

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

*Handwritten:* CASE FILE  
*Stamp:* JUL 13 1998  
*Handwritten:* 11960

July 10, 1998

David R. Catanach  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

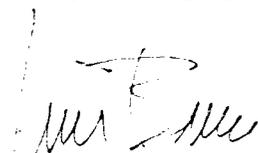
Re: Case No. 11,877 (Application of Fasken Land and Minerals, Ltd. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico)

Case No. 11,960 (Application of Redstone Oil & Gas Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico)

Dear David:

As I mentioned over the phone, notice of the unorthodox location portion of Redstone's application was only given to Fasken. The Rock Tank Unit, operated by Redstone, covers all of Section 1 and the E½ of Section 12, 23 South-24 East, and all of Sections 6 and 7, 23 South-25 East. Therefore, there are no interest owners in that acreage to notify. In addition, all interest owners in the unit also own interests in the proposed well in Section 12. All interest owners were submitted a well proposal by Redstone, so all interest owners are aware of the well's location. Copies of the notice and proposal letters are enclosed. Please call if you need anything else.

Very truly yours,



James Bruce

Attorney for Redstone  
Oil & Gas Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF REDSTONE OIL &  
GAS COMPANY FOR COMPULSORY  
POOLING AND AN UNORTHODOX GAS  
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

Case No. 11,960

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO       )  
COUNTY OF SANTA FE       ) ss.

James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am an attorney for Applicant.

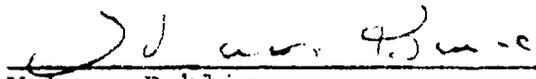
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.

4. Notice of the Application was provided to the interest owner at its correct address by mailing it, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipt are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.

  
\_\_\_\_\_  
James Bruce

SUBSCRIBED AND SWORN TO before me this 1st day of April, 1998, by James Bruce.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

3/14/2001

NEW MEXICO  
OIL CONSERVATION DIVISION

Redstone EXHIBIT A

CASE NO. \_\_\_\_\_

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

March 11, 1998

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Fasken Land and Minerals, Ltd.  
Suite 1900  
303 West Wall Street  
Midland, Texas 79701

Ladies and Gentlemen:

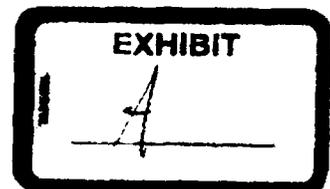
Enclosed is a copy of an application for compulsory pooling filed at the New Mexico Oil Conservation Division by Redstone Oil & Gas Company regarding the Section 12, Township 23 South, Range 24 East, NMPM, Eddy County, New Mexico. This matter will be heard at 8:15 a.m. on Thursday, April 2, 1998 at the Division's offices at 2040 South Pacheco Street, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to appear at the hearing and participate in the case. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

Very truly yours,



James Bruce

Attorney for Redstone  
Oil & Gas Company



Is your RETURN ADDRESS completed on the reverse side?

**GENERAL**

- Complete items 1 and 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 FASKEV LAND &  
 MINERALS LTD  
 303 W. WALL #1900  
 MIDLAND, TX 79701

4a. Article Number  
 2432546197

4b. Service Type  
 Registered  
 Express Mail  
 Return Receipt for Merchandise  
 COD

5. Received By: (Print Name)  
 X *John Knappe*

6. Signature (Addressor or Agent)  
*John Knappe*

7. Date of Delivery  
 3/13/98

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service

PS Form 3800, April 1995  
 102506-97-B (17) Domestic Return Receipt

2 432 546 197

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail. (See reverse)

Sent to  
 Fasken Land & Minerals Ltd

Street & Number  
 303 W. Wall, Suite 1900

Post Office, Suite, & ZIP Code  
 Midland, TX 79701

Postage	\$ .55
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1, 11)
Return Receipt Showing Date & Addressee's Name	
TOTAL Postage & Fee	1.90
Postmark or Date	MAR 13 1998 USPS

PS Form 3800, April 1995

CASE NO. 11960

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF REDSTONE OIL & GAS  
COMPANY FOR COMPULSORY POOLING AND  
AN UNORTHODOX GAS WELL LOCATION  
EDDY COUNTY, NEW MEXICO

Case No. 11,960

AFFIDAVIT OF JOE E. SMALL

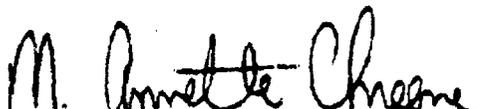
STATE OF TEXAS            )  
COUNTY OF DALLAS        )       ss.

