

ENERQUEST

EnerQuest Resources, LLC

Telephone (915) 685-3116
Fax (915) 687-4804

P.O. Box 11150
508 W. Wall, Suite 444
Midland, Texas 79702

IS Standard

September 21, 1998

State of New Mexico
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Attention: Mr. Michael Stagner
Engineer

Re: Non-Standard Location Drilling Permit Application
Laney "A" No. 1
UL J, 1,650' FSL & 1,650' FEL
Sec. 30, T-18-S, R-39-E
Lea County, NM

Dear Mr. Stagner:

EnerQuest Resources, LLC respectfully requests approval of the subject non-standard drilling location in the East Hobbs (San Andres) Pool. Enclosed for your review are copies of the State of New Mexico Forms C-101 and C-102. The Laney lease is comprised of the NW/4 SE/4 and S/2 SE/4 of Sec. 30, T-18-S, R-39-E, Lea County, NM, containing 120 acres more or less. Currently, UL J is dedicated to the Laney No. 1 (API No. **30 025 07956**) located at a standard well location 2310' FSL & 1650' FEL of said Section 30. Further, it is intended that East Hobbs (San Andres) oil production from the Laney No. 1 and Laney "A" No. 1 be simultaneously dedicated to the subject 40 acre tract (Unit J).

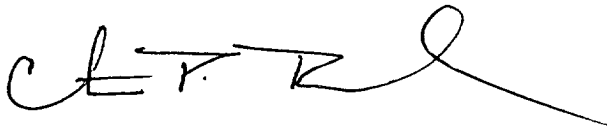
It should be noted that absolutely no working interest owner, royalty interest owner, or overriding royalty interest owner will be effected by the drilling of this non-standard location. The purpose of drilling this well at a non-standard location is to capture additional reserves that could not be obtained on conventional 40 acre spacing, and to evaluate and implement the reservoir for possible secondary recovery at a later date.

Your consideration of this request is appreciated. Please feel free to contact the undersigned at the letterhead address and telephone number should additional information be required at this time.

Page 2
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Very truly yours,

EnerQuest Resources, LLC

A handwritten signature in black ink, appearing to read 'C.P. Renaud', with a long horizontal flourish extending to the right.

Christopher P. Renaud
Vice President/Engineering

Enclosure

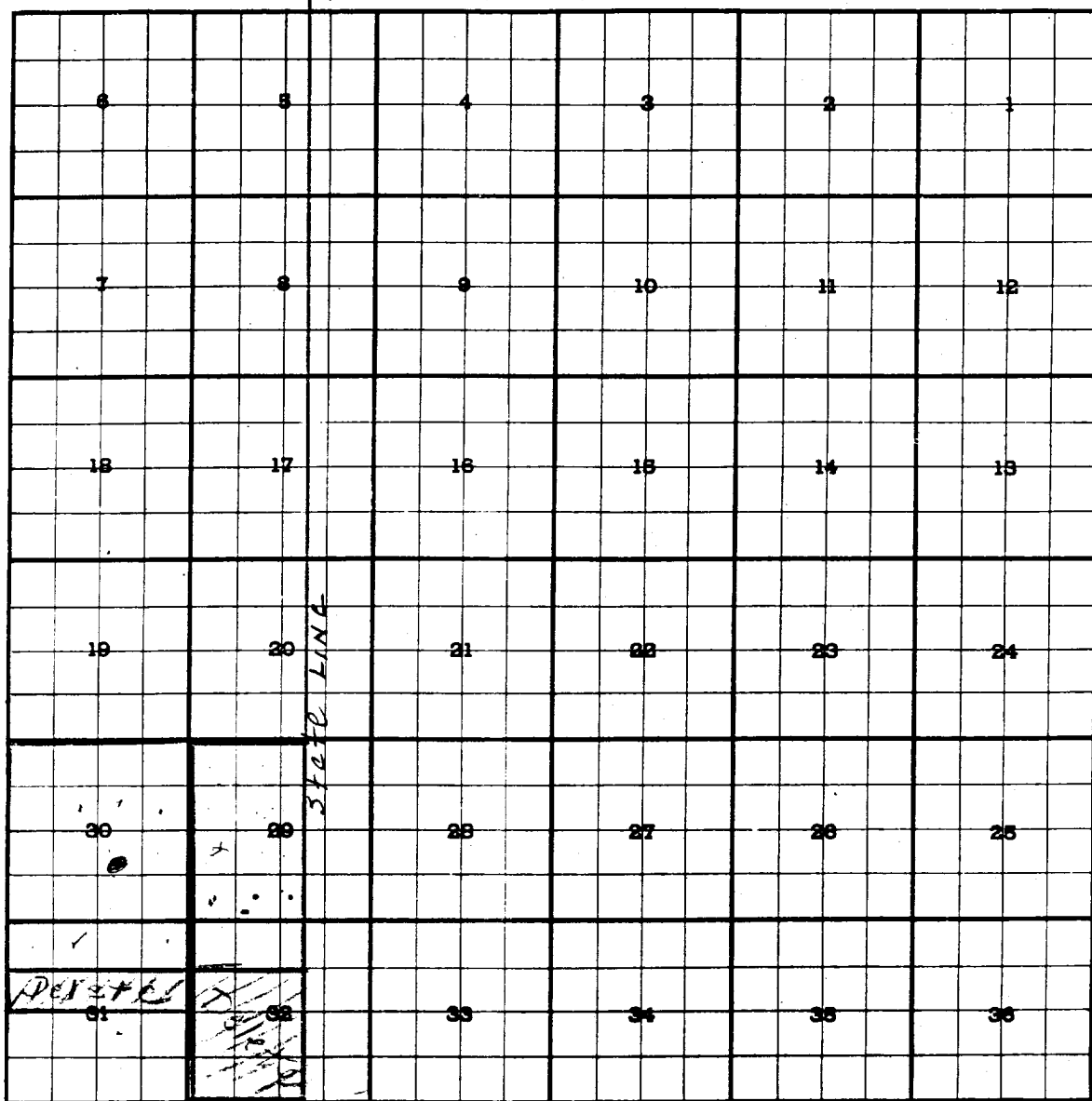
xc: OCD District I - Hobbs, NM
Attn: Chris Williams - Director

County Lea

Pool Hobbs E. S.A.

