

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

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

CASE NO. 12690

OIL CONSERVATION DIV.
JUN 19 PM 4:47

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 Dakota formation in the W/2 of Section 11, Township 25 North, Range 2 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 Basin-Dakota Gas Pool, and in support of this application states:

1. McElvain is a working interest owner in the W/2 of said Section 11 and has a right to drill thereon.
2. McElvain proposes to dedicate the above-referenced spacing or proration unit to its Badger Com 11 Well No. 1 to be drilled at a standard location in the SW/4 of said Section 11, to a depth sufficient to test any and all formations to the base of the Dakota formation, Basin-Dakota Gas Pool.
3. Applicant has sought and been unable to obtain either voluntary agreement for

pooling or farmout from certain working interest owners and royalty interest owners in the subject spacing units 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.

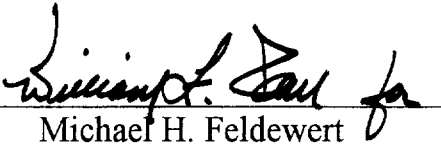
5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and McElvain Oil & Gas Properties, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, McElvain Oil & Gas Properties, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 12, 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 Oil & Gas Properties, Inc. 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

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ATTORNEYS FOR McELVAIN OIL
& GAS PROPERTIES, INC.

EXHIBIT A

NOTICE LIST

**McELVAIN OIL & GAS PROPERTIES, INC.
FOR COMPULSORY POOLING
W/2 OF SECTION 11, TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M.
RIO ARriba COUNTY, NEW MEXICO**

Names and addresses of Parties to be pooled

Floyd Oil Company
879-B Washington Street
Raleigh, NC 27605

Cheyenne Partners V, Ltd.
C/o Bank of America
901 Main Street, 17th Floor
Dallas, TX 75202

Helmerich & Payne, Inc.
1579 East 21st Street
Tulsa, OK 74114
Attn: Ken Fox

Lewis C. Beach
2530 East 71st Street, Suite H
Tulsa, OK 74170

Petroleum International, Inc.
1840 East 15th Street
Tulsa, OK 74104
Attn: John McMann

3TEC
777 Walker Street, Suite 2400
Houston, TX 77002
Attn: Kurt Schwagart

CASE 12690 : **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 Dakota formation in the W/2 of Section 11, Township 25 North, Range 2 West, N.M.P.M. for all formations and or pools developed on 320-acre spacing. Said units are to be dedicated to its Badger Com 11 Well No. 1 to be drilled to a depth sufficient to test all formations to the base of the Dakota formation, Basin-Dakota Gas Pool, at a standard location in the SW/4 of said Section 11. 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 9.2 miles northeast of Lindrith, New Mexico.