

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

HAND DELIVERED ON
11/28/06

November 27, 2006

Oxy USA WTP L.P.
6 Desta Drive, Suite 6000
Midland, TX 79705

Attn: Mr. David R. Evans

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

Gentlemen:

Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion and both the Canyon and Wolfcamp will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will have a rig available on or around February 15th 2007.

An Authorization for Expenditure is attached for a completed well cost of \$3,095,305.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,

Peggy Kerr
VP of Land

_____ AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE
IN BLANK)

Oxy USA WTP L.P.

By: _____

Date: _____

FILE COPY

Oil Conservation Commission
Case No. _____
Exhibit No. 1

Operator BOLD ENERGY, LP			Well Name Turkey Track (Canyon) "Section 8"			TD 10,100'		
Surface Location 1980' FNL & 660 FWL			Section - Township - Range 8 - T19S - R29E		County Eddy		State New Mexico	
BHL 1980' FNL & 660 FWL			Field Turkey Track					
Primary Objective Canyon @ 9890'			Secondary Objective Wolfcamp @ 8880'			API Number TBA		
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>			Data Processing Information AFE No. <input type="text"/> TBA <input type="text"/>					
			Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>			Version # 1		

Tangible Costs			Before Casing Point			After Casing Point			Gross Total
			Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
1. Tubulars	Setting Depths		72,800		2 0 4	232,000		4 0 4	304,800
13-3/8" OD	0' to 375'		12,800						
8 5/8" OD	0 to 3000'		60,000						
5 1/2" OD	0 to 10,100'					175,000			
2 7/8" OD	0 to 10,100'					57,000			
" OD	0 to								
" OD	to								
2. Casinghead, Tubinghead, Christmas Tree			10,500		2 9 3	20,500		4 9 3	31,000
3. Tubing Accessories						9,500		4 1 2	9,500
Packers, Tubing Anchors						8,000			
On/off tools									
Nipples (SN & Profiles)						1,500			
Purchased RBP's, etc.									
4. Artificial Lift							75,000	4 9 4	75,000
5. Capillary System								4 1 1	
6. Production Equipment							91,000	4 3 8	91,000
Separators							50,000		
Metering Equipment							5,000		
Tanks							28,000		
Valves, Fittings & Couplings							8,000		
7. Electrical Lines & Equipment								4 2 8	
8. Flowline (WH to Production Unit)							5,000	4 5 6	5,000
Line Pipe							3,600		
Valves, Fittings & Couplings							1,500		
9. Pipeline (Production Unit to Sales Point)							45,000	4 5 7	45,000
Line Pipe							40,000		
Valves, Fittings & Couplings							5,000		
10. Water Disposal System								4 9 0	
Injection Pump									
Transfer Pump									
Gun Barrell & Tanks									
Metering Equipment									
Electrical Equipment									
Line, Valves, Fittings & Couplings									
11. Contingency 10%			8,330	0		26,200	21,600		56,130
TOTAL TANGIBLES			91,630	0		288,200	237,600		617,430

Intangible Costs			Before Casing Point			After Casing Point			Gross Total
			Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
12. Contract Field Supervision			48,000		1 0 8	35,000		3 0 8	83,000
13. Contract Engineering / Technical			8,000		1 3 0	3,000		3 3 0	11,000
14. Auto Expense (in-house field travel)			500	1,000	1 1 3	1,000		3 1 3	2,500
15. Legal / Title (permits & contract legal work)			3,500		1 4 2	2,000		3 4 2	5,500
16. Location & Road Expense			121,500		1 4 3	8,500		3 4 3	130,000
Location Prep & Anchors						3,500			
Surveys (ROW & ARC) & Staking			1,500						
Damages			10,000						
Construction & Maintenance			35,000						
Conductor, Rat Hole, Mouse Hole			7,500						
Drilling Pit Lining			7,500						
Location Cleanup						5,000			
Pit Reclamation			60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Stby.			120,000		1 6 7				120,000
18. Contract Drilling			540,000		1 2 4	60,000		3 2 4	600,000
30 days \$20,000.00 per day									
19. Pulling Unit						60,000		3 1 9	60,000
15 days \$4,000.00 per day									
20. Power & Fuel (not otherwise included)			60,000		1 0 8	7,000		3 0 8	67,000
21. Onsite Supervisor Headquarters / Housekeeping			12,650		1 0 5	6,325		3 0 5	18,975
Trailer House Rental			4,500			2,250			
Generator for House Trailer									
Potable Water			750			375			
Phone / Internet / Satellite			5,400			2,700			
Waste Water Service			2,000			1,000			
22. Safety - Site Security / Equipment & Services					1 7 4			3 7 4	
Site Security									
H2S Monitoring			4,500						
Contract Safety Supervision									
23. Safety Incentive & Performance Bonus			30,000		1 4 1	1,000		3 4 1	31,000
24. Rig Monitoring Equipment			15,000		1 1 4	1,100		3 1 4	16,100
25. Water			48,000		1 9 0	39,800		3 9 0	87,800
Fresh Water Pit Construction & Lining									
Fresh Water Well Drilling									
Water Well Rental Equipment			20,000			5,000			
Water Well Usage						2,000			
Frac Tanks			3,000			19,800			
Water Hauling to Location			25,000			13,000			

