

HOLLAND & HART^{LLP}



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August 24, 2004

BY HAND DELIVERY

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

Case 13340

2004 AUG 24 PM 4 13

Re: Application of McElvain Oil & Gas Properties, Inc. for Compulsory Pooling, Rio
Arriba County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of McElvain in the above-referenced case, as well as a copy of the docket advertisement. McElvain requests that this matter be placed on the docket for the September 16, 2004, Examiner hearings.

Sincerely,

Michael H. Feldewert

cc. Denise Greer

Holland & Hart^{LLP}

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**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.**

2009 AUG 24
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4 14
CASE NO. 1334/0

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 Mesaverde formation underlying the W/2 of Section 14, Township 25 North, Range 2 West, N.M.P.M., Rio Arriba County, New Mexico to form a standard 320-acre 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 Blanco-Mesaverde Gas Pool. In support of this application McElvain states:

1. McElvain is a working interest owner in the W/2 of said Section 14 and has a right to drill thereon.
2. McElvain proposes to dedicate the above-referenced spacing or proration unit to its Badger Com 14 Well No. 1 to be drilled at a standard gas well location in Unit D of the NW/4 of said Section 14, at a point 785 feet from the North line and 1290 feet from the West line 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 the parties set forth on Attachment A hereto.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

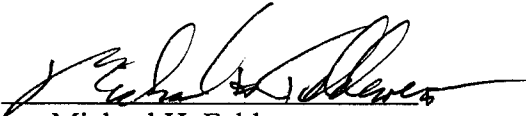
5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and McElvain Oil & Gas Properties, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, McElvain Oil & Gas Properties, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 16, 2004, 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 the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of these additional wells.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR McELVAIN OIL
& GAS PROPERTIES, INC.

NOTIFICATION LIST

**Application of
McElvain Oil and Gas Properties, Inc.
for compulsory pooling
W/2, Section 14, Township 25 North, Range 2 West, NMPM
Rio Arriba County, New Mexico.**

Four Star Oil & Gas Company
1111 South Wilcrest
Houston, Texas 77099

Mountain States Natural Gas Corp.
Post Office Box 12323
Las Vegas, Nevada 89112

San Juan Gas Corp.
1318 Philtower Building
Tulsa, Oklahoma 74103

Christopher Phillips
23 West 4th Street, Suite 900
Tulsa, Oklahoma 74103

Christopher Phillips
1620 South Newport
Tulsa, Oklahoma 74120

CASE 13340:

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 surface to the base of the Mesaverde formation in the W/2 of Section 14, Township 25 North, Range 2 West, N.M.P.M. to form a standard 320-acre gas spacing and proration unit for all formations and/or pools developed on 320 acres within that vertical, which includes but is not necessarily limited to the Blanco-Mesaverde Gas Pool. Said unit is to be dedicated to applicant's proposed Badger Com 14 Well No. 1 to be drilled at a standard gas well location 785 feet from the North line and 1290 feet from the West line in Unit D of the NW/4 of said Section 14 to a depth sufficient to test any and all formations to the base of the Mesaverde formation. 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 northeast of Lindreth, New Mexico.