

NEW MEXICO  
OIL CONSERVATION DIVISION

Redstone EXHIBIT B

CASE NO. 11960

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF REDSTONE OIL & GAS  
COMPANY FOR COMPULSORY POOLING AND  
AN UNORTHODOX GAS WELL LOCATION  
EDDY COUNTY, NEW MEXICO

Case No. 11,960

AFFIDAVIT OF JOE E. SMALL

STATE OF TEXAS                   )  
COUNTY OF DALLAS            ) ss.

Joe E. Small, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.
2. I am employed by Redstone Oil & Gas Company ("Redstone") as a petroleum landman. I am Redstone's Vice President - Land.
3. On February 9, 1998, I mailed a proposal letter to all working interest owners in Section 12, Township 23 South, Range 24 East, NMPM, regarding Redstone's proposed Rock Tank Well No. 5, to be located 500 feet FNL and 2515 feet FEL of Section 12. A copy of Redstone's proposal letter is attached hereto as Exhibit A.
4. I followed up the letter with a subsequent letter to Fasken Land and Minerals, Ltd. and phone calls to the other working interest owners in Section 12.

  
\_\_\_\_\_  
Joe E. Small

SUBSCRIBED AND SWORN TO before me this 1st day of April, 1998, by Joe E. Small.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

12-8-99





February 9, 1998

TO THE OWNERS ON THE ATTACHED LIST:

Re: Proposed Rock Tank #5  
300' FNL & 2,515' FEL Section 12-23S-24E  
NMPM, Eddy County, New Mexico

Gentlemen:

Pursuant to the terms of our Operating Agreement dated January 1, 1970 covering all of Section 12-23S-24E as to the Morrow formation, and to our Operating Agreement dated August 1, 1967 covering the Rock Tank Unit, Redstone Oil & Gas Company (Redstone) hereby proposes the drilling of a well at the captioned location. Redstone proposed to drill this well to a depth of 10,500 feet or a depth sufficient to test the Lower Morrow formation, whichever is lesser. Our estimated dry hole cost is \$487,564 and our estimated total well cost is \$717,958. Attached is our AFE for the drilling and completing of this well.

The existing spacing for the Morrow is the 640 acres comprising all of Section 12. As to any gas zones below the top of the Wolfcamp which the Division spaces on 320 acres, Redstone proposes the owners form a spacing unit consisting of the N/2 of Section 12.

In accordance with the above mentioned Operating Agreements, please indicate your election to participate in the above proposal with thirty days from the receipt of this letter by signing and returning one copy of this letter and the AFE to me at your earliest convenience.



8235 DOUGLAS AVENUE, SUITE 1050  
DALLAS, TEXAS 75225

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

Working Interest Owners  
February 9, 1998  
Page 2

If you have any questions regarding this matter, please advise.

Very truly yours.

REDSTONE OIL & GAS COMPANY



Joe E. Small, CPL  
Vice President - Land

**THE FOLLOWING ELECTION IS HEREBY MADE:**

- \_\_\_\_ 1. We elect to participate in the drilling of the well as described above.
- \_\_\_\_ 2. We elect ~~not~~ to participate in the drilling of the well as described above

By : \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Working Interest Owners

February 9, 1998

Page 3

Brooks Oil and Gas Interests

9696 Skillman, LB 34

Dallas, TX 75243

Max W. Coll II F/A/O

Rt. 9, Box 72F

Santa Fe, NM 87505

Packon Oil & Ranch, Ltd.

303 West Wall, Suite 1900

Midland, TX 79701

Finwing Corporation

P.O. Box 10886

Midland, TX 79702

William Taylor Lagrone

P.O. Box 8020466

Dallas, TX 75380

Manta Oil and Gas Corp.

P.O. Box 10886

Midland, TX 79702

Petraltis Oil & Gas, Inc.

P.O. Box 10886

Midland, TX 79702

SES Oil & Gas, Inc.

214 W. Texas, Ste. 900

Midland, TX 79702-0371

Olwick Corp.

