

**Fasken Oil and Ranch, Ltd.**  
**303 West Wall Avenue, Suite 1900**  
**Midland, Texas 79701**  
**915/687-1777**

Wednesday, November 26, 1997

Certified Mail, Return Receipt # \_\_\_\_\_

TO: Joe Small  
Redstone Oil & Gas Company  
8235 Douglas Avenue, Suite 1050  
Dallas, Texas 75225  
(See Attached List)  
Rock Tank Unit Interest Owners

RE: Carnero Federal #1 Well  
500' FNL & 2265' FWL  
Section 12, T23S, R24E  
NMPM, Eddy County, New Mexico

Dear Joe,

Pursuant to our telephone conversation, and in response to your counter-proposal dated November 20, 1997 regarding the captioned (copy attached), Fasken hereby responds to such counter-proposal as follows:

1. Fasken concedes that the gas balancing issue in the Rock Tank Unit should be outside the purview of the discussions of the drilling of the captioned well, as should be all other extraneous issues, including, but not limited to, the abandonment of the Morrow Formation in the Rock Tank Unit #4 Well. Fasken will focus its attention towards the drilling of the captioned well, and the issues relevant thereto.
2. Fasken has offered to dilute its current ownership interest in the captioned well from 60+% down to 50% interest. We do not wish to dilute any further, and suggest to Redstone that any increase in their currently offered percentage in the well should come from the other Working Interest owners in the proposed Section 12 Unit.

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 11877 Exhibit No. 9  
Submitted By:  
*Fasken Land and Minerals,*  
Hearing Date: February 5, 1998

3. Fasken's dilution of its drillsite lease in the W/2 of Section 12 will be assigned at a proportionately reduced \$300 per acre.
4. Fasken will reserve comment on Redstone's objections to the proposed Joint Operating Agreement until such time as Fasken has received from Redstone a detailed list of specific objections and suggested modifications.
5. Fasken agrees that some sort of two-thirds majority voting percentage should govern any proposed drilling of a second Morrow well located in the NE/4 of Section 12.
6. Fasken will not agree to waive protest of any proposed Morrow location which is 500' FSL of Section 1-23S-24E, NMPM. Fasken will, however, consider the merits of waiving protest for such a location as to a Cisco-Canyon or shallower proposal.

Joe, I think we all agree that the proposed location is one of merit, and one of substantial promise. Fasken is interested in resolving the above issues. However, if Redstone and the other Working Interest owners cannot agree to terms substantially similar to those set forth above, then Fasken will have no other alternative but to proceed with the force pooling proceedings in Santa Fe on January 8, 1997.

Should you have any questions regarding this matter, please give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Hubbard", with a stylized, cursive script.

Craig Hubbard

CH/cg: Enclosure



November 20, 1997

Sally M. Kvasnicka  
Fasken Oil and Ranch, Ltd.  
303 West Wall, Suite 1900  
Midland, TX 79701

Via fax (915) 687-0669

Re: Your proposed Carnero Federal No. 1 well  
500' FNL & 2,265' FWL  
Section 12-T23S-R24E  
NMPM, Eddy County, New Mexico

Gentlemen,

Redstone Oil & Gas Company ("Redstone") has received your letter dated October 30, 1997 regarding the proposed well captioned above. This letter will not discuss the differences of fact and/or opinion relative to the JOA dated January 1, 1970, but rather will address the issues which will hopefully permit the owners to expedite the drilling of your proposed well.

As to the terms and conditions set forth in your letter, in number order, Redstone offers the following:

1. Discussing and working toward an agreement regarding the method of balancing the gas accounts in the Rock Tank Unit is agreeable to Redstone, however, those discussions and a possible agreement should be outside the purview of the discussions of the drilling of the captioned well.
2. Redstone's working interest in the Rock Tank Unit is 33.145538 %. As to any well to be drilled 375' and 500' from the unit boundaries, it would be imprudent for Redstone to participate in the draining of those reserves with a lesser interest than what it would have in the Rock Tank Unit. We would agree to the Exhibit "A" percentage for Redstone to be 33.145538 %.
3. Redstone would pay the sum of \$250 per net acre for a quantum of interest in the lease covering the W/2 to yield Redstone the 33.145538 % working interest in the unit.

8235 DOUGLAS AVENUE, SUITE 1050  
DALLAS, TEXAS 75225

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

4. At this time, Redstone has not reviewed the August 1, 1997 Operating Agreement in sufficient detail to indicate its total approval. We do not object to the execution of a new JOA, however, we would like to amend several provisions including, but not limited to, the following:

- a. Article XIII
- b. Article XV. B, D, G, L, N, Q
- c. Exhibit "A" as to percentages for the initial well and subsequent wells. The percentages should be the same for any well drilled on the contract area, regardless of the location or the spacing units involved.
- d. Exhibit "E"

5. This provision is acceptable, however, we should perhaps consider language that is in effect a voting percentage, i.e. 80 to 85%, so that one very minor owner could not impede the wishes of the other owners.

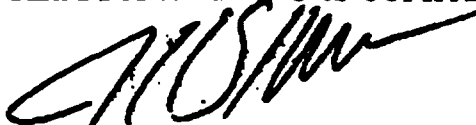
Redstone further proposes the following to be included in our agreement to drill the captioned well:

- Redstone believes we are close to the economic limit of the Upper Morrow production in the Rock Tank Unit #4 well. At some point in the near future, Redstone will propose the abandonment of the Morrow formation and propose a recompletion in uphole zones, such as the Cisco/Canyon. Fasken agrees to consent to the abandonment of the Morrow formation. Such agreement by Fasken to abandon the Morrow formation will not be construed as an election by Fasken to participate in any proposed operation and Fasken will not attempt to interfere or prevent any such proposed operation.
- Fasken will not protest an application that Redstone may make to the OCD for an irregular location for a well in Section 1-23S-24E, NMPM which is 500' or more from the South line of said Section 1-23S-24E, NMPM.

