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LAND DEPT.

Oryx Energy Company
13155 Noet Road
Dallas TX 75240-5067
PO Box 2880
Dallas TX 75221-2880
214 715 8846
FAX 214 715 8851

September 24, 1993

Carlos J. Salazar
Senior Counsel

American Exploration Company
1331 Lamar Street, Suite 900
Houston, Texas 77010-3088

Attention: Mr. Ronnie C. VanWinkle

Re: Murdock Pass, Dunn-McCampbell and
Laguna State A-233 Leases
Kenedy and Kleberg Counties, Texas

Dear Mr. VanWinkle:

As you are aware, the National Park Service has, for the past several months, been attempting to determine ownership of and responsibility for various wells and personal property and equipment located on the captioned properties. I have reviewed a copy of your letter dated April 12, 1993, addressed to Mr. John E. Miller of the Department of the Interior, wherein you claim ownership of and responsibility for only the Laguna State A-233 No. 1 Well, the Dunn-McCampbell No. 3-A Well and the Dunn-McCampbell No. 8-A Well, said wells having been acquired by American Exploration Company (Amerox Acquisition Corp.) from Oryx in 1989.

I have reviewed the files relative to the acquisition by Amerox of these interests as well as a report prepared by Oryx personnel who recently performed a field investigation of the subject areas with Mr. Paul Eubank of the National Park Service and have concluded as follows:

1. The Assignments into Amerox conveyed not only Oryx's interest in the wells described therein, but also all of Oryx's right, title and interest in and to all equipment and other personal or mixed property located on the Lands or used in connection with the operation of the Leases. (See Subparagraph (b), Page 2 of Assignment.) By definition, this includes all wells...separators...buildings...marketing and gas gathering or processing systems...appurtenant to the Evaluated Interests.

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It is clear that it was the parties' intent to convey and that the language of the Assignment in fact conveys Oryx's interest in the Dunn-McCampbell A-6 Well, a saltwater disposal well used for disposal of water produced from the Dunn-McCampbell 3-A and the Dunn-McCampbell 8-A Wells, which wells were specifically described in the Assignment. We have determined that a P-4 for the A-6 Well was signed by American Exploration evidencing American's intent to accept ownership of said well and that the P-4 was filed with the RRC (copy enclosed). It appears, however, that the RRC failed to change its records accordingly. We have also determined that American Exploration has in fact placed its sign on this well and that American Exploration in fact disposed of water from the 8-A and 3-A Wells into this well after its purchase from Oryx.

2. It is also Oryx's position that American Exploration acquired Oryx's title to the gas processing plant dock, and associated bulkheads, bunkhouse, tool shed, generator house and related production facilities as well as the Laguna State A-228-1 Water Well associated therewith, all of which interests are associated with and appurtenant to the Laguna State A-233-1 Well which was specifically described in the Assignment. We have confirmed that American Exploration not only painted and placed its own sign on the gas plant facility after its purchase from Oryx, but also apparently later proceeded to dispose of the compressors which were located thereon.
3. Oryx has assumed responsibility for and has recently plugged and abandoned the Dunn-McCampbell A-1 Well, a water well which Sun had used for past production facilities.

By copy of this letter, we are advising the National Park Service of Oryx's position regarding the ownership of these various interests.

It is my understanding that the RRC has recently provided notice of a potential problem with the Laguna State A-228-1 Water Well. Be advised that Oryx considers this well and all the other interests

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described herein to be the responsibility of American Exploration Company. We hereby request that you immediately conduct your own investigation and take whatever measures may be appropriate to satisfy the requirements of the National Park Service and/or the RRC.

Because the requisite P-4's have not been filed with the RRC as to some of these wells, the RRC still lists Oryx as Operator of record. We fully expect to remedy this situation in the near future and will expect American Exploration Company to execute all necessary documents to formalize the transfer of operatorship.

Very truly yours,


Carlos J. Salazar

CJS:db

Enclosure

Copy w/enclosure to: United States Department of the Interior
National Park Service
9405 South Padre Island Drive
Corpus Christi, Texas 78418
Attention: Mr. Charles R. Farabee

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