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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF McELVAIN OIL & GAS PROPERTIES, INC. TO REOPEN COMPULSORY POOLING CASE 12633 FOR THE LIMITED PURPOSE OF INCLUDING ADDITIONAL MINERAL INTERESTS UNDER ORDER R-11471-A AND TO AMEND SAID ORDER TO FORM A STANDARD 640-ACRE SPACING UNIT, RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO.12633

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Holland & Hart LLP and Campbell & Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

McElvain Oil & Gas Properties, Inc. 1050 17th Street, Suite 1800 Denver, Colorado 80265 (303) 893-0933

ATTORNEY

Michael H. Feldewert, Esq. Holland & Hart LLP and Campbell & Carr Post Office Box 2208 Santa Fe, New Mexico 87504-2208 (505) 988-4421 Pre-hearing Statement NMOCD Case No. 12633 Page 2

STATEMENT OF CASE

APPLICANT

Applicant in the above-styled cause seeks to reopen Case 12633 for the limited purpose of including additional mineral interests under Order R-11471-A and to amend said Order to form a standard 640-acre spacing unit comprised of Section 4, Township 25 North, Range 2 West. Division Order R-11471 was entered on December 10, 1999, and pooled all mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Dakota formation in the W/2 of said Section 4 to form a standard 320-acre spacing unit. Division Order R-11471-A was entered on July 10, 2001, and dedicated the 320-acre spacing unit formed by Order R-11471 to an additional well, the Cougar Com 4 Well No. 2A. Order R-11471-A addressed, among other matters, the cost of drilling and completing this additional well, actual operating costs and charges for supervision, designation of applicant as operator, and a charge for risk involved in drilling this additional well. Applicant seeks to include additional mineral interests under Order R-11471-A and to amend said order to form a standard 640-acre spacing unit comprised of all of Section 4 within that same vertical extent for the purpose of testing the Mancos formation, Gavalin Mancos Oil Pool. Said area is located approximately 9.5 miles north of Lindrith, New Mexico.

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)

EST. TIME

EXHIBITS

Mona Binion (Land)

10 Minutes

Approximately 3

PROCEDURAL MATTERS

McElvain has none at this time.

Michael H. Feldewert

Attorney for McElvain Oil & Gas Properties, Inc.