

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

**IN THE MATTER OF THE APPLICATION
OF McELVAIN OIL & GAS PROPERTIES, INC.
FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 12472

OIL CONSERVATION DIV.
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APPLICATION

McELVAIN OIL AND GAS PROPERTIES, INC. ("McElvain"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations below the base of the Pictured Cliffs formation developed on 320-acre spacing in the N/2 of Section 10, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico, and in support thereof states:

1. McElvain is a working interest owner in the N/2 of said Section 10 and has the right to drill thereon.
2. By Order No. R-11247 entered in Case 12224 on September 9, 1999, the Division granted the application of McElvain Oil & Gas Properties, Inc. for an order pooling all mineral interests in the N/2 of said Section 10 to form a standard 320-acre gas spacing and proration unit to be dedicated to McElvain's Elk Com Well 10 No. 1 (formerly the Elk Com Well No. 10-8) to be drilled in the NE/4 of said Section 10. This order pooled all working interests in this spacing unit. It also pooled all royalty interests therein due to the fact that McElvain was unable to determine if the base oil and gas lease on the fee tract in this N/2

unit contained a pooling clause.

3. McElvain now proposes to drill its Elk Com "10" Well No. 1A at a standard location in the NW/4 of said Section 10, to a depth sufficient to test any and all formations below the base of the Pictured Cliffs to the base of the Mesaverde formation, Blanco-Mesaverde Gas Pool. This well will be an infill well on the above-referenced spacing or proration unit.

4. Under the Oil and Gas Act, it is the obligation of the operator to combine the all interests in a spacing and proration unit. In this case, although the acreage has been combined by pooling order No. R-11247, that Order only combined these interests for the Elk Com "10" Well No. 1. McElvain therefore seeks an order pooling all interest owners in the N/2 of Section 10 for its proposed infill well, the Elk Com "10" No. 1-A.

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

6. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and McElvain Oil & Gas Properties, Inc. should be designated the operator of the well to be drilled.

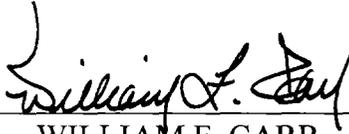
WHEREFORE, McElvain Oil & Gas Properties, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 10, 2000, and, after notice and hearing as required by law, the Division enter its order:

A. pooling all mineral interests in the subject spacing and proration units, and

B. designating McElvain Oil & Gas Properties, Inc. operator of the unit and the well to be drilled thereon.

Respectfully submitted,

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ATTORNEYS FOR McELVAIN OIL
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CASE 12472 : Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the base of the Pictured Cliffs Formation to the base of the Mesaverde formation in N/2, of Section 10, Township 25 North, Range 2 West, N.M.P.M. Said units are to be dedicated to its Elk Com 10 Well No. 1-A to be drilled to a depth sufficient to test all formations to the base of the Mesaverde formation, Blanco-Mesaverde Gas Pool, at a standard location in the NW/4 of said Section 10. Also to be considered will be the designation of applicant as operator of the well. Said area is located approximately 7 miles north northeast of Lindrith, New Mexico.