

July 10, 2001

Via Facsimile

Michael E. Stogner, Hearing Examiner
Oil Conservation Division
1220 St. Francis
Santa Fe, New Mexico 87504

Re: Application of Elm Ridge Resources, Inc. For Compulsory Pooling
N/2 of Section 24, Township 26 North, Range 13 West, NMPM
Case No. 12620, Order No. R-11560, San Juan County, N.M.

Dear Mr. Stogner:

We are in the process of securing the necessary permits to drill the Ryleybart Federal well as called for under the captioned Order. We have been working on the permit since last October of 2000, and are in need of securing approval necessary to begin construction of the well.

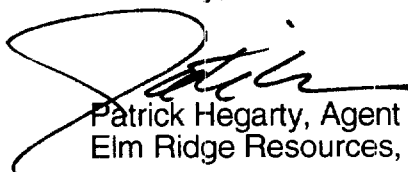
The New Mexico Oil Conservation Division ("NMOCD") has ordered the drilling of the Ryleybart Federal well in Case No. 12620, Order No. R-11560, stating: that "the operator of the unit shall commence drilling the well on or before August 1, 2001".

The Navajo Tribe has suspended approval of all APDs according to a Mr. Howard Draper, of the Tribe's Administrative Service Office (520/871-6695). Mr. Draper said he was not sure when the Tribe would lift their suspension, in a telephone conversation on June 27th. The Bureau of Indian Affairs will not give their approval of this drilling permit without the permission of the Tribe.

Because of the above condition, we are asking for approval of a four-month extension to secure the necessary approval of said well's APD and reschedule the rig that we had lined up for the week of July 1st

Please advise if we need to do anything further in this regard in order to secure the requested extension, December 1, 2001. Your assistance in this regard is appreciated.

Sincerely,


Patrick Hegarty, Agent
Elm Ridge Resources, Inc.

PH/mac

XC: Elm Ridge Resources – Jamie Clark

Stogner Extension