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March 6, 2003

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO: ALL AFFECTED INTEREST OWNERS IN THE EAST HOBBS  
(SAN ANDRES) UNIT AREA.**

Re: Application of EnerQuest Resources, LLC for statutory  
unitization, of the East Hobbs (San Andres) Unit Area, Lea  
County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that EnerQuest Resources, L.L.C. has filed an application with the New Mexico Oil Conservation Division seeking an order statutorily unitizing for the purpose of establishing a secondary recovery project all mineral interests from a point 50 feet above the top of the San Andres formation to a point 50 feet below the base of the P-5 marker in the San Andres formation, East Hobbs San Andres Pool, underlying 920 acres, more or less, of State of New Mexico and Fee lands comprised of the following described acreage:

**Township 18 South, Range 39 East, NMPM**

Section 29: SW/4, SW/4 NW/4

Section 30: S/2, S/2 N/2

Section 31: N/2 N/2

Section 23: N/2 NW/4

Said unit is to be designated the East Hobbs (San Andres) Unit. Among the matters to be considered at the hearing on this application will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable and equitable allocation of

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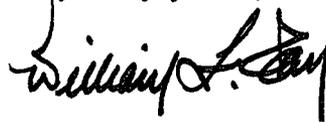
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production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investments in wells and equipment; a non-consent penalty for risk to be charged against carried working interest owners within the unit area upon such terms and conditions to be determined by the Division as just and reasonable; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including, but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations.

This application has been set for hearing before a Division Examiner on March 27, 2003 at the Oil Conservation Division Hearing Room, located at 1220 South Saint Francis Drive, Santa Fe, NM 87505. You are not required to attend this hearing but, as the owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing at the Division's Santa Fe Office. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr  
Attorney for EnerQuest  
Resources, L.L.C.

cc: Robert Floyd  
Craig Clark  
EnerQuest Resources, LLC