R-7511 GOR 5000

TOWNSHIP 18 South, RANGE 39 East, #32300
NEW MEXICO PRINCIPAL MERIDIAN



Producing Formation - SAN ANDRES D.R. 0-5
Created by Order R-132
DISCRIPTION, All that Portion of sections
29 AND 32 within New Mexico.
Ent R-328; Width 31 - 1/2 Sec 31.
Dulation R-1059 1/2 N/2 Sec 31, 1/2 N/2 + 1/2 Sec 32

COUNTY: LEA

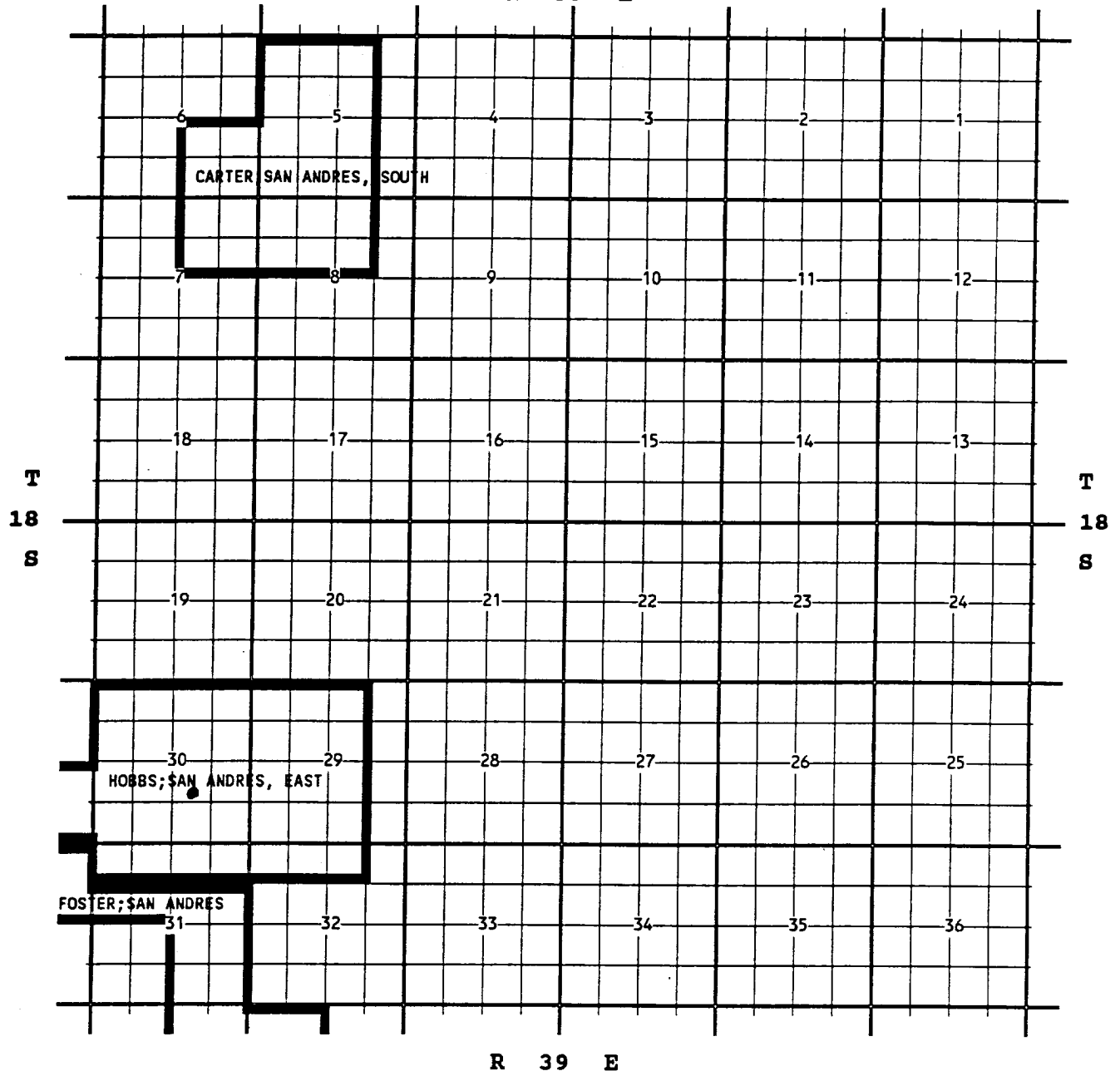
FORMATION: SAN ANDRES

TOWNSHIP: 18 SOUTH

RANGE: 39 EAST

NMPM

R 39 E



CARTER; SAN ANDRES, SOUTH

FOSTER; SAN ANDRES

HOBBS; SAN ANDRES, EAST