New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez

Governor

Brett F. Woods, Ph.D. Acting Cabinet Secretary Daniel Sanchez Acting Division Director Oil Conservation Division



February 28, 2011

Quantum Resources Management, LLC ATT: Celia Steffen 5 Houston Center, 1401 McKinney St., Suite 2400 Houston, TX 77010

RECEIVED MAR 02 2011

HOBBSOCD

RF: CANCELLATION OF INTENT TO DRILL

> Jalmat Field Yates Sand Unit #243-E, 11-22s-35e, 30-025-38934 Jalmat Field Yates Sand Unit #245-G, 23-22s-35e, 30-025-38942 Jalmat Field Yates Sand Unit #246-F, 23-22s-35e, 30-025-38943 Jalmat Field Yates Sand Unit #248-D, 14-22s-35e, 30-025-38945 Encore 36 State #2-A, 36-16s-34e, 30-025-39149

Gentlemen:

Twenty-four months or more have elapsed since Division Form C-101, Notice of Intent to Drill the Subject well was approved. To date no progress reports, form C-103, have not been received. Therefore, approval of your permit to drill this well has now expired and no drilling operations are to be initiated without further notice to and approval by the Oil Conservation Division. Pending such approval, this location will be considered as an abandoned location.

If drilling has been done, please file subsequent reports of this work immediately to bring this file into current status.

Truly yours,

OIL CONSERVATION DIVISION

District I Supervisor

30-025-38945

CC:

OCD /Santa Fe

OCD/Hobbs

BI M

State Land Office