



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

May 28, 2003

EnerQuest Resources, LLC
P. O. Box 11150
Midland, Texas 79702

Case 13042

RECEIVED

MAY 20 2003

OIL CONSERVATION
DIVISION

Attention: Mr. Robert W. Floyd

Re: Preliminary Approval
East Hobbs (San Andres) Unit
Lea County, New Mexico

Dear Mr. Floyd:

This office has reviewed the unexecuted copy of the unit agreement which you have submitted for the proposed East Hobbs (San Andres) Unit Area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

It is our understanding that no fresh water will be used for injection in this project.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures. (The Lessee of Record on State Trust Lands must ratify the unit to commit their tract to the unit.)
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
4. A copy of the Unit Operating Agreement.
5. A copy of your initial plan of operation, pursuant to Section 11 of the agreement.
6. A re-designation of well names and numbers.
7. On Exhibit "B", please include for Tract 10, and all other tracts, the correct lease number, lessee of record and complete the land description by including the Township and Range.

EnerQuest Resources, LLC.
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Page 2

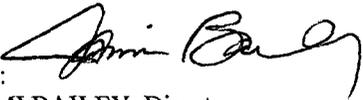
Your filing fee in the amount of \$120.00 has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS

COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File

OCD-Attention: Roy Johnson