

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

**APPLICATION OF McELVAIN OIL & GAS
PROPERTIES, INC. TO REOPEN COMPULSORY
POOLING CASE 12633 FOR THE LIMITED PURPOSE OF
INCLUDING ADDITIONAL MINERAL INTERESTS UNDER
ORDER R-11471-A AND TO AMEND SAID ORDER TO
FORM A STANDARD 640-ACRE SPACING UNIT,
RIO ARriba COUNTY, NEW MEXICO.**

CASE NO. 12633

APPLICATION

McELVAIN OIL AND GAS PROPERTIES, INC. ("McElvain"), through its undersigned counsel, hereby makes application to reopen compulsory pooling Case No. 12633 to include additional mineral interests under Order No. R-11471-A and to amend said order to form a standard 640-acre spacing unit. In support of this application McElvain states:

1. McElvain is a working interest owner in Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

2. On December 10, 1999, in Case 12484, the Division entered Order R-11471 pooling all uncommitted mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying Lots 3 and 4 and the S/2 NW/4 and SW/4 (W/2 equivalent) of said Section 4 to form a standard 320-acre gas spacing and proration unit within that vertical extent. Said unit was dedicated to the Cougar Com "4" Well No. 2 drilled in the NW/4 NW/4 of Section 4.

2. On July 10, 2001, the Division entered Order R-11471-A in Case 12633 dedicating the 320-acre unit formed by Division Order No. R-11471 to an additional well, the Cougar Com 4 Well No. 2A, drilled at a standard location in the SW/4 of said Section 4.

3. The following interest owners did not receive notice of the Division hearing on April 5, 2001, resulting in Order R-11471-A:

Noseco Corporation
7400 Lakeside Drive
Reno, NV 89511

Neumann Family Trust
c/o Peter C. Neumann
P.O. Box 1170
Reno, NV 89511

(hereinafter the “Neumann Group”). At the time the application was filed in Case 12633, McElvain understood that the Neumann Group had voluntarily and freely executed a Farmout Agreement with McElvain that included said Section 4. Therefore, notice of the April 5th hearing was not provided to the Neumann Group.

4 The Neumann Group has recently filed claims in the First Judicial District Court of New Mexico in which they now repudiate the Farmout Agreement with McElvain and seek to have the Court dismiss them from their obligations and responsibilities under the Farmout Agreement.

5 As a result of these developments, Case 12633 should be re-opened to allow notice to the Neumann Group so that their interests can be included under Order R-11471-A.

6. The Cougar Com 4 Well No. 2A has been drilled and tested the Dakota formation, but encountered non-commercial production in the Basin-Dakota Gas Pool.

7. As a result of the non-commercial production in the Basin-Dakota Gas Pool, McElvain seeks to re-complete the Cougar Com 4 Well No. 2A uphole in the Mancos Formation to test the Gavalin-Mancos Oil Pool. The Special Rules and Regulations for the Gavalin-Mancos Oil Pool provide for 640-acre spacing and proration units.

8. The mineral interests are common throughout all of said Section 4.

9. Amending compulsory pooling Order R-11471 to include all of Section 4 for the purpose of forming a standard 640-acre spacing and proration unit to test the Gavalin-Mancos Oil

Pool will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

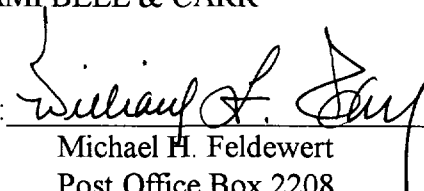
10. The names and addresses of the interest owners to whom notice of this application has been sent is listed on Exhibit A attached hereto.

WHEREFORE, McElvain Oil & Gas Properties, Inc. requests that the Division reopen Case 12633 for the limited purpose of including additional mineral interests under Order R-11471-A, that this application be set for hearing before an Examiner of the New Mexico Oil Conservation Division on August 23, 2001, and that after notice and hearing as required by law the Division enter an order amending compulsory pooling Order R-11471-A to include a 640-acre spacing unit comprised of all of said Section 4.

Respectfully submitted,

HOLLAND & HART, LLP
AND
CAMPBELL & CARR

By:



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ATTORNEYS FOR McELVAIN OIL
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EXHIBIT A

James M. Raymond
P. O. Box 1445
Kerrville, TX 78028

Cougar Capital, LLC
200 East Sunset, Suite E
El Paso, TX 79922

Peña Blanca Corporation
1050 17th Street, Suite 1800
Denver, CO 80265

Big Snowy Exploration Limited Partnership
1050 17th Street, Suite 1800
Denver, CO 80265

Joe Elledge
P. O. Box 111
Farmington, NM 87499

Noseco Corporation
7400 Lakeside Drive
Reno, NV 89511

Neumann Family trust
C/o Peter C. Neumann
136 Ridge Street
Reno, NV 89501

Gavilan Dome Properties
1180 Cedarwood Drive
Moraga, CA 94556

NM&O Operating Company
6 E. 5th Street, Suite 200
Tulsa, OK 74103

Mesa Grande Resources, Inc.
1200 Philtower Building
Tulsa, OK 74103

Hunting Walker et ux
1580 Lincoln, Suite 635
Denver, CO 80203

Johansen Energy Partnership
P. O. Box 1773
Whitefish, MT 59937

Dugan Production Corporation
P. O. Box 420
Farmington, NM 87499-420

Williams Production Company
P. O. Box 3102
Tulsa, OK 74101

CASE 12633: **Application of McElvain Oil & Gas Properties, Inc. To Reopen Compulsory Pooling Case 12633 For The Limited Purpose Of Including Additional Mineral Interests Under Order R-11471-A And To Amend Said Order To Form A Standard 640-acre Spacing Unit, Rio Arriba County, New Mexico.** Applicant in the above-styled cause seeks to reopen Case 12633 for the limited purpose of including additional mineral interests under Order R-11471-A and to amend said Order to form a standard 640-acre spacing unit comprised of Section 4, Township 25 North, Range 2 West. Division Order R-11471 was entered on December 10, 1999, and pooled all mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Dakota formation in the W/2 of said Section 4 to form a standard 320-acre spacing unit. Division Order R-11471-A was entered on July 10, 2001, and dedicated the 320-acre spacing unit formed by Order R-11471 to an additional well, the Cougar Com 4 Well No. 2A. Order R-11471-A addressed, among other matters, the cost of drilling and completing this additional well, actual operating costs and charges for supervision, designation of applicant as operator, and a charge for risk involved in drilling this additional well. Applicant seeks to include additional mineral interests under Order R-11471-A and to amend said order to form a standard 640-acre spacing unit comprised of all of Section 4 within that same vertical extent for the purpose of testing the Mancos formation, Gavalin Mancos Oil Pool. Said area is located approximately 9.5 miles north of Lindrith, New Mexico.