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August 2, 2001

HAND DELIVERED

Mr. William F. Carr
Holland & Hart, LLP
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504-2208



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

Dear Mr. Carr:

Division Order No. R-11435, dated August 10, 2000, authorized GP II Energy, Inc. 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 to the order. Order paragraph 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. The order also authorized the Division Director to grant an extension of this time limitation for good cause shown.

You have advised the Division that no operations have been undertaken pursuant to Order No. R-11435 and that all of GP II Energy, Inc.'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.

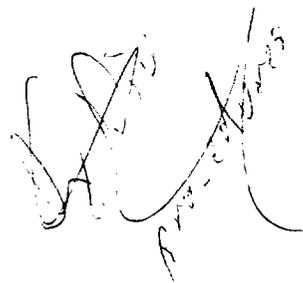
Based on the reasons stated in your letter of July 23, 2001, and in accordance with the provisions of Division Order No. R-11435, GP II Energy, Inc. is hereby granted an extension of time until August 10, 2002 to commence injection in each of the wells governed by this order.

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Prior to the commencement of any operations under Order No. R-11435 by D. H. Resources, LTD, it must become the operator of each well in the North Square Lake Unit Area ~~by obtaining approved change of operator forms (Division Form C-103).~~ Furthermore, D. H. Resources, LTD must comply with all provisions of the Rules and Regulations of the Oil Conservation Division including the bonding provisions of Rule 101. A copy of this rule is enclosed for your information.

Sincerely,

LORI WRTOENBERY
Division Director



*in accordance to the
rule and procedure
of the O.C.D.*