Joe E. Small, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.
2. I am employed by Redstone Oil & Gas Company ("Redstone") as a petroleum landman. I am Redstone's Vice President - Land.
3. On February 9, 1998, I mailed a proposal letter to all working interest owners in Section 12, Township 23 South, Range 24 East, NMPM, regarding Redstone's proposed Rock Tank Well No. 5, to be located 500 feet FNL and 2515 feet FEL of Section 12. A copy of Redstone's proposal letter is attached hereto as Exhibit A.
4. I followed up the letter with a subsequent letter to Fasken Land and Minerals, Ltd. and phone calls to the other working interest owners in Section 12.

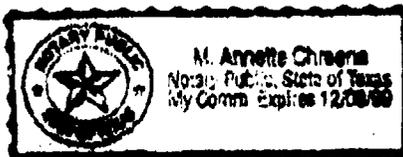
  
\_\_\_\_\_  
Joe E. Small

SUBSCRIBED AND SWORN TO before me this 1st day of April, 1998, by Joe E. Small.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

12-8-99





February 9, 1998

TO THE OWNERS ON THE ATTACHED LIST:

Re: Proposed Rock Tank #5  
300' FNL & 2,515' FEL Section 12-23S-24E  
NMPM, Eddy County, New Mexico

Gentlemen:

Pursuant to the terms of our Operating Agreement dated January 1, 1970 covering all of Section 12-23S-24E as to the Morrow formation, and to our Operating Agreement dated August 1, 1967 covering the Rock Tank Unit, Redstone Oil & Gas Company (Redstone) hereby proposes the drilling of a well at the captioned location. Redstone proposed to drill this well to a depth of 10,500 feet or a depth sufficient to test the Lower Morrow formation, whichever is lesser. Our estimated dry hole cost is \$487,564 and our estimated total well cost is \$717,958. Attached is our AFE for the drilling and completing of this well.

The existing spacing for the Morrow is the 640 acres comprising all of Section 12. As to any gas zones below the top of the Wolfcamp which the Division spaces on 320 acres, Redstone proposes the owners form a spacing unit consisting of the N/2 of Section 12.

In accordance with the above mentioned Operating Agreements, please indicate your election to participate in the above proposal with thirty days from the receipt of this letter by signing and returning one copy of this letter and the AFE to me at your earliest convenience.



8236 DOUGLAS AVENUE, SUITE 1050  
DALLAS, TEXAS 75225

(214) 368-0202  
FAX (214) 738-0061

Working Interest Owners  
February 9, 1998  
Page 2

If you have any questions regarding this matter, please advise.

Very truly yours,

**REDSTONE OIL & GAS COMPANY**



Joe E. Small, CPL  
Vice President - Land

**THE FOLLOWING ELECTION IS HEREBY MADE:**

1. We elect to participate in the drilling of the well as described above.
2. We elect not to participate in the drilling of the well as described above

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Working Interest Owners**

**February 9, 1998**

**Page 3**

**Brooks Oil and Gas Interests**

**9696 Skillman, LB 34**

**Dallas, TX 75243**

**Max W. Coll II F/A/O**

**Rt. 9, Box 72F**

**Santa Fe, NM 87505**

**Fusion Oil & Ranch, Ltd.**

**303 West Wall, Suite 1900**

**Midland, TX 79701**

**Finwing Corporation**

**P.O. Box 10886**

**Midland, TX 79702**

**William Taylor Lagrone**

**P.O. Box 8020466**

**Dallas, TX 75380**

**Marta Oil and Gas Corp.**

**P.O. Box 10886**

**Midland, TX 79702**

**Petratis Oil & Gas, Inc.**

**P.O. Box 10886**

**Midland, TX 79702**

**SES Oil & Gas, Inc.**

**214 W. Texas, Ste. 900**

**Midland, TX 79702-0371**

**Olwick Corp.**

**P.O. Box 10886**

**Midland, TX 79702**

**Redstone Oil & Gas Company**

**8235 Douglas Ave., Ste. 1050**

**Dallas, TX 75225**

# ILLEGIBLE

## WELL COST ESTIMATE DRILLING AND COMPLETION

First Draft

State: N. Mexico County: Eddy Expenditure Type: (X) Development Drilling  
 Field: Rock Tank Lease: Rock Tank ( ) Injection Well  
 Well Number: 6 File: ( ) Exploratory Drilling  
 Location: 24th PBL & 500th PNL Sec. 12, T23S, R24E ( ) Recompletion  
 Formation: Morrow  
 Estimated TD: 10,000 feet

