



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



June 28, 2011

McElvain Oil & Gas Properties, Inc.
Attn: E. Reed Fischer
1050 17th Street, Suite 2500
Denver, CO 80265

Administrative Order NSL-6407

Re: McElvain Well No. 11
API No. 30-025-40108
900 feet FNL & 1170 feet FWL
Unit D, Section 31-18S-34E
Lea County, New Mexico

Dear Mr. Fischer:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-16454587**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on June 13, 2011, and

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

McElvain Oil & Gas Properties, Inc. (McElvain) [OGRID 22044] has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The W/2 NW/4 of Section 31 will be dedicated to this well in order to form a standard 80-acre oil spacing and proration unit in the E-K Bone Spring Pool (21650). Spacing in this pool is governed by the Special Rules and Regulations for the E-K-Bone Spring Pool, as promulgated in Order No. R-4981, issued on March 11, 1975, which provide for 80-acre units comprising two adjacent quarter-quarter sections within the same section, with wells to be located no more than 150 feet from the center of a quarter-quarter section. This location is more than 150 feet from the center of Unit D.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location to comply with United States Bureau of Land Management surface siting requirements.

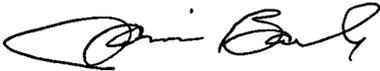
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 5.9 [19.15.5.9 NMAC].

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 "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jami Bailey
Director

JB/db

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