



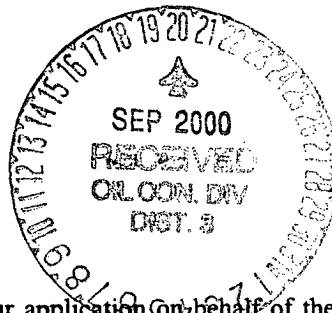
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 15, 2000

Lori Wrotenbery
Director
Oil Conservation Division

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



Administrative Order NSL-4507

Dear Mr. Fielder:

Reference is made to the following: (i) your application on behalf of the operator, McElvain Oil & Gas Properties, Inc. ("McElvain"), dated August 22, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning McElvain's request for an exception to the well location requirements [Rule 2 (a)] provided within the "Special Rules and Regulations for the Gavilan-Mancos Oil Pool," as promulgated by Division Order No. R-7407, as amended for the existing Bear Com. "23" Well No. 1 (API No. 30-039-26393), located 1100 feet from the North and West lines (Unit D) of Section 23, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

It is our understanding that McElvain originally permitted and drilled its Bear Com. "23" Well No. 1 as a Dakota test at a standard gas well location within the W/2 of Section 23, being a standard 320-acre stand-up gas spacing and proration unit for the Basin-Dakota Pool. It is further understood that recent test indicates the Dakota interval to be non-commercial therefore McElvain intends to complete up-hole into the Mancos formation.

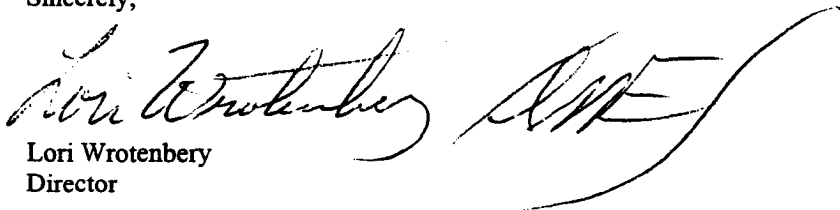
All of Section 23, being a standard 640-acre oil spacing and proration unit for the Gavilan-Mancos Oil Pool is to be dedicated to this well.

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.

By the authority granted me under the provision of the special pool rules governing the Gavilan-Mancos Oil Pool, Division Memorandum 4-86, dated June 2, 1986, and Division Rule 104.F (2), the above-described unorthodox Mancos oil well location is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque