

New Mexico Energy, Minerals and Natural Resources Department

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Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



July 25, 2008

Administrative Order NSL-5886

McElvain Oil & Gas Properties, Inc.
Attention: Ms. Linnea C. Hill, CPL, Senior Landman
1050 17th Street
Suite 1800
Denver, Colorado 80265

Re: **Foster Well No. 2-R**
South Blanco Pictured Cliffs Pool (72439)
1888' FSL & 2315' FWL, Unit K,
Section 17, T-26 North, R-7 West, NMPM,
Rio Arriba County, New Mexico

Dear Ms. Hill:

Reference is made to the following:

- (a) McElvain Oil & Gas Properties, Inc.'s ("McElvain") application for a non-standard well location (**administrative application reference No. pKVR0818331273**) for the Foster Well No. 2-R that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 30, 2008; and
- (b) the Division's records pertinent to McElvain's request.

McElvain requests approval of an unorthodox gas well location in the South Blanco Pictured Cliffs Formation 1888 feet from the South line and 2315 feet from the West line (Unit K) of Section 17, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. The SW/4 of Section 17 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit.

According to Division records, the Foster Well No. 2-R will be the only well producing from the Blanco Pictured Cliffs Formation within the SW/4 of Section 17.

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>



It is our understanding that the above referenced well was originally proposed to be located 668' FWL and 1841' FSL however, it was determined that location was on a talus slope. McElvain then tried to stake the well at a standard location on top of a mesa toward the east side of the unit and it was discovered that the entire east side of the unit was covered with archeological sites. It was also reported that the BLM notified McElvain that the captioned location is the only location on which they could put this well.

The well is therefore subject to Division Rule No. 19.15.3.104.C.(3), which requires standard 160-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the spacing unit, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

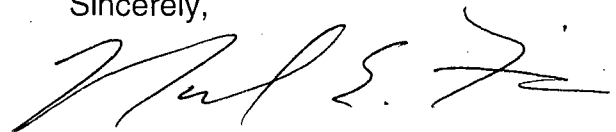
The applicant has provided notice of this application to all interest owners within the affected offset acreage. No interest owner has objected to the subject application.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Blanco Pictured Cliffs Gas Pool 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 40.

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', is written over a horizontal line.

Mark E. Fesmire, P.E.
Division Director

MEF/tw

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