



**FASKEN OIL AND RANCH, LTD.**

303 West Wall Avenue, Suite 1900

Midland, Texas 79701

(915) 687-1777

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED  
FACSIMILE**

February 6, 1998

**Working Interest Owners  
(Address List Attached)**

**RE: Notification of Intent to Establish Spacing Unit  
Fasken Land and Minerals, Ltd.  
N/2 of Section 12, T-23-S, R-24-E, N.M.P.M.  
Eddy County, New Mexico**

**Gentlemen:**

On September 9, 1997 Fasken Land and Minerals ("Fasken") proposed to you that Fasken Oil and Ranch, Ltd. drill and operate its Carnero Federal Well No. 1 at an unorthodox gas well location 500 feet from the North line and 2265 feet from the West line of Section 12, T-23-S, R-24-E, N.M.P.M., Eddy County, New Mexico, to a depth sufficient to test the Morrow Formation. You were advised that the spacing for the Rock Tank Morrow (both the Uppper Morrow and Lower Morrow) was 640 acres and that Fasken proposed the formation of a 640 acre spacing unit consisting of all of Section 12.

Because Fasken was unable to obtain voluntary agreement from all working interest owners to form a 640 acre spacing unit for any Morrow production, on October 16, 1997, it filed an application for approval of the unorthodox well location and for compulsory pooling with the New Mexico Oil Conservation Division which was docketed as Case 11877.

In addition, because Fasken owns 100% of the W/2 of Section 12, Fasken intended to dedicate the W/2 of Section 12 to any gas production from the Canyon formation or any other formation below the top of the Wolfcamp (excluding the Morrow).

Fasken is now offering you and each working interest owner in the NE/4 of Section 12 the opportunity to participate in a 320 acre gas spacing unit consisting of the N/2 of Section 12 in the event that this proposed Fasken well is capable of producing gas from any formation which the Division spaces on 320 acre gas spacing including but not limited to the Canyon formation. By doing so, Fasken will be reducing its interest in those formations from 100% to 60.2037649%.

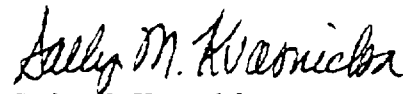


Working Interest Owners  
Notification of Intent to Establish Spacing Unit  
February 6, 1998  
Page 2

On February 5, 1998, the Division held a hearing on Fasken's application. At our request, the case will be continued until the Division hearing set for March 5, 1998 and will be readvertised to include this additional option for compulsory pooling the N/2 of Section 12 for any gas produced from formations spaced on 320 acre gas spacing.

We invite you to voluntarily participate in this proposed well by dedicating your interest in the NE/4 to the formation of a N/2 spacing unit for those formations described above. Please contact me concerning arriving at a voluntary agreement of this matter.

Yours very truly,

A handwritten signature in cursive script, reading "Sally M. Kvasnicka".

Sally M. Kvasnicka  
Land Manager

SMK/tv

FASKEN CARNERO FEDERAL #1  
500' FNL, 2265' FWL SECTION 12, T-23-S, R-24-E, EDDY COUNTY, NEW MEXICO

**Working Interest Owner**

Brooks Oil & Gas Interests P 101 752 422  
9696 Skillman LB 34  
Dallas, TX 75243  
Fax: (214) 748-1763

Max W. Coll II F/A/O P 101 752 423  
Rt. 9, Box 72 F  
Santa Fe, NM 87505

Fusken Oil and Ranch, Ltd.  
303 West Wall Ave., Suite 1901  
Midland, TX 79701

Finwing Corporation P 101 752 424  
P.O. Box 10886  
Midland, TX 79702  
Fax: (915) 682-5852

William Taylor Lagrone P 101 752 425  
P.O. Box 8020466  
Dallas, TX 75380

Manta Oil & Gas Corp. P 101 752 426  
P.O. Box 10886  
Midland, TX 79702  
Fax: (915) 682-5852

