

VERBAL EFFORTS TO ACQUIRE ELAND'S/ PROVIDENCES INTEREST

- June 27 Rick Hodges, Vice President of Exco called Eland with a verbal offer to acquire Elands/Providence's interest in acreage committed to Rose Federal #'s 14, 15, 16 together with other acreage in the area.
- July 3rd Kyle Wood (Eland) called to say that in the Exoc/Eland meeting of May 15th that Exco talked about coming up with a reduced overhead rate at Eland's request, and what was that going to be. I advised him that management said if that was what was keeping Eland from making an election, that we were not going to reduced it by half, but Eland could pick a number between \$400 and \$800.
- July 5th I, Gayle Baker, called Kyle Wood upon receipt of a fax this day of a letter from Eland (Exhibit 2e herein) stating Eland elected not to participate in the proposals to drill the Rose Federal #'s 14, 15 and 16. I asked Eland why it only said "Eland" and didn't include Providence. Kyle Wood said, as he had told me on May 16th, the first time I called him and advised that Exco was going to propose these wells and asked if he could find the existing JOA (which he subsequently called back and said no), that Eland routinely made decisions for Providence and had just forgotten to include Providence's name in the letter. (Exco pays revenue from wells it operates to Eland on Providence's behalf at Providence's direction). I asked if Eland was going to execute the JOA and go non-consent or what they were going to do about the acreage. Kyle said he didn't know, they didn't address that. I asked if Eland would farmout, converting a 3.0% ORI to 25% of their original interest if they weren't going to sell their interest. He said he had not heard that they weren't going to sell and that since it was a holiday week (July 4th) no one was in the office to talk to and he would call me on Monday.
- July 13th Eland called to accept Exco's offer to purchase Eland/Providence's interest excepting an area that contains two existing producing wells and a well proposal and asked Exco to submit another \$figure excluding that.
- July 18th Exco called Eland with an additional offer as requested in Eland's July 13th call. Eland turned that offer down.
- July 24th Exco called Eland with another offer, which is substantially over the value of proven reserves and has not heard back from Eland.