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AMEND NSL 3/6/02



Manzano Oil Corporation

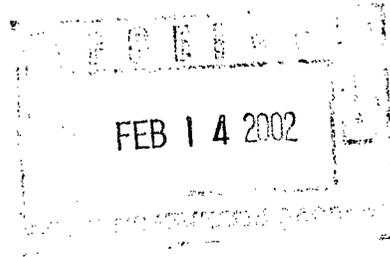
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February 12, 2002

New Mexico Department of Energy, Minerals & Natural Resources
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Michael Stogner

RE: Request to Amend Administrative Order NSL-4568
Manzano Oil Corporation
Rum Point-State #1 (30-025-35499)
Section 2 - T14S - R37E
Lea County, New Mexico



1200
- 111
1089

21
380
209
121

Dear Mr. Stogner:

As per Administrative Order NSL-4568, Manzano received administrative approval to drill the above referenced Rum Point-State #1 well at an unorthodox location of 330 feet from the north line and 1200 feet from the east line.

Manzano commenced drilling the Rum Point-State #1 at the approved location on October 9, 2001 and drilled ahead to a depth of 10,812'. A standard Totco survey at 10,574' showed an inclination of 2.25 degrees (well within the permitted 5 degree tolerance); however, we felt it was important to know our true bottom hole location in order to reach our Devonian objective at the desired location, so we opted to run a wireline gyro survey to pin point our true bottom hole location (the Scientific Drilling Controls Gyro Survey is attached hereto). The gyro survey confirmed the deviation was less than 3 degrees at a depth of 10,713'. However, the gyro showed that the hole had steadily been walking to the northeast and determined that the bottom hole location at 10,713' was 205 feet north and 105 feet east of our surface location. This placed the bottom hole location only 125' south of the lease line. At 10,812' we put a down hole motor and directional assembly in the hole and steered the wellbore back towards the approved surface location. After drilling 15 days with the directional tools (at a additional cost of at least \$125,000) we penetrated the top of the Devonian at a depth of 12,505' and a projected bottom hole location (at 10,453 feet) that was 70 feet north and 37 feet east of the permitted bottom hole location (the Weatherford survey measurements are attached hereto). This places the actual bottom hole location at 260 feet from the north line and

10565

21
330
- 70
260

1200
- 37
1163

1163 feet from the east line of Section 2, which is still 70' unorthodox to the north line and 173' unorthodox to the quarter-quarter line.

Manzano has completed the well as a marginal Devonian oil well (C-104 & C105 filed with NMOCD-Hobbs on 1/18/02) from perforations at 12,532' to 12,539'.

Manzano has made a substantial and expensive attempt to bring this wellbore back to the approved bottom hole location and came up only 70' short of the approved bottom hole location.

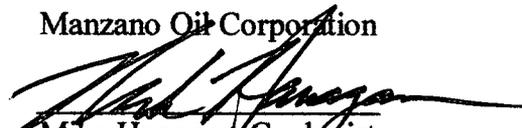
Manzano is aware that the present bottom hole location is unorthodox to the north lease line and therefore encroaches on the correlative rights of Paladin Energy Corporation (the offset Operator). Manzano has sent Paladin, via certified mail, a copy of this letter along with a copy of the attachments to this letter.

By this letter, Manzano requests that Administrative Order NSL-4568 be amended to provide for a bottom hole location of 260 feet from the north line and 1163 feet from the east line (Lot 1/Unit A) of section 2, Township 14 South, Range 37 East, NMPM, Lea County, New Mexico. As previously provided for in Administrative Order NSL-4568, Lot 1 would be dedicated to this well in order to form a standard 41.43 acre spacing and proration unit for the King-Devonian Pool.

Please accept this letter & the attached Certified Mail Receipt as notification by Manzano to Paladin (Affected Offset Operator) of this requested amendment as required by OCD Rule 104.F(4).

Should you have any questions or comments, please contact me at your very earliest convenience at 505-623-1996. Thank you for your consideration of the request.

Manzano Oil Corporation



Mike Hanagan, Geologist

CC: NMOCD-Hobbs
Paladin Energy Corporation
10290 Monroe Dr., Suite 301
Dallas, Texas 75229-5718