

HOLLAND & HART <sup>LLP</sup>



Kristina Martinez  
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November 13, 2007

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
Director  
Oil Conservation Division  
New Mexico Energy, Minerals and  
Natural Resources Department  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14048*

RECEIVED  
2007 NOV 13 PM 4 16

**Re: Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, Rio Arriba County, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the application of McElvain Oil & Gas Properties, Inc. in the above-referenced case as well as a copy of a legal advertisement. McElvain Oil & Gas Properties, Inc. requests that this matter be placed on the docket for the December 13, 2007 Examiner hearings.

Sincerely,

Kristina Martinez  
Attorney for McElvain Oil & Gas Properties, Inc.

Enclosures

cc: Sheryl Olson, McElvain Oil & Gas Properties, Inc.

**Holland & Hart LLP**

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**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. 14048

**APPLICATION**

MCELVAIN OIL & GAS PROPERTIES, INC., ("McElvain") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the Mesa Verde formation in the following described spacing and proration units located in the E/2 of Section 14, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico: the E/2 for all formations and/or pools developed on 320-acre spacing which includes but is not limited to the Gavilan-Pictured Cliffs Gas Pool, the Gavilan-Mancos Pool, and the Blanco-Mesaverde Gas Pool; and the SE/4 SE/4 and the NW/4 NE/4 for all formations and/or pools developed on 40-acre spacing which includes but is not limited to the Gavilan Greenhorn-Graneros-Dakota Pool. In support of its application, McElvain states:

1. McElvain is a working interest owner in the E/2 of said Section 14 and has the right to drill thereon.
2. McElvain proposes to pool the above-referenced spacing or proration units for drilling of the following two wells: the Badger Com 14-2 well and the Badger Com 14-2A well. These wells are located in Section 14, Township 25 North, Range 2 West, N.M.P.M., and will be drilled to test the Mesa Verde formation, Blanco Mesa Verde Gas Pool. The Badger Com 14-2 well will be drilled as a wildcat well from a standard location 671 feet from the North line and

1530 feet from the East line in the NW/4 NE/4 (Unit B) of Section 14 to test the Mesa Verde formation at a depth of approximately 5,898 feet. The Badger Com 14-2A well will be drilled as a wildcat well from a standard location 663 feet from the South line and 965 feet from the East line in the SE/4 SE/4 (Unit P) of Section 14 to test the Mesa Verde formation at a depth of approximately 5,850 feet.

3. McElvain has sought and been unable to locate and obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing units. These owners are identified on **Exhibit A** to this application.

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

5. In order to permit McElvain to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and McElvain should be designated the operator of the wells 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 December 13, 2007 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;
- B. designating McElvain Oil & Gas Properties, Inc. operator of these units and the wells to be drilled thereon;
- C. authorizing McElvain Oil & Gas Properties, Inc. to recover its costs of drilling, equipping and completing the wells;

- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. imposing a penalty for the risk assumed by McElvain Oil & Gas Properties, Inc. in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

By:  \_\_\_\_\_

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**Attorneys for McElvain Oil & Gas Properties, Inc.**

**EXHIBIT A**

**APPLICATION OF  
MCELVAIN OIL & GAS PROPERTIES, INC.  
FOR COMPULSORY POOLING  
E/2 OF SECTION 14, TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M.  
RIO ARRIBA COUNTY, NEW MEXICO.**

PXP Gulf Coast, Inc.  
Attn: Scott K. Cowand, Land Manager  
700 Milam Street, Suite 3100  
Houston, TX 77002

Williams Production Company, LLC  
Attn: Barbara Burnett, Senior Landman  
One Williams Center  
Tulsa, OK 74172

**CASE 14048: 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 from in the Mesa Verde formation in certain spacing and proration units located in the E/2 of Section 14, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico. The above-referenced spacing unit will be dedicated to the following two wells: the Badger Com 14-2 well and the Badger Com 14-2A well, which will be drilled to test the Mesa Verde formation, Blanco Mesa Verde Gas Pool. The Badger Com 14-2 well will be drilled as a wildcat well from a standard location 671 feet from the North line and 1530 feet from the East line in the NW/4 NE/4 (Unit B) of Section 14 to test the Mesa Verde formation at a depth of approximately 5,898 feet. The Badger Com 14-2A well will be drilled as a wildcat well from a standard location 663 feet from the South line and 965 feet from the East line in the SE/4 SE/4 (Unit P) of Section 14 to test the Mesa Verde formation at a depth of approximately 5,850 feet. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as wells as actual operating costs and charges for supervision, designation of McElvain Oil & Gas Properties, Inc. as operator of the wells and a charge for risk involved in drilling said wells. Said area is located approximately 7 miles North of Lindrith, New Mexico.