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September 2, 2005

Mr. Paul Kautz,
Deputy Oil & Gas Inspector,
Oil Conservation Division, District 1
1625 N. French Drive
Hobbs, New Mexico 88240

VIA FACSIMILE Only: 505-393-0720

RE: James McFarland A # 5 Application for Permit to Drill 30-041-20915

Dear Mr. Kautz:

Thank you for taking the time to visit with me regarding our application for Permit to Drill on the James McFarland A lease.

I understand and agree with your concerns regarding the Non-Standard Location (NSL) of the well and we will work diligently to resolve this issue. I understand that this may take some time. I also understand that under no circumstances will we be allowed by the OCD to produce the well without the approval of the NSL. Until such time as the NSL may be approved, I humbly request that you and your office permit the drilling of the proposed location. I again echo that we will not under any circumstances produce the well without the prior approval of the OCD. Additionally, I recognize that the risk to the Company is that ultimately the NSL may not be approved. At this time we are willing to accept that risk.

Last, I hereby state that as President of the Company I have the authority to bind the Company in all agreements, including the aforementioned. Upon your acceptance the Company will be so bound in favor of drilling the proposed location, but not in favor of producing hydrocarbons from the proposed location.

Thank you for your attention in this matter. If you are in agreement with the proposed, then the Company is so agreed.

Respectfully,

 9.2.2005
Jim Frazier, President, CEO & COO