

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.

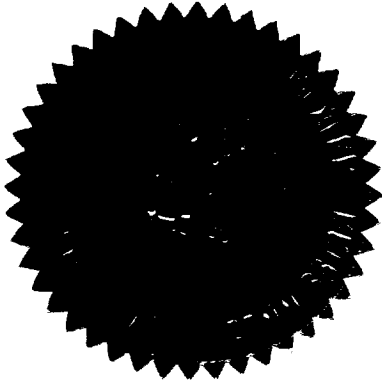
PROVIDED FURTHER THAT, in the event the operator does not commence drilling this well on or before January 1, 2000, Ordering Paragraph No. (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director