Well Name: Turkey Track (Canyon) "Section 8"		Data Processing Information					
Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		AFE No. TBA		Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # 1	
Intangible Costs (continued)		Before Casing Point		After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code
26. Mud Materials & Services		49,500		1 4 6	2,500		3 4 7
Mud Products & Chemicals		42,000			2,000		
Mud Cleaning Equipment and Services							
Mud / Gas Separator		7,500			500		
27. Bits, Underreamers & Hole Openers		75,000		1 1 5			
28. Directional Drilling Equipment & Services				1 3 6			
29. Fishing Tools & Services				1 3 3			3 3 3
30. Rental Equipment		86,500		1 3 2	19,000		3 3 2
Forklift / Manlift / Light Plants / Generators		20,000					
Reverse Unit / Matting Boards / Racks					7,500		
Well Control Equipment		18,000			5,000		
Rental DH Tools, Packers, Plugs					6,500		
BHA, Drill Pipe & Motors		48,500					
31. Tubular Inspection & Testing		2,100		1 3 9	6,000		3 3 9
32. Casing Crews - NU/LD Services - BOPE Testing		25,000		1 1 7	10,000		3 1 7
33. Trucking of Tangible Items (not otherwise included)		13,000		1 8 7			3 8 7
34. Mud Logging			18,000	1 4 7			
35. Conventional Coring & Analysis				1 2 3			
36. Drill Stem Test Equipment & Services				1 2 8			
37. DH Completion Tools					8,000		3 1 6
38. Casing Accessories		3,500		1 0 7	2,000		3 0 7
Float Equip, Centralizers, DV Tools		3,500			2,000		
Liner - Hangers, Services							
39. Logging, Wireline / Slickline & Associated Rentals		14,000	46,000	1 4 4	73,000		3 4 4
Electrical Logs			40,000				
RFT / Sidewall Coring			6,000				
Cased Hole Logs & CBL					11,000		
Temperature Surveys		2,000			1,000		
Gyro, Multi-Shot, Single Shot		12,000					
Perforating, Plug / Packer Setting					55,000		
Rental Lubricator & Flanges					6,000		
40. Cementing Services		51,000		1 1 8	35,000		3 1 8
13 3/8 " OD 400 Sacks		21,000					
8 5/8 " OD 1700 Sacks		30,000					
5 1/2 " OD 900 Sacks					35,000		
" OD Sacks							
" OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service					92,500		3 4 5
CT and N ₂ Service					85,000		
Rental Crane, Lubricator, Flanges					7,500		
42. Stimulation Materials & Services					250,000		3 1 0
43. Pump Truck (not otherwise included)				1 5 5	4,500		3 5 5
44. Production Testing Equipment & Services					45,000		3 3 5
45. Water Haul off and Disposal				1 7 3	13,000		3 7 3
46. Chemicals (Corrosion Control / Packer Fluid)				1 4 8	3,000		3 4 8
47. Roustabout Service (Labor not otherwise included)		18,000		1 8 9	5,000	25,000	3 8 9
48. Supplies		2,000		1 7 6	1,000	10,000	3 7 6
49. Meter Calibration & Repair					2,000		3 7 2
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %				1 0 2			3 0 2
53. Insurance - New Drill (<12,500' \$10K; >12,500' \$50K)		10,000		1 4 0			3 4 0
54. Contingency 10%		135,700	6,500		80,000	2,700	
TOTAL INTANGIBLES		1,492,450	71,500		874,225	39,700	2,477,875

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,162,425	277,300
EVALUATED COST	\$1,655,580		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$3,095,305		Date: 11/27/06	

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☒ I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Approved ☒ Rejected ☐

Joseph L. Castillo

Name/Title: Joseph Castillo, President

Date:

