

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF ENERQUEST RESOURCES,  
LLC FOR STATUTORY UNITIZATION, LEA  
COUNTY, NEW MEXICO.

Case No. 12645

APPLICATION OF ENERQUEST RESOURCES,  
LLC FOR APPROVAL OF A WATERFLOOD  
PROJECT AND QUALIFICATION OF THE  
PROJECT AREA FOR THE RECOVERED OIL  
TAX RATE PURSUANT TO THE ENHANCED  
OIL RECOVERY ACT, LEA COUNTY, NEW  
MEXICO.

Case No. 12646

AFFIDAVIT OF ROBERT CRAINE

STATE OF TEXAS                     )  
                                      ) ss.  
COUNTY OF DALLAS                )

Robert Craine, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.
2. I am an officer of Lynx Operating Co., Inc. ("Lynx"), as well as an interest owner in the proposed East Hobbs (San Andres) Unit.
3. The only correspondence which Lynx and I received regarding the proposed unitization were letters from EnerQuest Oil & Gas, Ltd. ("Enerquest") dated January 23, 2002 and February 7, 2002, and letters from Holland & Hart, LLP dated February 28, 2002 and March 11, 2002. Copies of these letters are attached hereto as Exhibits A, B, C, and D.
4. The two letters from EnerQuest contained the proposed unit agreement and unit operating agreement, and requested that ratifications of the agreements be signed. They also stated that a hearing would be held on March 7, 2002.
5. I am not aware of any negotiations EnerQuest conducted with the working interest owners on the unit area or unitization parameters prior to the January 23rd letter. In February 2002, Lynx requested a meeting with EnerQuest, which was held on March 5,

OIL CONSERVATION DIVISION

CASE NUMBER

Lynx EXHIBIT 1

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JAMESBRUCE

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2002. That meeting was held after notice of the hearing date had been given.

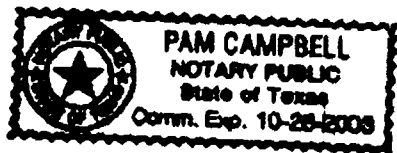
6. EnerQuest did not provide technical data to Lynx on the unitization proposal until after the unitization and waterflood applications had been filed with the Division.

  
Robert Craine

SUBSCRIBED AND SWORN TO before me this 15<sup>th</sup> day of May, 2002, by Robert Craine.

  
Notary Public

My Commission Expires:



# ENERQUEST

ENERQUEST OIL & GAS, LTD.

Certified Mail

January 23, 2002

To: Working Interest Owners

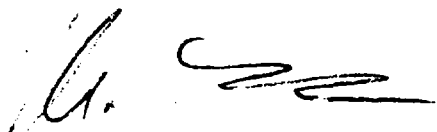
Re: East Hobbs (San Andres) Unit  
Lea County, New Mexico

Ladies and Gentlemen:

EnerQuest Oil & Gas, Ltd. hereby proposes the formation of the East Hobbs (San Andres) unit to unitize the San Andres formation for the purpose of secondary operations. The proposed unit consists of 920 acres and covers parts of Section 29, 30, 31 and 32, Township 18 South, Range 39 East, Lea County, New Mexico. I have enclosed for your review and approval a unit agreement, unit operating agreement and ratification governing the implementation and development of the East Hobbs Unit.

Please review the agreements and if everything appears correct, execute the ratification in the space provided and return to me at the letterhead address. EnerQuest plans to have a hearing with the New Mexico Oil Conservation Division on this matter on March 7, 2002, therefore your prompt attention would be appreciated. Should you have any questions or require any additional information, please feel free to contact me at (915)685-3116.

Very truly yours,



M. Craig Clark  
Landman

MCC/s  
Enclosure



ENERQUEST

ENERQUEST OIL & GAS, LTD.

February 7, 2002

To: Royalty Owners

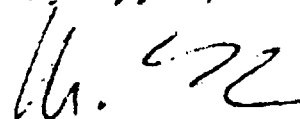
Re: East Hobbs (San Andres) Unit  
Lea County, New Mexico

Ladies and Gentlemen:

EnerQuest Oil & Gas, Ltd. hereby proposes the formation of the East Hobbs (San Andres) unit to unitize the San Andres formation for the purpose of secondary operations. The proposed unit consists of 920 acres and covers parts of Section 29, 30, 31 and 32, Township 18 South, Range 39 East, Lea County, New Mexico. I have enclosed for your review and approval a unit agreement and ratification governing the implementation and development of the East Hobbs Unit.

Please review the agreements and if everything appears correct, execute the ratification in the space provided and return to me at the letterhead address. EnerQuest plans to have a hearing with the New Mexico Oil Conservation Division on this matter on March 7, 2002, therefore your prompt attention would be appreciated. Should you have any questions or require any additional information, please feel free to contact me at (915)685-3116.

Very truly yours,



M. Craig Clark  
Landman

MCC/s  
Enclosure



# HOLLAND & HART, L.L.P.

ATTORNEYS AT LAW

DENVER • ARDEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE  
CHEYENNE • JACKSON HOLE  
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SANTA FE, NEW MEXICO 87501-0021

TELEPHONE (505) 946-6421  
FACSIMILE (505) 963-0043

William F. Carr

wcarr@hollandhart.com

February 28, 2002

**TO: ALL INTEREST OWNERS IN THE EAST HOBBS (SAN ANDRES)  
UNIT AREA**

**Re: Application of EnerQuest Resources, LLC for statutory  
unitization of the East Hobbs (San Anders) Unit Area, Lea  
County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that EnerQuest Resources, LLC has filed an application with the New Mexico Oil Conservation Division seeking an order statutorily unitizing for the purpose of establishing a secondary recovery project, all mineral interests from a point 50 feet above the top of the San Andres formation to a point 50 feet below the base of the Grayburg formation, East Hobbs-San Andres Pool, underlying 920 acres, more or less, of State of New Mexico and Fee lands in the following described lands:

**Township 18 South, Range 39 East, NMPM**

Section 29: SW/4, SW/4 NW/4  
Section 30: S/2, S/2 N/2  
Section 31: N/2 N/2  
Section 32: N/2 NW/4

Said unit is to be designated the East Hobbs (San Andres) Unit. Among the matters to be considered at the hearing on this application will be the necessity of unit operations, the designation of unit operator, the determination of the horizontal and vertical limits of the unit area, the determination of the fair, reasonable and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; a non-consent penalty for risk to be charged against carried working interest owners within the unit area upon such terms and conditions to be determined by the Division as just and reasonable; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations.



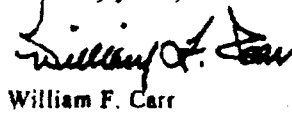
**HOLLAND & HART LLP**  
ATTORNEYS AT LAW

February 26, 2002  
Page 2

This application has been set for hearing before a Division Examiner on March 21, 2002. You are not required to attend this hearing, but as an owner of the surface of the land upon which the injection well will be located, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing

Sincerely yours,



William F. Carr  
Attorney for EnerQuest  
Resources, LLC

cc: Robert W. Floyd  
EnerQuest Resources, LLC

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  
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110 NORTH GUADALUPE, SUITE 1  
SANTA FE, NEW MEXICO 87501-9526

TELEPHONE (808) 888-4421  
FACSIMILE (505) 883-8043

William F. Carr

wcarr@hollandhart.com

March 11, 2002

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO: ALL AFFECTED INTEREST OWNERS IN THE EAST HOBBS  
(SAN ANDRES) UNIT AREA.**

Re: Application of EnerQuest Resources, LLC for statutory  
unitization, of the East Hobbs (San Andres) Unit Area, Lea  
County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that EnerQuest Resources, L.L.C. has filed an application with the New Mexico Oil Conservation Division seeking an order statutorily unitizing for the purpose of establishing a secondary recovery project all mineral interests from a point 50 feet above the top of the San Andres formation to a point 50 feet below the base of the P-5 marker in the San Andres formation, East Hobbs San Andres Pool., underlying 920 acres, more or less, of State of New Mexico and Fee lands comprised of the following described acreage:

Township 18 South, Range 39 East, NMPM

Section 29: SW/4, SW/4 NW/4  
Section 30: S/2, S/2 N/2  
Section 31: N/2 N/2  
Section 23: N/2 NW/4

Said unit is to be designated the East Hobbs (San Andres) Unit. Among the matters to be considered at the hearing on this application will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable and equitable allocation of



HOLLAND & HART<sup>LLP</sup>  
ATTORNEYS AT LAW

March 11, 2002  
Page 2

production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investments in wells and equipment; a non-consent penalty for risk to be charged against carried working interest owners within the unit area upon such terms and conditions to be determined by the Division as just and reasonable; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including, but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations.

This application has been set for hearing before a Division Examiner on April 4, 2002 at the Oil Conservation Division Hearing Room, located at 1220 South Saint Francis Drive, Santa Fe, NM 87505. You are not required to attend this hearing but, as the owner of an interest that may be affected by this applications, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this matters at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr  
Attorney for EnerQuest  
Resources, L.L.C..

cc: Robert Floyd  
Craig Clark  
EnerQuest Resources, LLC