

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 17, 2003

Mr. William F. Carr
Holland & Hart
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87505

Dear Mr. Carr:

Based upon the reasons stated in your letter of January 16, 2003, and in accordance with the provisions of Division Order No. R-11805, Petrocap, Inc. is hereby granted an additional extension of time until April 30, 2003, in which to commence drilling the well pooled by this order.

Sincerely,


LORI WROTENBERY
Division Director

fd/

cc: ✓ Case No. 12886
OCD – Hobbs

HOLLAND & HART^{LLP}
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William F. Carr

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January 16, 2003

HAND DELIVERED

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

Re: Oil Conservation Division Case No. 12886: Application of Petrocap, Inc. for compulsory pooling Roosevelt County, New Mexico.

Dear Ms. Wrotenbery;

On August 6, 2002, the Division entered Order No. R-11805 which granted the application of Petrocap, Inc. in the above-referenced case pooling all uncommitted interests from the surface to the base of the Basal Penn Unconformity Sand formation underlying the N/2 of Section 34, Township 4 South, Range 31 East, NMPM, Roosevelt County, New Mexico in the following manner:

The N/2, forming a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320-acres within this vertical extent.

The NW/4, forming a standard 160-acre gas spacing and proration unit for all formations or pools spaced on 160-acre within this vertical extent.

The S/2 NW/4, forming a standard 80-acre spacing and proration unit for all formations or pools spaced on 80-acres within this vertical extent.

The SW/4 NW/4, forming a standard 40-acre spacing and proration unit for all formations or pools spaced on 40 acres within this vertical extent.

The pooled units are to be dedicated to the applicant's McCowen Well No. 1 which Kestrel, Inc. (the designated operator of this well and of the pooled units) proposes to re-enter and drill at a standard well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 34.

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Order R-11805 provides that in the event Kestrel does not commence re-entry operations on the well on or before October 31, 2002, this pooling order shall be of no effect unless Kestrel obtains a time extension from the Division Director for good cause shown. On October 28, 2002, the Division extended Order No. R-11805 until January 31, 2003.

Kestrel still plans to re-enter the McCowen Well No. 1 but has encountered delays in obtaining necessary partner approvals and has determined that it will not be able to commence drilling prior to October 31, 2002. Since it will be unable to commence drilling prior to the current deadline set by this pooling order as extended, Kestrel, Inc. hereby request an extension of Order No. R-11805 from January 31, 2003 until April 30, 2003.

*Extended to
January 31,
2003.*

Your attention to this request is appreciated.

Very truly yours,



William F. Carr

cc: Victoria Irwin
Petrocap, Inc.
Kestrel, Inc.