

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

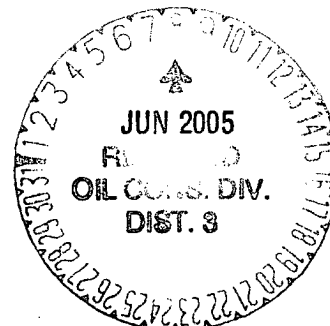
Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 31, 2005

Sagle & Schwab Energy Resources
2223 Main Ave.
PO Box 2677
Durango, CO 81302



Re: Extension of Administrative Order SWD-293

Dear Mr. Schwab:

As per your request on behalf of Sagle & Schwab Energy Resources ("S&S") received in this office May 16, 2005, and for the reasons outlined in your letter, a one-year extension of the deadline in which to resume injection in the Pot Mesa Well No. 2 (API No. 30-031-20888), approved by Division Order No. SWD-293, is hereby granted with the following conditions.

Just prior to resuming injection, the operator shall submit the following data to the Division in Santa Fe.

- 1) Casing and cement top data on all wells drilled to at least the top perforation depth and within ½ mile radius of this injection well.
- 2) All wells and pools producing and/or considered prospective within a 2-mile radius of this injection well.
- 3) Plot of available injection data vs time, including daily injection rate and wellhead pressure.
- 4) Current static fluid level and estimated reservoir pressure.
- 5) Statement verifying that a pressure limiting device is installed and operational at or near the wellhead.

The injection authority for this well shall expire on July 1, 2006, if the operator has not resumed injection.

Sincerely,

William V. Jones P.E.

cc: Oil Conservation Division – Aztec
File: SWD-293