



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joan naPrukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 3, 2007

Brian Wood agent for
Elm Ridge Exploration Company, LLC
PO Box 156
Bloomfield, NM 87413

RE: Bisti Gallup 22 Well No. 3 (API No 30-045-34243)
1060 feet from the North Line, 2310 feet from the West line, Unit C
Section 22, Township 25 North, Range 12 West, NMPM, San Juan County
Units C, D (N/2 NW/4) (80 Acres) Section 22 Dedication
Bisti-Lower Gallup Oil Pool (5890)

Administrative Order NSL-5647

Dear Mr. Wood:

Reference is made to the following:

- (a) your application (administrative application reference No. pCLP0715838212 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on June 6, 2007, on behalf of Elm Ridge Exploration Company, LLC, OGRD 149052 ("Elm Ridge"); and
- (b) the Division's records pertinent to Elm Ridge's request.

Elm Ridge proposes to drill a vertical well for oil production from the Gallup formation within the Bisti-Lower Gallup Oil Pool (5890). Elm Ridge proposes to drill this well at the above referenced non-standard oil well location, since the intended standard location would be in the bad-lands and not allowed by the U.S. Bureau of Land Management. Elm Ridge contends that a deviated well would be cost prohibitive and wasteful. This proposed vertical well is unorthodox because it is to be located only 260 feet from the southern boundary of the 80-acre orthodox N/2 NW/4 spacing and proration unit. This well would be the first oil well on this unit.

The Bisti-Lower Gallup Oil Pool is governed by the Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool as promulgated in Commission Order R-1069, as amended. These special rules establish 80 acre oil well spacing units to consist of either the N/2 or the S/2 of any governmental quarter section with up to two wells allowed per spacing unit, located each

inseparate quarter-quarter sections and spaced at least 330 feet from quarter-quarter section boundaries. Rule 4 of these special rules allows the Division to grant topographic exceptions to the location rules after the applicant notifies all operators within ½ mile of the application and the Division waits 20 days for any protest.

It is our understanding the S/2 NW/4 of Section 22 spacing unit is leased by Elm Ridge and Elm Ridge has two wells staked, but not yet drilled on this proposed unit. Elm Ridge is also the operator and lessee of all eight (8) offsetting drilled or un-drilled spacing units and has therefore notified any operator of Gallup oil wells within ½ mile of the proposed location as is required in the special pool rules.

Your application on behalf of Elm Ridge has been duly filed and notice has been provided. In order to prevent waste and protect correlative rights, the above-described non-standard oil well location within the Bisti-Lower Gallup Oil Pool is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/wvj

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington