



ENERQUEST

EnerQuest Resources, LLC

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Midland, Texas 79702

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March 18, 2003

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Application of EnerQuest Resources, LLC for Enhanced Oil Recovery Project
Qualification for the Recovered Oil Tax Rate for the East Hobbs (San Andres)
Unit, Lea County, New Mexico.

Dear Ms. Wrotenbery:

EnerQuest Resources, LLC hereby makes application to qualify the East Hobbs (San Andres) Unit for the recovered oil tax rate as authorized by the Enhanced Oil Recovery Act. EnerQuest Resources, LLC plans to commence drilling, recompletions, and conversions of wells to implement a waterflood project in this unit and is making application pursuant to the rules promulgated by Commission Order No. R-9708 entered on August 27, 1992.

In accordance with Order No. R-9789, EnerQuest Resources provides the following information:

A. Operator's name and address:

EnerQuest Resources, LLC
P. O. Box 11190
Midland, TX 79702

B. Description of the Project Area:

1. A plat showing the project area is attached hereto as Exhibit A.
2. Description of the Project Area:

TOWNSHIP 18 SOUTH, RANGE 39 EAST, NMPM
Section 29: SW/4, SW/4 of NW/4
Section 30: S/2, S/2 of N/2
Section 31: N/2 of N/2
Section 32: N/2 of NW/4

3. Total Acres in project area: 920.00
4. Name of the subject pool and formation:

East Hobbs (San Andres) Pool
San Andres formation

C. Status of operations in the project area:

The area which is the subject of this application is currently being developed with primary production operations.

D. Method of Recovery to be used:

Injection fluids: waterflood

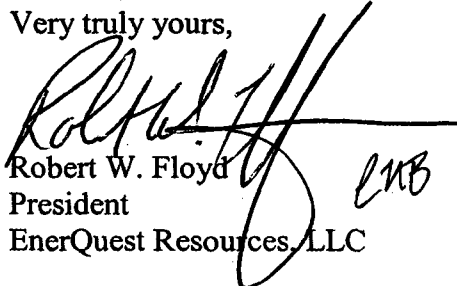
E. Description of Project:

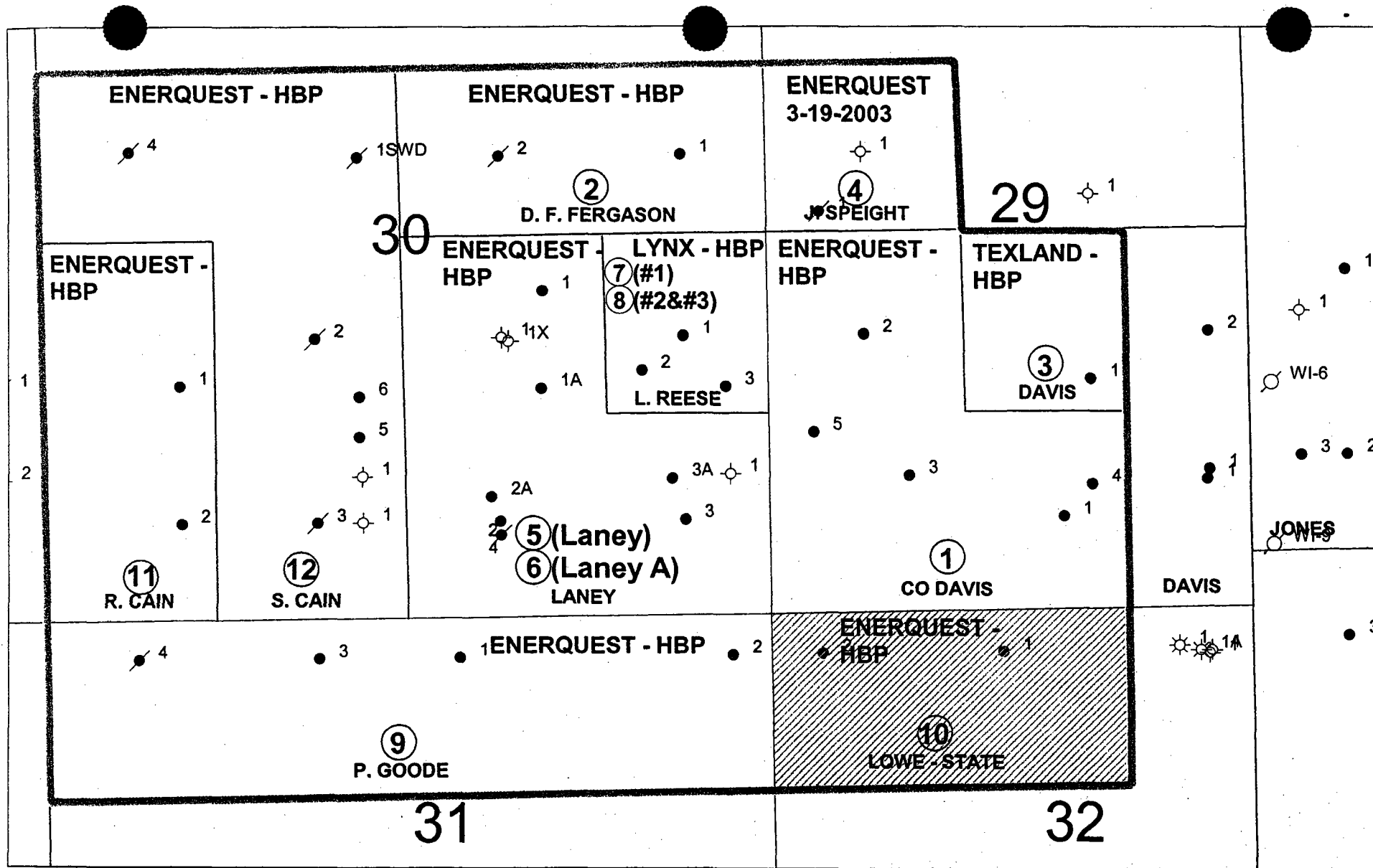
1. List of producing wells: Exhibit B attached hereto
2. List of injection wells: Exhibit B attached hereto
3. Capital cost of additional facilities: \$7.1 million
4. Total project costs (incl. increased LOE): \$17.9 million
5. Estimated total value of the additional production that will be recovered as a result of the project expansion: An additional 8.8 million barrels valued at \$73.6 million.
6. Anticipated date for the commencement of injection: June 2003 or ASAP
7. Type of fluid to be injected and the anticipated volume: Water will be injected at an anticipated daily rate of 8,000 BPD in the project area.

F. Project History and Forecast:

See the production curve marked as Exhibit C which shows the production history and forecast, respectively, for the project area.

Very truly yours,

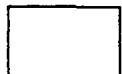

Robert W. Floyd
President
EnerQuest Resources, LLC



1000 0 1000 2000 3000 ft



State Lands 80 acres (8.7%)



Patented Lands 840 acres (91.3%)

③ Tract Number

Unit Outline

EXHIBIT A

ENERQUEST RESOURCES, LLC

EAST HOBBS (SAN ANDRES) UNIT
920 ACRES

Lea County, New Mexico
T18S - R39E

Project:
Area:
Prospect:

Date: 1 Jan, 2002
Scale: 1"=1000'
C.I.:

Geologist:
Geophysicist:
Engineer:

ENERQUEST RESOURCES LLC - EAST HOBBS (SAN ANDRES) UNIT

List of Producing and Injection Wells

Unit Tract #	Section	Spacing Unit	ORIGINAL		REDESIGNATED		WELL STATUS		
			LEASE NAME	Well #	UNIT NAME	Well #	Phase I	Phase II	Phase III
3	29	K	Davis	1	East Hobbs Unit	301	Producer	Producer	Producer
1	29	L	Davis Carrie O	2	East Hobbs Unit	102	Producer	Producer	Producer
1	29	M	Davis Carrie O	5	East Hobbs Unit	105	Producer	Producer	Producer
1	29	N	Davis Carrie O	1	East Hobbs Unit	101	Producer	Producer	Producer
12	30	F	Cain Samuel	1	East Hobbs Unit	1201W	SWD	SWD	Injector
2	30	H	Ferguson DF	1	East Hobbs Unit	201	Producer	Producer	Producer
7	30	I	Laney Reese	1	East Hobbs Unit	701	Producer	Producer	Producer
8	30	I	Laney Reese	2	East Hobbs Unit	802	Producer	Producer	Producer
8	30	I	Laney Reese	3	East Hobbs Unit	803	Producer	Producer	Producer
5	30	J	Laney	1	East Hobbs Unit	501	Producer	Producer	Producer
6	30	J	Laney 'A'	1	East Hobbs Unit	601	Producer	Producer	Producer
12	30	K	Cain Samuel	6	East Hobbs Unit	1206W	SI	Injector	Injector
12	30	N	Cain Samuel	5	East Hobbs Unit	1205	Producer	Producer	Producer
5	30	O	Laney	2	East Hobbs Unit	502	Producer	Producer	Producer
6	30	O	Laney 'A'	2	East Hobbs Unit	602	Producer	Producer	Producer
5	30	P	Laney	3	East Hobbs Unit	503	Producer	Producer	Producer
6	30	P	Laney 'A'	3	East Hobbs Unit	603	Producer	Producer	Producer
9	31	A	Goode Pearl	2	East Hobbs Unit	902	Producer	Producer	Producer
9	31	B	Goode Pearl	1	East Hobbs Unit	901	Producer	Producer	Producer
9	31	C	Goode Pearl	3	East Hobbs Unit	903	Producer	Producer	Producer
10	32	C	Lowe-State	1	East Hobbs Unit	1001	Producer	Producer	Producer
10	32	D	Lowe-State	2	East Hobbs Unit	1002	Producer	Producer	Producer
11	30	L	Rocket Cain	1	East Hobbs Unit	1101	Producer	Producer	Producer
11	30	M	Rocket Cain	2	East Hobbs Unit	1102	Producer	Producer	Producer
6	30	O	New Inj. Ph. I	-	East Hobbs Unit	604W	Injector	Injector	Injector
6	30	O	New Inj. Ph. I	-	East Hobbs Unit	605W	Injector	Injector	Injector
6	30	P	New Inj. Ph. I	-	East Hobbs Unit	606W	Injector	Injector	Injector
6	30	P	New Inj. Ph. I	-	East Hobbs Unit	607W	Injector	Injector	Injector
1	29	M	New Prod. Ph. II	-	East Hobbs Unit	106	-	Producer	Producer
1	29	M	New Inj. Ph. II	-	East Hobbs Unit	107W	-	Injector	Injector
1	29	M	New Inj. Ph. II	-	East Hobbs Unit	108W	-	Injector	Injector
1	29	L	New Inj. Ph. II	-	East Hobbs Unit	109W	-	Injector	Injector
2	30	H	New Inj. Ph. II	-	East Hobbs Unit	202W	-	Injector	Injector
12	30	N	New Inj. Ph. II	-	East Hobbs Unit	1207W	-	Injector	Injector
2	30	G	New Prod. Ph. III	-	East Hobbs Unit	203	-	-	Producer
12	30	K	New Prod. Ph. III	-	East Hobbs Unit	1208	-	-	Producer
12	30	N	New Prod. Ph. III	-	East Hobbs Unit	1209	-	-	Producer
1	29	K	New Inj. Ph. III	-	East Hobbs Unit	110W	-	-	Injector
1	29	N	New Inj. Ph. III	-	East Hobbs Unit	111W	-	-	Injector
2	30	H	New Inj. Ph. III	-	East Hobbs Unit	204W	-	-	Injector
12	30	K	New Inj. Ph. III	-	East Hobbs Unit	1210W	-	-	Injector
11	30	M	New Inj. Ph. III	-	East Hobbs Unit	1103W	-	-	Injector
12	30	N	New Inj. Ph. III	-	East Hobbs Unit	1211W	-	-	Injector
12	30	N	New Inj. Ph. III	-	East Hobbs Unit	1212W	-	-	Injector
9	31	A	New Inj. Ph. III	-	East Hobbs Unit	904W	-	-	Injector

EAST HOBBS SAN ANDRES - FULL SCALE PROPOSED WATERFLOOD

