



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

July 16, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Mr. William F. Carr
Holland & Hart
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Based upon the reasons stated in your letter of July 16, 2003, and in accordance with the provisions of Division Order No. R-11806, Petrocap, Inc. is hereby granted a fourth extension of time until October 31, 2003, in which to commence drilling the well pooled by this order.

Sincerely,


LORI WROTENBERY
Division Director

fd/

cc: Case No. 12887
OCD – Hobbs

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

July 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

RECEIVED

JUL 1⁶ 2003

Oil Conservation Division

Re: Oil Conservation Division Case No. 12887: Application of Petrocap, Inc. for compulsory pooling Roosevelt County, New Mexico.

Dear Ms. Wrotenbery;

On August 6, 2002, the Division entered Order No. R-11806 which granted the application of Petrocap, Inc. in the above-referenced case and pooled all uncommitted interests from the surface to the base of the Basal Penn Unconformity Sand formation underlying the N/2 of Section 22, 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 NE/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 NE/4, forming a standard 80-acre spacing and proration unit for all formations or pools spaced on 80-acres within this vertical extent.

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

These pooled units are to be dedicated to the applicant's Stevenson Well No. 1 which Kestrel, Inc. (the designated operator of this well and of the units) proposes to re-enter and drill at a standard well location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 22.

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

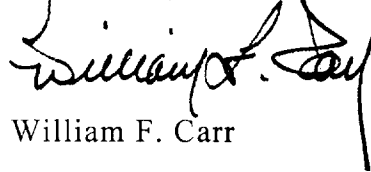
Lori Wrotenbery
July 16, 2003
Page 2

Order R-11806 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-11806 until January 31, 2003, on January 17, 2003 the Division extended this order until April 30, 2003 and on April 3, 2003 the Division extended this order until July 31, 2003.

Kestrel, Inc. still plans to re-enter the Stevenson Well No. 1 but has continued to encounter delays in obtaining necessary partner approvals and has determined that it will not be able to commence drilling prior to July 31, 2003. Since it will be unable to commence drilling prior to the current deadline set by this pooling order as extended by the Division, Kestrel, Inc. hereby request an extension of Order No. R-11806 from July 31, 2003 until October 31, 2003.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr

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

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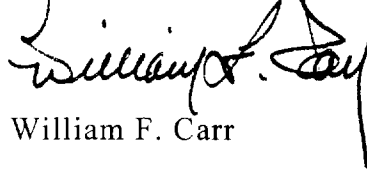
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William F. Carr

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Petrocap, Inc.
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