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CAMPBELL, CARR, et. al.

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. 12251  
ORDER NO. R-11182-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 October 7, 1999 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 14th day of October, 1999, 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 mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320.73-acre gas spacing and proration unit for any pool spaced on 320-acre spacing within this vertical extent, which presently includes only the Blanco-Mesaverde Pool.

(3) This unit is to be dedicated to the applicant's proposed Cougar Com. "4" Well No. 1 (API No. 30-039-26204), previously named the Elk Com Well No. 4-7, to be drilled within the SW/4 NE/4 (Unit G) of Section 4 at a location considered standard for the Blanco-Mesaverde Pool.

(4) On April 29, 1999, a Division Examiner heard Case No. 12172 and on May 13, 1999, the Division entered Order No. R-11182, which granted the application of

McElvain and compulsory pooled the above-described 320.73 acres in Section 4. Ordering Paragraph No. (1) of Order No. R-11182 further required McElvain, as operator of the subject unit, to commence drilling its proposed Elk Com. Well No. 4-7 at a standard gas well location 1825 feet from the North line and 1330 feet from the East line (Unit G) of Section 4 before August 15, 1999 and to continue drilling with due diligence to a depth sufficient to test the Mesaverde formation. This order further provided the operator the opportunity to obtain a time extension for good cause shown.

(5) At the October 7, 1999 hearing McElvain testified to the following:

- (a) delays were encountered in reaching an agreement with the owner of the surface of the lands on which the well was to be drilled, thereby preventing McElvain from commencing its drilling of this well before August 15, 1999;
- (b) McElvain however failed to seek a time extension of Division Order No. R-11182 before the August 15, 1999 deadline; therefore, Order No. R-11182 expired on its own terms;
- (c) McElvain has now entered into agreement with those parties necessary to permit it to proceed with this well and proposes to do so before the end of 1999;
- (d) McElvain has redesignated the well to be dedicated to this unit the Cougar Com. "4" Well No. 1; and
- (e) the evidence and exhibits, which were offered in Case No. 12172 on April 29, 1999, remain valid.

(6) NM & O Operating Company ("NM&O"), a working interest owner within this unit, appeared at the hearing through legal counsel. Although McElvain was questioned concerning a farmout agreement covering NM&O's interest, NM&O did not present evidence or testimony in support of or in opposition to this application.

(7) This application should be approved and Division Order No. R-11182 should be amended accordingly.

IT IS THEREFORE ORDERED THAT:

- (1) Division Order No. R-11182, issued in Case No. 12172 and dated May 13, 1999, is hereby reinstated.
- (2) Ordering Paragraph No. (1) on page 3 of Division Order No. R-11182 is hereby amended to read in its entirety as follows:

" (1) Pursuant to the application of McElvain Oil & Gas Properties, Inc. ("McElvain"), all mineral interests, whatever they may be, from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled in order to form a standard 320.73-acre gas spacing and proration unit for any for any pool spaced on 320-acre spacing within this vertical extent, which presently includes only the Blanco-Mesaverde Pool. This unit is to be dedicated to McElvain's proposed Cougar Com. "4" Well No. 1 (API No. 30-039-26204), to be drilled within the SW/4 NE/4 (Unit G) of Section 4 at a location that is considered standard for the Blanco-Mesaverde Pool.

PROVIDED HOWEVER THAT, the operator of the unit shall commence drilling this well on or before January 1, 2000, and shall thereafter continue drilling this well with due diligence to a depth sufficient to test the Mesaverde formation.

PROVIDED FURTHER THAT, in the event the operator does not commence drilling this well on or before January 1, 2000, Ordering Paragraph No. (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, 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

No. (1) of this order should not be rescinded."

(3) Jurisdiction of this case is 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

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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. 12172  
ORDER NO. R-11182

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 April 29, 1999 at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 13th day of May, 1999, 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 mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying Lots 1 and 2, S/2 NE/4, and SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320.73-acre gas spacing and proration unit for any formation and/or pool spaced on 320 acres within that vertical extent, which presently includes the Blanco-Mesaverde Gas Pool.

(3) This unit is to be dedicated to the applicant's proposed Elk Corn Well No. 4-7 to be drilled at a standard gas well location 1825 feet from the North line and 1330 feet from the East line (Unit G) of Section 4.

(4) The applicant is a working interest owner within the 320.73-acre unit and therefore has the right to drill for and develop the minerals underlying this unit.

(5) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) Dennis Hopper and NM&O Operating Company appeared at the hearing through legal counsel. Neither party presented any evidence or testimony in support of or in opposition to the application.

(7) No other interested or affected party appeared at the hearing.

(8) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste, and afford each interest owner in the unit the opportunity to recover or receive without unnecessary expense its just and fair share of the production underlying the unit, the application should be approved by pooling all mineral interests, whatever they may be, within the unit.

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

(10) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.

(11) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,184.00 per month while drilling and \$518.40 per month while producing. The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess

of what are reasonable, attributable to each non-consenting working interest.

(15) 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.

(16) If the operator of the pooled unit fails to commence drilling the well to which the units are dedicated on or before August 15, 1999, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

(17) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of McElvain Oil & Gas Properties, Inc. ("McElvain"), all mineral interests, whatever they may be, from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying Lots 1 and 2, S/2 NE/4, and SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled thereby forming a standard 320.73-acre gas spacing and proration unit for any formation and/or pool spaced on 320 acres within that vertical extent, which presently includes the Blanco-Mesaverde Gas Pool.

**PROVIDED HOWEVER THAT,** the operator of the unit shall commence drilling the well on or before August 15, 1999, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Mesaverde formation.

**PROVIDED FURTHER THAT,** in the event the operator does not commence drilling the well on or before August 15, 1999, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

**PROVIDED FURTHER THAT,** 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.

(2) McElvain is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
- (b) as a charge for the risk involved in drilling the well, 200 percent of the above costs.

(8) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.

(9) Reasonable charges for supervision (combined fixed rates) are hereby fixed



at \$5,184.00 per month while drilling and \$518.40 per month while producing. The operator is hereby authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths ( $7/8$ ) working interest and a one-eighth ( $1/8$ ) royalty interest for the purpose of allocating costs and charges under this order.

(11) Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the well that are not disbursed for any reason shall 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.

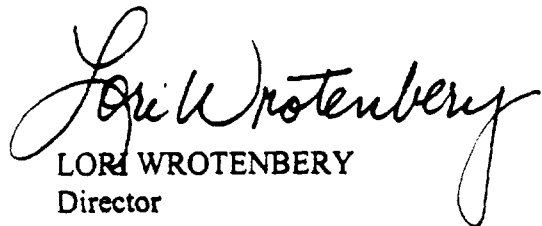
(13) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this case is 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

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