



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 2, 2001

Elm Ridge Resources, Inc.
P. O. Box 1317
Aztec, New Mexico 87410
Attention: Patrick Hegarty

Telefax No. (505) 334-4992

Administrative Order NSL-4557

Dear Mr. Hegarty:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on January 18, 2001; (ii) the records of the Division in Aztec and Santa Fe; (iii) the Division's initial response by letter dated February 12, 2001 from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe; (iii) your response by letter dated February 21, 2001 with additional information; (iv) a second letter from Mr. Stogner requesting clarification about your supplemental data; and (v) a faxed message from Mr. Steve Hayden, Division Geologist in the Aztec office of the Division, to Mr. Stogner on March 2, 2001 with the needed information: all concerning Elm Ridge Resources, Inc.'s request for an exception to the well location requirements provided within "Special Rules and Regulations for the Basin-Dakota Pool," as promulgated by Division Order No. R-10987-B, issued in Case No. 12290 and dated June 30, 2000. The W//2 of Section 12, Township 27 North, Range 13 West, NMPM, San Juan County, New Mexico is to be dedicated to the proposed well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Basin-Dakota Pool.

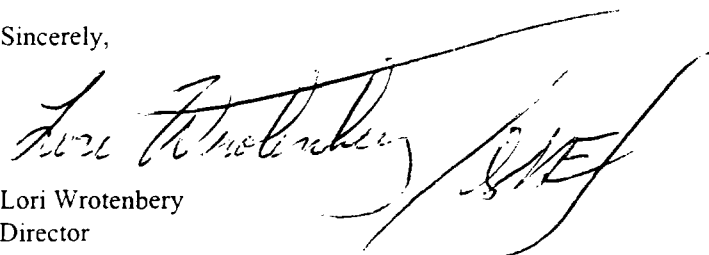
The application has been duly filed under the provisions of Division Rules 104.F and 605.B.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox gas well location in irregular Section 12 is hereby approved:

Kelly "IND" Well No. 1-E
2480' FNL & 660' FWL (Unit E).

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

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