

BOLD ENERGY, LP

415 W. WALL, SUITE 500
MIDLAND, TEXAS 79701

MAIN: 433-686-1100
FAX: 433-686-1104

May 8, 2007

Mr. David R. Evans
OXY USA WTP Limited Partnership
6 Desta Drive, Suite 6000
Midland, TX 79705

Mr. Dick Frech
Monarch Resources, Inc.
115 W. 7th Street, Suite 1310
Fort Worth, Texas 76102

Mr. Herbert Boles
223 W. Wall, Suite 825
Midland, TX 79701

Mr. Thomas M. Beall
550 W. Texas, Suite 220
Midland, TX 79701

Mr. Thomas M. Beall
Fuel Products, Inc.
PO Box 3098
Midland, TX 79702

Subject: Termination of Farmout Agreement dated 3/27/97
Turkey Track - Sec. 8 & 9, T19S, R29E
Eddy County, NM

Gentlemen:

By agreement ("Agreement") dated March 27, 1997, Threshold Development Company, Broad Street Financial Company, Leland Hodges and Herbert F. Boles ("Farmors") farmed out to OXY USA Inc. ("OXY") certain ownership interests in Sec. 8, as to all depths below three thousand feet subsurface, and in Section 9, as to all depths below five thousand feet subsurface, all in Township 19 South, Range 29 East, Eddy County, New Mexico. The Agreement required OXY to commence drilling operations on the referenced lands and earn certain rights in said lands, subject to a continuous development obligation. The Parties named above are the original parties to that Agreement.

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 13877....Exhibit No. 2
Submitted by:
BOLD ENERGY, LP
Hearing Date: May 10, 2007

The successors and assigns to the Agreement as to the Farmors are Bold Energy LP, Monarch Resources, Inc., and Herbert F. Boles. The successors and assignees of OXY are OXY USA WTP Limited Partnership, Thomas M. Beall and Fuel Products, Inc.

The obligation wells have been drilled and completed pursuant to the Agreement. The reversionary, after payout interests are vested in the Farmors.

The parties to the Agreement have made and delivered some, but not all, assignments and transfers of interests in the leases and lands that are called for by, and are the subject of the Agreement.

The parties now desire to terminate the Agreement and stipulate as to their current interest in the leases and lands which are the subject of the Agreement. A Stipulation of Interest (the "Stipulation") has been prepared and is attached as Attachment "A" to this letter.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties named above, being all of the parties in interest to the Agreement, or their successors and assigns, hereby terminate the Agreement and each of them release one another from any and all obligations created by the Agreement, from and after the date that this letter is fully executed, except that the parties agree that the Operating Agreement appended to the Agreement as Exhibit "C", is a valid agreement, and from and after the execution of this letter by all parties, and the execution of the Stipulation by all parties, shall be the only agreement between the parties to govern all rights, duties, liabilities and obligations of the parties, and among them, as to the leases and lands the subject of the Agreement. By executing this letter as provided for hereinbelow, each of the parties accepts, ratifies, and confirms that the Operating Agreement dated March 1, 1997 attached as Exhibit "C" to the Agreement is fully effective and binding as if all parties had executed a single, original instrument.

If you concur the obligations have been satisfied under this agreement, we ask for you to please execute this letter in the space provided below, and further execute the unattached Stipulation of Interest. Please return one original of each to the attention of Peggy Kerr-Worthington. This Letter may be executed in any number of counterparts, no one of which need bear the signatures of all of the parties, but any one of which will constitute an original hereof for all purposes. This letter shall not become effective unless and until executed by all current parties to the Agreement.

Sincerely,
Bold Energy, LP


Peggy Kerr-Worthington

OXY USA WTP Limited Partnership

May 8, 2007

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(Signature spaces on the following page.)

OXY USA WTP Limited Partnership.

Monarch Resources, Inc.

By: William B. Boles
Printed Name: William B. Boles
Title: _____

By: _____
Printed Name: _____
Title: _____

Herbert Boles

Thomas M. Beall

Norma Jean Boles

Carolyn R. Beall

Bold Energy LP

Joseph Castillo
President of Bold Energy, LP

ATTACHMENT "A"

STIPULATION OF INTEREST

Reference is here made for all purposes to those certain leases (the "Leases") and lands (the "Lands") described below:

Lessor: State of New Mexico B-8096
State of New Mexico VA-0465
State of New Mexico VB-0455

Lessee: Continental Oil Company
Mitchell Energy Corporation
Ameristate Oil and Gas, Inc....

