



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 12, 1996

Elm Ridge Resources, Inc.
4925 Greensville Avenue - Suite 1305
Dallas, Texas 75206-4021
Attention: Doug Endsley, Geologist

Floyd Oil Company
711 Louisiana - Suite 1740
Houston, Texas 77002
Attention: W. Gregg Atkins

Division Administrative Order NSP-1763

Dear Messrs. Endsley and Atkins:

Reference is made to Elm Ridge Resources, Inc.'s ("Elm Ridge") application dated July 16, 1996, to divide the existing 320-acre standard gas spacing and proration unit ("GPU") in the Basin-Dakota Pool comprising the N/2 of Section 17, Township 24 North, Range 5 West, N.M.P.M., Rio Arriba County, New Mexico, into two 160-acre non-standard gas spacing and proration units.

Said 320-acre GPU was established in 1960 for the Gulf Oil Corporation Apache Federal Well No. 9 (API No. 30-025-05513), located at a standard gas well location 990 feet from the North and West lines (Unit D) of said Section 17.

It is our understanding at this time that:

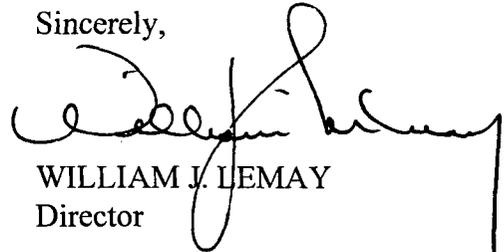
- (1) the acreage dedication for said Apache Federal Well No. 9, now operated by Floyd Oil Company will be changed to a non-standard **160-acre** unit comprising the **NW/4** of said Section 17; and,
- (2) the remaining **160 acres** comprising the **NE/4** of said Section 17 is to be dedicated to a well to be drilled at standard gas well location thereon and operated by Elm Ridge Resources, Inc.

By the authority granted me under the provisions of **Rule 2(d)** of the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Basin-Dakota Pool", as promulgated by Division Order No. R-8170-H, as amended, the two above-described non-standard

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gas spacing and proration units in the N/2 of said Section 17 are hereby approved with allowables to be assigned thereto in accordance with said pool rules based upon its respective unit size.

Sincerely,



WILLIAM J. LEMAY
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington