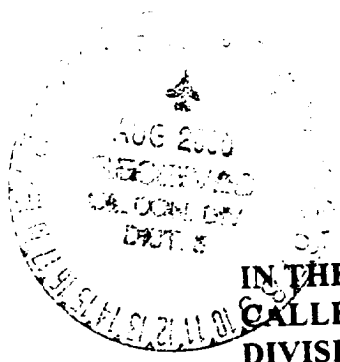




Very Long Term ✓

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 12472
ORDER NO. R-11247-A

APPLICATION OF MCELVAIN OIL & GAS PROPERTIES, INC. FOR
COMPULSORY POOLING, RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 10, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 23rd day of August, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, McElvain Oil & Gas Properties, Inc. ("McElvain"), seeks an order pooling all uncommitted mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying the N/2 of Section 10, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico thereby forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include the Blanco-Mesaverde Gas Pool.

(3) This unit is to be dedicated to the applicant's proposed Elk Com 10 Well No. 1-A (API No. 30-039-26284) to be drilled and completed at a standard gas well location within the NW/4 of Section 10. The subject well is the first optional infill well pursuant to Division Order No. R-10987, issued in Case No. 11705 and dated May 7, 1998. The initial well, McElvain's Elk Com Well No. 10-8, since renamed Elk Com 10 Well No. 1 (API No. 30-039-26201), was drilled in the NE/4 of Section 10 under Division Order R-11247, issued in Case No. 12224 and dated September 9, 1999.

[Handwritten signature]

(4) The applicant is a working interest owner within the proposed 320-acre unit and therefore has the right to drill for and develop the minerals underlying this unit.

(5) All working interest owners in the proposed 320-acre unit have agreed to pool their interests.

(6) There are royalty interest owners in the proposed 320-acre unit that have not agreed to pool their interests.

(7) No affected party appeared at the hearing or objected to this application.

(8) To avoid the drilling of unnecessary wells, protect correlative rights, avoid waste, and afford to each interest owner in the unit the opportunity to receive without unnecessary expense its fair share of the production in any pool completion resulting from this order, this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the unit.

(9) McElvain should be designated the operator of the well and unit.

(10) All proceeds from production from the well that are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(11) If the operator of the pooled unit fails to commence drilling the well to which the unit is dedicated on or before November 20, 2000, this order should become of no effect.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of McElvain Oil & Gas Properties, Inc., all uncommitted mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying the N/2 of Section 10, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include the Blanco-Mesaverde Gas Pool.

(2) The 320-acre unit is to be dedicated to McElvain's proposed Elk Com 10 Well No. 1-A (API No. 30-039-26284) to be drilled and completed at a standard gas well location within the NW/4 of Section 10. The subject well is the first optional infill well

pursuant to Division Order No. R-10987, issued in Case No. 11705 and dated May 7, 1998. The initial well, McElvain's Elk Com Well No. 10-8, since renamed Elk Com 10 Well No. 1 (**API No. 30-039-26201**), was drilled in the NE/4 of Section 10 under Division Order R-11247, issued in Case No. 12224 and dated September 9, 1999.

(3) The operator of the unit shall commence drilling the well on or before November 20, 2000, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Mesaverde formation.

(4) In the event the operator does not commence drilling the well on or before November 20, 2000, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

(5) Should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

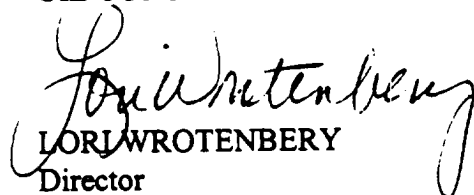
(6) McElvain Oil & Gas Properties, Inc. is hereby designated the operator of the well and unit.

(7) All proceeds from production from the well that are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(8) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director