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November 26, 2002

HAND DELIVERY

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12977

Re: Application of McElvain Oil & Gas Properties, Inc. for
compulsory pooling, San Juan County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed is the application of McElvain Oil & Gas Properties, Inc. in the
above-referenced case and a legal advertisement. McElvain requests that this
case be included on the December 19, 2002 examiner hearing docket.

Your attention to this matter is appreciated.

Very truly yours,

HOLLAND & HART, LLP

By: 
William F. Carr

ATTORNEYS FOR McELVAIN
OIL & GAS PROPERTIES, INC.

Enclosures

cc: Ms Mona Binion
McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, Colorado 80265

**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,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 12972

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 surface to the base of the Pictured Cliffs formation underlying the NE/4 of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico to form a standard 159.85-acre gas spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent, which includes but is not limited to the Fulcher Kutz - Pictured Cliffs Gas Pool. In support of this application McElvain states:

1. McElvain is a working interest owner in the NE/4 of said Section 1 and has a right to drill thereon.
2. McElvain proposes to dedicate the above-referenced spacing or proration unit to its Hutchinson Well No. 1R to be drilled at a previously approved unorthodox well location in the NE/4 of said Section 1, at a point 2050 feet from the North line and 1190 feet from the East line (Administrative Order NSL-4779, dated September 16, 2002) to a depth sufficient to test any and all formations to the base of the Pictured Cliffs formation. The Hutchinson Well No. 1R will be a replacement well for the Hutchinson Well No. 1 in the NE/4 of Section 1 which is currently shut-in.

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 December 19, 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

By: 

Michael H. Feldewert
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR McELVAIN OIL
& GAS PROPERTIES, INC.

EXHIBIT A

NOTICE LIST FOR THE HUTCHINSON WELL NO. 1R

CONOCO, Inc.
P. O. Box 2197
Houston, TX 77252-2197

JBS Group, LLC
4004 East Main Street
Farmington, NM 87402

CASE 12977:

Application of McElvain Oil & Gas Properties, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Pictured Cliffs formation NE/4 of Section 1, Township 29 North, Range 13 West, N.M.P.M. to form a standard 159.85-acre gas spacing and proration unit for all formations and/or pools developed on 160-acres within that vertical, which includes but is not necessarily limited to the Fulcer Kutz-Pictured Cliffs Gas Pool. Said unit is to be dedicated to applicant's proposed Hutchinson Well No. 1R to be drilled at a previously approved unorthodox well location at a point 2050 feet from the North line and 1190 feet from the East line in the NE/4 of said Section 1. 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 one-quarter (1/4) mile south and east of the intersection of U. S. Highway 516 and Gila Street in the town of Farmington located in San Juan County, New Mexico.

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