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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

OCT 26 AM 9:52
OCT 26 11:01 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

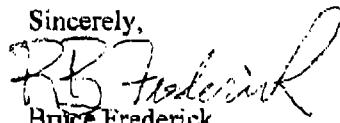
Dear Mr. Ard:

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