

**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**

CASE NO 15742

**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 E/2 of Section 30, Township 18 South, Range 34 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 **EK 30 BS2 Federal Com No 2H Well** which will be drilled horizontally from the SE/4 SE/4 (Unit P) of Section 30 to a non-standard bottomhole location in the NW/4 NE/4 (Unit B) of Section 30

3 This well has been placed in the E-K Bone Spring Pool (21650) The Special Rules for this pool as adopted by Division Order R 4981, require 80 acre spacing units and that the completed interval for a well be located within 150 feet of the center of the quarter-quarter section The Division issued Administrative Order NSL 7504 approving an unorthodox location

for the subject well

4 Pursuant to Rule 3 of the Special Rules for the EK Bone Spring Pool McElvain requests a non standard 160-acre spacing unit comprised of the W/2 E/2 of Section 30, Township 18 South Range 34 East, NMPM, Lea County, New Mexico

5 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

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

7 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 spacing unit

WHEREFORE McElvain requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 6, 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 (EK Bone Spring Pool) comprised of the W/2 E/2 of Section 30, Township 18 South Range 34 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,

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By 

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**ATTORNEYS FOR MCELVAIN ENERGY INC**

CASE 15742

**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 (EK Bone Spring Pool) comprised of the W/2 E/2 of Section 30, Township 18 South Range 34 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 **EK 30 BS2 Federal Com No 2H Well**, which will be drilled horizontally from the SE/4 SE/4 (Unit P) of Section 30 to a non standard bottomhole location in the NW/4 NE/4 (Unit B) of Section 30 The Special Rules for the EK-Bone Spring Pool require 80-acre spacing units and that the completed interval for a well be located within 150 feet of the center of the quarter-quarter section The Division previously issued Administrative Order NSL-7503 approving an unorthodox location for the subject well McElvain also requests a non-standard 160-acre spacing unit comprised of the W/2 E/2 of Section 30, Township 18 South, Range 34 East NMPM, Lea County, New Mexico 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 30 miles west of Hobbs New Mexico