

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
R. TRACY SPROULS, LL.M. (TAX)
OF COUNSEL
A. J. LOSEE

311 WEST QUAY AVENUE
P. O. BOX 1720
ARTESIA, NEW MEXICO 88211-1720
PHONE (505) 746-3505
FAX (505) 746-6316

ROSWELL OFFICE
400 N. PENN., SUITE 870
ROSWELL, NM 88201
PHONE (505) 623-5154

PLEASE DIRECT ALL CORRESPONDENCE
TO OUR ARTESIA OFFICE

February 18, 2000

Mr. David Catanach
Oil Conservation Division
2040 S. Pacheco St.
Santa Fe, NM 87505

Re: Case No. 12112 & 12113

Dear Mr. Catanach:

As a follow-up to our recent telephone conversation about Chase Oil Corporation, Webb Oil Company, and Square Lake Partners's concerns about the intentions of GP II Energy, Inc. with respect to the two applications, I would like to report to you that I have had additional conversations with my client, Chase Oil Corporation, and they ask that I write to you to request your looking into what is actually happening out here, and the intentions of GP II Energy, Inc. Manny Sirgo (Square Lake Partners) was in Chase Oil's offices February 10th. Mr. Sirgo informed Chase Oil that they had no plans to inject during the year 2000, and that they would only be drilling ten producers. Mr. Sirgo did state during that conversation that the reason they were prompted to form the unit was Mr. Stogner's refusal to approve their lease line producer applications. Chase Oil has also received a recent joint interest billing which shows very excessive management fees being charged by GP II Energy for the unit.

We do not feel that approval of GP II Energy's request for a unit should stand if there is no intention to actually begin waterflood operations out there, and would request that the OCD hold a show-cause hearing, so as to actually determine what GP II Energy's intentions are. The possibilities are boundless as to what the motivations of GP II Energy's might actually be, and most of those possibilities can affect correlative rights in ways that were not approved by the OCD.

Your consideration of this request is greatly appreciated. If I can be of further service, please advise.

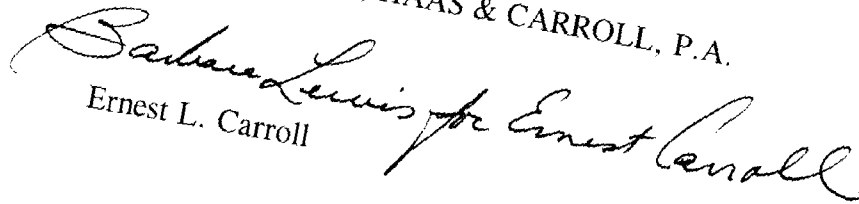
Mr. David Catanach

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February 18, 2000

Yours very truly,

LOSEE, CARSON, HAAS & CARROLL, P.A.


Ernest L. Carroll

ELC:bal

cc: Mr. Ron Lanning