

December 24, 2002

Fossil Operating, Inc.  
P. O. Box 181688  
Dallas, Texas 75218

Telefax No. (972) 681-9687

Attention: Rick Sepulvado

*Administrative Order NSL-4828*

Dear Mr. Sepulvado:

Reference is made to the following: (i) your application (*application reference No. pKRV0-235834732*) dated December 19, 2002; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Fossil Operating, Inc.'s ("Fossil") request to drill its Fossil Operating Federal Well No. 1 at an unorthodox Devonian oil well location 1550 feet from the North line and 1200 feet from the East line (Unit H) of Section 27, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico. The SE/4 NE/4 of Section 27 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit within the King Camp-Devonian Pool (**35940**).

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Fossil is seeking this location exception based on 3-D seismic survey of the area, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the Devonian formation underlying the subject 40-acre unit and that portion of its lease in the NE/4 of Section 27.

It is further understood that the 360 acres comprising the SE/4 SW/4 and S/2 SE/4 of Section 22 and the NE/4 and E/2 NW/4 of Section 27, both in Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico is a single federal lease (U. S. Government lease No. NM-103265) with common ownership in which Fossil is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Devonian interval.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Devonian oil well location is hereby approved.

Sincerely,

Lori Wrotenbery  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Artesia  
U. S. Bureau of Land Management – Roswell