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April 23, 2007

LETTER OPINION

OXY USA WTP Limited Partnership
6 Desta Drive, Suite 6000
P. O. Box 50250
Midland, Texas 79710

Attn: Mr. David Evans

Re: Threshold Development Company Letter Agreement
dated March 27, 1997
Sections 8 and 9, Township 19 South, Range 29 East
Eddy County, New Mexico

Gentlemen::

At your request, we have examined a copy of the captioned letter agreement. You have asked whether Bold Energy, LP ("Bold"), successor in interest to Threshold Development Company, may participate as a 46.5% working interest owner in the drilling of in-fill wells on Sections 8 and 9, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. You have also indicated that Bold believes the March 27, 1997 Letter Agreement terminated. It is our opinion that the March 27, 1997 Letter Agreement is still in full force and effect and that Bold does not have the right to propose an in-fill well on units earned by OXY, because all such wells "shall be drilled at the sole risk, cost and expense of OXY".

According to the information you have provided, OXY drilled four wells on Sections 8 and 9 which were completed below the base of the Bone Springs formation in various formations which were spaced on 320-acre spacing. Upon reaching the objective depth in the wells, OXY earned all of Threshold Development Company's interest in the spacing unit established for each well. Upon "payout", Threshold Development Company was entitled to a 46.5% working interest in each well and the earned unit for those zones below the base of the Bone Springs formation. You have stated that payout has occurred on all four wells. Bold, as the successor in interest to Threshold Development Company, has now proposed the drilling of an additional in-fill well on Section 8 and has requested that OXY either elect to go non-consent or participate as a 53.5% working interest owner in such well.

While the March 27, 1997 Letter Agreement does not include a term, we believe that this letter agreement is to remain in full force and effect so long as oil and/or gas is produced from the contract area

covered by the letter agreement, plus an additional period of ninety (90) days. Under Paragraph 14 of the letter agreement, if there is a cessation of production from an earned unit, OXY's rights in such unit shall terminate unless OXY commences further operations for reworking or drilling an additional well on the earned unit within ninety (90) days after cessation of all production. Attached to the letter agreement is an operating agreement in which OXY USA Inc. is named as operator. This operating agreement covers the same lands covered by the letter agreement. The term of the operating agreement is for so long as oil and/or gas is produced in paying quantities from the contract area, plus an additional period of ninety (90) days from cessation of all production. The term of the operating agreement and the term of the letter agreement are consistent and clearly indicate an intention of the parties for both agreements to remain in effect for so long as oil and/or gas is produced in paying quantities from the contract area, plus an additional period of ninety (90) days. Absent the cessation of production on any of the units earned by OXY or absent the existence of a written document in which OXY and Bold's predecessors effectively agreed to terminate the March 27, 1997 Letter Agreement, it is our opinion that the March 27, 1997 Letter Agreement is still in full force and effect.

Because the March 27, 1997 Letter Agreement remains in full force and effect, it is our opinion that the well proposal submitted by Bold is governed by Paragraph No. 9 of the letter agreement which provides as follows:

> "9. With regard to any well to be drilled on the Subject Lands below the base of the Bone Springs formation whether such well is an Option Well or a well proposed to be drilled on an Earned Unit, all such wells shall be drilled at the sole risk, cost and expense of OXY and Farmors shall be entitled to receive an undivided forty-six and one half percent (46.5%) working interest in such well upon the occurrence of payout (as hereinafter defined), it being the expressed intention hereof that, any and all wells drilled on the Subject Lands below the base of the Bone Springs formation shall be subject to the Farmor's right to back-in for a full forty-six and one half percent (46.5%) working interest upon the occurrence of payout (as hereinafter defined)."

As previously mentioned, Paragraph 14 of the letter agreement further provides that upon cessation of production from an earned unit, all of OXY's right, title and interest in such unit shall terminate unless OXY commences further operations for reworking an existing well or for drilling an additional well on the subject earned unit within ninety (90) days after completion of operations. While further drilling below the base of the Bone Springs formation is contemplated in the letter agreement, such additional drilling is to be conducted and paid for by OXY and not Bold.

When read with Paragraph 14, Paragraph 9 is intended to relieve Threshold Development Company, or its successors and assigns, from paying for any wells drilled on an earned unit below the base of the Bone Springs formation, including any additional drilling that may be required by OXY in order to maintain its rights under this agreement in Paragraph 14. Consequently, Bold, as successor in interest to Threshold Development Company, would own no interest in any in-fill wells drilled on earned units under this agreement until payout has occurred on each in-fill well. Obviously, payout cannot occur until an actual in-fill well is drilled by OXY. While Bold owns an interest in the existing wells drilled on Section 8, it owns no interest in any additional wells drilled on earned units, until such wells are drilled by OXY and payout has occurred.

While Paragraph 9 relieves Threshold Development Company from paying for any wells drilled on an earned unit below the base of the Bone Springs formation, we also believe that Paragraph 9 is intended

to protect OXY from drilling unnecessary wells on an earned unit, where production from such wells can be recovered from wells already drilled and paid for by OXY. To allow anything else, would require OXY to participate in and drill wells which are not otherwise required to be drilled under the terms of the letter agreement.

You have indicated that the parties to this letter agreement never executed an operating agreement, even though Paragraph 18 of the letter agreement required the parties to do so. By executing the letter agreement, we believe that the parties effectively adopted the operating agreement, even though the operating agreement was never separately executed by the parties. Nevertheless, under Paragraph 18 of the letter agreement, if there is an inconsistency between the letter agreement and the operating agreement, then the terms of the letter agreement shall control. Given the foregoing, we believe that the failure of the parties to execute the operating agreement attached as Exhibit "C" to the letter agreement would have no effect on the proposal submitted by Bold, since such a proposal is governed by Paragraph 9 of the letter agreement.

CONCLUSION

Based upon our examination of the foregoing letter agreement, it is our opinion that this letter agreement is still in full force and effect so long as there is production in paying quantities from each of the earned units in Sections 8 and 9, and that Bold Energy, LP may not propose or drill wells below the base of the Bone Springs formation on Sections 8 and 9, because Sections 8 and 9 encompass all of the units earned by OXY under the March 27, 1997 Letter Agreement. In each earned unit, Bold Energy, LP owns only an after payout interest in the existing wells that were drilled on Sections 8 and 9 and a possible future interest in any in-fill wells drilled by OXY, assuming such wells are drilled by OXY and payout on these wells does in fact occur.

If you have any questions regarding the foregoing, please advise.

Respectfully submitted,

STUBBEMAN, McRAE, SEALY,
LAUGHLIN & BROWDER, INC.

By: David A. Sutter

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