Petradis Oil & Gas, Inc. P 101 752 427  
P.O. Box 10886  
Midland, TX 79702  
Fax: (915) 682-5852

SES Oil & Gas, Inc. P 101 752 428  
214 W. Texas, Suite 900  
Midland, TX 79702-0371  
Fax: (915) 682-5852

Redstone Oil & Gas Company P 101 752 429  
3235 Douglas Ave., Ste. 1050  
Dallas, TX 75225  
Fax: (214) 739-0061

Olwick Corp. P 101 752 430  
P.O. Box 10886  
Midland, TX 79702  
Fax: (915) 682-5852

DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM 100-107 (REV. 01-1991)

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

|                                                                                                                                                              |  |                                                                       |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------|--|
| 1. TYPE OF WORK<br>DRILL <input checked="" type="checkbox"/> DEEPEN <input checked="" type="checkbox"/>                                                      |  | 5. LEASE DESIGNATION AND SERIAL NO.<br>USA NM-91505                   |  |
| 2. NAME OF OPERATOR<br>FASKEIN OIL AND RANCH, LTD.                                                                                                           |  | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME                                  |  |
| 3. ADDRESS AND TELEPHONE NO.<br>303 W. WALL AVE., SUITE 1900 MIDLAND, TX 79701-5116 (915) 687-1777                                                           |  | 7. OBT. AGREEMENT NAME                                                |  |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)<br>At surface<br>500' FNL & 2265' FWL<br>At proposed prod. zone |  | 8. RANCH OR LEASE NAME WELL NO.<br>CARNERO FEDERAL NO.1               |  |
| 10. FIELD AND POOL, OR WILDCAT<br>ROCK TANK-- LOWER MORROW                                                                                                   |  | 9. AN WELL NO.                                                        |  |
| 11. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE<br>25 MILES SOUTHWEST OF CARLSBAD, NM                                                   |  | 10. SEC. T. R. N. OR ECL.<br>AND SURVEY OR AREA<br>SEC.12, T23S, R24E |  |
| 12. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLYING FOR, ON THIS LEASE, IF ANY.<br>375'                                    |  | 11. COUNTY OF PARIISH<br>EDDY                                         |  |
| 13. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLYING FOR, ON THIS LEASE, IF ANY.<br>10,350'                                 |  | 12. STATE<br>NM                                                       |  |
| 14. ELEVATIONS (Show whether DT, ST, OR etc.)<br>4067' GR                                                                                                    |  | 13. NO. OF ACRES ASSIGNED TO THIS WELL<br>320                         |  |
| 15. PROPOSED DEPTH<br>10,350'                                                                                                                                |  | 14. NO. OF ACRES ASSIGNED TO THIS WELL<br>320                         |  |
| 16. ROTARY OR CABLE TOOLS<br>ROTARY                                                                                                                          |  | 15. APPROX. DATE WORK WILL START<br>NOVEMBER 15, 1997                 |  |

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT                     |
|--------------|----------------------|-----------------|---------------|----------------------------------------|
| 17-1/2"      | H-40, 13-3/8"        | 48.0            | 500'          | 500 SX                                 |
| 12-1/4"      | K-55, 8-5/8"         | 24.0            | 2500'         | 1000 SX                                |
| 7-7/8"       | N-80, 5-1/2"         | 17.0            | 10,200'       | 1ST STAGE: 700 SX<br>2ND STAGE: 800 SX |

The operator proposes to drill to a depth sufficient to test the upper and middle Morrow. If productive, 5-1/2" casing will be set at 10,200' and cemented back to 2500'. The Lower Morrow will be drilled using Air Drilling Equipment. If non-commercial, the well will be plugged and abandoned in accordance with the federal regulations.

Drilling Program  
Surface Use and Operating Plan  
Exhibit #1: Area Map.  
Exhibit #2: One-mile Radius Map.  
Exhibit #3: Hydrogen Sulfide Drilling Operations Plan.  
Exhibit #4: Well Site Layout.  
Exhibit #5: Blowout Preventer Equipment.

