

CHRONOLOGY OF ORAL COMMUNICATIONS RE JOHNSON #1

1/10/86 Met with Doug Robison @ Exxon (attorney/landman land unitization group) and Mike Childers @ Spectrum 7 (landman) to propose Johnson #1. Force pooling discussed with both.

1/14/86 Force pool application filed with OCD.

1/20/86 Hand delivered with copy of force pool application, operating agreement, Afe to Spectrum 7 & Exxon; Fed. Express to Kriti.

1/22/86 Talked to Mike Childers--they think they may keep 1/2 (12.5% WI) and farmout (f/o) 1/2 (12.5%); thinking 1/3 B.I. (back-in)--told him we couldn't support that high a back-in; Kerr-McGee f/o has 1/6 B.I.--told him I would check with our group--talked to Doug Robison & Jack Wheeler @ Kriti (vice president-land)--asked them status of proposal--said they were reviewing.

1/22/86 Doug Robison called and said Exxon is opposed to a w/2 unit. His Andrews group said they feel best two locations are NW/4 and SW/4. If stand-up and get dry hole, it will condemn their acreage in NE/4 which they bought at recent KGS sale. Want two laydowns. They will continue to work proposal but want our feelings on this matter and if we do not agree would like to know if we are willing to meet to discuss matter.

1/23/86 Talked to Doug Robison, Jack Wheeler, and Mike Childers to advise of an addition error in the Afe which had been submitted to their company.

1/23/86 Mike Childers indicated Exxon was willing to entertain the taking of a farmout from Spectrum if Spectrum went with them on laydowns.

Mike Childers said either way that they had no objection to drilling on their lease, however.

1/24/86 Doug Robison called; I told him Santa Fe was in favor of W/2; told him Santa Fe Energy Company also has acreage in E/2 and felt geologically that the W/2 allows for more prudent development; one well can drain W/2. He asked if we were willing to meet. I told him I brought the issue up in Santa Fe but we were not sure what there was to discuss--we wanted stand-up and they wanted lay-down. He responded and advised they were interested in the geological reason. Also, he inquired as to what they could hope for in gas contract. Told him we have drilled approximately 7 gas wells in area and all but 2 were hooked up to Llano. I pointed out that they are in one of them and I believed were selling their gas. Two closest wells to the

SFEC 2  
8820

Johnson No. 1 just went on line in Dec. 85. He said there was a question of whether they could get under said contract. I told him as far as I knew our other partners had just ratified our contract. Told him I would check with our gas department to find status. Also told him our production manager is to be out Monday, 1/27/86, and I would need to get said manager's approval for any meeting. Received a letter from Doug Robison reiterating his questions on January 29. At that time verbally responded and sent a written response on January 30 to his questions.

1/24/86 Offered to take farmout from Spectrum--as to 100% of their acreage in the proration unit--deliver Santa Fe Energy Company 75% net revenue interest (retain 2% ORRI) with option of 1/6 B.I. at payout. He said he would try to let me know Monday.

Mon. 1/27/86 Met with Doug Robison at Exxon and Doug Johnson (Santa Fe Energy Company geologist, not related to this well but a friend of Doug Robison). Doug Robison indicated that they would like to meet with Santa Fe Energy Company to discuss well location--why NW/4 vs. SW/4. I asked if they wanted to compare geology. He said no, however, they would like Santa Fe to convince them, or in other words, show them our geological position without Exxon exposing theirs'. He said Exxon felt that Santa Fe is coming to them and therefore Exxon felt the burden should be on Santa Fe. I told him the decision lies with our production manager who was out today and I would get back with Doug.

Tues. 1/28/86 Talked to Paul Rea (president of Spectrum) about Spectrum 7 as Mike Childers was out. He said they are still evaluating farmout proposal. He said they are not sure how much interest they want to sell. I asked if they were wanted to sell it as opposed to a farmout. He said no, but said the problem they have is that they have some high land costs involved and due to the fiduciary obligations owed the partnerships; it comes down to an economic situation. I told him it was our understanding that they wanted to farmout 12.5%, and possibly all 25% of their working interest. He said that's what they were thinking, but it will come down to an economic decision which Bush (I believe to be chairman of the board) would have to make and he is out. He asked when the hearing was--told him Feb. 5. He asked if Exxon lost, could Exxon still have the option to join? I told him yes. He said then they might be able to sell part of their interest to Exxon. I told him that would be their prerogative. I also told him we were strongly requesting a response prior to the hearing though, as the drill site was on them. He said he would hope to give us a response in a day or two.

Monday 2/3/86 Doug Robison called and said he heard a rumor Santa Fe was going to continue the hearing. I advised him I was just getting ready to call him to advise that Santa Fe was going

to agree to the continuance to the 19th of February. This continuance was due, in fact, to Santa Fe receiving an extension on the term of the farmout from Kerr-McGee. I advised Doug that Santa Fe's attorney (Ernie Padilla) was to have notified Exxon's attorney (Kellahim) on Friday, January 31. He said he would notify his people and didn't think there would be a problem.

Monday 2/7/86 Talked to Mike Childers at Spectrum. He said some of their managers are in Cincinnati at a meeting; they have proposals out to two companies--Monsanto and Exxon. He doubts Monsanto is interested as Randall Davis (land manager with Monsanto) stated to him Friday that they plan to drill the Rohmer (in the N/2 of Section 23 to the west) and don't feel geologically that the Strawn comes over into Section 24. Mike Childers advised that Exxon has made a proposal to Spectrum to buy them out. Spectrum countered--he said they want money up front and a back-in. He said Exxon is supposed to respond today. He didn't specify amounts.

2/10/86 (approximately) Talked to Mike Childers and he indicated that Spectrum proposed to sell Exxon their full interest in the proration unit for \$2,000 an acre and Spectrum to retain some form of back-in. I advised Mike that Santa Fe Energy Company could not support paying any cash consideration; however, I felt that I could secure Santa Fe's management approval to take a farmout from Spectrum on their entire interest based on delivering to Santa Fe a 75% net revenue interest with Spectrum retaining a 25% back-in. He responded that because of their high land costs in the acreage involved, a standard farmout would not be acceptable to Spectrum.

2/14/86 Talked to Mike Childers at Spectrum--He said they are still negotiating a deal with Exxon, however, nothing has been settled.