

HOLLAND & HART LLP  
AND  
CAMPBELL & CARR  
ATTORNEYS AT LAW

DENVER • ASPEN  
BOULDER • COLORADO SPRINGS  
DENVER TECH CENTER  
BILLINGS • BOISE  
CHEYENNE • JACKSON HOLE  
SALT LAKE CITY • SANTA FE  
WASHINGTON, D.C.

SUITE 1  
110 NORTH GUADALUPE  
SANTA FE, NEW MEXICO 87501-6525  
MAILING ADDRESS  
P.O. BOX 2208  
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421  
FACSIMILE (505) 983-6043  
www.hollandhart.com

October 25, 2001

**HAND DELIVERED**

David R. Catanach  
Hearing Examiner  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

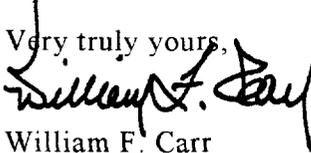
Re: Case No. 12733: Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring Ninety-Five (95) Wells into compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Eddy County, New Mexico.

Dear Mr. Catanach:

On October, 4, 2001 I appeared for Julian Ard in the above-referenced case and reviewed the status of Mr. Ard's negotiations with the Commissioner of Public Lands for extension of the lease upon which the Julian Ard-Acme Well No. 1 is located. As you will recall, Mr. Ard has been attempting to establish sufficient production from this lease to justify the cost of laying a pipeline to this property. Once a pipeline is laid, this well could be produced. Enclosed for your information is a copy of a letter dated October 18, 2001 from the Commissioner of Public Land's office extending Mr. Ard's lease through May 1, 2002.

We have also confirmed that the Acme Well No. 1 is covered by a Traveler's Indemnity Bond (Number 104E313A) which covers wells drilled by Mr. Ard prior to 1986.

Mr Ard requests he not be required to plug his Acme Well No. 1 until he has been able to conclude these efforts to develop this lease and produce this well.

Very truly yours,  
  
William F. Carr

Enc.  
cc: Mark C. Maloney  
Post Office Box 2627  
Roswell, New Mexico 87202-2627

11 OCT 26 AM 9:52  
01 OCT 26 10:01 AM



*State of New Mexico*  
*Commissioner of Public Lands*  
310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

RAY POWELL, M.S., D.V.M.  
COMMISSIONER

Office of the General Counsel  
(505) 827-5713  
Fax: (505) 827-4262

October 18, 2001

Julian Ard  
222 West Fourth Street #313  
Fort Worth, Texas 76102

Re: New Mexico State Oil & Gas Lease  
LG-978  
Chaves County, New Mexico  
August 3, 1999, Settlement Agreement Between NMSLO and Julian Ard

Dear Mr. Ard:

This letter responds to yours of August 28, 2001, in which you seek 270-day extension of the "Exploration Period" defined in paragraph 3 of the settlement agreement referenced above. As stated in the letter, Julian Ard intends to conduct additional exploration on the Undeveloped Lands, as defined in the agreement, to seek production from the Wolfcamp or Montoya Formations.

Based on your representations and the additional materials submitted in your letter, the New Mexico State Land Office agrees to extend the Exploration Period to May 1, 2002. If the criteria set out in paragraph 3 of the settlement agreement are not satisfied on May 1, 2002, Julian Ard will partially relinquish Lease LG-978 as to the Undeveloped Lands in accordance with the agreement.

If you have any questions, please contact me. My direct line is 505-827-5756.

Sincerely,

Bruce Frederick  
Associate Counsel

pc: Jami Bailey  
Jeff Albers