

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

**APPLICATION OF ANSCHUTZ OIL
COMPANY, LLC FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT AND
COMPULSORY POOLING,
RIO ARriba COUNTY, NEW MEXICO.**

CASE NOS. 15318 & 15319

MCELVAIN'S PRE-HEARING STATEMENT

T.H. McElvain Oil & Gas LLLP, (McElvain) a party affected by the above referenced matters, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Anschutz Oil Company LLC

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OPPONENT

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STATEMENT OF CASE

In each of these cases, the applicant seeks to pool acreage to create a 640-acre (more or less) spacing unit for vertical oil wells to be drilled in the Gavilan Mancos Oil Pool (27194) and the Gavilan Greenhorn Graneros Dakota Oil Pool (27192) underlying Sections 1 and 24 of Township 24 North, Range 2 West in Rio Arriba County. The cover letters to the applications indicate the applicant intends to commingle within the wellbores production from both pools.

The Gavilan Mancos Pool was created in 1983 under Order R-7407 and was originally subject to Special Pool Rules providing for 320-acre spacing units. In 1987, after holding a hearing and receiving evidence supporting larger spacing units, the Division issued Order R-7407-E amending the Special Rules for the Gavilan Mancos Pool to provide for a standard spacing unit between 632 and 648 acres, but allowing up to two wells per spacing unit. In 1988, after receiving additional evidence, the Division concluded 640 acre spacing is the appropriate size for this oil pool and entered Order R-7407-G confirming the revised Special Rules.

The deeper Gavilan Greenhorn Graneros Dakota Oil Pool was created in 1984 under Order R-7745. This Order created Temporary Special Pool Rules providing for 320-acre spacing units for this oil pool and reflects that the evidence is “inclusive in determining if one well can economically and efficiently drain 160 acres or 320 acres.” Order R-7745 at Finding (14). Accordingly, Rule 2 of the Temporary Special Pool Rules for this Dakota Pool currently only allows one well per 320 acre spacing unit. Division Order R-7745 also expressed concern about the inability to obtain the data necessary to determine if spacing should be less than 320-acres stating:

(18) If the production from the proposed pool is downhole commingled with production from the Gavilan-Mancos Oil Pool, the high quality engineering data necessary to establish the proper permanent spacing unit size for each pool cannot be obtained.

See Order R-7745 at p. 3. As a result, Rule 9 of these Temporary Special Rules prohibits downhole commingling of production from the Dakota Pool with any other pool for wells drilled after the effective date of Order R-7745. In November of 1992, the Division entered Order R-7745-B concluding that these Temporary Special Rules should continue in effect until further order from the Division. No additional orders have been issued for this Dakota Pool.

McElvain objects to the pooling sought by the Applicant as inconsistent with the Temporary Special Rules for the Gavilan Greenhorn Graneros Dakota Oil Pool, inconsistent with the Division's general spacing rules, on the grounds that the wells were not properly proposed to the working interest owners and have not been subject to adequate discussion with McElvain or the working interest owners, and for other reasons to be determined at the hearing in this matter.

MCELVAIN'S PROPOSED EVIDENCE

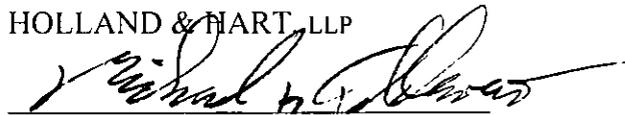
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Rick Harris, Land Manager	Approx. 15	Approx. 5

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP



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