



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

February 17, 2004

Lori Wrotenberg

Director

Oil Conservation Division

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

Telefax No. (505) 325-6090

Attention: R. E. (Bob) Fielder
pmci@acs-online.net

Administrative Order NSL-5004

Dear Mr. Fielder:

Reference is made to the following: (i) your original application on behalf of the operator, McElvain Oil & Gas Properties, Inc. ("McElvain"), dated October 10, 2003 that was submitted to the New Mexico Oil Conservation Division ("Division") on October 20, 2003 (***administrative application reference No. pMES0-330035302***); (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated November 11, 2003 requesting additional information concerning other Mesaverde wells within the proposed spacing unit covered in your application; (iii) Mr. Stogner's second letter dated December 12, 2003 **denying** this application; (iv) Mr. Stogner's and Mr. John Steuble's, Engineering Manager with McElvain in Denver, e-mail correspondences on December 15 and 16, 2003; (v) your re-submittal of this application on January 23, 2004; (vi) Mr. Stogner's response to this resubmitted application by e-mail on Monday morning, January 26, 2004 requesting specific information concerning another Mesaverde well within the proposed spacing unit covered in this original application; (vii) Mr. Steuble's telefaxed reply Monday afternoon, January 26, 2004 with the necessary information to complete McElvain's application; and (viii) the Division's records in Aztec and Santa Fe: all concerning McElvain's request for exceptions to the well location requirements provided within the:

(A) "***Special Rules for the Blanco-Mesaverde Pool***," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002; and

(B) "***Special Rules for the Basin-Dakota Pool***," as promulgated by Division Order No. R-10987-B, issued in Case No. 12290 and dated June 30, 2000, as amended by Division Orders No. R-10987-B (1), dated August 10, 2000, and R-10987-B (2), dated January 29, 2002.

McElvain proposes to drill its Brown Well No. 2 at an unorthodox gas well location in both the Blanco-Mesaverde (72319) and Basin-Dakota (71599) Pools 2285 feet from the South line and 855 feet from the West line (Lot 8/Unit L) of Irregular Section 9, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

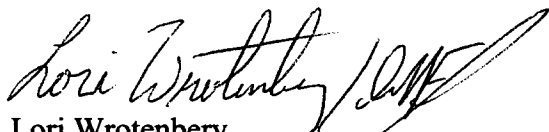
Gas production from the Blanco-Mesaverde Pool is to be included within an existing standard 334.06-acre lay-down gas spacing and proration unit ("GPU") comprising all of Irregular Section 9, which was the subject of Division Administrative Order NWU-191, dated February 10, 1957, and is currently dedicated to McElvain's: (i) Brown Federal Well No. 1-A (API No. 30-045-29472), located at a standard gas well location 1560 feet from the South line and 1785 feet from the East line (Lot 5/Unit I) of Irregular Section 9; and (ii) Brown Federal Well No. 1-R (API No. 30-045-29641), located at a standard gas well location 790 feet from the South line and 1550 feet from the West line (Lot 10/Unit N) of Irregular Section 9.

The proposed Brown Well No. 2 is to be an initial Dakota gas well within this same 334.06-acre lay-down GPU.

This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing both pools.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Basin-Dakota/Blanco-Mesaverde gas well location for the above-described Brown Well No. 2 is hereby approved. All of the aforementioned wells and both spacing units will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
File: NWU-191
Mr. John Steuble (johns@McElvain.com), Engineering Manager – McElvain Oil & Gas Properties, Inc., Denver