

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

**APPLICATION OF MCELVAIN ENERGY, INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

OCT 02 2018 PM05:23

CASE NO. 16469

APPLICATION

MCELVAIN ENERGY, INC. hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order pooling all uncommitted interest in the Bone Spring formation (E-K Bone Spring Pool (Pool Code 21650)) in the 240-acre, more or less, horizontal spacing unit comprised of the W/2 NW/4 of Section 6, Township 19 South, Range 34 East, and the W/2 W/2 of Section 31, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico. In support of this application McElvain states:

1. McElvain Energy, Inc. (OGRID No. 22044) is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. McElvain proposes to dedicate the above-referenced horizontal spacing unit to its proposed **EK 31 BS2 Federal Com No. 4H Well**, which will be drilled horizontally from a surface location in the NW/4 NW/4 (Lot 1) of Section 31, Township 18 South to a bottom hole location in the SW/4NW/4 (Lot 5) of Section 6, Township 19 South.
3. The completed interval for this well will comply with the setback requirements of the Statewide Rules.
4. McElvain has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

6. In order to permit McElvain the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all interests in this horizontal spacing unit should be pooled, and McElvain Energy Inc. should be designated the operator of the proposed horizontal well and spacing unit.

WHEREFORE, McElvain requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2018, and, after notice and hearing as required by law, the Division enter its order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Designating McElvain Energy, Inc. operator of this spacing unit and the horizontal well to be drilled thereon;
- C. Authorizing McElvain to recover its costs of drilling, equipping and 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 for the risk assumed by McElvain in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR
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CASE 16469

Application of McElvain Energy Inc. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order an order pooling all uncommitted interest in the Bone Spring formation (E-K Bone Spring Pool (Pool Code 21650)) in the 240-acre, more or less, horizontal spacing unit comprised of the W/2 NW/4 of Section 6, Township 19 South, Range 34 East, and the W/2 W/2 of Section 31, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico. The horizontal spacing unit will be dedicated to McElvain's proposed **EK 31 BS2 Federal Com No. 4H Well**, which will be drilled horizontally from a surface location in the NW/4 NW/4 (Lot 1) of Section 31, Township 18 South to a bottom hole location in the SW/4NW/4 (Lot 5) of Section 6, Township 19 South. The completed interval for this well will be at an orthodox location. 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 McElvain Energy, Inc. as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 27 miles west of Hobbs, New Mexico.