



EXCO Resources, Inc.

1775 Sherman Street • Suite 2650 • Denver, Colorado 80203

Phone (303) 830-1490 • FAX (303) 831-1397

June 1, 2001

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Eland Energy, Inc.
Providence Energy Corporation
C/O Eland Energy, Inc.
8150 North Central Expressway, Suite 400
Dallas, Tx 75206
Attn: Mr. Kyle Wood

Re: Rose Federal #14 Well
SWSW Sec. 19 T5S-R25E
Pecos Slope Prospect
Chaves County, New Mexico

Gentlemen:

EXCO Resources, Inc., (EXCO) proposes to drill the Rose Federal #14, a second Abo well in the spacing unit in the SW/4 of Section 19, Township 5 South, Range 25 East to be located 660'FSL, 660'FWL (SWSW) of Section 19. Exco will drill this well to a depth of 4,150' or to a depth sufficient to adequately test the Abo Formation, whichever is the lesser depth.

Enclosed is a proposed Operating Agreement in compliance with the 1983 Exploration Agreement between Depco and NICO which this acreage is subject to. As we have discussed, the operating agreement governing these lands and the Rose Federal #6K, could not be located in either of our offices.

We anticipate drilling the five Rose Federal wells that we are proposing by the end of this year at the latest. We anticipate having a rig in the area in July, so your earliest response is appreciated.

Please indicate your election to participate by signing and dating the election page for this well, the enclosed AFE and signature page to the Operating Agreement, if appropriate, and return one copy of each to the undersigned.

Very truly yours,

Gayle A. Baker, CPL
Consulting Landman

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12700/12701/12702 Exhibit No. 2
Submitted by:
Exco Resources, Inc.
Hearing Date: July 26, 2001

June 1, 2001
Page 2
Rose Federal #14

Election: **Rose Federal #14 Well**

COMPANY: _____

NAME: _____

TITLE: _____

_____ We elect to participate for our proportionate share in the drilling of
the Rose Federal #14 well.

_____ We elect **not** to participate for our proportionate share in the drilling
of the Rose Federal #14 well.



EXCO Resources, Inc.

1775 Sherman Street • Suite 2650 • Denver, Colorado 80203

Phone (303) 830-1490 • FAX (303) 831-1397

Exhibit 2b

June 1, 2001

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Eland Energy, Inc.
Providence Energy Corporation
C/O Eland Energy, Inc.
8150 North Central Expressway, Suite 400
Dallas, Tx 75206
Attn: Mr. Kyle Wood

Re: Rose Federal #15 Well
SWNW Sec. 20 T5S-R25E
Pecos Slope Prospect
Chaves County, New Mexico

Gentlemen:

EXCO Resources, Inc., (EXCO) proposes to drill the Rose Federal #15, a second Abo well in the spacing unit in the NW/4 of Section 20, Township 5 South, Range 25 East to be located 1980' FSL, 660' FWL (SWNW) of Section 20. Exco will drill this well to a depth of 4,150' or to a depth sufficient to adequately test the Abo Formation, whichever is the lesser depth.

Enclosed is a proposed Operating Agreement in compliance with the 1983 Exploration Agreement between Depco and NICO which this acreage is subject to. As we have discussed, the operating agreement governing these lands and the Rose Federal #2-C, could not be located in either of our offices.

We anticipate drilling the five Rose Federal wells that we are proposing, by the end of this year at the latest. We anticipate having a rig in the area in July, so your earliest response is appreciated.

Please indicate your election to participate by signing and dating the election page for this well, the enclosed AFE and signature page to the Operating Agreement, if appropriate, and return one copy of each to the undersigned.

Very truly yours,

A handwritten signature in cursive script that reads "Gayle A. Baker".

Gayle A. Baker, CPL
Consulting Landman

June 1, 2001
Page 2
Rose Federal #15

Election: **Rose Federal #15 Well**

COMPANY: _____

NAME: _____

TITLE: _____

_____ We elect to participate for our proportionate share in the drilling of
the Rose Federal #15 well.

_____ We elect **not** to participate for our proportionate share in the drilling
of the Rose Federal #15 well.

v



EXCO Resources, Inc.

