

HOLLAND & HART LLP



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November 15, 2005

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 13607

2005 NOV 15 PM 4 39

Re: Application of McElvain Oil & Gas Properties, Inc. for
compulsory pooling, San Juan 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
requests that this matter be placed on the docket for the December 15, 2005
Examiner hearings.

Very truly yours,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Ms. Denise Greer
McElvain Oil & Gas Properties, Inc.

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,
SAN JUAN COUNTY, NEW MEXICO.**

2005 NOV 15 PM 4 39
CASE NO. 13607

APPLICATION

MCELVAIN OIL & GAS PROPERTIES, INC. ("McElvain"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Pictured Cliffs formation underlying the SE/4 of Section 5, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, to form a standard 160-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing within that vertical extent which includes but is not necessarily limited to the Fulcher Kutz Pictured Cliffs Gas Pool. In support of this application McElvain states:

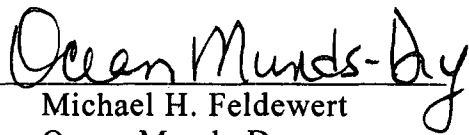
1. McElvain is a working interest owner in the SE/4 of Section 5 and has a right to drill thereon.
2. McElvain proposes to dedicate the above-referenced spacing or proration unit to its Wildwood Well No. 2, to be drilled at a standard location 1960 feet from the South line and 1750 from the East line in the NW/4 SE/4 of Section 5 to test the Pictured Cliffs formation at a depth of approximately 1550 feet.
3. McElvain has sought and been unable to obtain a voluntary agreement for the development of these lands from the interest owners 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 the opportunity 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 well.

WHEREFORE, McElvain requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 15, 2005, 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 deepening, equipping and re-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 provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in the drilling of this well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 
Michael H. Feldewert
Ocean Munds-Dry
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR MCELVAIN OIL &
GAS PROPERTIES, INC.

EXHIBIT A

**APPLICATION OF MCELVAIN OIL & GAS PROPERTIES, INC.
FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO**

Wildwood Well No. 2

Peter Muhls
Alamo Development Company
c/o Cooper, White & Cooper, LLP
201 California Street, 17th Floor
San Francisco, CA 94111-5002

CASE 13607:

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 underlying the SE/4 of Section 5, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, to form a standard 160-acre spacing and proration unit for all formations and/or pools developed on 160-acre spacing within this vertical extent including but not limited to the Fulcher Kutz Pictured Cliffs Gas Pool. This unit is to be dedicated to the Wildwood Well No. 2, to be drilled at a standard location 1960 feet from the South line and 1750 feet from the East line in the NW/4 SE/4 of said Section 5 to test the Pictured Cliffs formation at a depth of approximately 1550 feet. 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, pursuant to NMRA 19.15.1.35, the imposition of a 200% risk charge against the working interest of any party that elects not to participate in this project. Said area is located approximately a half mile north of the Farmington Airport, New Mexico.



December 15, 2005

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Re: Application of McElvain Industries, Inc. for compulsory
pooling, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that McElvain Oil & Gas Properties, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation in a certain spacing and proration unit in the SE/4 of Section 5, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. Said pooled units are to be dedicated to McElvain's Wildwood Well No. 2 to be drilled at a standard location 1960 feet from the South line and 1750 feet from the East line to a depth of approximately 1550 feet to test the Pictured Cliffs formation.

This application has been set for hearing before a Division Examiner on December 15, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

Ocean Munds-Dry
ATTORNEY FOR MCELVAIN OIL & GAS
PROPERTIES, INC.