INTANGIBLE COSTS	COST TO DRILL	COST TO COMPLETE	TOTAL WELL COST ESTIMATE	SUB ACCT	QTY
Location & Rig	\$25,000	\$5,000	\$30,000		
Demolish & Repair of Way	\$2,000		\$2,000		
Move in, Rig up and Rig down	\$0		\$0		
Drilling - Feet: 10,000 @ \$28.80/ft	\$287,760		\$287,760		
Drilling - Cement: 3 days @ \$6800/day	\$20,400		\$20,400		
Fluid	\$0		\$0		
Cement & Cementing Services	\$24,800	\$14,000	\$38,800		
Mud & Chemicals	\$20,000		\$20,000		
Mud Logging: 10 days @ 400/day	\$4,000		\$4,000		
Water, including water hauling	\$20,000		\$20,000		
Gravel, Core Analysis			\$0		
Log, Cement & Misc			\$0		
Rigging	\$20,000	\$10,000	\$30,000		
Formation Yards			\$0		
Leasing, Cased Hole	\$14,000		\$14,000		
Trucking, Incl. Casing & Hot Shot Serv.	\$2,500		\$2,500		
Electricity (including & generator)	\$4,000	\$5,280	\$9,280		
Other Well Cost (incl. Labor)	\$2,500		\$2,500		
Overhead	\$1,000		\$1,000		
Completion, W.G. & Swabbing Unit		\$27,000	\$27,000		
Leasing Cased Hole		\$3,000	\$3,000		
Perforating		\$5,000	\$5,000		
Wellhead (incl)			\$0		
Completion Tools		\$5,000	\$5,000		
Other Well Cost (incl. Labor)		\$2,500	\$2,500		
Cement & Cement Services P & A			\$0		
Overhead	\$21,388	\$3,888	\$25,276		
<b>TOTAL INTANGIBLE COSTS</b>	<b>\$449,158</b>	<b>\$81,218</b>	<b>\$530,376</b>		
<b>PERMANENT WELL EQUIPMENT</b>					
Casing 1" @	\$1,500		\$1,500		
Inner Casing 4 1/2" 11.80' @ \$17.70/ft	\$7,118		\$7,118		
Intermediate Casing 2 1/2" @ \$28.00 @ 11.80'	\$24,000		\$24,000		
Production Casing 10,000' 5 1/2" @ \$8.00 @ \$7.88/ft		\$73,137	\$73,137		
Tool Joint 10,000' 2 3/8" @ \$2.20/ft		\$22,440	\$22,440		
Casing & Tubing Losses	\$5,780	\$5,800	\$11,580		
Steel Yoke & Bottom Assembly		\$4,800	\$4,800		
Production Perforating Casing		\$8,000	\$8,000		
Surge Head & Bottom Hole Pump			\$0		
Control Panel			\$0		
Log		\$10,000	\$10,000		
Trucking, Storage & Tank by Equip		\$10,000	\$10,000		
Painting, Gas Lines		\$8,000	\$8,000		
Misc. Parts		\$10,000	\$10,000		
Trucking (Clear Road work)		\$1,800	\$1,800		
Overhead		\$1,000	\$1,000		
<b>TOTAL WELL EQUIPMENT</b>	<b>\$38,438</b>	<b>\$148,177</b>	<b>\$186,615</b>		
<b>TOTAL COST</b>	<b>\$487,596</b>	<b>\$229,395</b>	<b>\$716,991</b>		

RECOMMENDED BY: Scott Reed  
 OPERATOR APPROVAL: SEBASTIAN OIL & GAS COMPANY  
 BY: [Signature]  
 TITLE: [Signature]  
 JOINT INTEREST APPROVAL:  
 BY: \_\_\_\_\_  
 TITLE: \_\_\_\_\_

DATE: 2/1/88  
 DATE: 2/1/88  
 DATE: \_\_\_\_\_