



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

September 16, 2002

McElvain Oil & Gas Properties, Inc.
c/o Property Management & Consulting, Inc.
P. O. Box 2596
Farmington, New Mexico 87499-2596
Attention: Charles Neeley

Telefax No. (505) 325-6090

Administrative Order NSL-4779

Dear Mr. Neeley:

Reference is made to the following: (i) your application on behalf of the operator, McElvain Oil & Gas Properties, Inc. ("McElvain"), dated August 22, 2002 (*application reference No. pKRV0-223856729*); (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated August 29, 2002 requesting additional information; (iii) your telefaxed response of September 3, 2002 with the requested information; (iv) your voice mail message for Mr. Stogner on September 9, 2002; and (v) the Division's records in Santa Fe and Aztec: all concerning McElvain's request for an exception to Division Rule 104.C (2) within a standard 158.85-acre gas spacing unit to be established in the Pictured Cliffs formation to comprise Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 1, Township 29 North, Range 13 West, NMPM, Fulcher Kutz-Pictured Cliffs Pool (77200), San Juan County, New Mexico.

It is our understanding that McElvain's proposed Hutchinson Well No. 1-R is to be drilled within the proposed 158.85-acre unit at an unorthodox gas well location 2050 feet from the North line and 1190 feet from the East line (Unit H) of Section 1.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

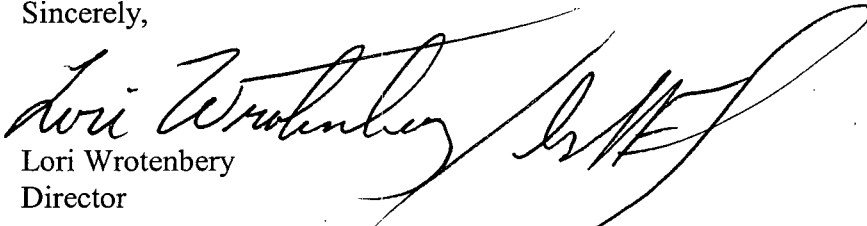
Currently, McElvain is producing gas from the Fulcher Kutz-Pictured Cliffs Pool from its Hutchinson Well No. 1 (API No. 30-045-08866), located 630 feet from the North line and 635 feet from the East line (Lot 1/Unit A) of Section 1. This well is dedicated to a non-standard 38.96-acre gas spacing unit comprising Lot 1 (NE/4 NE/4 equivalent) of Section 1, which was approved by Division Administrative Order NWU-16, dated April 4, 1955.

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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described Hutchinson Well No. 1-R, to be drilled to and completed within the Fulcher Kutz-Pictured Cliffs Pool as a replacement gas well for the existing Hutchinson Well No. 1 in the NE/4 equivalent of Section 1 at an unorthodox gas well location, is hereby approved.

IT IS FURTHER ORDERED THAT at the time the Hutchinson Well No. 1-R is successfully completed within the Fulcher Kutz-Pictured Cliffs Pool; McElvain shall cease producing Pictured Cliffs gas production from its Hutchinson Well No. 1. Furthermore, at that time Division Administrative Order NWU-16 will no longer be effective and shall be placed in abeyance.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
File: NWU-16