



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 29, 2009

McElvain Oil & Gas Properties, Inc.
Attn: Mr. Rick Harris
1050 17th Street, Suite 1800
Denver, CO 80265

Administrative Order NSL-6087

Re: Ruby Well No. 2
API No. 30-045-34986
334 feet FSL and 881 feet FEL
Unit P, Section 3-29N-13W
San Juan County, New Mexico

Dear Mr. Harris:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW09-24655414**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 3, 2009, 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 well location described above in the caption of this letter. The E/2 of Section 3 will be dedicated to this well in order to form a standard 320-acre, more or less, gas spacing unit in the Basin-Fruitland Gas Pool (71629), and the SE/4 of Section 3 will be dedicated to this well to form a standard 160-acre, more or less, gas spacing unit in the Fulcher Kutz-Pictured Cliffs Gas Pool (77200).

Spacing in the Basin-Fruitland Coal Gas Pool is governed by 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 provide generally for 320-acre units with wells to be located at least 660 feet from any unit boundary. Spacing in the Fulcher Kutz-Pictured Cliffs Gas Pool is governed by statewide Rule 15.10.C, which provides for 160-acre units, with wells located at least 660 feet from a unit outer boundary. This location is unorthodox in both pools since it is less than 660 feet from the southern boundary of the section.

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



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

It is our understanding that you are seeking this location in order to accommodate existing surface uses.

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 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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.

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', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db