



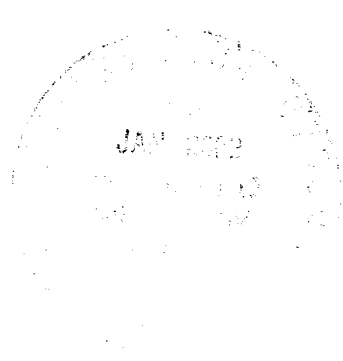
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 24, 2001

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-4677

Dear Mr. Wood:

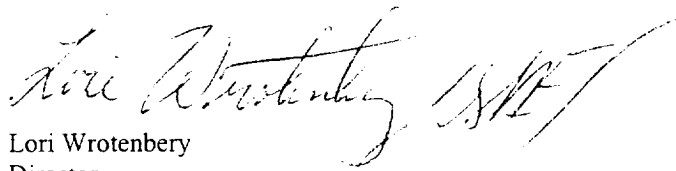
Reference is made to the following: (i) your application on behalf of the operator, Elm Ridge Resources, Inc. ("Elm Ridge"), submitted to the New Mexico Oil Conservation Division ("Division") on December 3, 2001 (*Division application reference No. pKRV0-133937927*); and (ii) the Division's records in Aztec and Santa Fe: all concerning Elm Ridge's request for an off-pattern non-standard Basin-Fruitland coal gas well location for its existing State of New Mexico "16" Well No. 21 (**API No. 30-045-24861**), located 890 feet from the North line and 1920 feet from the West line (Unit C) of Section 16, Township 23 North, Range 8 West, NMPM, Basin-Fruitland Coal (Gas) Pool (**71629**), San Juan County, New Mexico.

According to the Division's well records the State of New Mexico "16" Well No. 21 was initially drilled in 1981 by Kenai Oil & Gas, Inc. and completed at a standard oil well location in the Nageezi-Gallup Oil Pool within a standard 40-acre oil spacing and proration unit comprising the NE/4 NW/4 (Unit C) of Section 16.

It is our understanding that this well is no longer productive from the Gallup interval and Elm Ridge intends to recomplete this well up-hole into the Basin-Fruitland Coal (Gas) Pool. Pursuant to the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended, the location of this well is considered to be unorthodox. Further, the W/2 of Section 16 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool.

By the authority granted me under the provisions of Rule 8 of these special pool rules the above-described unorthodox coal gas well location for the State of New Mexico "16" Well No. 21 is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe