



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

August 3, 2001

Holland & Hart LLP and Campbell & Carr
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Telefax No. (505) 983-6043

Attention: William F. Carr

Re: GP II Energy, Inc.
Request for extension of Oil Conservation Division Order No. R-11435

Dear Mr. Carr:

New Mexico Oil Conservation Division ("Division") Order No. R-11435, issued in Case No. 12112 and dated August 10, 2000, authorized GP II Energy, Inc. ("GP II") to institute a waterflood project in its North Square Lake Unit ("Unit Area") by injection of water into the Grayburg and San Andres formations, Square Lake-Grayburg-San Andres Pool Eddy County, New Mexico, through 23 proposed injection wells. These wells are identified on Exhibit "A" of the order. Ordering Paragraph No. (15) of Order No. R-11435 provides that the injection authority granted by this order for each well would terminate one year after the effective date of this order if GP II has not commenced injection operations into the well. This ordering paragraph however authorized the Division Director to grant an extension of this time limitation for good cause shown.

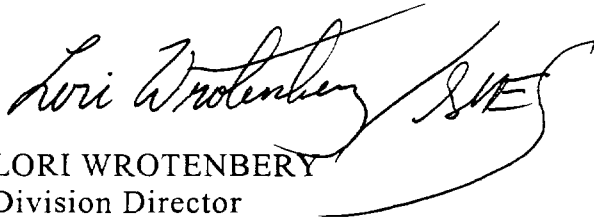
By letter dated July 23, 2001, you have advised the Division that no operations have been undertaken pursuant to Order No. R-11435 and that all of GP II's interest in this Unit is being purchased by D. H. Resources, LTD. D. H. Resources, LTD will become successor operator of the North Square Lake Unit and intends to implement the waterflood project pursuant to Order No. R-11435.

Based on the reasons stated in your letter of July 23, 2001, and in accordance with the provisions of Division Order No. R-11435, GP II, or the successor Unit operator, is hereby granted an extension of time until August 10, 2002 to commence injection in each of the wells governed by this order.

Letter to William F. Carr, Legal Counsel for GP II Energy, Inc.
August 22, 2001
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Prior to the commencement of any operations under Division Order No. R-11435 by D. H. Resources, LTD, it must become the operator of each well in the North Square Lake Unit Area in accordance with the appropriate rules and procedures of the Division. Furthermore, D. H. Resources, LTD must comply with all provisions of the Rules and Regulations of the Division including the bonding provisions of Rule 101. A copy of this rule is enclosed for your information.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery" followed by a stylized flourish or set of initials.

LORI WROTENBERY
Division Director

LW/MES/mes

cc: New Mexico Oil Conservation Division - Artesia
File: Case No. 12112
David R. Catanach, UIC Director - NMOCD, Santa Fe