

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

**APPLICATION OF MCELVAIN ENERGY, INC.
FOR A NON-STANDARD WELL LOCATION,
NON-STANDARD SPACING AND PRORATION UNIT,
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

JUN 26 2018 PM04:26

CASE NO. 16336

APPLICATION

MCELVAIN ENERGY, INC., as manager of Mac Resources, LLC, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 240-acre, more or less, spacing and proration unit underlying the E/2 SW/4 of Section 19 and the E/2 W/2 of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico; (2) pooling uncommitted interests in the E-K Bone Spring Pool (Pool Code 21650) underlying this acreage; and (3) approving the unorthodox well location. In support of this application McElvain states:

1. Mac Resources, LLC, is a working interest owner in the proposed non-standard spacing unit and has the right to drill thereon. The operating manager of Mac Resources, LLC is McElvain Energy, Inc. (OGRID No. 22044).

2. McElvain proposes to dedicate the above-referenced spacing or proration unit as the project area for its proposed **EK 30 BS2 Federal Com No. 3H Well**, which will be drilled horizontally from a surface location in the SW/4 SW/4 (Unit M) of Section 30 to a bottom hole location in the NE/4 SW/4 (Unit K) of Section 19.

3. The Special Rules for the E-K Bone Spring Pool, made permanent by Division Order R-4981-A, require 80-acre spacing units and that the well be located within 150 feet of the

center of a quarter-quarter section. The completed interval for this horizontal well will be at an unorthodox location because it is closer to the northern and southern boundaries of the proposed spacing and proration unit than allowed by the Special Rules.

4. McElvain seeks approval of a non-standard, 240-acre spacing unit comprised of the E/2 SW/4 of Section 19 and the E/2 W/2 of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico.

5. McElvain has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

6. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

7. In order to permit McElvain the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all interests in this non-standard spacing unit should be pooled, and McElvain Energy Inc. should be designated the operator of the proposed horizontal well and spacing unit.

WHEREFORE, McElvain requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 26, 2018, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard 240-acre, more or less, spacing and proration unit comprised of the E/2 SW/4 of Section 19 and the E/2 W/2 of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating McElvain Energy, Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;

- D. Authorizing McElvain to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision to adjust the rates pursuant to the COPAS accounting procedures;
- F. Imposing the 200% risk penalty for the risk assumed by McElvain in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Approving the proposed unorthodox well location.

Respectfully submitted,

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**ATTORNEYS FOR
MCELVAIN ENERGY, INC.**

CASE 1633

Application of McElvain Energy Inc. for a non-standard well location, non-standard spacing and proration unit, and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 240-acre, more or less, spacing and proration unit comprised of the E/2 SW/4 of Section 19 and the E/2 W/2 of Section 30, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico; (2) pooling all uncommitted interests in the E-K Bone Spring Pool (Pool Code 21650) underlying this acreage; and (3) approving the unorthodox well location. Said non-standard unit is to be dedicated to the applicant's proposed **EK 30 BS2 Federal Com No. 3H Well**, which will be drilled horizontally from the SW/4 SW/4 (Unit M) of Section 30 to a bottom hole location in the NE/4 SW/4 (Unit K) of Section 19. The Special Rules for the E-K Bone Spring Pool require 80-acre spacing units and that the completed interval for a well be located within 150 feet of the center of the quarter-quarter section. The completed interval for this well will be at an unorthodox location because it is closer to the northern and southern boundaries of the proposed spacing and proration unit than allowed by the Special Rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of McElvain Energy, Inc. as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 27 miles west of Hobbs, New Mexico.