1775 Sherman Street • Suite 2650 • Denver, Colorado 80203

Phone (303) 830-1490 • FAX (303) 831-1397

Exhibit 2c

June 1, 2001

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Eland Energy, Inc.
Providence Energy Corporation
C/O Eland Energy, Inc.
8150 North Central Expressway, Suite 400
Dallas, Tx 75206
Attn: Mr. Kyle Wood

Re: Rose Federal #16 Well
SWSW Sec. 20 T5S-R25E
Pecos Slope Prospect
Chaves County, New Mexico

Gentlemen:

EXCO Resources, Inc., (EXCO) proposes to drill the Rose Federal #16, a second Abo well in the spacing unit in the SW/4 of Section 20, Township 5 South, Range 25 East to be located 660'FSL, 660'FWL (SWSW) of Section 20. Exco will drill this well to a depth of 4,150' or to a depth sufficient to adequately test the Abo Formation, whichever is the lesser depth.

Enclosed is a proposed Operating Agreement in compliance with the 1983 Exploration Agreement between Depco and NICO which this acreage is subject to. As we have discussed, the operating agreement governing these lands and the Rose Federal #8-K, could not be located in either of our offices.

We anticipate drilling the five Rose Federal wells that we are proposing, by the end of this year at the latest. We anticipate having a rig in the area in July, so your earliest response is appreciated.

Please indicate your election to participate by signing and dating the election page for this well, the enclosed AFE and signature page to the Operating Agreement, if appropriate, and return one copy of each to the undersigned.

Very truly yours,

A handwritten signature in cursive script that reads "Gayle A. Baker".

Gayle A. Baker, CPL
Consulting Landman

June 1, 2001
Page 2
Rose Federal #16

Election: **Rose Federal #16 Well**

COMPANY: _____

NAME: _____

TITLE: _____

_____ We elect to participate for our proportionate share in the drilling of
the Rose Federal #16 well.

_____ We elect **not** to participate for our proportionate share in the drilling
of the Rose Federal #16 well.

Exhibit 2d

RECEIVED



Eland Energy, Inc.

RECEIVED

JUN 16 2001

JUN 13 2001

EXCO RESOURCES INC

June 14, 2001

EXCO RESOURCES INC
RECEIVED

JUN 16 2001

EXCO RESOURCES INC.

Exco Resources, Inc.
1775 Sherman Street, Suite 2650
Denver, CO 80203

Attn: Gayle Baker

Re: Rose Federal 14 – 18 wells,
Your Pecos Slope Prospect,
Eland #659P,
Chaves County, NM

Dear Gayle:

This letter will acknowledge receipt of your correspondence dated June 1, 2001 covering the above, proposed wells.

On May 15, 2001, representatives of Eland and Exco met in Exco's offices in Dallas to discuss various points of interest between the two companies. It was decided at the meeting that perhaps the best way to settle certain disagreements between the parties was for one of the parties to buy out the other, and that Exco would make an offer to acquire all of Eland's interest in the Pecos Slope Prospect. Rick Hodges indicated last week in a telephone conversation with Craig Nielsen that such an offer was forthcoming.

In light of the pending offer and ongoing negotiations between the parties, Eland has no desire to invest time and resources in the evaluation of drilling proposals and negotiation of proposed operating agreements. Eland proposes that Exco withdraw the well proposals so the acquisition/divestiture process can proceed unhindered by the complications associated with an aggressive drilling program. A prompt review of this proposal along with a favorable reply would be greatly appreciated by Eland.

Very truly yours,
ELAND ENERGY INC.

Kyle D. Wood
Sr. Landman

Via certified mail and fax (1 page)
to: 303/831-1397

cc: GA, RCN, TH

F:\Word\NUMBER\659P-LETTER2.doc

(FAX)



Eland Energy, Inc. Exhibit 201

June 14, 2001

Exco Resources, Inc.
1775 Sherman Street, Suite 2650
Denver, CO 80203

Attn: Gayle Baker

Re: Rose Federal 14 - 18 wells,
Your Pecos Slope Prospect,
Eland #659P,
Chaves County, NM

Dear Gayle:

This letter will acknowledge receipt of your correspondence dated June 1, 2001 covering the above, proposed wells.

