

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

**APPLICATION OF MCELVAIN ENERGY, INC
FOR A NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

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CASE NO 15717

APPLICATION

MCELVAIN ENERGY, INC (McElvain), hereby files this application with the Oil Conservation Division pursuant to the provisions of N M Stat Ann § 70-2 17, for an order (1) creating a non-standard 160 acre more or less spacing and proration unit underlying the W/2 W/2 of Section 28 Township 18 South, Range 35 East, NMPM Lea County, New Mexico and (2) pooling uncommitted interests in the Bone Spring Formation In support of this application McElvain states

1 McElvain Energy Inc (OGRID No 22044) is a working interest owner in the proposed non standard spacing unit and has the right to drill thereon

2 McElvain proposes to dedicate the above referenced spacing or proration unit as the project area for its proposed **Ironhouse 28 BS2 State Com No 4H Well** which will be drilled horizontally from the SW/4 SW/4 (Unit M) to a standard bottomhole location in the NW/4 NW/4 (Unit D) of Section 28

3 The completed interval for this well will remain within the 330 foot offset as required by the Statewide rules for oil wells

4 McElvain has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit

5 The pooling of interests will avoid the drilling of unnecessary wells will prevent waste and will protect correlative rights

6 In order to permit McElvain the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands all interests in this non-standard spacing unit should be pooled and McElvain Energy Inc should be designated the operator of the proposed horizontal well and sparing unit

WHEREFORE McElvain requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 8 2017 and after notice and hearing as required by law, the Division enter its order

- A Creating a non standard 160-acre, more or less spacing and proration unit in the Bone Spring formation comprised of the W/2 W/2 of Section 28 Township 18 South, Range 35 East, NMPM, Lea County, New Mexico
- B Pooling all uncommitted interests in the non standard spacing and proration unit,
- C Designating McElvain operator of this non standard spacing unit and the horizontal well to be drilled thereon,
- D Authorizing McElvain to recover its costs of drilling equipping and completing the well
- E 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
- F imposing the 200% risk 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  _____

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ATTORNEYS FOR MCELVAIN ENERGY INC

CASE 15717

Application of McElvain Energy Inc for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico Applicant in the above styled cause seeks an order (1) non standard 160 acre, more or less, spacing and proration unit in the Bone Spring formation comprised of the W/2 W/2 of Section 28, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage Said non standard unit is to be dedicated to the applicant s proposed **Ironhouse 28 BS2 State Com No 4H Well** which will be drilled horizontally from the SW/4 SW/4 (Unit M) to a standard bottomhole location in the NW/4 NW/4 (Unit D) of Section 28 The completed interval for this well will remain within the 330-foot standard offset required the Statewide rules for oil wells 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 23 miles west of Hobbs New Mexico