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on surface location and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Tommy C. Taylor TITLE Drilling and Production Engineer DATE 8-14-97  
(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_  
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY Jerry L. Ferguson TITLE ADM, Mineral DATE 11/19/97  
\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

EXHIBIT

B

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 11877 Exhibit No. 23  
Submitted By:  
*Fasken Land and Minerals,*  
Hearing Date: February 5, 1998

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 11, 1998

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE  
OF THE HEARING OF THE FOLLOWING NEW MEXICO  
OIL CONSERVATION DIVISION CASE:

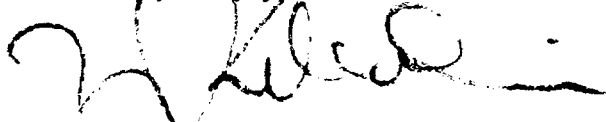
*Re: NMOCD Case 11877: Application of Fasken Land and  
Minerals, Ltd. for Compulsory Pooling and an Unorthodox  
Gas Well Location, Eddy County, New Mexico*

This letter is to advise you that Fasken Land and Minerals, Ltd. has amended its application in the referenced case to include compulsory pooling of the N/2 of Section 12, T23S, R24E, NMPM, Eddy County New Mexico to form a standard 320-acre gas proration and spacing unit for any and all formations and/or pools spaced on 320-acre gas spacing. The subject well is its Carnero "12" Federal Com Well No. 1 to be drilled at an unorthodox gas well location in Unit C of said Section 12. This case is now set for hearing on the New Mexico Oil Conservation Division Examiner's docket scheduled for March 5, 1998. The hearing will be held at the Division hearing room located in Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. You are not required to attend this hearing, but failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, February 27, 1998, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

Z 357 871 334

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Redstone Oil & Gas Company  
8235 Douglas Ave. Ste.1050  
Dallas, TX 75225

|                                                 |  |
|-------------------------------------------------|--|
| Certified Fee                                   |  |
| Special Delivery Fee                            |  |
| Restricted Delivery Fee                         |  |
| Return Receipt Showing to Whom & Date Delivered |  |

PC 800 3200 April 1995

Faskin Land & Ranch  
Carnero "12"  
March 5, 1998 2/11/98

ILLEGIBLE

|                                                                                                                                                                                                                                                                                                             |  |                                                              |  |                                                                                                                                                                                                                               |  |
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| <b>SENDER:</b><br><input type="checkbox"/> Co<br><input type="checkbox"/> Co<br><input type="checkbox"/> Pri<br><input type="checkbox"/> Cal<br><input type="checkbox"/> All<br><input type="checkbox"/> Del<br><input type="checkbox"/> Ins<br><input type="checkbox"/> Th<br><input type="checkbox"/> Del |  | Faskin Land & Ranch<br>Carnero "12"<br>March 5, 1998 2/11/98 |  | I also wish to receive the following services (for an extra fee):<br>1. <input type="checkbox"/> Addressee's Address<br>2. <input type="checkbox"/> Restricted Delivery<br>Consult postmaster for fee.                        |  |
| 3. Article Addressed to:<br>Manta Oil & Gas, Corp.<br>P.O. Box 10866<br>Midland, TX 79702                                                                                                                                                                                                                   |  | 4a. Article Number<br>2 357 871 333                          |  | 4b. Service Type<br><input type="checkbox"/> Registered<br><input type="checkbox"/> Express Mail<br><input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> COD<br>7. Date of Delivery<br>2-13-98 |  |
| 5. Received By: (Print Name)<br>[Signature]                                                                                                                                                                                                                                                                 |  | 8. Addressee's Address (Only if requested and fee is paid)   |  | PS Form 3811, December 1994                                                                                                                                                                                                   |  |
| 6. Signature: (Addressee or Agent)<br>X                                                                                                                                                                                                                                                                     |  |                                                              |  | 102595-97 B 0179 Domestic Return Receipt                                                                                                                                                                                      |  |

Thank you for using Return Receipt Service.