Dated: April 10, 1939
December 1, 1991
December 1, 1995

Recording Data: Not Available

Lands: All of Section 8, as to all depths below three thousand feet subsurface, and Section 9, as to all depths below five thousand feet subsurface, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico

Under that certain Letter Agreement (the "1997 Agreement") dated March 27, 1997, Threshold Development Company, Broad Street Financial Company, Leland Hodges and Herbert F. Boles, ("Farmors") farmed out to OXY USA Inc., an interest in Section 8, as to all depths below three thousand feet subsurface, and Section 9 as to all depths below five thousand feet subsurface in Township 19 South, Range 29East, Eddy County, New Mexico.

OXY USA Inc. has performed pursuant to the 1997 Agreement, and received assignments, as therein provided, subject to certain after payout rights of the Farmors. Whereas, certain Assignments reflecting after payout rights as provided for in the 1997 Agreement as to Section 8 were executed, delivered or filed of record in Book 629, Page 553 and Book 629, Page 555 of the Public Records of Eddy County, New Mexico.

Through various conveyances, the ownership of the rights in the Leases and Lands are now vested in Bold Energy LP, Monarch Resources, Inc., Herbert F. Boles, Thomas M. Beall, Fuel Products, Inc. and OXY USA WTP Limited Partnership (collectively, the "Owners").

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Owners identified above do hereby covenant, stipulate and agree that:

- a) Payout has occurred for all wells drilled under the 1997 Agreement.
- b) Pursuant to the 1997 Agreement:
 - (i) The OXY Checker State Com No. 1 well was drilled in the W/2 of Section 8, T-19-S, R-29-E, NMPM, to a total depth of 11,470' subsurface, and the W/2 of said Section 8 was established as the earned spacing unit for such well (the "W/2 Unit");
 - (ii) The OXY Auto State No. 1 well was drilled in the E/2 of Section 8, T-19-S, R-29-E, NMPM, to a total depth of 11,460' subsurface, and the E/2 of said Section 8 was established as the earned spacing unit for such well (the "E/2 Unit");
 - (iii) The OXY Champion State No. 1 well was drilled in the N/2 of Section 9, T-19-S, R-29-E, NMPM, to a total depth of 11,500' subsurface, and the N/2 of said Section 9 was established as the earned spacing unit for such well (the "N/2 Unit"); and
 - (iv) The OXY Sparkplug State No. 1 well was drilled in the S/2 of Section 9, T-19-S, R-29-E, NMPM, to a total depth of 11,550' subsurface, and the S/2 of said Section 9 was established as the earned spacing unit for such well (the "S/2 Unit").

- c) The ownership of the Leases, insofar as the same cover Section 8, T-19-S, R-29-E, NMPM, in depths below the base of the Bone Spring Formation down to 100 feet below the total depth drilled respectively in the earning well drilled on each of the E/2 Unit and W/2 Unit shall be as follows:

Herbert T. Boles	.00290625	WI
Monarch Resources	.05521875	WI
Thomas M. Beall	.03477500	WI
Fuel Products, Inc.	.03477500	WI
Bold Energy, LP	.40687500	WI
Oxy USA WTP Limited Partnership	.46545000	WI

- d) Ownership of the Leases and Lands, insofar as the same cover Section 8, T-19-S, R-29-E, NMPM, in depths below 3,000 feet subsurface down to and including, but not below, the base of the Bone Spring Formation:

Herbert T. Boles	.00312500	WI
Monarch Resources	.05937500	WI
Thomas M. Beall	.03250000	WI
Fuel Products, Inc.	.03250000	WI
Bold Energy, LP	.43750000	WI
OXY USA WTP Limited Partnership	.43500000	WI

- e) The ownership of the Leases, insofar as the same cover Section 9, T-19-S, R-29-E, NMPM, in depths below the base of the Bone Spring Formation down to 100 feet below the total depth drilled respectively in the earning well drilled on each of the N/2 Unit and S/2 Unit shall be as follows:

Herbert T. Boles	.00290625	WI
Monarch Resources	.05521875	WI
Thomas M. Beall	.03477500	WI
Fuel Products, Inc.	.03477500	WI
Bold Energy, LP	.40687500	WI
Oxy USA WTP Limited Partnership	.46545000	WI

- f) Ownership of the Leases and Lands, insofar as the same cover Section 9, T-19-S, R-29-E, NMPM, in depths below 5,000 feet subsurface down to and including, but not below, the base of the Bone Spring Formation:

Herbert T. Boles	.00312500	WI
Monarch Resources	.05937500	WI
Thomas M. Beall	.03250000	WI
Fuel Products, Inc.	.03250000	WI
Bold Energy, LP	.43750000	WI
Oxy USA, WTP Limited Partnership	.43500000	WI

The Owners hereby GRANT, CONVEY, SELL, TRANSFER, AND ASSIGN, without warranty of title, one to the other such interest in the Leases, as to the Lands as is necessary to give effect to the above stipulated ownership percentages, together with:

- a) A like undivided interest in, to or under or by virtue of the presently existing and valid unitization, communitization, and pooling agreements and the properties covered and the units and pooled and communitized acres created thereby (including, but not limited to, all units formed under orders, regulations, rules or other official acts of any federal, state or other governmental agency), insofar and only insofar as such agreements, properties and units relate to the Leases and Lands and for which ownership is stipulated herein;
- b) A like undivided interest in or to all improvements, easements, surface leases, permits, rights-of-way, licenses, servitudes and other similar interests necessary or useful to or used in connection with the exploration, development or operation of the Leases or the Lands for which ownership is stipulated herein;

- c) A like undivided interest in or to all personal property, fixtures and improvements appurtenant to or located on or near the Lands, or used or held for use in connection with the production, treatment, storage or transportation of oil, gas, casinghead gas, condensate, distillate or other liquid or vaporous hydrocarbons or other minerals from the Leases for which ownership is stipulated herein; such personal property, fixtures and improvements shall include, but shall not be limited to, all Hydrocarbons in tanks, and all wells, tanks, boilers, buildings, plants, fixtures, machinery and other equipment, pipelines, powerlines, telephone lines, roads and other appurtenances pertaining to the Leases for which ownership is stipulated herein; and
- d) A like undivided interest in or to all rights, duties and obligations attributable to or arising from any valid oil, casinghead gas and gas sales, purchase, exchange and processing contracts and agreements, insofar and only insofar as the same are appurtenant or relate to the Leases or production therefrom or attributable thereto.

This Stipulation is expressly made subject to:

- a) A proportionate part of the covenants, provisions, royalties and terms of the Leases;
- b) The terms and conditions of all existing orders, rules and regulations and ordinances of federal, state and other governmental agencies having jurisdiction;
- c) Any valid and subsisting oil, casinghead gas and gas sales, purchase, exchange and processing contracts and agreements, insofar and only insofar as the same are appurtenant or relate to the Leases;
- d) A proportionate part of all overriding royalty interests, restrictions, exceptions, reservations, burdens, encumbrances, conditions, limitations, interests, instruments, agreements and other matters, if any, which are of record in the state and county above named and which burden or affect the properties, rights or interests herein assigned; and
- e) That certain Operating Agreement dated March 27, 1997, by and between OXY USA Inc. as Operator, and Threshold Development Company, et al., as Non-Operators, the contract area for which is the Lands; Provided, however, that this Stipulation shall have no effect on the rights of the parties pursuant to the Operating Agreement, as to existing accounts, elections, including without limitation elections previously made to participate, or not participate in any proposed operation, or existing rights, duties or obligations of the parties pursuant thereto.

This Stipulation shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors and assigns.

This instrument may be executed in any number of counterparts, no one of which need bear the signature of all the parties, but any one of which may serve as an original for all purposes. This instrument shall not be binding on any executing party, until signed by all parties.

Dated this ____ day of May, 2007, to be effective, however, as of the date each well drilled under the March 27, 1997 Letter Agreement reached payout status.

BOLD ENERGY, LP

OXY USA WTP LIMITED PARTNERSHIP
By: OXY USA INC., General Partner

Joseph Castillo
President

William B. Bledsoe, Attorney in Fact

MONARCH RESOURCES, INC.

Leland A. Hodges
President

Thomas M. Beall

Carolyn Read Beall

Herbert F. Boles

Norma Jean Boles

STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by Joseph Castillo, as President, on behalf of BOLD ENERGY, LP, a Limited Partnership.

Notary Public

STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by William B. Bledsoe, as Attorney in Fact, on behalf of OXY USA INC. as General Partner of OXY USA WTP LIMITED PARTNERSHIP, a Delaware Limited Partnership

Notary Public

STATE OF TEXAS)
) SS.
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by Leland A. Hodges, as President of MONARCH RESOURCES, INC., a _____ Corporation.

Notary Public

STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by Thomas M. Beall and wife, Carolyn Read Beall

Notary Public

STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by Herbert F. Boles and wife, Norma Jean Boles

Notary Public