On May 15, 2001, representatives of Eland and Exco met in Exco's offices in Dallas to discuss various points of interest between the two companies. It was decided at the meeting that perhaps the best way to settle certain disagreements between the parties was for one of the parties to buy out the other, and that Exco would make an offer to acquire all of Eland's interest in the Pecos Slope Prospect. Rick Hodges indicated last week in a telephone conversation with Craig Nielsen that such an offer was forthcoming.

In light of the pending offer and ongoing negotiations between the parties, Eland has no desire to invest time and resources in the evaluation of drilling proposals and negotiation of proposed operating agreements. Eland proposes that Exco withdraw the well proposals so the acquisition/divestiture process can proceed unhindered by the complications associated with an aggressive drilling program. A prompt review of this proposal along with a favorable reply would be greatly appreciated by Eland.

Very truly yours,
ELAND ENERGY INC.

Kyle D. Wood
Sr. Landman

Via certified mail and fax (1 page)
to: 303/831-1397

cc: GA, RCN, TH

F:\word\NUMBER659P-LETTER2.doc

Exhibit 2e



Eland Energy, Inc.

July 5, 2001

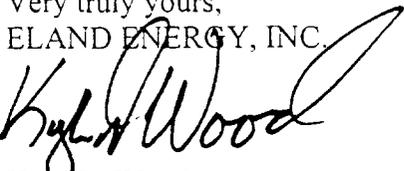
Exco Resources, Inc.
1775 Sherman Street, Suite 2650
Denver, CO 80203

Attn: Gayle Baker

Re: Rose Federal 14, 15 and 16,
Chaves County, NM
Eland #659W29, 659W30 and 659W31

Dear Gayle:

In regard to Exco's proposals dated June 1, 2001 to drill the above wells, Eland elects not to participate. Please feel free to contact me at the below number if you should have any questions.

Very truly yours,
ELAND ENERGY, INC.

Kyle D. Wood
Sr. Landman

Via US Mail and fax (1 page)
to: 303/831-1397

VERBAL EFFORTS TO ACQUIRE ELAND'S/ PROVIDENCES INTEREST

- June 27 Rick Hodges, Vice President of Exco called Eland with a verbal offer to acquire Elands/Providence's interest in acreage committed to Rose Federal #'s 14, 15, 16 together with other acreage in the area.
- July 3rd Kyle Wood (Eland) called to say that in the Exoc/Eland meeting of May 15th that Exco talked about coming up with a reduced overhead rate at Eland's request, and what was that going to be. I advised him that management said if that was what was keeping Eland from making an election, that we were not going to reduced it by half, **but Eland could pick a number between \$400 and \$800.**
- July 5th I, Gayle Baker, called Kyle Wood upon receipt of a fax this day of a letter from Eland (Exhibit 2e herein) stating Eland elected not to participate in the proposals to drill the Rose Federal #'s 14, 15 and 16. I asked Eland why it only said "Eland" and didn't include Providence. Kyle Wood said, as he had told me on May16th, the first time I called him and advised that Exco was going to propose these wells and asked if he could find the existing JOA (which he subsequently called back and said no), that Eland routinely made decisions for Providence and had just forgotten to include Providence's name in the letter. (Exco pays revenue from wells it operates to Eland on Providence's behalf at Providence's direction). I asked if Eland was going to execute the JOA and go non-consent or what they were going to do about the acreage. Kyle said he didn't know, they didn't address that. I asked if Eland would farmout, converting a 3.0% ORI to 25% of their original interest if they weren't going to sell their interest. He said he had not heard that they weren't going to sell and that since it was a holiday week (July 4th) no one was in the office to talk to and he would call me on Monday.
- July 13th Eland called to accept Exco's offer to purchase Eland/Providence's interest excepting an area that contains two existing producing wells and a well proposal and asked Exco to submit another \$figure excluding that.
- July 18th Exco called Eland with an additional offer as requested in Eland's July 13th call. Eland turned that offer down.
- July 24th Exco called Eland with another offer, which is substantially over the value of proven reserves and has not heard back from Eland.