|                                                                                                                                                                                                                                                                                                             |  |                                                              |  |                                                                                                                                                                                                                               |  |
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| <b>SENDER:</b><br><input type="checkbox"/> Co<br><input type="checkbox"/> Co<br><input type="checkbox"/> Pri<br><input type="checkbox"/> Cal<br><input type="checkbox"/> All<br><input type="checkbox"/> Del<br><input type="checkbox"/> Ins<br><input type="checkbox"/> Th<br><input type="checkbox"/> Del |  | Faskin Land & Ranch<br>Carnero "12"<br>March 5, 1998 2/11/98 |  | I also wish to receive the following services (for an extra fee):<br>1. <input type="checkbox"/> Addressee's Address<br>2. <input type="checkbox"/> Restricted Delivery<br>Consult postmaster for fee.                        |  |
| 3. Article Addressed to:<br>Olwick Corp.<br>P.O. Box 10886<br>Midland, TX 79702                                                                                                                                                                                                                             |  | 4a. Article Number<br>2 357 871 336                          |  | 4b. Service Type<br><input type="checkbox"/> Registered<br><input type="checkbox"/> Express Mail<br><input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> COD<br>7. Date of Delivery<br>2-13-98 |  |
| 5. Received By: (Print Name)<br>[Signature]                                                                                                                                                                                                                                                                 |  | 8. Addressee's Address (Only if requested and fee is paid)   |  | PS Form 3811, December 1994                                                                                                                                                                                                   |  |
| 6. Signature: (Addressee or Agent)<br>X                                                                                                                                                                                                                                                                     |  |                                                              |  | 102595-97 B 0179 Domestic Return Receipt                                                                                                                                                                                      |  |

Is your RETURN ADDRESS completed on the reverse side?

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| <b>SENDER:</b><br><input type="checkbox"/> Co<br><input type="checkbox"/> Co<br><input type="checkbox"/> Pri<br><input type="checkbox"/> Cal<br><input type="checkbox"/> All<br><input type="checkbox"/> Del<br><input type="checkbox"/> Ins<br><input type="checkbox"/> Th<br><input type="checkbox"/> Del |  | Faskin Land & Ranch<br>Carnero "12"<br>March 5, 1998 2/11/98 |  | I also wish to receive the following services (for an extra fee):<br>1. <input type="checkbox"/> Addressee's Address<br>2. <input type="checkbox"/> Restricted Delivery<br>Consult postmaster for fee.                        |  |
| 3. Article Addressed to:<br>William Taylor Lagrone<br>P.O. Box 8020466<br>Dallas, TX 75380                                                                                                                                                                                                                  |  | 4a. Article Number<br>2 357 871 330                          |  | 4b. Service Type<br><input type="checkbox"/> Registered<br><input type="checkbox"/> Express Mail<br><input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> COD<br>7. Date of Delivery<br>2-14-98 |  |
| 5. Received By: (Print Name)<br>[Signature]                                                                                                                                                                                                                                                                 |  | 8. Addressee's Address (Only if requested and fee is paid)   |  | PS Form 3811, December 1994                                                                                                                                                                                                   |  |
| 6. Signature: (Addressee or Agent)<br>X                                                                                                                                                                                                                                                                     |  |                                                              |  | 102595-97 B 0179 Domestic Return Receipt                                                                                                                                                                                      |  |

Thank you for using Return Receipt Service.

