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October 11, 2001

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**D. J. Simmons Company Limited Partnership**  
**P. O. Box 1469**  
**Farmington, NM 87499**

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

Dear Sir or Madame:

This letter is to advise you that McElvain Oil & Gas Properties, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner on November 1, 2001. 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 Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the name of the party and its attorney; 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,



Michael H. Feldewert

MHF/ras

Enc.

Cc w/ enc: J. Scott Hall, Esq.

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

OIL CONSERVATION DIV.  
OCT - 9 PM 3:18

**IN THE MATTER OF THE APPLICATION  
OF McELVAIN OIL & GAS PROPERTIES, INC.  
FOR COMPULSORY POOLING,  
RIO ARriba COUNTY, NEW MEXICO.**

**CASE NO. \_\_\_\_\_**

**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 mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of Section 25, Township 26 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico for all formations and/or pools developed on 320-acre spacing 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 N/2 of said Section 25 and has a right to drill thereon.
2. McElvain proposes to dedicate the above-referenced spacing or proration unit to its Naomi Well No. 2 to be drilled at a standard location in the NW/4 of said Section 25, to a depth sufficient to test any and all formations to the base of the Mesaverde formation, Blanco Mesaverde Gas Pool.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the subject spacing unit 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 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.

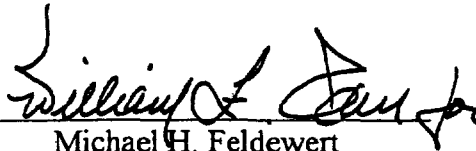
WHEREFORE, McElvain Oil & Gas Properties, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2001, and, after notice and hearing as required by law, the Division enter its order:

- 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 a 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  
AND  
CAMPBELL & CARR

By:



Michael H. Feldewert

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ATTORNEYS FOR McELVAIN OIL  
& GAS PROPERTIES, INC.

**EXHIBIT A**

**NOTICE LIST**

**McELVAIN OIL & GAS PROPERTIES, INC.  
FOR COMPULSORY POOLING  
N/2 OF SECTION 25, TOWNSHIP 26 NORTH, RANGE 3 WEST, N.M.P.M.  
RIO ARriba COUNTY, NEW MEXICO**

D. J. Simmons Company Limited Partnership  
P. O. Box 1469  
Farmington, NM 87499

CASE \_\_\_\_\_:

**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 mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in N/2 of Section 25, Township 25 North, Range 3 West, N.M.P.M. for all formations and or pools developed on 320-acre spacing, which includes but is not necessarily limited to the Mesaverde formation, Blanco-Mesaverde Gas Pool. Said unit is to be dedicated to applicant's proposed Naomi Well No. 2 to be drilled at a standard location in the NW/4 of said Section 25. 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 southwest of Lindrieth, New Mexico.