

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

March 19, 2002

HAND DELIVERY

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Street
Santa Fe, New Mexico 87505

Re: Case No. 12811: Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring Three Hundred Eighty-Eight (388) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Eddy County, New Mexico.

Dear Ms. Wrotenbery:

In the above-referenced case the Oil Conservation Division seeks an order requiring 388 inactive wells in Eddy, Chaves and Otero Counties be brought into compliance with OCD Rule 201.B by either restoring said wells to production or beneficial use, plugging and abandoning said wells or securing Division approval for temporarily abandoning the wells. Twenty wells identified in this application are operated by GP II Energy Inc. and are located within the North Square Lake Unit boundary.

On February 12, 2002, Vanco Oil & Gas Corp. and its affiliate CBS Operating Corp. (herein after referred to as "Vanco") filed their application with the Oil Conservation Division seeking the amendment of Division Order No. R-11435 to authorize a pressure maintenance project in the North Square Lake Unit. This case was presented to Examiner Catanach at the March 7, 2002 examiner hearing and the case has been taken under advisement. At Mr. Catanach's request, Vanco is now preparing a proposed order in this case.

Exhibits A and B to the Vanco application identify wells within the North Square Lake Unit which are either "Existing Wellbores with Injection Status" or "Future Potential Water Injection Wells." If the Division approves its application, Vanco will become Unit Operator and will proceed to implement the proposed pressure maintenance project using many of the wells

RECEIVED
MAR 19 11:40 AM
NEW MEXICO DEPT OF ENERGY

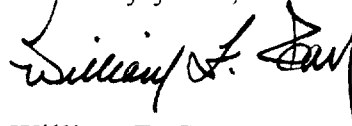
HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

March 19, 2002
Page 2

identified in Case 12811. Vanco testified that, pursuant to discussions with the Division's Artesia District Office, when it become operator of the North Square Lake Unit it will post additional one well plugging bonds in the amount of \$195,000.00 and will proceed with efforts to systematically bring all wells in the Unit Area, including the wells identified in Division Case 12811, into compliance with Division Rules.

The purpose of this letter is to request that at the March 21, 2002 examiner hearing in Case 12811, that the case as it pertains to the GP II Energy Inc. wells identified in the hearing docket be continued until such time as the Division has entered an order on the Vanco application for approval of a pressure maintenance project in the North Square Lake Unit and Vanco has had an opportunity to bring the GP II Energy Inc. wells into compliance with Division Rules.

Sincerely yours,

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

William F. Carr

cc: David K. Brooks, Esq.
Assistant General Counsel
Oil Conservation Division

Tim Gum, District Supervisor
District II
Oil Conservation Division

Michael Short, Esq.
George Mitchell
GP II Energy Inc.

David Cotner
Vanco Oil & Gas, Inc.