

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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. 12801

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

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 uncommitted mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying the E/2 of Section 25, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico to form a standard 320-acre stand-up gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, which includes but is not limited to the Undesignated Blanco-Mesaverde Gas Pool. In support of this application McElvain states:

1. McElvain is a working interest owner in the E/2 of said Section 25 and has a right to drill thereon.
2. McElvain proposes to dedicate the above-referenced spacing or proration unit to its Naomi Well No. 3 to be drilled at a standard location in the SE/4 of said Section 25, to a depth sufficient to test any and all formations to the base of the Mesaverde formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the subject spacing unit 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 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 January 24, 2002, 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 unit,
- B. designating McElvain operator of the unit and the 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 adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a 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,

HOLLAND & HART, LLP
AND
CAMPBELL & CARR

By: 

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ATTORNEYS FOR McELVAIN OIL
& GAS PROPERTIES, INC.

EXHIBIT A

NOTICE LIST

**McELVAIN OIL & GAS PROPERTIES, INC.
FOR COMPULSORY POOLING
E/2 OF SECTION 25, TOWNSHIP 25 NORTH, RANGE 3 WEST, N.M.P.M.
RIO ARRIBA COUNTY, NEW MEXICO**

D. J. Simmons Company Limited Partnership
P. O. Box 1469
Farmington, New Mexico 87499

Forcenergy Onshore, Inc.
c/o Forest Oil Company
1600 Broadway, Suite 2200
Denver, Colorado 80202

Dugan Production Corporation
709 East Murray Drive
Farmington, New Mexico 87499

CASE 12801:

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 uncommitted mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying E/2 of Section 25, Township 25 North, Range 3 West, N.M.P.M. to form a standard 320-acre stand-up gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical, which includes but is not necessarily limited to the Undesignated Blanco-Mesaverde Gas Pool. Said unit is to be dedicated to applicant's proposed Naomi Well No. 3 to be drilled at a standard location in the SE/4 of said Section 25. 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 applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 5 miles southwest of Lindrith, New Mexico.