We appreciate your recent letter regarding the captioned well. Please let us hear from you regarding the above at your earliest convenience.

Very truly yours,

REDSTONE OIL & GAS COMPANY



Joe E. Small, CPL  
Vice President-Land

JES:epd /fasken oemero prop2.doc

Brooks Oil and Gas Interests  
9696 Skillman, LB 34  
Dallas, Texas 75243

Max W. Coll II F/A/O  
R. 9, Box 72F  
Santa Fe, NM 87505

Fasken Oil & Ranch, Ltd.  
303 West Wall, Suite 1900  
Midland, Texas 79701

Finwing Corporation  
P. O. Box 10886  
Midland, Texas 79702

William Taylor Lagrone  
P. O. Box 8020466  
Dallas, Texas 75380

Manta Oil and Gas Corp.  
P. O. Box 10886  
Midland, Texas

Petratis Oil & Gas, Inc.  
P. O. Box 10886  
Midland, Texas 79702

SES Oil & Gas, Inc.  
214 W. Texas, Suite 900  
Midland, Texas 79702-0371

Redstone Oil & Gas Company  
8235 Douglas Ave., Suite 1050  
Dallas, Texas 75225

Olwick Corp.  
P. O. Box 10886  
Midland, Texas 79702

Brooks Oil and Gas Interests  
9696 Skillman, LB 34  
Dallas, Texas 75243

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Dallas, Texas 75225

Olwick Corp.  
P. O. Box 10886  
Midland, Texas 79702

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P 101 752 363

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

**R. 9, Box 72F**

**Santa Fe, NM 87505**

PS Form 3800, April 1995

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Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
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**Midland, TX 79702**

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6. Signature of Addressee or Agent

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3. Article Addressed to:  
**Finwing Corporation**  
**P. O. Box 10886**  
**Midland, TX 79702**

4a. Article Number

4b. Service Type

☐ Registered

☐ Express Mail

☐ Return Receipt for Merchandise

7. Date of Delivery

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

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William Taylor Lagrone  
P. O. Box 8020466  
Dallas, TX 75380

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**SENDER:**

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Complete items 3, 4a, and 4b.

Print your name and address on the reverse of this form so that we can return the card to you.

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Consult postmaster for fee.

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William Taylor Lagrone

P. O. Box 8020466

Dallas, TX 75380

4a. Article Number

P 101 752 365

4b. Service Type

☐ Registered

☐ Express Mail

☐ Return Receipt for Merchandise

☐ COD

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**Manta Oil and Gas Corp.**

**P. O. Box 10886**

**Midland, TX 79702**

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3. Article Addressed to: <b>Manta Oil and Gas Corp</b> <b>P. O. Box 10886</b> <b>Midland, TX 79702</b>		4a. Article Number <b>P 101 752 366</b>	
5. Received By: (Print Name) <b>X</b>		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
6. Signature: (Addressee or Agent) <b>X</b>		7. Date of Delivery	
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**Olwick Corp.**

**P. O. Box 10886**

**Midland, TX 79702**

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1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

**Olwick Corp.**

**P. O. Box 10886**

**Midland, TX 79702**

4a. Article Number

**8701752367**

4b. Service Type

☒ Registered

☐ Express Mail

☐ Return Receipt for Merchandise

7. Date of Delivery

☒ Certified  
☐ Insured  
☐ COD

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

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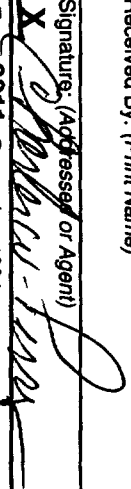
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**Petratis Oil & Gas, Inc.**

**P. O. Box 10886**

**Midland, TX 79702**

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3. Article Addressed to: <b>Petratis Oil &amp; Gas, Inc.</b> <b>P. O. Box 10886</b> <b>Midland, TX 79702</b>		4a. Article Number <b>P 101 752 368</b>	
5. Received By: (Print Name)  		4b. Service Type <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD	
6. Signature: (Addressee or Agent) 		7. Date of Delivery  8. Addressee's Address (Only if requested and fee is paid)	

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**8235 Douglas Ave., Suite 1050**  
**Dallas, TX 75225**

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3. Article Addressed to: <b>Redstone Oil &amp; Gas Company</b> <b>8235 Douglas Ave., Suite 1050</b> <b>Dallas, TX 75225</b>		4a. Article Number <b>P 101752 369</b>	
5. Received By: (Print Name) <i>W. W. [Signature]</i>		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
6. Signature: (Addressee or Agent) <b>X</b>		7. Date of Delivery  	
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**SES Oil & Gas, Inc.**  
**214 W. Texas, Suite 900**  
**Midland, TX 79702-0371**

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3. Article Addressed to: <b>SES Oil &amp; Gas, Inc.</b> <b>214 W. Texas, Suite 900</b> <b>Midland, TX 79702-0371</b>		4a. Article Number <b>P 101 752 370</b>	
5. Received By (Print Name) <b>[Signature]</b>		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD	
6. Signature of Addressee or Agent <b>[Signature]</b>		7. Date of Delivery <b>11-28-97</b>	
PS Form 3811, December 1994		8. Addressee's Address (Only if requested and fee is paid)	

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