

T. H. MCELVAIN OIL & GAS LIMITED PARTNERSHIP

MCELVAIN OIL & GAS PROPERTIES, INC., SOLE GENERAL PARTNER

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October 3, 2001

COPY

D. J. Simmons Company Limited Partnership
Attn.: Mr. Geren
P.O. Box 1469
Farmington, NM 87499

Re: Section 25, Township 25 North, Range 3 West
Rio Arriba County, New Mexico

Dear Mr. Geren:

I am in receipt of your September 13th letter and agree it would be beneficial for both companies to reach an agreement concerning development of the Mesaverde formation under the N/2 of Section 25. However, the S/2 of Section 25 was the subject of extensive - but unsuccessful - settlement efforts prior to the Division's hearing on McElvain's pooling application. Development of the S/2 of Section 25 is now controlled by Administrative Order NSL-4538 and the order entered shortly by the Division in Case No. 12635.

Your proposal for non-standard spacing units in the N/2 of Section 25 would require Division approval and represents a departure from the normal manner under which the Mesaverde formation has been developed in this area. Nonetheless, McElvain is willing to discuss this option further at your convenience.

Sincerely,



Mona L. Binion