

Sequence of Events

From date of first written and telephonic contact.

Starting November 10th, 2000 to present.

Initiated by Simmons concerning the Bishop #25-1 & 25-2 Wells

- 1. On July 19th, 2000 at the BLM sale in Santa Fe, Simmons was top bidder on Tract #200007024. This tract covered Section 24: W/2 and Section 25: NE/4, N/2SE/4, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.**
- 2. Lease #NM-105189 was issued to Simmons effective September 1, 2000. This lease covered Section 24: W/2 and Section 25: NE/4, N/2SE/4, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.**
- 3. June 7th, 2001 we sent by certified mail a proposal letter to Forest Oil Corporation, T. H. McElvain Oil & Gas Limited Partnership and Dugan Production Corporation proposing two wells, the Bishop #25-1 in the NE/4 of Section 25 and the Bishop #25-2 in the NW/4SE/4 of Section 25 and forming an E/2 Spacing Unit. This letter set out the terms for a JOA which would be furnished at a latter date after the participants had agreed to participate, and accompany this letter was a Drilling and Completion Plan and AFEs for the Bishop #25-1 and a set for the Bishop #25-2 wells, in Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.**
- 4. On or about June 14, 2001, Simmons received by Certified Mail a letter from T. H. McElvain Oil & Gas Limited Partnership proposing a Mesaverde well in the NW/4 of Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico, the Naomi Com #2. With this letter we received a JOA with exhibits A thru F and an AFE.**
- 5. On August 6, 2001, Simmons sent out a letter to Forest, McElvain and Dugan, by Certified Mail. This letter was to clarify the percentage of costs for the drilling and completion of the Mesaverde formation in the Bishop #25-1 and #25-2 wells in Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.**
- 6. Sometime around August 9, 2001, I had a conversation with Mr. Chuck Rasey with Forest Oil Corporation. He asked me if the commission had made a ruling on the May 17, 2001, Hearing. I told him they had not, but I would advise him when and if they did. He said Forest would be willing to do something, depending on the outcome of the Hearing.**
- 7. September 13th, 2001, Simmons FAXed and by certified mail sent a letter to Forest, McElvain and Dugan setting out the interest as to the Mesaverde formation for the Bishop Federal #25-1 well in the NE/4 of Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. This letter included an AFE for drilling and completing the Mesaverde formation.**
- 8. September 13, 2001, Simmons sent an offer to settle by FAX and Certified mail to McElvain. Simmons offer was to sell to McElvain our interest in the N/2SE/4 of Section 25,**

Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico, as to depths from 750 feet below the Huerfanito Bentonite Marker to the Base of the Mesaverde formation. And in addition, form two 160 acre units in the N/2 of Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. The offer was held open until 5:00 P.M., September 19th, 2001.

9. *Simmons received a letter dated October 3rd, 2001 from McElvain agreeing it would be beneficial to reach an agreement concerning development of the Mesaverde under the N/2 of Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. No proposals were suggested by McElvain.*

10. *Letter dated October 11, 2001, from Holland & Hart, law firm for McElvain, Application for Compulsory Pooling, pooling the N/2 of Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.*

11. *October 25, 2001, Simmons FAXed and sent a letter overnight to McElvain offering to settle our differences. We asked for 2 special 160 units in the N/2 and we would drop our appeal concerning their 320 Unit, S/2 in Section 25, Township 25 North – Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. Our offer was held open until October 31^h, 2001.*