



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.



8235 DOUGLAS AVENUE, SUITE 1050
DALLAS, TEXAS 75225

(214) 368-0202
FAX (214) 739-0061

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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

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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

Fackon 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

Manta 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: 2487 PSL & 600' PNL, Sec. 12, T23S, R24E () Recompletion
 Formation: Marrow
 Estimated TD: 10,000 feet

	COST TO DRILL	COST TO COMPLETE	TOTAL WELL COST ESTIMATE	SUB ACCT	QTY
INTANGIBLE COSTS					
Location & Notes	\$25,000	\$5,000	\$30,000		
Permits & Right of Way	\$2,000		\$2,000		
Move in, set up and rig down	\$0		\$0		
Drilling Fluid: 10,000 @ \$28.50/H	\$287,750		\$287,750		
Drilling Cement: 3,000 @ \$800/day	\$20,400		\$20,400		
Fuel	\$0		\$0		
Catering & Concreting Services	\$14,000	\$14,000	\$38,000		
Mix & Charge	\$20,000		\$20,000		
Mud Logging: 10 days @ 400/day	\$4,000		\$4,000		
Water, including water hauling	\$20,000		\$20,000		
Central Case Analysis			\$0		
Log, Reconn & Map			\$0		
Asphalt	\$20,000	\$10,000	\$30,000		
Formation Tester			\$0		
Logging, Open Hole	\$14,000		\$14,000		
Trucking, Fuel, Cement & Hot Shot Serv.	\$2,500		\$2,500		
Subsidence Measurement & Observation	\$4,000	\$5,250	\$9,250		
Cost of Oil Cost (Misc Labor)	\$2,500		\$2,500		
Overhead	\$1,000		\$1,000		
Completion, W.O. & Borehole Units		\$27,000	\$27,000		
Central Case Hole		\$3,000	\$3,000		
Perforation		\$5,800	\$5,800		
Shut-in Cost			\$0		
Completion Tester		\$5,000	\$5,000		
Over Cost (Misc Labor)		\$2,500	\$2,500		
Cement & Cement Services P & A			\$0		
Completion @ 8%	\$21,318	\$3,898	\$25,216		
TOTAL INTANGIBLE COSTS	\$448,138	\$81,218	\$529,356		
PERMANENT WELL EQUIPMENT					
Conductor Pipe	\$1,500		\$1,500		
Surface Casing 400' 1 1/2" @ \$17.75/H	\$7,118		\$7,118		
Intermediate Casing 2000' 1 1/2" @ \$8.05 @ \$11.80/H	\$24,030		\$24,030		
Production Casing 10,000' 1 1/2" @ \$8.05 @ \$7.85/H		\$79,197	\$79,197		
Tool Joint 2 3/8" @ \$2.20/H		\$22,440	\$22,440		
Casing & Tubing Loss	\$5,750	\$5,000	\$10,750		
Steel Tubing & Borehole Assembly		\$4,000	\$4,000		
Production Perforation Catcher		\$8,000	\$8,000		
Surface Hole & Bottom Hole Pump			\$0		
Compressor			\$0		
Log		\$10,000	\$10,000		
Trucking, Storage & Tank by Equip		\$10,000	\$10,000		
Perforation Gun Line		\$8,000	\$8,000		
Misc. Parts		\$10,000	\$10,000		
Trucking (Casing Hole 2000')		\$1,000	\$1,000		
Overhead		\$1,000	\$1,000		
TOTAL WELL EQUIPMENT	\$38,438	\$136,197	\$174,635		
TOTAL COST	\$486,576	\$217,415	\$703,991		

RECOMMENDED BY: Gene Ross
 OPERATOR APPROVAL: REDSTONE OIL & GAS COMPANY
 BY: [Signature]
 TITLE: [Signature]
 JOINT INTEREST APPROVAL:
 BY: _____
 TITLE: _____

DATE: 2/1/88
 DATE: 2/1/88
 DATE: _____