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FAX COVER SHEET

DATE 3-6-02

TO: The Hon. J. K. Wooten, Director
Oil Conservation Division
Energy, Minerals & Natural Resources Dept.
COMPANY: State of New Mexico

FAX NUMBER: (505) 476-3462NUMBER OF PAGES INCLUDING THIS PAGE: 3MESSAGE: Originals will be mailed today.

Thank you,

THIS FAX WAS SENT BY: L. Jay Sullivan

well, it is proposed that a will be agreed upon...

March 6, 2002

Ms. Lori Wrotenbery
Director
Oil Conservation Division
Energy, Minerals & Natural Resources Department
State of New Mexico
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

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

Dear Ms. Wrotenbery:

I am writing on behalf of some of the royalty owners in Tract #12, Sec: 30: E/2 SW/4, S/2 NW/4. After having a petroleum engineering consultant look over the agreement and his contacting Craig Clark of EnerQuest, regarding the above referenced matter, we would not be against the unitization if a more equitable distribution could be made.

We would like to present an exception to the method on which the "Tract Participation" was calculated based on the following formula:

Acreage (20%) + Usable Wellbore (20%) + Last 12 month production (30%) + Estimated Ultimate Recovery (30%).

The exception being the definition of what is considered a "Usable Wellbore".

The tract we are royalty owners within is Tract 12. Currently within this tract there are 3 wellbores that are going to continue to be utilized within the unit. Of these 3 wells, it is proposed that 2 will be injection wells and 1 a producing well. In

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addition to these wells, it is proposed that 2 additional wells are to be drilled on this tract to provide an effective water injection sweep of the overall reservoir. Our contention is these new proposed injection wells will also be "Usable Wellbores" when it comes to the overall number of wellbores utilized during the waterflood.

Currently, as calculated, there are 24 wellbores with a proposal to drill an additional 5 wellbores thus bringing the number of "Usable Wellbores" to 29 wellbores. According to the formula as currently interpreted, we are receiving 2.5% $[(3 \text{ divided by } 24) \times 20\%]$ for this section of the formula. With our proposed exception, we feel we should be receiving 3.448274% $[(5 \text{ divided by } 29) \times 20\%]$ thusly increasing our "Tract Participation Factor" from 9.218341 to 10.166615.

With this redefinition, we feel we could comfortably support this proposed unitization with our signing of the unit agreement.

Your consideration of this matter will be greatly appreciated.

Sincerely,



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