Co-Owner Authorization

Approved ☐ Rejected ☐

Company:

Name/Title:

Date:

FAX

H F BOLES
686-1104
2 pages

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

Certified Mail

November 27, 2006

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

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

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Very truly yours,



Herbert Boles

President

Bold Energy, LP

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Midland, TX 79701

Tel: 432-686-1100

Fax: 432-686-1104

E-mail: hboles@boldenergy.com

Date: 11/27/06

By: Herbert Boles

Title: President

Company: Bold Energy, LP

Address: 415 W. Wall, Suite 500

City: Midland, TX 79701

State: Texas

Zip: 79701

Country: USA

Phone: 432-686-1100

Fax: 432-686-1104

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November 27, 2006

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

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

Gentlemen:

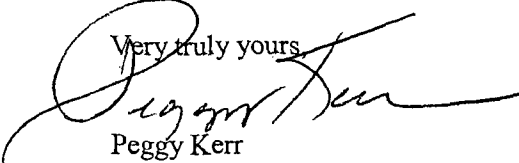
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Peggy Kerr
VP of Land

Participate AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE IN BLANK)

Monarch Resources, Inc.

By: 

Date: 12-14-06

 **SIGN &
RETURN**

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8. Flowline (WH to Production Unit)						5,000	4 5 8	5,000
Line Pipe						3,500		
Valves, Fittings & Couplings						1,500		
9. Pipeline (Production Unit to Sales Point)						45,000	4 5 7	45,000
Line Pipe						40,000		
Valves, Fittings & Couplings						5,000		
10. Water Disposal System							4 9 0	
Injection Pump								
Transfer Pump								
Gun Barrell & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency 10%		8,330	0		26,200	21,600		56,130
TOTAL TANGIBLES		91,630	0		288,200	237,600		617,430
Intangible Costs		Before Casing Point		After Casing Point		Gross Total		
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
12. Contract Field Supervision		48,000		1 0 8	35,000		3 0 6	83,000
13. Contract Engineering / Technical		8,000		1 3 0	3,000		3 3 0	11,000
14. Auto Expense (in-house field travel)		500	1,000	1 1 3	1,000		3 1 3	2,500
15. Legal / Title (permits & contract legal work)		3,500		1 4 2	2,000		3 4 2	5,500
16. Location & Road Expense		121,500		1 4 3	8,500		3 4 3	130,000
Location Prep & Anchors					3,500			
Surveys (ROW & ARC) & Staking		1,500						
Damages		10,000						
Construction & Maintenance		35,000						
Conductor, Rat Hole, Mouse Hole		7,500						
Drilling Pit Lining		7,500						
Location Cleanup					5,000			
Pit Reclamation		60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Stby.		120,000		1 6 7				120,000
18. Contract Drilling		540,000		1 2 4	60,000		3 2 4	600,000
30 days \$20,000.00 per day								
19. Pulling Unit					60,000		3 1 9	60,000
15 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)		60,000		1 0 8	7,000		3 0 8	67,000
21. Onsite Supervisor Headquarters / Housekeeping		12,650		1 0 5	6,325		3 0 5	18,975
Trailer House Rental		4,500			2,250			
Generator for House Trailer								
Potable Water		750			375			
Phone / Internet / Satellite		5,400			2,700			
Waste Water Service		2,000			1,000			
22. Safety - Site Security / Equipment & Services				1 7 4			3 7 4	
Site Security								
H2S Monitoring		4,500						
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus		30,000		1 4 1	1,000		3 4 1	31,000
24. Rig Monitoring Equipment		15,000		1 1 4	1,100		3 1 4	16,100
25. Water		48,000		1 9 0	39,800		3 9 0	87,800
Fresh Water Pit Construction & Lining								
Fresh Water Well Drilling								
Water Well Rental Equipment		20,000			5,000			
Water Well Usage					2,000			
Frac Tanks		3,000			19,800			
Water Hauling to Location		25,000			13,000			

