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OIL CONSERVATION
DIVISION

March 23, 2003

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:

This is regarding Tract #12, Sec: 30: E/2 SW/4, S/2 NW/4. As I have written before on March 6, 2002, it is my opinion that we are really not being treated fairly in the allocation percentage.

The previous allocation allowed the Samuel Cain acreage (160 acres) a 9.218341 participation factor and now our participation factor is down to 2.053069. There were no reservoir engineering principles stated for such a sufficient percentage decrease going to the royalty owners. The only explanation supplied was the working interest owners got together and made the decision the allocation be based more on current production rates rather than giving importance to principles such as reservoir net acreage. It was also noted with the added working interest gain by EnerQuest Resources, in the higher current producing acreages there was less opposition to using the current proposed method based almost solely on current production rates.

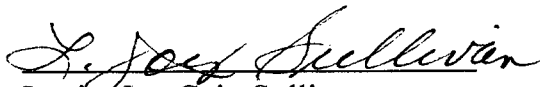
It is believed that our wells have been shut down so that our production rate would be lower and therefore would be an advantage to the higher producing wells in the area so that a greater amount of participation factor could be drawn for those wells.

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Please find enclosed a copy of the letter which was sent to you on March 6, 2002, which references the participation factor.

Your consideration of this matter will be greatly appreciated.

Sincerely,



Lavita Joy Cain Sullivan
1528 Magnolia
Norman, Oklahoma 73072
(405) 321-2555
(405) 321-4003/FAX





Nancy Iola Cain Henry
3100 East Lora Lane
Hobbs, New Mexico 88240
(505) 393-3286

cc: Mrs. Roy Lee Cain
William C. Humble
Lora Mae Rawlings
Marjorie H. Augustine
William F. Carr, Attorney for EnerQuest
Robert W. Floyd, EnerQuest Resources, LLC
M. Craig Clark, Landman - EnerQuest Resources, LLC

March 6, 2002

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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,



Lavita Joy Cain Sullivan
1528 Magnolia
Norman, OK 73072
(405) 321-2555
(405) 321-7205/FAX

cc: Nancy Iola Henry
Roy Lee Cain
William C. Humble
Lora Mae Rawlings
Marjorie H. Augustine
William F. Carr, Attorney for Enerquest
Robert W. Floyd, EnerQuest Resources, LLC
M. Craig Clark, Landman - EnerQuest Resources, LLC