



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 15, 2011

Elm Ridge Exploration Company LLC
Attn: Terry Lindeman
P.O. Box 156
Bloomfield, NM 87413

Email: tlindeman@elmridge.net

**Re: Elm Ridge Exploration Company LLC – OGRID #149052
Agreed Compliance Order (ACO) #272
C-104s for the Bisti Gallup 18 #2 (API #30-045-33802), Bisti Gallup 18 #6
(API #30-045-33803), and South Bisti 21H #2 (API #30-045-34131)**

Dear Operator:

Enclosed is your copy of the executed Agreed Compliance Order ("ACO") between the Oil Conservation Division ("OCD") and Elm Ridge Exploration Company LLC ("Elm Ridge"). The ACO allows Elm Ridge to obtain C-104s for the gas associated with the oil production at the Bisti Gallup 18 #2 (API #30-045-33802), Bisti Gallup 18 #6 (API #30-045-33803), and South Bisti 21H #2 (API #30-045-34131) within 60 days of today's date despite Elm Ridge's non-compliance with Rule 19.15.5.9 NMAC ("Part 5.9") due to inactive wells. Please attach a copy of the ACO to the C-104s that Elm Ridge submits for these three wells so that the OCD district office knows that there is a ACO that allows Elm Ridge to obtain C-104s for these three wells despite Elm Ridge's non-compliance with Part 5.9 due to inactive wells. **It is Elm Ridge's responsibility to submit and obtain approved C-104s before the 60 day period expires.** Because there **may be no further agreements** if Elm Ridge fails to take timely action to obtain C-104s, Elm Ridge should submit the C-104s as soon as possible. While the ACO allows Elm Ridge to obtain C-104s for the three wells despite Elm Ridge's non-compliance with Part 5.9 due to inactive wells, **the OCD will deny any C-104s if Elm Ridge falls out of compliance with Part 5.9 financial assurance requirements,** so it is imperative that Elm Ridge promptly submit the C-104s to the OCD district office.

Please contact me at (505) 476-3463 or sonny.swazo@state.nm.us if you have any questions about the ACO.

Sincerely,



February 15, 2011

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A handwritten signature in black ink, appearing to read 'Sonny Swazo', with a stylized, looping design.

Sonny Swazo

OCD Assistant General Counsel

CC: Daniel Sanchez, OCD Acting Director/OCD Enforcement & Compliance Manager
Charlie Perrin, OCD District III Supervisor
Amy Vermersch, OCD District III Compliance Officer