P.O. Box 10886

Midland, TX 79702

Redstone Oil & Gas Company

8235 Douglas Ave., Ste. 1050

Dallas, TX 75225

# ILLEGIBLE

## WELL COST ESTIMATE DRILLING AND COMPLETION

First Draft

State: N. Mexico County: Eddy Expenditure Type: (X) Development Drilling  
 Field: Rock Tank Lease: Rock Tank ( ) Injection Well  
 Well Number: 6 File: ( ) Exploratory Drilling  
 Location: 2400 F&L & 600' PNL Sec. 12, T53S, R24E ( ) Recompletion  
 Formation: Marrow  
 Estimated TD: 10,000 feet

ITEMS	COST TO DRILL	COST TO COMPLETE	TOTAL WELL COST ESTIMATE	SUB ACCT	QTY
<b>INTANGIBLE COSTS</b>					
Location & Notes	\$25,000	\$5,000	\$30,000		
Driveway & Right of Way	\$2,000		\$2,000		
Heavy H. Rig Up and Rig Down	\$0		\$0		
Drilling - Packer 10,000' @ \$28.80/H	\$287,760		\$287,760		
Drilling - Cement 3 1/2" @ \$6800/day	\$20,400		\$20,400		
Pit	\$0		\$0		
Cement & Cementing Services	\$34,000	\$14,000	\$48,000		
Mud & Chemicals	\$20,000		\$20,000		
Mud Losses: 10 days @ 400/day	\$4,000		\$4,000		
Water, including water hauling	\$20,000		\$20,000		
Cement, Core Analysis	\$0		\$0		
Log, Formation & Map	\$0		\$0		
Survey	\$20,000	\$10,000	\$30,000		
Formation Testing	\$0		\$0		
Logging, Open Hole	\$14,000		\$14,000		
Trucking, Fuel, Grease & Hot Shot Serv.	\$2,500		\$2,500		
Subsidence Measurement & Observation	\$4,000	\$5,280	\$9,280		
Cable, Core Log (Info. Labor)	\$2,500		\$2,500		
Cable	\$1,000		\$1,000		
Completion, W.O. & Borehole Units		\$27,000	\$27,000		
Logging, Open Hole		\$3,000	\$3,000		
Perforation		\$5,800	\$5,800		
Stimulation (acid)		\$0	\$0		
Completion Testing		\$5,000	\$5,000		
Other Completion Costs (Info. Labor)		\$2,500	\$2,500		
Cement & Cement Services P & A		\$0	\$0		
Completion, P & A	\$21,388	\$3,800	\$25,188		
<b>TOTAL INTANGIBLE COSTS</b>	<b>\$448,138</b>	<b>\$81,218</b>	<b>\$529,356</b>		
<b>PERMANENT WELL EQUIPMENT</b>					
Cableway Pile	\$1,500		\$1,500		
Surface Casing 400' 13 5/8" @ \$17.75/H	\$7,118		\$7,118		
Intermediate Casing 2000' 8 1/2" @ \$12.00/H 11.80/H	\$24,030		\$24,030		
Production Casing 10,000' 5 1/2" @ \$8.00/H 7.95/H		\$79,137	\$79,137		
Tool Joint 10,000' 2 3/8" @ \$2.20/H		\$22,450	\$22,450		
Casing & Tubing Pile	\$5,780	\$5,800	\$11,580		
Joint Tool & Bithead Assembly		\$4,500	\$4,500		
Production Packer/Annular Casing		\$8,000	\$8,000		
Surface Pile & Bottom Hole Pump		\$0	\$0		
Changover		\$0	\$0		
Log		\$10,000	\$10,000		
Trucking, Operation & Tank Ry. Equip		\$10,000	\$10,000		
Perforation, Gun Line		\$8,000	\$8,000		
Map, Pile		\$10,000	\$10,000		
Trucking (Casing Box, Equip)		\$1,500	\$1,500		
Cable		\$1,000	\$1,000		
<b>TOTAL WELL EQUIPMENT</b>	<b>\$38,438</b>	<b>\$136,337</b>	<b>\$174,775</b>		
<b>TOTAL COST</b>	<b>\$486,576</b>	<b>\$217,555</b>	<b>\$704,131</b>		

RECOMMENDED BY: Gene Rowe

OPERATOR APPROVAL: REDSTONE OIL & GAS COMPANY

BY: [Signature]

TITLE: [Signature]

JOINT INTEREST APPROVAL:

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: 2/1/88

DATE: 2/1/88

DATE: \_\_\_\_\_