

802.3  
802.2 ~~802.2~~  
(c)




October 29, 2007

Mr. B. Michael Verne  
Premerger Notification Office  
Federal Trade Commission  
6th Street & Pennsylvania Avenue, NW  
Room 310  
Washington, DC 20580

Re: Hart-Scott-Rodino Act Interpretation

Dear Mr. Verne:

This letter summarizes our conference call on Monday, October 29, 2007, during which you confirmed our conclusion that our client's (the "Company") acquisition of certain assets primarily consisting of producing and non-producing oil and gas reserves (the "Acquisition") does not require a filing under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the "Act"). Please confirm your concurrence with this conclusion based on the facts outlined below by return e-mail to me at 

The Company has represented to us that it proposes to acquire certain assets (the "Assets") from the target company ("Target") for approximately \$825 million subject to certain purchase price reductions. The Company or its designee have determined, in compliance with 16 C.F.R. §801.10, that the Assets consist solely of (i) developed and producing oil and natural gas reserves and associated exploration and production assets related to such properties valued at less than \$500 million; (ii) proved and unproved non-producing reserves (certain of the non-producing reserves are adjacent to various of the producing reserves); and (iii) certain assets other than reserves of oil and natural gas, rights to reserves of oil and natural gas, and associated exploration and production assets valued at less than \$59.8 million.

Regarding general principals and rules under the Act, you confirmed that the following apply to the Acquisition:

- Reserves of oil and natural gas that are presently producing are included in the \$500 million carbon-based mineral reserves exemption under 16 C.F.R. §802.3(a).
- Reserves of oil and natural gas that have not yet generated any revenues (or have not generated revenues in excess of \$5 million during the 36 months preceding the acquisition) are exempt with no dollar limit as unproductive real property



October 29, 2007

Page 2

under 16 C.F.R. §802.2(c)). These reserves do not count towards the \$500 million carbon mineral reserves exemption limit.

- Non-producing oil and natural gas reserves are exempt with no dollar limit as unproductive real property under 16 C.F.R. §802.2(c) even if they are 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 exempt carbon-based mineral reserves under 16 C.F.R. §802.3(a).
- In determining whether the transaction falls within the terms of the exemption provided in 16 C.F.R. §802.3(a), the Company need focus only on the Target's assets. In other words, the \$500 million figure in the exemption provided in 16 C.F.R. §802.3(a) relates only to the Assets of Target being acquired and not to the existing assets of the Company, assuming the Company did not acquire its currently held assets from Target within the time period and manner that would require aggregation under 16 C.F.R. §801.13(b).

Based on the foregoing, the Company may acquire the Assets from Target in reliance on the exemptions set forth in 16 C.F.R. §802.3(a) and 16 C.F.R. § 802.2(c) without the need to make a filing under the Act. Please let me know if I have misstated our discussion or your conclusions in any way. Thank you for your time and assistance.

Very truly yours,



AGREE -  
BM  
10/29/07

