



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

December 28, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Elm Ridge Resources, Inc.
c/o Permits West, Inc.
37 Verano Loop
Santa Fe, New Mexico 87505
Attention: Brian Wood
brian@permitswest.com

Administrative Order NSL-4679

Dear Mr. Wood:

Reference is made to the following: (i) your application on behalf of the operator, Elm Ridge Resources, Inc. ("Elm Ridge"), submitted to the New Mexico Oil Conservation Division ("Division") on December 3, 2001 (*Division application reference No. pKRV0-133938469*); and (ii) the Division's records in Aztec and Santa Fe: all concerning Elm Ridge's request to drill its Jicarilla Apache "C" Well No. 4 at a point 885 feet from the South line and 1095 feet from the West line (Unit M) of Section 26, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico: (i) as an initial Dakota gas well within the S/2 of Section 26, being a standard 320-acre lay-down gas spacing and proration unit for the Basin-Dakota Pool; and (ii) to test the shallower Gallup formation for oil within the SW/4 SW/4 of Section 26, being a standard 40-acre oil spacing and proration unit for the Undesignated Otero-Gallup Oil Pool (48450).

Pursuant to the well location requirements of the "*Special Rules and Regulations for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, dated June 30, 2000, as amended by Division Order No. R-10987-B (1), dated August 10, 2000, the proposed well is considered to be standard for the 320-acre Dakota gas spacing and proration unit, but, pursuant to Division Rule 104.B (1) is unorthodox within the 40-acre Gallup oil unit.

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.

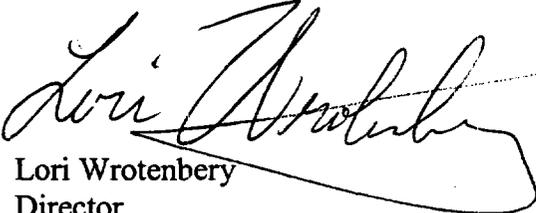
It appears that the SE/4 of Section 22, S/2 of Section 23, all of Section 26, E/2 of Section 27, NE/4 of Section 34, and N/2 of Section 35, all in Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico comprises a single Jicarilla Apache tribal oil and gas lease (BIA No. 13) with common mineral ownership; therefore, there are no adversely effected offset mineral interests to the subject 40-acre tract.

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By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox Gallup oil well location within the above-described 40-acre standard oil spacing and proration unit for the proposed Jicarilla Apache "C" Well No. 4 is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque