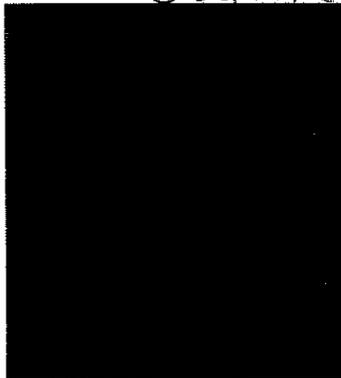


802.3  
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CONFIDENTIAL

VIA ELECTRONIC MAIL

July 13, 2005

Nancy M. Ovuka  
Premerger Notification Office  
Bureau of Competition  
Federal Trade Commission  
7th & Pennsylvania Avenue, NW  
Washington, DC 20580

Dear Nancy:

I am writing to confirm my understanding of telephone conversations we had today concerning the potential reportability under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"), of a proposed transaction discussed below.

Proposed Transaction

Our client ("Company A") is engaged in oil and natural gas acquisition, exploitation, exploration and production activities. Company A proposes to acquire from a limited partnership ("Company B") assets consisting of real property interests in oil and gas properties located in Oklahoma (the "Oklahoma Properties") and Texas and New Mexico (the "Texas/New Mexico Properties"), associated exploration or production assets, and interests in certain pipeline assets and a gas processing plant (collectively, the "Assets"). Each of the Oklahoma Properties and the Texas/New Mexico Properties has (i) proved developed producing reserves; (ii) proved developed nonproducing reserves (which we understand from Company A have generated no revenue to date); and (iii) proved undeveloped reserves (which we understand from Company A are not producing and have generated no revenue to date). Company A intends to enter into two separate purchase and sale agreements with Company B, one for the acquisition of the Oklahoma Properties and one for the acquisition of the Texas/New Mexico Properties.

The aggregate purchase price for the Assets will be approximately \$773 million. The value of the interests in the developed and producing oil and gas properties, along with associated exploration or production assets relating to such properties does not exceed \$500 million. The value of any interests in pipeline assets, the gas processing plant and any other assets other than reserves of oil and natural gas, rights to reserves of oil and natural gas, and associated exploration and production assets is less than \$53.1 million.



*Analysis and Conclusions*

You confirmed our understanding that Company A's proposed acquisition of the Assets would be exempt under the HSR Act. Specifically, based on our conversations, you agreed as follows:

1. The proposed acquisition will fall under the unproductive real property exemption set forth in 16 C.F.R. § 8.02.2(c) (the "Unproductive Real Property Exemption") and the exemption concerning acquisitions of carbon-based mineral reserves set forth in 16 C.F.R. § 8.02.3 (the "Oil and Gas Exemption").

2. To the extent that certain properties and reserves in portions of the Oklahoma Properties and the Texas/New Mexico Properties have not yet generated any revenues, such properties and reserves (along with associated production and exploration assets) will be treated as falling under the Unproductive Real Property Exemption regardless of dollar value, while those properties and reserves that are currently developed and producing will qualify for the Oil and Gas Exemption (assuming the value of the currently developed and producing reserves and associated exploration and production assets does not exceed \$500 million).

3. In applying the Unproductive Real Property Exemption to the Assets consisting of nonproducing properties and reserves, it is not necessary to determine whether, for purposes of 16 C.F.R. § 8.02.2(c)(2)(iii), such properties are or are not "adjacent to or used in conjunction with real property that is not unproductive real property" as long as any other such adjacent properties being acquired are otherwise exempt under the Oil and Gas Exemption. In other words, if nonproducing properties and reserves in the Oklahoma Properties and the Texas/New Mexico Properties are adjacent to producing properties and reserves that are part of the transaction but qualify for the Oil and Gas Exemption, the nonproducing properties and reserves (developed or undeveloped) still qualify for the Unproductive Real Property Exemption.

4. In determining whether the transaction falls within the terms of the Oil and Gas Exemption, Company A need only focus on the Assets of Company B being acquired. In other words, the \$500 million amount in the Oil and Gas Exemption relates only to the Assets of Company B and not to the existing assets of Company A, assuming Company A did not acquire its currently held assets from Company B within the previous 180 days as set forth under 16 C.F.R. § 8.01.13(b).

5. To the extent the gas processing plant being acquired does not qualify as an associated exploration or production asset, the location of the plant on or adjacent to oil and gas reserve properties being acquired does not effect the applicability of the Unproductive Real Property Exemption or the Oil and Gas Exemption to the acquisition of those oil and gas properties and any associated exploration and production assets.

6. On the basis of the foregoing, Company A may acquire the Assets without the need to make an HSR filing assuming that as determined by Company A, or its designee, in compliance with 16 C.F.R. § 8.01.10 that (i) a portion of the Assets consists of interests in oil and gas properties (and associated exploration or production assets) that have not generated any revenues

[REDACTED]

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Nancy M. Ovuka  
July 13, 2005  
Page 3

and therefore fall within the Unproductive Real Property Exemption; (ii) another portion of the Assets consists of interests in developed and producing oil and gas properties, as to which the value of the properties, reserves, rights and associated exploration or production assets relating to such properties does not exceed \$500 million; and (iii) to the extent that any other portion of the Assets consists of direct or indirect interests of Company B that do not qualify for the Unproductive Real Property Exemption or the Oil and Gas Exemption (e.g., interests in certain pipeline assets and a gas processing plant), such assets have a value that does not exceed \$53.1 million.

Please let me know as soon as possible if you disagree with any of the conclusions discussed above, or if I have misunderstood any aspect of your advice. Thank you for your assistance in this matter.

Sincerely,

[REDACTED]

7/14  
Agree w/ content  
of letter.  
N. Ovuka