

Blaine Hess
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202
(505) 623-5400
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RECEIVED
MAY 18 1998
DENVER-LAND DEPT.

May 12, 1998

Ms. Laura B. Smith
Ocean Energy, Inc.
410-17th Street
Suite 1400
Denver, Colorado 80202

LAND CONSERVATION DIVISION

EXHIBIT 2

Re: **Ownership Report**
Lea County, New Mexico

CASE NO. 12012

Dear Ms. Smith:

Pursuant to your request, we have prepared an ownership report setting out the leasehold status pertaining to the following described lands located in Lea County, New Mexico.

Township 10 South, Range 37 East, N.M.P.M.

Section 20: All
Section 21: All
Section 22: All
Section 27: All
Section 28: S/2
Section 29: All
Section 32: All
Section 33: All
Section 34: All

I. RECORDS SEARCHED

- A. Elliott & Waldron Title & Abstract Co. Inc.** Tract indices were searched from date of leases to current postings of April 21, 1998. **Lovington, New Mexico.**
- B. State Records.** Lease files were searched to April 30, 1998. Please be advised, the miscellaneous files were not searched. **Santa Fe, New Mexico.**

II. LEASEHOLD STATUS

A. Fee Lands

Township 10 South, Range 37 East, N.M.P.M.

Section 20: N/2, N/2S/2

Section 21: NW/4, NW/4SW/4

Section 33: N/2

Section 34: N/2

containing 1,320.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Marbob Energy Corporation	50%	80%	Santa Fe Pacific - 1.5625% RI	Expires: 10/02/2045
P.O. Drawer 227	<u>50%</u>	85%	Gold Corporation	
Artesia, NM 88211 Total	100%		P.O. Box 27019 Albuquerque, NM 87125	
			Santa Fe Energy - 9.21875% ORRI Resources, Inc. 550 W. Texas Suite 1330 Midland, TX 79701 (Burdens 50% of Marbob)	
			Santa Fe Energy - 6.71875% ORRI Resources, Inc. 550 W. Texas Suite 1330 Midland, TX 79701 (Burdens 50% of Marbob)	

Comments

The interest of Marbob Energy Corporation was derived from two three year term assignments. The first term assignment represents 50% of their leasehold interest and expires October 17, 1998. The second term assignment represents 50% of their leasehold interest and expires July 1, 2000. In addition, both term assignments contain pugh clauses that provides for a 180 day continuous development program between wells and upon completion of the continuous development program, all lands not contained in a producing proration unit will expire and all lands contained in producing proration units will expire below 100 feet below the total depth drilled and logged.

The above described leasehold interest of Marbob Energy Corporation is subject to an unrecorded Operating Agreement dated December 1, 1995, between Santa Fe Energy Resources, Inc. and Geotrac Energy Corporation, predecessor in title to 50% of the interest of Marbob Energy Corporation.

B. State Lands

VA-1389 - Dated June 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 20: S/2S/2

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	87.5%	State of N.M. - 12.5% RI	Expires: 6/01/2000
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

C. State Lands

V-4490 - Dated October 1, 1994

Township 10 South, Range 37 East, N.M.P.M.

Section 21: NE/4, SW/4SW/4

containing 200.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Charles L. House, unknown marital status P.O. Box 3715 Midland, TX 79702	100%	77%	State of N.M. - 16.6667% RI Olen F. Featherstone, - 2.41665% ORRI II, unknown marital status 1801 W. Second St. Roswell, NM 88201	Expires: 10/01/99

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
			Featherstone Development - 2.41665 % ORRI Corporation 1801 W. Second St. Roswell, NM 88201	
			C. Michael Brown, - 1.5 % ORRI unknown marital status 1801 W. Second St. Roswell, NM 88201	

Comments

Featherstone Development Corporation owns 100% record title interest covering the above lease and lands.

The interest of Charles L. House was derived from a three year term assignment from Featherstone Development Corporation. At the time of said assignment, the operating rights were owned in the proportion of 50% each by Olen F. Featherstone, II, and Featherstone Development Corporation. Please be advised, based on the foregoing, Charles L. House only owns an undivided 50% interest in the operating rights. It is believed that the intention of the parties was to convey 100% interest. In addition, said assignment expires June 27, 1998, and contains a pugh clause that provides for a 180 day continuous development program between wells and upon completion of the continuous development program, all lands not contained in a producing proration unit will expire and all lands contained in producing proration units will expire as to all depths below 100 feet below total depth drilled.

