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Mr. Matt LePore
Colorado Oil and Gas Conservation Commission
1120 Lincoln St.
Denver, CO 80203

July 19, 2013

RE: Exception Location Request:

Proposed McElvain Energy, Inc., Pargin Ranch #11 Well
Located in
T-33-N, R-7-W, N.M.P.M.
Section 36: NE/4NW/4
La Plata County, Colorado

Dear Mr. LePore:

McElvain Energy, Inc. proposes to locate the subject well 680' FNL and 2488' FWL of Section 36. The proposed well will be a vertical well to the Fruitland Coal formation with a planned TD of 2910'.

The Surface Density provision of COGCC Order No. 112-185 limits the number of Fruitland Coal well pads within Section 36 to four. This proposed location would be a 5th location.

There are currently four Fruitland well pads in Section 36. Two are producing wells currently operated by McElvain Energy, Inc. The other two are Operated by XTO Energy, Inc., as follows:

1. **Pargin Ranch 1A: Status PR- Operator is McElvain Energy, Inc. (operator #55575) NW/4**
2. **Pargin Ranch #1: Status PR- Operator is McElvain Energy, Inc. (operator #55575) NW/4**
3. **UTE Government 101: Operator is XTO Energy, Inc., (operator #100264) SW/4**
4. **Pargin Ranch #2-36: Operator is XTO Energy, Inc. (operator # 100264) SE/4**

McElvain Energy, Inc. hereby requests an exception location be granted pursuant to Rule 502.b(1) of the Surface Density provision of Order No. 112-185 for the following reasons:

1. The surface and mineral estate in the N/2NW/4 of Section 36 is owned by the Southern Ute Indian Tribe and McElvain Energy, Inc. has entered into a lease agreement with the tribe to develop Indian Lease Serial # I-22-IND-2803. McElvain Energy, Inc. has applied for a well location permit with the BLM.
2. The location being requested was agreed to by the Southern Ute Indian Tribe and McElvain Energy, Inc.
3. The surface of the N/2NE/4 of Section 36 is fee surface is almost entirely an ongoing agricultural operation with a large side roll irrigation system in place which would be disrupted by the construction of a well pad.

A copy of the letter sent to the SUT Department of Energy is attached. Thank you for your attention to this matter. If you need any additional information, please do not hesitate to call.

Doug Joyce, Landman Associate


Finney Land Co. Agent for McElvain Energy, Inc.