

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 3, 2008

McElvain Oil & Gas Properties, Inc.
Attn: Linnea C. Hill, CPL
1050 17th St, Suite 1800
Denver, CO 80265

Administrative Order NSL-5747

**Re: Dewey Well No. 1S
Unit C, Section 19-30N-13W
San Juan County**

Dear Ms. Hill:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR07-31934633**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 15, 2007, and

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

McElvain Oil & Gas Properties, Inc. (McElvain) has requested to drill the above-referenced well at an unorthodox Fruitland Coal gas well location, 1101 feet from the North line and 473 feet from the West line (Unit C) of Section 19, Township 30 North, Range 13 West, N.M.P.M., in San Juan County, New Mexico. The N/2 of Section 19 will be dedicated to this well in order to form a gas spacing unit in the Basin-Fruitland Gas Pool (71629). This location is governed by Rule 7.A(1) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as amended by Order No. R-8768-F, effective July 17, 2003, which provides that a well shall be located at least 660 feet from any unit boundary. The proposed location is less than 660 feet from the western 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 avoid interference with existing surface improvements.

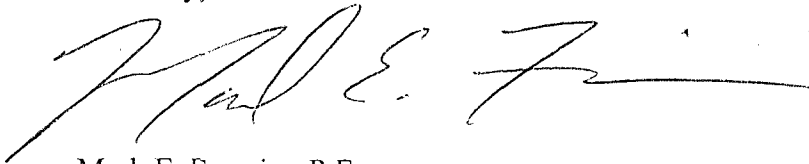
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

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

Since the proposed unit apparently is significantly less than 320 acres due to irregularity of the governmental section, this approval is expressly **CONDITIONED UPON** your obtaining approval of this non-standard unit from the Aztec District office of the Division, pursuant to Division Rule 104.D(2)(a).

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 long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

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