- D. State Lands**
VB-485 - Dated May 1, 1996
Township 10 South, Range 37 East, N.M.P.M.
Section 21: E/2SW/4
containing 80.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Cobra Exploration Company P.O. Box 8206 Wichita Falls, TX 76307-8206	78%	81.25%	State of N.M. - 18.75 % RI	Expires: 5/01/2001
Kelley Oil Corporation 601 Jefferson Suite 1100 Houston, TX 77002	22%			

Comments

Cobra Exploration Company owns 100% record title interest covering the above lease and lands.

The interest of Kelley Oil Corporation is subject to a Mortgage effective December 1, 1997, recorded in Book 841, Page 425, of the Lea County records in favor of Texas Commerce Bank National Association.

E. State Lands

V-4207-1 - Dated October 1, 1993

Township 10 South, Range 37 East, N.M.P.M.

Section 21: SE/4

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Maralo, Inc. 5151 San Felipe Suite 400 Houston, TX 77056-3607	100%	77.33%	State of N.M. - 16.67% RI Ronald O. Johnson - 1% ORRI and his wife, Catherine A. Johnson P.O. Box 10069 Midland, TX 79702 The Beveridge Company - 2% ORRI P.O. Box 993 Midland, TX 79702 Armadillo Prego, - 1% ORRI unknown marital status P.O. Box 993 Midland, TX 79702 Charles R. Wiggins, - 2% ORRI unknown marital status unknown address	Expires: 10/01/98

Comments

Maralo, Inc. owns 100% record title interest covering the above lease and lands.

F. State Lands
V-4432 - Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 22: NW/4
containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	83.33%	State of N.M. - 16.67% RI	Expires: 8/01/99
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

G. State Lands
V-4675 - Dated June 1, 1995
Township 10 South, Range 37 East, N.M.P.M.
Section 22: SW/4
containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	83.33%	State of N.M. - 16.67% RI	Expires: 6/01/2000

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

H. State Lands
V-4431 - Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 22: NE/4
containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	83.33%	State of NM - 16.67% RI	Expires: 8/01/99
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

I. State Lands

V-4674 - Dated June 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 22: SE/4

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	83.33%	State of N.M. - 16.67% RI	Expires: 6/01/2000
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

J. State Lands

LG-6801 - Dated August 1, 1979

Township 10 South, Range 37 East, N.M.P.M.

Section 27: NW/4

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
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Section 27: SW/4NW/4 - All depths

C.W. Trainer and his wife, Jackie Trainer P.O. Box 754 Midland, TX 79702	<u>BPO</u> 50%	79.5%	State of NM - 12.5% RI David M. Trainer, - 3% ORRI a single man P.O. Box 33280 Austin, TX 78764	HBP
George Broome, unknown marital status P.O. Box 2148 Santa Fe, NM 87504-2148	<u>BPO</u> 1%		R.A. Morse, - 1% ORRI unknown marital status 1001 Goode College Station, TX 77840	
	<u>APO</u> .75%			
David Culver, unknown marital status 12000 Hwy. 290 W. Austin, TX 78737	<u>BPO</u> 2%		C.W. Trainer - 4% ORRI and his wife, Jackie Trainer P.O. Box 754 Midland, TX 79702	
	<u>APO</u> 1.5%			
Charles Foster, unknown marital status 401 W. College Roswell, NM 88201	<u>BPO</u> 1%		Marion E. Spitler, - .01875% ORRI unknown marital status 311 Sale St., No. 1 Dallas, TX 75219-5007 (Burdens Cooper Family Trust)	
	<u>APO</u> .75%			
E.M. Gavin, unknown marital status Rt. 7, Box 129-D Santa Fe, NM 87505	<u>BPO</u> 1%		H&S Oil L.L.C. - .01875% ORRI P.O. Box 186 Artesia, NM 88210-0186 (Burdens Cooper Family Trust)	
	<u>APO</u> .75%			
Thomas E. Hickey, unknown marital status P.O. Box 2148 Santa Fe, NM 87504-2148	<u>BPO</u> 4.5%			
	<u>APO</u> 3.375%			

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
J.E. McElvain, Inc. P.O. Box 2148 Santa Fe, NM 87504-2148	<u>BPO</u> 2.5%			
	<u>APO</u> 1.875%			
McElvain Oil Company P.O. Box 2148 Santa Fe, NM 87504-2148	<u>BPO</u> 5%			
	<u>APO</u> 3.75%			
Marion Mussett, unknown marital status P.O. Box 2134 Midland, TX 79702	<u>BPO</u> 2%			
	<u>APO</u> 1.5%			
J.B. Pace, unknown marital status 3020 Thousand Oaks Dr. Austin, TX 78746	<u>BPO</u> 2%			
	<u>APO</u> 1.5%			
F.H. Prince, unknown marital status 816 Connecticut Ave., N.W. Washington, D.C. 20006	<u>BPO</u> 20%			
	<u>APO</u> 15%			
Randall Mark Trainer, unknown marital status 601 W. 11th, Apt. 227 Austin, TX 78701	<u>BPO</u> 0%			
	<u>APO</u> 8%			
Michael Shea Trainer, separate property P.O. Box 369 Kingsland, TX 78639	<u>BPO</u> 3.5%			
	<u>APO</u> 3.5%			

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
R. Keith Moore, unknown marital status P.O. Box 754 Midland, TX 79702	<u>BPO</u> .5%			
	<u>APO</u> 2.3125%			
Arlin B. Cooper, M.D. and Delphine Cooper, Trustees of the Cooper Family Trusts 7408 Franklin Rd. El Paso, TX 79915	<u>BPO</u> 5%	78.5%		
	<u>APO</u> 3.75%			

Section 27: E/2NW/4, NW/4NW/4 - All depths

C.W. Trainer and his wife, Jackie Trainer P.O. Box 754 Midland, TX 79702	100%	83.5%	State of NM - 12.5% RI David M. Trainer, - 3% ORRI a single man P.O. Box 33280 Austin, TX 78764 R.A. Morse, - 1% ORRI unknown marital status 1001 Goode College Station, TX 77840	HBP
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Comments

C.W. Trainer owns 100% record title interest covering said lease and lands.

K. State Lands

V-4753 - Dated November 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 27: NE/4

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
UMC Petroleum Corporation 410 - 17th St. Suite 1400 Denver, CO 80202	30%	83.208%	State of NM - 16.667% RI Mark D. Hughston, - .125% ORRI unknown marital status 8631 Charlbourn St. Dallas, TX 75209	Expires: 11/01/2000
Bligh Petroleum, Inc. 400 N. St. Paul St. Suite 1400 Dallas, TX 75201	35%	83.33%		
Geological Data Services 4951 Airport Pkwy. Suite 600 Dallas, TX 75248	5%	83.33%		
Aspect Resources Limited- Liability Company 535 - 16th St. Suite 820 Denver, CO 80203	25%	83.208%		
MB Exploration, L.L.C. 12222 Merit Dr. Suite 320 Dallas, TX 75251	5%	83.208%		

Comments

UMC Petroleum Corporation owns 100% record title interest covering said lease and lands.

L. State Lands

V-5207 - Dated December 1, 1997

Township 10 South, Range 37 East, N.M.P.M.

Section 27: S/2

containing 320.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	83.33%	State of N.M. - 16.67% RI	Expires: 12/01/2002
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

M. State Lands

V-4687-2 - Dated July 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 28: S/2

containing 320.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Marbob Energy Corporation P.O. Drawer 227 Artesia, NM 88211	100%	80%	State of NM - 16.67% RI Santa Fe Energy - 3.33% ORRI Resources, Inc. 550 W. Texas Suite 1330 Midland, TX 79701	Expires: 7/01/2000

Comments

Marbob Energy Corporation owns 100% record title interest covering said lease and lands.

The interest of Marbob Energy Corporation was derived from a three year term assignment from Santa Fe Energy Resources, Inc. that expires July 1, 2000. In addition, said term assignment contains a pugh clause that provides for a 180 day continuous development program between wells and upon completion of the continuous development program, all lands not contained in a producing proration unit will expire and all lands contained in producing proration units will expire below 100 feet below the total depth drilled and logged.

N. State Lands

VA-1348 - Dated March 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 29: N/2

containing 320.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	87.5%	State of N.M. - 12.5% RI	Expires: 3/01/2000
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

O. State Lands

VA-1366 - Dated April 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 29: SW/4

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Yates Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	70%	87.5%	State of N.M. - 12.5% RI	Expires: 4/01/2000
Yates Drilling Company 105 S. Fourth St. Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth St. Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth St. Artesia, NM 88210	10%			

Comments

Yates Petroleum Corporation owns 100% record title interest covering the above lease and lands.

P. State Lands

VA-1367-2 - Dated April 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 29: SE/4

containing 160.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Marbob Energy Corporation P.O. Drawer 227 Artesia, NM 88211	100%	80%	State of NM - 12.5% RI Santa Fe Energy - 7.5% ORRI Resources, Inc. 550 W. Texas Suite 1330 Midland, TX 79701	Expires: 4/01/2000

Comments

Marbob Energy Corporation owns 100% record title interest covering said lease and lands.

The interest of Marbob Energy Corporation was derived from a three year term assignment from Santa Fe Energy Resources, Inc. that expires July 1, 2000. In addition, said term assignment contains a pugh clause that provides for a 180 day continuous development program between wells and upon completion of the continuous development program, all lands not contained in a producing proration unit will expire and all lands contained in producing proration units will expire 100 feet below the total depth drilled and logged.

Q. State Lands

V-4312 - Dated March 1, 1994

Township 10 South, Range 37 East, N.M.P.M.

Section 32: All

containing 640.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Burlington Resources Oil & Gas Co. P.O. Box 51810 Midland, TX 79710	100%	83.33%	State of NM - 16.67% RI	Expires: 3/01/99

Comments

Burlington Resources Oil & Gas Co. owns 100% record title interest covering said lease and lands.

R. State Lands

V-4694 - Dated July 1, 1995

Township 10 South, Range 37 East, N.M.P.M.

Section 33: S/2

containing 320.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Cobra Exploration Company P.O. Box 8206 Wichita Falls, TX 76307-8206	78%	83.33%	State of N.M. - 16.67% RI	Expires: 7/01/2000

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Kelley Oil Corporation 601 Jefferson Suite 1100 Houston, TX 77002	22%			

Comments

Cobra Exploration Company owns 100% record title interest covering the above lease and lands.

The interest of Kelley Oil Corporation is subject to a Mortgage effective December 1, 1997, recorded in Book 841, Page 425, of the Lea County records in favor of Texas Commerce Bank National Association.

- S. Fee Lands
Township 10 South, Range 37 East, N.M.P.M.
 Section 34: S/2
 containing 320.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
OGL 523/169 covering 1/2 mineral interest				
Cobra Exploration Company P.O. Box 8206 Wichita Falls, TX 76307-8206	78%	75%	First National Bank - 25% RI of Abilene, TX and Jack H. Crenshaw, Co-Trustees of the Ethel B. Crenshaw Testimentary Trust P.O. Box 701 Abilene, TX 79604	Expires: 10/03/98
Kelley Oil Corporation 601 Jefferson Suite 1100 Houston, TX 77002	22%			

Unleased - 1/2 mineral interest

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Comments

Oil and Gas Lease 523/169 contains a pugh clause that provides for a 180 day continuous development program between wells and upon completion of the continuous development program, all lands not contained in a producing proration unit will expire and all lands contained in producing proration units will expire as to the strata below 100 feet below the base of the then producing zone or formation.

Comments
(Continued)

The interest of Kelley Oil Corporation is subject to a Mortgage effective December 1, 1997, recorded in Book 841, Page 425, of the Lea County records in favor of Texas Commerce Bank National Association.

* * * *

This completes the report. Please feel free to contact me at (505) 623-5400 with any questions or comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Blaine Hess".

Blaine Hess

BH/arh