

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



October 28, 2008
Administrative Order NSL-5937

Elm Ridge Exploration Company, LLC
P. O. Box 156
Bloomfield, NM 87413

RCVD NOV 18 '08
OIL CONS. DIV.

Elm Ridge's NSL Application: Marcus B Well No. 2

DIST. 3

API No. 30-039-30402
1735' FNL, 2175' FEL, Unit G
Section 5, T23N, R6W, N.M.P.M., Rio Arriba County, New Mexico
Escrito Gallup (Associated) Pool (22619)

Reference is made to the following:

- (a) your application (*administrative application reference No. pKVR0823954560*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 26, 2008, and
- (b) the Division's records pertinent to this request.

Elm Ridge Exploration Company, LLC (Elm Ridge) has drilled this vertical well for oil production from the Gallup formation within the Escrito Gallup (Associated) Pool (22619), 1735 feet from the North line and 2175 feet from the East line (Unit G) of Section 5, Township 23 North Range 6 West, N.M.P.M., in Rio Arriba County, New Mexico. The W/2 NE/4 of Section 5 will be dedicated to this well in order to form a standard 80-acre oil spacing unit in the Escrito Gallup (Associated) Pool.

The Escrito Gallup Associated Pool is governed by Commission Order R-5353. This order established 80 acre oil or 320 acre gas spacing units and requires wells to be located no closer than 330 feet from any quarter-quarter section and no closer than 790 feet from any quarter section boundary. Rule 2 of this Order allows the Division to grant topographic exceptions to the location rules after the applicant has provided notice.



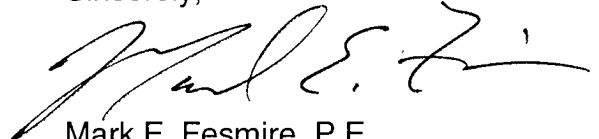
It is also understood that Elm Ridge (OGRID **149052**) sent notice of this application to all operators and or owners in the offsetting unit towards which this location encroaches. The non-standard location is necessary due to terrain and archaeology.

Your application has been duly filed and notice has been provided. In order to prevent waste and protect correlative rights, the above-described non-standard well location within the Escrito Gallup Associated Pool is hereby approved.

This approval is subject to your being in compliance with all the other applicable Division rules, including, but not limited to Division Rule 40.

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 stylized flourish at the end.

Mark E. Fesmire, P.E.
Division Director

MEF/tw

cc: New Mexico Oil Conservation Division – Aztec
United States Bureau of Land Management - Farmington