

05-14-07 08:33AM FROM-PXP

7135786251

T-780 P 002/003 F-183

T. H. McELVAIN OIL & GAS LIMITED PARTNERSHIP
McElvain Oil & Gas Properties, Inc., Sole General Partner
1060 - 17th STREET, SUITE 1800
DENVER, COLORADO 80265

TELEPHONE 303-893-0833
FAX 303-893-0814

May 10, 2007

PXP Gulf Coast, Inc.
Attn: Ms. Sherry Jeffers
709 Milam St., Ste. 3100
Houston, TX 77002

Re: Letter of Intent
Assignment Proposal
Leasehold: Floyd Koon Lessor
S/2SE, N/2SE 14-T25N-R2W; Below Pictured Cliffs Formation

Ladies and Gentlemen:

Pursuant to our discussions, this non-binding letter of intent is for the purpose of setting out our basic agreement pertaining to the acquisition by T. H. McElvain Oil & Gas Limited Partnership ("McElvain") from PXP Gulf Coast, Inc. ("PXP") the following described oil and gas leasehold interest:

Lessor: Floyd W. Koon, et ux.
Lessee: Clark & Cowden Drilling Corp.
Date: July 5, 1947
Recording: Book 3, Page 256, Rio Arriba County, NM
Depth Limit: All depths lying below the base of the Pictured Cliffs formation
Legal: S/2SE, NESE 14-T25N-R2W
Acres: 120 gross 106.285714 net
County: Rio Arriba County, New Mexico

Pursuant to our verbal agreement, McElvain agrees to purchase from PXP, and PXP agrees to sell to McElvain the oil and gas leasehold interest described above. Closing will be on June 20, 2007, or sooner.

McElvain agrees to prepare the necessary assignment documents, subject to the approval of both parties.

PXP GULF COAST, INC.
MAY 10, 2007

PAGE 2

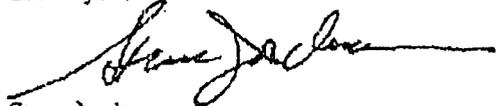
This agreement is contingent upon PXP receiving a mutually acceptable assignment of the subject interest from Floyd Oil Company and Cheyenne Partners IV, Ltd., with Alexander Floyd being the signatory for both entities.

SEE ATTACHMENT

The purchase price to be paid by McElvain to PXP shall be \$31,886.00, being calculated as follows: 88.571429% W.L. in 120 acres - 106.285715 net leasehold acres X \$300/net acre = \$31,886.00 (rounded to nearest dollar).

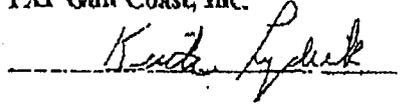
If this letter correctly sets out our mutual intent, please sign below and fax a copy back to us at (505) 266-3872.

Thank you.



Steve Jordan
Contract Landman

AGREED TO AND ACCEPTED *SG*
PXP Gulf Coast, Inc.



5-11-07
Date

Sheryl Olson

From: Steve Jordan [srjordan7@hotmail.com]
Sent: Thursday, May 24, 2007 8:56 AM
To: sjeffers@pxp.com
Cc: Sheryl Olson
Subject: Floyd/Cheyenne Assignments
Attachments: Floyd-PXP.doc; ExhibitA-Floyd.doc; Assn.PXP.doc

Sherry:

Attached are the county assignment forms for the following 2 transactions. Included are the Floyd/Cheyenne assignment, the Exhibit A to the Floyd/Cheyenne assignment, and the PXP to McElvain assignment.

1. Floyd & Cheyenne to PXP
2. PXP to T.H. McElvain Oil & Gas L.P.

In reviewing the Sun to Floyd/Cheyenne assignment for the Koon lease, we noticed that, in addition to the Section 14 interests, it also included the SWSW of Section 13, so we added it to the 2 assignments. We have not run any title on this 40 acre tract.

Thank you, and should you have any questions or concerns please contact us.

Steve Jordan
Fort ★ Jordan
Petroleum and Mineral Land Services
7709 Summer Ave., N.E.
Albuquerque, NM 87110
(505) 266-3872

Change is good. See what's different about Windows Live Hotmail. Check it out!

Sheryl Olson

From: Steve Jordan [srjordan7@hotmail.com]
Sent: Friday, October 19, 2007 10:56 AM
To: Sheryl Olson
Subject: FW: Floyd assnmt
Attachments: McElvain assnmt.pdf

Steve Jordan
Fort ★ Jordan
Petroleum and Mineral Land Services
7709 Summer Ave., N.E.
Albuquerque, NM 87110
(505) 266-3872

Subject: Floyd assnmt
Date: Fri, 19 Oct 2007 11:54:59 -0500
From: SJeffers@pxp.com
To: srjordan7@hotmail.com

Here you go Steve. Have a wonderful trip.
Sherry

Windows Live Hotmail and Microsoft Office Outlook – together at last. Get it now!

Sheryl Olson

From: Sheryl Olson
Sent: Friday, November 09, 2007 6:03 PM
To: Keith Lydick (klydick@pxp.com); Scott Cowdand (scowand@plainsxp.com)
Cc: (SJeffers@pxp.com)
Subject: Assignment of Floyd W. Koon et ux OGL from PXP to THMLP - All Depths Below Base of the Pictured Cliffs
Attachments: _Badger 11 Cheyenne-Floyd-PXP1.pdf

Dear Keith and Scott:

Again, thank you, Keith, for returning my call yesterday to explain that PXP is unable to complete the assignment into McElvain at this time, nor any time soon, due to the Pogo acquisition.

I definitely comprehend the pressure you all are now under. And, I appreciate the fact that you understand our position: rig available December 1st, year end drilling requirements, and pending new pit rules which will increase the AFE if delayed. We have attempted to facilitate by drafting all necessary documents and, once approved by Ms. Jeffers, continued with direct follow up with Mr. Floyd. Our agreement to purchase was in May, Mr. Floyd executed the assignment late September.

Evidently, legal review and further approval within PXP is required. I believe you are aware of the prior instance (s) when PXP obtained curative assignment from Floyd & Cheyenne Partners, your predecessors in title. If not, I have attached a 2004 transaction between our companies for your perusal. The 2004 transaction has the warranty clause struck. That 2004 Article III was omitted in its entirety in the 2007 assignment, probably because there are no wells involved on the lands. The 2007 new Article III has a "Counterpart" section added. All else is basically identical. The assignment form from PXP to THMLP is brief.

Because of time constraints I have sent the formal well proposal to Scott Coward and have included him in this email for informational purposes. If Scott does not handle New Mexico, please advise, ASAP. Concurrently McElvain will file an Application to Force Pool on Tuesday, November 13th.

Our objective is to help reduce PXP's work flow in any way possible during the Pogo transition. If I can be of any further assistance, please do call.

Thank you.

Sheryl A. Olson, CPL
Senior Landman
McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265
303-893-0933 x 329
sherylo@mcelvain.com

11/12/2007

JK

McElvain Oil & Gas Properties, Inc.

1050 – 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

TELEPHONE 303-893-0933 EXT.329
FAX 303-893-0914
e-mail: sherylo@mcelvain.com

Federal Express (Phone: 713-579-6081)

November 9, 2007

PXP Gulf Coast, Inc
700 Milan Street, Suite 3100
Houston, TX 77002
Attn: Scott K. Coward, Land Manager

RE: Badger Com 14 #2 & 14 #2A Well Proposals
Township 25 North, Range 2 West
Section 14: E/2
Rio Arriba County, New Mexico

Gentlemen:

McElvain Oil & Gas Properties, Inc., as sole general partner and Operator on behalf of T. H. McElvain Oil & Gas Limited Partnership ("McElvain") hereby proposes the drilling of two Blanco Mesaverde test wells to be at a legal locations in the NE/4 and the SE/4 of Section 14, Township 25 North, Range 2 West, Rio Arriba County, New Mexico.

The estimated costs to drill and complete the wells, as proposed, are \$1,366,290. and \$1,312,790. as detailed on the enclosed McElvain Authority for Expenditure No. DONM07000157 and No. DDONM070000156. The area designated as the "Spacing Unit" for these wells when completed in the Blanco Mesaverde, is the E/2 of Section 14, Township 25 North, Range 2 West, containing 320 acres, more or less.

The A.A.P.L. Form 610 -1989 Model Form Operating Agreement to govern operations across the designated Spacing Unit has been prepared and enclosed for your review and execution. Both wells have been fully permitted; a copy of each location plat is enclosed for your convenience.

We request that you review all of the enclosed materials relative to this proposal, verify your ownership and proceed as follows:

- Indicate your election regarding participation on the enclosed Election Page, execute both copies in the space provided and return one copy to the undersigned;
- If your election is to participate, also execute both copies of the enclosed Authorization for Expenditure and return one copy to the undersigned along with a summary of your well reporting requirements.;
- Execute the enclosed Operating Agreement and extra signature page thereto, returning the extra fully executed signature page to the undersigned.

Badger Com 14 #2 & 14 #2A
November 9, 2007
Page 2

McElvain intends to spud whichever location is ready first and then move directly to the infill location. Plans are to commence operations in approximately thirty (30) days, therefore, we respectfully request that you review and respond to this proposal at your earliest possible convenience. Should you have any questions concerning this proposal, please feel free to contact the undersigned.

Thank you for your timely consideration.

Very truly yours,

McELVAIN OIL & GAS PROPERTIES, INC.



Sheryl A. Olson, CPL
Senior Landman

Enclosures

Cc: Keith Lydick, PXP Gulf Coast, Inc.

ELECTION PAGE
Badger Com 14 #2 & 14 #2A
November 9, 2007

_____ YES, I/We do hereby elect to participate in the drilling of the referenced Wells and elect to be covered by the Operator's Insurance per Exhibit "D" of the JOA dated October 1, 2007, or shall provide a Certificate of Insurance for like coverage to the Operator.

_____ NO, I/We do hereby elect NOT to participate in the drilling of the referenced wells.

As an alternative to participation, I/We hereby offer support to McElvain and the participating parties hereunder as follows:

(Please select one of the following if your election is NOT to participate)

_____ I/We hereby offer to farmout my/our working interest in the proposed well on mutually acceptable terms to be negotiated between the parties and, therefore, request a proposal of terms from McElvain;
OR,

_____ **I/We hereby offer to sell my/our interest in the proposed, well as an alternative to participation, for \$31,886.00 pursuant to the terms of that certain Letter of Intent dated May 10, 2007, attached hereto and made a part hereof and will execute the attached Quitclaim, Assignment and Bill of Sale dated effective May 1, 2007.**

_____ I/We hereby offer to execute the enclosed Operating Agreement which shall reflect an election against my/our working interest as a non-participating, non-drilling party subject to the penalty provisions contained therein.

FAX EXECUTED DOCUMENTS TO

Sheryl A. Olson, CPL
(303) 893-0914

MAIL ORIGINAL EXECUTED DOCUMENTS TO

Sheryl A. Olson, CPL
McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265

PARTICIPANT NAME: _____

BY: _____

Title: _____

Date: _____

Sheryl Olson

From: Sheryl Olson
Sent: Friday, December 07, 2007 10:01 AM
To: Scott Cowand (scowand@plainsxp.com)
Cc: 'Ocean Munds-Dry'
Subject: FW: Badger Well Proposals, Rio Arriba County, New Mexico
Importance: High

Dear Scott:

Pursuant to my voice mail today, we are preparing final docs for the hearing next Thursday AM. Does PXP wish to elect and execute one of the proposals provided by McElvain, or proceed with the Compulsory Pooling?

Thank you very much.

Sheryl A. Olson, CPL
Senior Landman
303-893-0933 x 329
sherylo@mcelvain.com

From: Sheryl Olson
Sent: Monday, December 03, 2007 10:30 AM
To: Scott Cowand (scowand@plainsxp.com)
Subject: FW: Badger Well Proposals, Rio Arriba County, New Mexico
Importance: High

Dear Scott:

Has PXP made a decision regarding the well proposals or our offer to purchase? Williams has decided to farmout retaining a perpetual overriding royalty. Should PXP wish to farmout v. the other proposals, I will be happy to email an agreement.

Would you please confirm that Sherry Jeffers has recorded the Assignment from Cheyenne Partners/Floyd Oil into PXP and if so, please provide a copy?

And, is your direct address: 1021 Main Street, Suite 2100 or Suite 2400, Houston, TX 77002?

With the compulsory pooling hearing scheduled for December 13th, I look forward to hearing from you. Thanks very much.

Sheryl A. Olson, CPL
Senior Landman
303-893-0933 x 329
sherylo@mcelvain.com

From: Sheryl Olson
Sent: Tuesday, November 20, 2007 5:42 PM
To: Scott Cowand (scowand@plainsxp.com)

12/7/2007

Subject: Badger Well Proposals

Dear Scott:

It was a pleasure having the opportunity to speak with you last Thursday. Again, thanks for your time and assurance of a forthcoming decision.

I trust by now the application for compulsory pooling has reached you. If not, please let me know and I will email a copy. Please note the the December 13th docket date.

Regarding your request for a redline of the JOA, I will try and locate that if it looks as if PXP is intending to participate. Have you had an opportunity to review further? I do still have the check in hand for \$31,886.00 per the Letter of Intent should PXP not wish to drill.

FYI, I have tentative farmout terms with Williams and will be finalizing our agreement next week.

I look forward to hearing from you soon.

Have a Happy Thanksgiving.

Best Regards

Sheryl A. Olson, CPL
Senior Landman
McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265
303-893-0933 x 329
sherylo@mcelvain.com

12/7/2007