

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 13711

AFFIDAVIT OF FRANK PANNELL

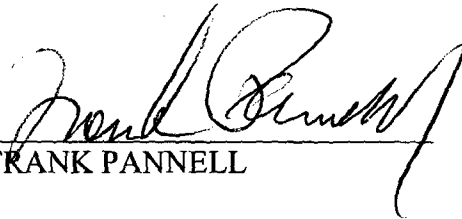
I, FRANK PANNELL, hereby swear and affirm that:

1. I am over the age of eighteen (18) and competent to give this affidavit.
2. I am a party-in-interest in this matter.
3. I am currently the Vice President of Operations at Tempo Energy, Inc., which is located in Midland, Texas.
4. Tempo has never had an address in New Mexico.
5. All the addresses listed on the forms filed for the San Simon State #6 Well, API 30-025-029839 state a Hobbs, New Mexico return address.
6. Tempo did and does not own, operate, have any interest in, nor did it drill the above mentioned well.
7. The above mentioned well is listed under OGRID 22212 but Tempo only operates wells in New Mexico under OGRID 22223.
8. The New Mexico Oil Conservation Division (OCD) sent Tempo a Notice of Violation dated March 9, 2004.
9. The violation was in reference to the San Simon State #6 Well.
10. I sent a letter dated March 26, 2004 to Chris Williams, OCD District 1 Supervisor, at 1625 N. French Drive Hobbs, New Mexico 88240 disputing Tempo's connection to the well.

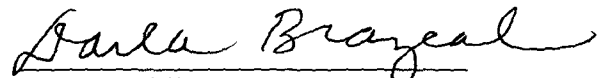
Exhibit A

11. A true and correct copy of this letter with attachments (10) is attached as exhibit
"A."

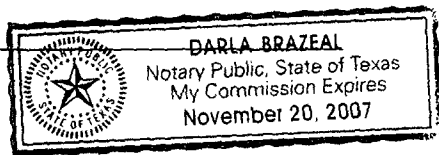
Further Affiant sayeth not.


FRANK PANNELL

SUBSCRIBED AND SWORN TO before me this 5 day of July, 2006, by
FRANK PANNELL.


Notary Public

My Commission Expires:



Tempo Energy, Inc.

PO Box 1034
Midland TX 79702

(432) 889-2951

March 26, 2004

Chris Williams
NMOCD District I Supervisor
Oil Conservation Division
1825 N. French Drive
Hobbs, NM 88240

Re: San Simon State # 6
API 30-025-29839

Mr. Williams:

Tempo Energy, Inc. of Midland, Texas does not own, operate, have any interest in, nor did we drill the above mentioned well.

At this time we have concluded that the driller of the well, Joe Peterson dba Peterson Petroleum Company, fraudulently used Tempo Energy, Inc.'s surety bond to drill the above referenced well as evidenced by documents retrieved from your website. Mr. Peterson had access to the bond information due to the fact that he did work as a consultant to Tempo Energy, Inc. on drilling wells in New Mexico and Texas from 1983 until 1986 when he was terminated for cause.

In looking at the documents retrieved from your website we found the following irregularities (each number signifies corresponding document):

- 1) On well location and acreage dedication plot in the name of Peterson Petroleum, a certified document, the typed name of Peterson Petroleum is marked through and Tempo Energy Inc is hand written beside it, no initial of change by anyone.
- 2) On the Application to Drill, filed under Tempo energy, Inc/ Peterson Petroleum Company (with the latter lined out with no initials) the mailing address is listed as PO Box 5509 Hobbs, NM 88241-5509. Tempo energy, Inc. has never had an office in the State of New Mexico, and all correspondence would have originated from the Midland, TX office. This document was submitted by Joe D. Petereson.
- 3) On the Inclination report submitted by James Brazeal dba Capstar Drilling, another notarized document, the operator typed onto the form is Peterson Petroleum Company, which is again lined out and has handwritten Tempo Energy, Inc. This change also is not initialized by anyone on the notarized document.
- 4) The OCD Sundry Notice form is filled out and signed by Joe D. Peterson with a return address of Hobbs, NM.
- 5) The OCD Well Completion Report shows Tempo Energy, Inc./Peterson Petroleum Company, with the latter lined out and the Hobbs, NM mailing address. The form is again signed by Joe D. Peterson.
- 6) WRS Completion report shows Tempo Energy.
- 7) OCD Request for allowable submitted under Tempo Energy, Inc./Peterson Petroleum Company (latter scratched out) with the Hobbs, NM return address.

COPY

March 26, 2004

- 8) OCD Sundry Notice form submitted in the name of Tempo Energy/Peterson Petroleum Company (someone failed to scratch out the latter on this one) with the Hobbs, NM return address, signed by Joe D. Peterson.
- 9) OCD Sundry Notice from under the name Tempo Energy (someone penciled in the Inc) filed by Guy Baber of intent to P&A with operator address of Hobbs, NM.
- 10) A fax received from Mr. David Eubank, Title Advisor for Conoco/Phillips showing they have no record of a property under this API number operated by Tempo Energy, Inc.

Tempo Energy, Inc. contacted Mr. Guy Baber, Sr. (80 years old) who stated that he may have filed the paperwork but had no recollection of the document and did not know who Tempo Energy, Inc. was. I described to him the conditions of the well site as told to me by Mr. Buddy Hill about 2 years ago. Mr. Baber stated that someone should prosecute Mr. Peterson for leaving a well in that condition.

Tempo Energy also contacted Mr. James Brazeal, dba Capstar Drilling, who stated that the well was drilled for Joe D. Peterson of Peterson Petroleum Company and that Mr. Peterson had not paid them for their services.

In addition, Tempo Energy also contacted Mr. David Eubank with Conoco/Phillips in Oklahoma and he could find no record of the API number for the well, nor any listing for the well under either Peterson or Tempo per attached copy of fax.

Tempo Energy, Inc. has never had an office in New Mexico, did not drill, operate, or have any financial interest in the referenced well and feel that this was a case of identity theft. Whereas, Joe Petereson used the system to drill a well by taking Tempo Energy, Inc.'s name and bond number and used them to file and get approval to drill this well without Tempo's knowledge or approval. Obviously this fell through the cracks early on as Tempo was not contacted regarding use of the bond or the abnormal use of its name in conjunction with another operator. All the forms that were filed were done so with the Hobbs, NM return address, to which Tempo would have no knowledge of any correspondence sent to that address. Tempo Energy, Inc. has always contacted the OCD by phone and in writing when this matter has arisen. Tempo has always maintained that The San Simon State # 6 was not drilled, operated, or even co-drilled by Tempo. Tempo Energy's name got put on the well fraudulently and the well carries a different OGRID number than the one that Tempo operates every one of our wells under.

In summation, it appears that nearly every document associated with this well has originated in Hobbs, NM with Tempo Energy's name either penciled in or co-listed with Peterson Petroleum Company. Seeing as how Tempo Energy, Inc. has never had an office or even a PO Box in New Mexico, I think it is clear that this is a case of corporate identity theft, in that Joe Peterson illegally obtained and used Tempo Energy's name and surety bond to avoid liability for his own company to drill this well.

Sincerely,

Frank Pannell
VP Operations, Tempo Energy, Inc.