



December 7, 2010

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Energy, Minerals and  
Natural Resources Department  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14585*

2010 DEC -7 P 4:07

RECEIVED OOD

Re: Application of McElvain Oil & Gas Properties, Inc. for  
compulsory pooling, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of McElvain Oil & Gas Properties, Inc. in the  
above-referenced case as well as a copy of a legal advertisement. McElvain  
requests that this matter be placed on the docket for the January 6, 2011  
Examiner hearings.

Sincerely,

*Ocean Munds-Dry*

Ocean Munds-Dry

Enclosures

cc: Mr. Rick Harris  
McElvain Oil & Gas Properties, Inc.

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

**IN THE MATTER OF THE APPLICATION  
OF MCELVAIN OIL & GAS PROPERTIES, INC.  
FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 14585

**APPLICATION**

MCELVAIN OIL & GAS PROPERTIES, INC. ("McElvain"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Fruitland Coal formation in the following described spacing and proration units located in the N/2 of Section 32, Township 31 North, Range 13 West, N.M.P.M., San Juan County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing within that vertical extent which includes but is not necessarily limited to the Basin Fruitland Coal Gas Pool. In support of this application McElvain states:

1. McElvain is a working interest owner in the N/2 of Section 32 and has a right to drill thereon.
2. McElvain proposes to drill the Pepper Well No. 1S at a location in the SW/4 NW/4 of Section 32 to be completed in the Fruitland Coal formation and dedicate the N/2 of said section to the subject well.
3. McElvain has sought and been unable to obtain a voluntary agreement for the development of these lands from the interest owners identified on Exhibit A to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. In order to permit McElvain the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and McElvain should be designated the operator of the well.

WHEREFORE, McElvain requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 6, 2011, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration unit;
- B. designating McElvain operator of the unit and the well to be drilled thereon;
- C. authorizing McElvain to recover its costs of drilling and/or deepening, equipping and re-completing the well;
- D. 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; and
- E. imposing the 200% risk penalty assumed by McElvain in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of this well.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry

Ocean Munds-Dry

P.O. Box 2208

Santa Fe, NM 87504

Telephone: (505) 988-4421

ATTORNEYS FOR MCELVAIN OIL &  
GAS PROPERTIES, INC.

CASE 14585 :

**Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, San Juan County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Fruitland Coal formation underlying the N/2 of Section 32, Township 31 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, for all formations and/or pools developed on 320-acre spacing within this vertical extent including but not limited to the Basin Fruitland Coal Gas Pool. This unit is to be dedicated to the Pepper Well No. 1S, to be completed at a location in the SW/4 NW/4 of said Section 32 to test the Fruitland Coal formation. 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 applicant as operator of the well and the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately 10 miles north of Farmington, New Mexico.

Exhibit A  
Application of McElvain Oil & Gas Properties, Inc.  
Compulsory Pooling, San Juan County, New Mexico  
Pepper Well No. 1S

XTO Energy  
Attn: Bradley Jameson  
810 Houston Street  
Fort Worth, Texas 77079

Estate of J. Glenn Turner  
4809 Cole Avenue, Suite 212  
Dallas, Texas 75205

Schultz Management  
Henrietta Schultz, Trustee  
500 N. Akard, Suite 2940  
Dallas, Texas 75201

ConocoPhillips Company  
Burlington Resources  
Attn: Terry Ruby  
3401 E. 30th Street  
Farmington, NM 87402

Estate of William G. Webb  
c/o John Taylor, Executor  
1412 Main Street, Suite 300  
Dallas, Texas 75202

Bill C. Bledsoe, Trustee  
5615 Netherland Court  
Dallas, Texas 75229