

Bo Blue

From: Ron Lanning [rlanning@mackenergycorp.com]
Sent: Tuesday, March 30, 2004 9:42 AM
To: Bo Blue (E-mail); Mark Wheeler (E-mail)
Subject: Roughneck Red Well

Bo:

We've discussed your proposal for surface use in the N/2 of Section 29, T17S, R26E. We also noticed you apparently are going to propose a different bottom hole location for your initial well.

For various reasons, your proposed surface location is unacceptable to Chase Farms. However, we are willing to begin negotiations with you based on the following general terms:

Drill your initial well in the W/2 of the spacing unit with your surface location in the area I recommended in the NW/4 NW/4. From there, you can drill a vertical hole or a directional hole to a bottom hole location of your choice.

If you desire to drill a subsequent well with a bottom hole location in the E/2 of the spacing unit (within an agreed time frame), Chase Farms will make a surface location available to you in the NE corner of the SE/4 NE/4, adjacent to US Hwy 285. This will allow you to drill directionally in a SW direction to your desired bottom hole location.

Chase Oil Corporation owns 1/3 of the leasehold in your N/2 spacing unit. Chase Oil does not desire to participate in your well(s). However, if you agree to the general terms above, Chase Oil will farmout its leasehold to you with no cash consideration or reserved overriding royalty, but with the option to back in to a proportionately reduced 1/3 working interest after payout of each well.

Please contact me if you have any questions.

Ronald W. Lanning
Land Manager
Mack Energy Corporation
Chase Oil Corporation
Caza Energy LLC
Chase Farms
505-748-1288 ofc
505-748-7374 fax
505-746-7608 cell

Bo Blue

From: Bo Blue [bblue@prestonexpl.com]
Sent: Tuesday, March 30, 2004 2:58 PM
To: 'rlanning@mackenergycorp.com'; 'Mark Wheeler (E-mail)'
Subject: RE: Roughneck Red Well

Ron, as I mentioned on the phone this afternoon, we will stay out of your orchard and utilize a location in the NW/4 NW/4 of Section 29, T17S, R26E. We are willing to acquire your leases at a reasonable cost under a term assignment whereby you turn a 75% net lease. We are not interested in a farmout of your interest with a 1/3 backin after payout.

Please call me should you have any questions.

-----Original Message-----

From: Ron Lanning [mailto:rlanning@mackenergycorp.com]
Sent: Tuesday, March 30, 2004 9:42 AM
To: Bo Blue (E-mail); Mark Wheeler (E-mail)
Subject: Roughneck Red Well

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Bo Blue

From: Ron Lanning [rlanning@mackenergycorp.com]
Sent: Tuesday, March 30, 2004 4:19 PM
To: Bo Blue (E-mail)
Cc: Mark Wheeler (E-mail)
Subject: Roughneck Red Well, Sec. 29, T17S, R26E, Eddy County NM

Bo...

Chase Oil Corporation, PO Box 1767, Artesia, NM 88211, owns a 33.33333% GWI and 25.41667% NRI in your N/2 spacing unit for the captioned well.

Please send an AFE with your surface and bottom hole locations and we will decide if we want to participate.

Please include your best offer for our leasehold in case we elect to not join in the drilling of the well.

Ron Lanning