Well Name: Turkey Track (Canyon) "Section 8"				Data Processing Information			
Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico				AFE No. TBA		Original <input checked="" type="checkbox"/> Version # 1 Supplement <input type="checkbox"/>	
Intangible Costs (continued)				Before Casing Point		After Casing Point	
				Drilling	Evaluation	Code	Completion
							Prod Facilities
							Code
							Gross Total
26. Mud Materials & Services				49,500		1 4 8	2,500
Mud Products & Chemicals				42,000			2,000
Mud Cleaning Equipment and Services							
Mud / Gas Separator				7,500			500
27. Bits, Underreamers & Hole Openers				75,000		1 1 5	
28. Directional Drilling Equipment & Services						1 3 8	
29. Fishing Tools & Services						1 3 3	
30. Rental Equipment				86,500		1 3 2	19,000
Forklift / Manlift / Light Plants / Generators				20,000			
Reverse Unit / Matting Boards / Racks							7,500
Well Control Equipment				18,000			5,000
Rental DH Tools, Packers, Plugs							6,500
BHA, Drill Pipe & Motors				48,500			
31. Tubular Inspection & Testing				2,100		1 3 9	6,000
32. Casing Crews - NU/LD Services - BOPE Testing				25,000		1 1 7	10,000
33. Trucking of Tangible Items (not otherwise included)				13,000		1 8 7	
34. Mud Logging					18,000	1 4 7	
35. Conventional Coring & Analysis						1 2 3	
36. Drill Stem Test Equipment & Services						1 2 6	
37. DH Completion Tools							8,000
38. Casing Accessories				3,500		1 0 7	2,000
Float Equip, Centralizers, DV Tools				3,500			2,000
Liner - Hangers, Services							
39. Logging, Wireline / Slickline & Associated Rentals				14,000	46,000	1 4 4	73,000
Electrical Logs					40,000		
RFT / Sidewall Coring					6,000		
Cased Hole Logs & CBL							11,000
Temperature Surveys				2,000			1,000
Gyro, Multi-Shot, Single Shot				12,000			
Perforating, Plug / Packer Setting							55,000
Rental Lubricator & Flanges							6,000
40. Cementing Services				51,000		1 1 8	35,000
13 3/8 " OD 400 Sacks				21,000			
8 5/8 " OD 1700 Sacks				30,000			
5 1/2 " OD 900 Sacks							35,000
" OD Sacks							
" OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service							92,500
CT and N ₂ Service							85,000
Rental Crane, Lubricator, Flanges							7,500
42. Stimulation Materials & Services							250,000
43. Pump Truck (not otherwise included)						1 5 5	4,500
44. Production Testing Equipment & Services							45,000
45. Water Haul off and Disposal						1 7 3	13,000
46. Chemicals (Corrosion Control / Packer Fluid)						1 4 8	3,000
47. Roustabout Service (Labor not otherwise included)				18,000		1 6 9	5,000
48. Supplies				2,000		1 7 8	1,000
49. Meter Calibration & Repair							2,000
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %						1 0 2	
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)				10,000		1 4 0	
54. Contingency 10%				135,700	6,500		80,000
TOTAL INTANGIBLES				1,492,450	71,500		874,225
							39,700
							2,477,875

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,622,250	277,300	
EVALUATED COST	\$1,655,580		Estimated By: S.L. Klier		
COMPLETED WELL COST INCLUDING FACILITIES	\$3,095,305		Date: 11/27/06		

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☒ I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Co-Owner Authorization

Approved ☒Rejected ☐Approved ☒Rejected ☐

Name/Title: Joseph Castillo, President

Date:

Company: Marathon Resources

Name/Title: Robert A. Hodge

Date: 12-14-06

SIGN & RETURN

THOMAS M. BEALL
550 W. TEXAS, SUITE 220
P. O. BOX 3098
MIDLAND, TX 79702
(432) 687-0008

APRIL 5, 2007

VIA FACSIMILE 432-686-1104
&
HAND DELIVERY TO:

Bold Energy, LP
Attn: Ms. Peggy Kerr-Worthington
415 W. Wall Street, Suite 500
Midland, TX 79701

RE: Your Well Proposal Oxy Checker State #2 – 1980' FNL & 660' FWL
Section 8, T-19-S, R-29-E – Turkey Track (Canyon)
Eddy County, NM

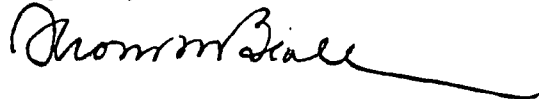
Ladies and Gentlemen:

Reference is made to your letter dated December 27, 2006 concerning the captioned proposal. Please accept this letter as confirmation of my continued desire to participate in the drilling of this well.

As we have discussed, I signed the original AFE at the time of proposal. Even though said proposal and AFE are now stale with regards to the operational limits set in the Joint Operating Agreement, I would assume that a current AFE would show that the overall costs have actually gone down since your proposal.

Please let me know the current status of your project and what plans you have for the drilling of this well.

Very Truly Yours,



Thomas M. Beall