

CARNERO FEDERAL NO. 1 WELL
Section 12, T-23-S, R-24-E, Eddy County, New Mexico
CHRONOLOGY OF EVENTS

- August 12, 1997 I requested that Redstone send a listing of the Working Interest Owners names, addresses and Working Interest Ownership for the Rock Tank Unit.
- September 4 Fasken obtained its Drilling Title Opinion on the W/2 of Section 12, 23S, 24E, Eddy County, New Mexico
- September 9 Fasken obtained an offset Leasehold Ownership Report for sending notices to offset leasehold owners.
Fasken Land and Minerals, Ltd. proposed the drilling of the Carnero Federal No. 1 Well to form a 640 acre spacing unit covering All of Section 12. This proposal assumed that the Rock Tank Unit Owners (E/2 of Section 12) and Fasken's leasehold interest (W/2 of Section 12) would form the 640 acre spacing unit.
- September 17 I spoke with Joe Small with Redstone about Fasken's well proposal. He stated that he wanted to do some research as to Fasken's well proposal with respect to the election time period.
- September 23 I spoke with Wes Perry regarding Fasken's well proposal. I requested information regarding pressure information that Redstone had obtained from a pressure buildup test it performed on the offset Rocktank Unit #4 Well.
- September 27 Fasken received Olwick Corporation's election to participate in the Carnero Federal No. 1 Well and its share of the dry hole cost for the well.
- September 30 Phone call to Joe Small of Redstone for information to prepare interest ownership spreadsheet.
- October 14 Phone call with Joe Small to discuss the well proposal. Redstone requested that we hold a meeting to discuss the geology for the Carnero Federal No. 1. Tentative dates of October 23 or 27th were discussed.
- October 15 Phone call with Joe Small of Redstone again to discuss information for preparation of ownership spreadsheet.
- October 20 Redstone received Fasken's force pooling application by Certified Mail .

- October 21 Fasken representatives met with Wes Perry and Paul Lerwick in Fasken's offices to discuss the geology for the Carnero Federal No. 1. Redstone's geologist was invited to this meeting but declined to attend stating that he agreed with Fasken's location of the well. Lerwick and Perry confirmed Redstone's thoughts about the geology in this meeting.
Fasken filed its force pooling application and was scheduled for a hearing on November 6, 1997. At the request of Redstone, Fasken continued the November 6, 1997 hearing to a date in December 1997 and again to a date in January 1998.
- October 22 Continued discussions with Joe Small with Redstone regarding preparation of interest spreadsheet.
- October 28 Fasken obtained a letter opinion from Bob Bledsoe regarding the 1970 Joint Operating Agreement.
- October 30 Fasken's letter to the Working Interest Owners setting forth a compromise as to offering of Fasken's leasehold in the W/2 of Section 12.
- November 12 Phone call to Joe Small at Redstone to discuss the terms of the October 30, 1997 proposal. He seemed to think that a deal could be worked out. Redstone was mainly interested in increasing the size of their interest in the well, and of stipulating to a prohibition on drilling a second Morrow well in Section 12 without the consent of all parties. He said Redstone would respond with a counter-offer, which they Faxed to Fasken on November 20, 1997.
- November 25 Craig Hubbard and I called Joe Small and discussed many issues, including gas imbalances in the Rock Tank Unit. I stated that Fasken's current proposal dilutes its interest in Section 12 Morrow Unit from 60% plus down to 50%, and that we were not willing to give Redstone any greater interest. I suggested that if Redstone wished to obtain a greater interest in the well, it should try to acquire from some of the other working interest owners. While not conceding to any terms contained in Redstone's counter-offer, I agreed to document our position in a letter to Redstone, which resulted in the November 26, 1997 proposal.
- November 26 Phone call from Joe Small discussing the Carnero Federal No. 1 Well and the gas imbalance issues between Fasken and Redstone with respect to the Rock Tank Unit.
Phone call with Wes Perry regarding the Carnero Federal No. 1 Well and the gas imbalance issues between Fasken and Redstone with respect to the Rock Tank Unit. Wes Perry was in agreement with the location and is

ready to go ahead with the drilling of the Carnero Federal No. 1 Well but has not elected to participate in the drilling.

Fasken sent its November 26th letter to all of the Working Interest Owners. The terms of the diluted interest of its drillsite lease was offered at a proportionately reduced \$300 per acre, Fasken agreed to a 2/3rds majority voting percentage governing a second Morrow well proposal in the NE/4 of Section 12, and Fasken would consider waiving protest for a like location in Section 1 to the north for a Cisco-Canyon or shallower proposal.

- December 9 Joe Small called on December 9th and stated that Redstone is now going to take the position that the 1970 JOA is still in effect as to the entire Section 12, that they were filing a Motion to Dismiss based on that position, that if we want to propose our well, they will operate it under the 1970 JOA, and that the interest on Exhibit "A" to the 1970 JOA remain in effect regardless of our acquisition of a new lease covering the W/2 of Section 12.
- January 8, 1998 Hearing before the Commission to hear oral arguments for Redstone's Motion to Dismiss Fasken's forced pooling proceedings.
- January 26 Joe Small called and requested that Fasken provide Redstone a copy of Fasken's data that indicates that the location for the Carnero Federal No. 1 Well is the optimum location to drill.
- January 30 Fasken received a copy of Redstone's notice of forced pooling application.
Conversation with Wes Perry with SES Oil and Gas, Inc. and Paul Lerwick with Olwick Corp (both are owners under the 1970 JOA covering the E/2 of Section 12. Both Wes Perry and Paul Lerwick were not aware of Redstone's forced pooling application nor had they received a well proposal for its well at a location of 500 FNL and 2515 FEL of Section 12 to test the Morrow formation.
- February 3 Fasken has not received a well proposal from Redstone for its well at a location of 500 FNL and 2515 FEL of Section 12, T-23-S, R-24-E, Eddy County, New Mexico.