

CHRONOLOGY

- 01/2003 An AFE for the proposed Roughneck Red 29 Com No. 1 Well located 1480' FNL and 1980' FWL of Section 29 is prepared.
- 01/2004 Telephone conversations by Mark Wheeler, Landman, with the interest owners in the N/2 of Section 29 discussing the well proposal and the well location.
- 01/13/04 Formal well proposal letter and AFE for the Roughneck Red 29 Com No. 1 Well (1480' FNL & 1980' FWL) is sent to the following:
Murchison Oil & Gas, Inc., Cactus Energy, Inc., Caza Energy LLC, Roger C. Chase, Richard L. Chase, Gerene Diane Chase Crouch, Thomas R. Smith, MEC Petroleum Corporation, and Wendell W. Iverson, Jr.
- 01/26/04 Chase Oil Corporation acquires oil and gas lease from Denis and Jean Riley covering a 1/3 interest in the S/2 N/2 of Section 29.
- 02/02/2004 Oil and gas lease covering the S/2 N/2 of Section 29 is issued by Chase Farms, a New Mexico General Partnership, (Mark C. Chase, General Partner) to Chase Oil Corporation.
- 02/05/04 The February 2, 2004 oil and gas lease from Chase Farms to Chase Oil is filed of record with the Eddy County Clerk.
- 02/19/04 Correspondence from Chase Oil Corporation and Chase Farms, by Ronald W. Lanning, Land Manager, objecting to any surface location in the S/2 N/2 of Section 29.
- 02/20/04 Preston's Application for Compulsory Pooling is filed with the Division for a proposed well location 1480' FNL and 1980' FWL of Section 29.
- 03/08/04 Representatives from Preston Exploration and Capstone Oil and Gas meet with Ron Lanning (Chase Farms) to discuss alternate surface locations for a directionally drilled well in the S/2 SW/4 NE/4 of Section 29. A subsequent meeting is held with Randy Ford, Preston's Drilling Engineer to discuss the directional well.
- 03/23/04 Correspondence from Preston Exploration to Chase Farms formally proposing the alternate surface location.
- 03/29/04 Correspondence from Cactus Energy, Inc. to Capstone Oil & Gas Company transmitting elections for Cactus Energy, Inc., Saguaro Resources, Inc. and E-3 Energy, Inc., provided the well is drilled at the originally proposed location (1480' FNL & 1980' FWL).

03/30/04 Email from Ron Lanning to Bo Blue (Preston) requesting an AFE for consideration by Chase Oil Corporation.

03/30/04 Email from Ron Lanning, Land Manager, Mack Energy Corporation, Chase Oil Corporation, Caza Energy, LLC and Chase Farms to Bo Blue (Preston Exploration) rejecting Preston's proposed alternate surface location and recommending a new location in the NW/4 NW/4.

03/30/04 Email from Bo Blue (Preston) responding to the proposal to utilize a location in the NW/4 NW/4 of Section 29 and requesting the delivery of a 75% net lease interest.

04/06/04 Well proposal transmitting revised AFE for a new surface location 1200' FNL and 1280' FWL of Section 29.

04/14/04 Murchison Oil & Gas, Inc. response to Preston's April 6, 2004 revised well proposal.

04/20/04 Preston Exploration's counter-proposal to Murchison Oil & Gas, Inc. offer to participate in the drilling of the Roughneck Red 29 Com No. 1 Well.

04/20/04 Correspondence from Preston Exploration transmitting Joint Operating Agreement to Saguaro Resources, Inc., Cactus Energy, Inc., and E-3 Energy Ltd.

04/23/04 Email from Ron Lanning, Land Manager, Chase Oil Corporation, to Bo Blue, Preston Exploration, declining participation and offering new terms.

05/18-19/04 Further negotiations between Preston Exploration and Chase Oil/Chase Farms prove unsuccessful.

INT. 2006	J.F. Farmer	Trs L. Garner	TD 8755 D/A 7-24-66 Sm. Trs.	Sieger Canyon W. Thaler Siegenthaler
M.I.	Widge Follows 10969 1 5	Show Int. 9-30-2006 8-28-2006 5-2-2006 L. Menefee et al Leland L. Fellows	N.W. Hornbaker	N.H. Sott
et.	9-30-2006 8-28-2006 5-2-2006 L. Menefee et al Leland L. Fellows	Show Int. 12-12-2005 (Marchison) '8 20 2005 (R.R. Row) N.W. Hornbaker		J. Funk
L. Son	OXY et al Cazo Ener. 2-1-2004 S2H2	Murchison Tiz Now TD 8100		Lactus 5-22-200
29	Maddox Energy Martin Evelyn Wagoner, et al, M.I. C.E. Martin	OXY et al 17-2009 R.R. Row		Murchison Skip Away
Club	X.A. Foster Millen	OXY et al Bullet 31-2004 SESW Richard E. Beulah Collins, et al		Evelyn Wagoner et al M.I. C.E. Martin
2.5%	Yates et al HBP F. Sherrell, et al	Role word		Yates Pet et al 3-30-2004 Cactus Ener. 12-15-2005
on Com. 7(S)	Yates Pet (Yates) Sherre J. SA SA			Horriett et al Yate