

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



July 2, 2008

Elk San Juan, Inc.
Attn: Mr. Richard P. Crist
1401 17th Street, Suite 700
Denver, CO 80202

Administrative Order NSL-5860

Re: Ute Mountain Ute Tribal Well No. 21D
API No. 30-045-34113
Unit J, Section 21-31N-14W
San Juan County

Dear Mr. Crist:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-17653005**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on June 23, 2008, and

(b) the Division's records pertinent to this request.

Elk San Juan, Inc. (Elk) has requested to complete the above-referenced well at an unorthodox Gallup oil well location, 1700 feet from the South line and 1645 feet from the East line (Unit J) of Section 21, Township 31 North, Range 14 West, N.M.P.M., in San Juan County, New Mexico. The NW/4 SE/4 of Section 21 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Verde-Gallup Pool (62510). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location to utilize an existing wellbore that was drilled at a standard location to another formation.



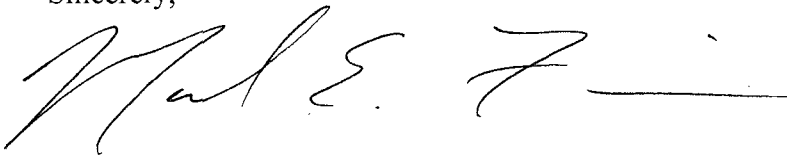
It is also understood that notice of this application to offsetting operators or owners is unnecessary because of common ownership.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all 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', followed by a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Durango, Colorado