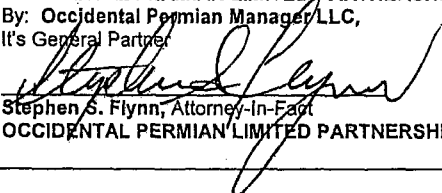


3. By letter dated April 11, 2007, OPL requested a re-assignment of all right, title and interest in the Assignment from EOG Resources, Inc. ("EOG") and advised EOG, that OPL intended to execute and record a document in the county records documenting the termination of the subject agreement per Article V, because of the diversity of the current title. To date, EOG has failed and/or refuses to deliver a reassignment to OPL as provided in the Assignment.
4. In such event, the Assignment expressly provides that "Assignor may execute and record a document relating the facts and describing the title involved and upon the filing of such document in the County Records where the Lease Acreage is located, all rights granted hereunder to Assignee shall terminate absolutely and shall revert to and revest in Assignor."

Now, Therefore, pursuant to the express provisions of the Assignment, upon the filing of this instrument in the County Records of Lea County, New Mexico, all rights, titles and interests of Santa Fe Exploration Company and Union Texas Petroleum Corporation and their successors in interest, notwithstanding whether such successors are correctly identified hereinabove, in the Operating Rights of the Lease Acreage, are hereby absolutely terminated and extinguished and that all such rights, title and interest shall revert to and revest in OPL.

This Termination of Assignment of Operating Rights is executed this 26 day of April 2007 but shall be effective for all purposes as of 60 days after October 31, 1997.

OCCIDENTAL PERMIAN LIMITED PARTNERSHIP
By: Occidental Permian Manager LLC,
It's General Partner


Stephen S. Flynn, Attorney-In-Fact
OCCIDENTAL PERMIAN LIMITED PARTNERSHIP

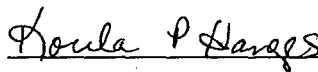
STATE OF TEXAS

COUNTY OF HARRIS

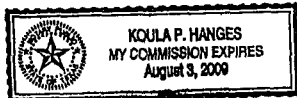
§
§
§

This instrument was acknowledged before me on this 26 day of April 2007, by Stephen S. Flynn, Attorney-In-Fact of Occidental Permian Manager LLC, a Delaware limited liability company, as General Partner of Occidental Permian Limited Partnership, a Texas Limited partnership, on behalf of Occidental Permian Limited Partnership.


Witness my hand and official seal.



Notary Public for the State of Texas
My Commission Expires:



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

APR 30 2007
at 12:07 o'clock P
and recorded in Book _____ M
Page _____
Melinda Hughes, Lea County Clerk
By  Deputy

38223