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| <b>SENDER:</b><br><input type="checkbox"/> Co<br><input type="checkbox"/> Co<br><input type="checkbox"/> Pri<br><input type="checkbox"/> Cal<br><input type="checkbox"/> All<br><input type="checkbox"/> Del<br><input type="checkbox"/> Ins<br><input type="checkbox"/> Th<br><input type="checkbox"/> Del |  | Faskin Land & Ranch<br>Carnero "12"<br>March 5, 1998 2/11/98 |  | I also wish to receive the following services (for an extra fee):<br>1. <input type="checkbox"/> Addressee's Address<br>2. <input type="checkbox"/> Restricted Delivery<br>Consult postmaster for fee.                        |  |
| 3. Article Addressed to:<br>SES Oil & Gas, Inc.<br>214 W. Texas, Suite 900<br>Midland, TX 79702-0371                                                                                                                                                                                                        |  | 4a. Article Number<br>2 357 871 331                          |  | 4b. Service Type<br><input type="checkbox"/> Registered<br><input type="checkbox"/> Express Mail<br><input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> COD<br>7. Date of Delivery<br>2-13-98 |  |
| 5. Received By: (Print Name)<br>[Signature]                                                                                                                                                                                                                                                                 |  | 8. Addressee's Address (Only if requested and fee is paid)   |  | PS Form 3811, December 1994                                                                                                                                                                                                   |  |
| 6. Signature: (Addressee or Agent)<br>X                                                                                                                                                                                                                                                                     |  |                                                              |  | 102595-97 B 0179 Domestic Return Receipt                                                                                                                                                                                      |  |

Your RETURN ADDRESS completed on the reverse side?

ILLEGIBLE

Is your RETURN ADDRESS completed on the reverse side?

**SEN** Faskin Land & Ranch  
Carnero "12"  
March 5, 1998 2/11/98

I also wish to receive the following services (for an extra fee):  
1. ☐ Addressee's Address  
2. ☐ Restricted Delivery  
Consult postmaster for fee.

an return this does not number the date

4a. Article Number 2 357 871 337

4b. Service Type  
☐ Registered  
☐ Express Mail  
☐ Return Receipt for Merchandise  
☐ COD

7. Date of Delivery

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

3. Article Addressed to:  
Petraitis Oil & Gas Inc.  
P.O. Box 10886  
Midland, TX 79702

5. Received By: (Print Name)

6. Signature: (Addressee or Agent) X

PS Form 3811, December 1994 102595 97 B 0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

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**SEN** Faskin Land & Ranch  
Carnero "12"  
March 5, 1998 2/11/98

I also wish to receive the following services (for an extra fee):  
1. ☐ Addressee's Address  
2. ☐ Restricted Delivery  
Consult postmaster for fee.

an return this does not number the date

4a. Article Number 2 357 871 335

4b. Service Type  
☐ Registered  
☐ Express Mail  
☐ Return Receipt for Merchandise  
☐ COD

7. Date of Delivery

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

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

5. Received By: (Print Name)

6. Signature: (Addressee or Agent) X

PS Form 3811, December 1994 102595 97 B 0179 Domestic Return Receipt

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**SEN** Faskin Land & Ranch  
Carnero "12"  
March 5, 1998 2/11/98

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2. ☐ Restricted Delivery  
Consult postmaster for fee.

an return this does not number the date

4a. Article Number 2 357 871 329

4b. Service Type  
☐ Registered  
☐ Express Mail  
☐ Return Receipt for Merchandise  
☐ COD

7. Date of Delivery

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

3. Article Addressed to:  
Brooks Oil & Gas Interests  
9696 Skillman IB34  
Dallas, TX 75243

5. Received By: (Print Name)

6. Signature: (Addressee or Agent) X

PS Form 3811, December 1994 102595 97 B 0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SEN** Faskin Land & Ranch  
Carnero "12"  
March 5, 1998 2/11/98

I also wish to receive the following services (for an extra fee):  
1. ☐ Addressee's Address  
2. ☐ Restricted Delivery  
Consult postmaster for fee.

an return this does not number the date

4a. Article Number 2 357 871 332

4b. Service Type  
☐ Registered  
☐ Express Mail  
☐ Return Receipt for Merchandise  
☐ COD

7. Date of Delivery

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

3. Article Addressed to:  
Max W. Coll II F/A/O  
Rt. 9, Box 72F  
Santa Fe, NM 87505

5. Received By: (Print Name)

6. Signature: (Addressee or Agent) X

PS Form 3811, December 1994 102595 97 B 0179 Domestic Return Receipt