



December 1, 2011

**VIA HAND DELIVERY**

Ms. Florene Davidson  
Commission Clerk  
Oil Conservation Commission  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

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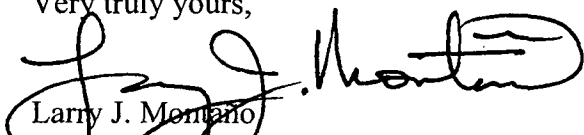
Re: **PRE-HEARING STATEMENT AND EXHIBITS**

Oil Conservation Commission Case Nos. 14497 and 14538: Application Of David H. Arrington Oil & Gas, Inc. For Compulsory Pooling, Lea County, New Mexico, And Application Of Marshall & Winston, Inc. To Cancel Operator's Authority, Terminate A Spacing Unit, And Approve A Change Of Operator, Lea County, New Mexico

Dear Ms. Davidson:

Pursuant to Oil Conservation Division Rule 19.15.14.1211 NMAC, David H. Arrington Oil & Gas, Inc., files herewith its pre-hearing statement and six copies of the exhibits it will present at the December 8, 2011, Oil Conservation Commission hearing on the above-referenced applications. By copy of this letter, I am providing this pre-hearing statement and exhibits to all parties of record in this case.

Very truly yours,

  
Larry J. Montano  
Attorney for David H. Arrington Oil & Gas, Inc.

Enclosures

cc: Parties of record

David K. Brooks, Esq.  
Oil Conservation Division

James Bruce  
Marshall & Winston, Inc.

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

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

CASE NO. 14497

APPLICATION OF DAVID H. ARRINGTON OIL &  
GAS INC. FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.

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

CASE NO. 14538

APPLICATION OF MARSHALL & WINSTON, INC. TO  
CANCEL OPERATOR'S AUTHORITY, TERMINATE A  
SPACING UNIT, AND APPROVE A CHANGE OF  
OPERATOR, LEA COUNTY, NEW MEXICO

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by Holland & Hart LLP, as required by the Oil Conservation Commission.

**APPEARANCES OF PARTIES**

**APPLICANT ON CASE NO. 14497**  
**OPPOSITION ON CASE NO. 14538**

David H. Arrington Oil & Gas, Inc.  
c/o Monty W. Kastner  
Vice President, Land & Legal  
500 West Wall Street, Suite 300  
Midland, Texas 79701  
(432) 682-6685

**ATTORNEYS**

William F. Carr  
Larry J. Montañño  
Holland & Hart LLP  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
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**OPPOSITION ON CASE NO. 14497**  
**APPLICANT ON CASE NO. 14538**

Marshall & Winston, Inc.  
c/o Kevin Hammit  
Post Office Box 50880  
Midland, Texas 79702

**ATTORNEYS**

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

**STATEMENT OF CASE**

**APPLICANT ON CASE NO. 14497:**

David H. Arrington Oil & Gas, Inc., applicant in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the following described spacing unit located in the S/2 of Section 26, Township 15 South, Range 34 East, N.M.P.M., Lea County, New Mexico; the S/2 for all formations and/or pools developed on 320-acre spacing within this vertical extent including the North Edison Morrow Gas Pool, the Undesignated North Hume Morrow Gas Pool, and the Undesignated Grassland Austin Gas Pool; and the SE/4 for all formations and/or pools developed on 160-acre spacing within this vertical extent. Said unit is to be dedicated to its Green Eyed Squealy Worm Well No. 1 to be re-entered 1974 feet from the South line and 1129 feet from the East line of said Section 26. 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 David H. Arrington Oil & Gas Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 3 miles West of Lovington, New Mexico.

**OPPOSITION ON CASE NO. 14538:**

David H. Arrington Oil & Gas, Inc., is the Division designated operator of the Green Eyed Squealy Worm Well No. 1 which Arrington and others drilled to test the Morrow and other formations. The well ceased to produce and has been shut in. Arrington believes that there is potential in the Morrow formation and proposes to re-enter and test the Morrow formation in this well before the well is used to test shallower zones, as such efforts likely will compromise Arrington's ability to produce the Morrow. Arrington has filed an application to compulsory pool this acreage to enable it to test the Morrow. Arrington opposes any attempt to remove it as operator of the well.

**PROPOSED EVIDENCE**

**WITNESSES**

**ESTIMATED TIME**

**EXHIBITS**

**Monty W. Kastner**  
**V.P. Land & Legal, Landman**

**20 Minutes**

**4 Exhibits**

Mr. Kastner, who is Arrington's Vice President of Land and Legal, will testify about the status of the subject lands, the parties' competing applications, and the bases for Arrington's position with respect to those applications that are the subject of this hearing.

**Exhibit 1** to this Pre-hearing Statement is a Plat showing the lands that are at issue in the parties' competing applications and that are the subject of this hearing.

**Exhibit 2** to this Pre-hearing Statement is a Chronological Index of documents and events that are relevant to the parties' competing applications.

**Exhibit 3** to this Pre-hearing Statement is an Easement Agreement between Arrington and the surface owner of certain lands that are at issue in the parties' competing applications, including the lands where the subject wellbore is located.

**Exhibit 4** to this Pre-hearing Statement is an Affidavit from Arrington's counsel showing that notice of the proceedings before the Oil Conservation Division were mailed to all interested parties, as identified therein.

**Brian Ball**

**20 Minutes**

**1 Exhibit**

**Exploration Manager, Geologist**

Mr. Ball, who is Arrington's Exploration Manager and a certified professional geologist, will testify about the parties' competing applications, specifically including the petroleum geology and the Well Log associated with Arrington's application that is the subject of this hearing.

**Exhibit 5** to this Pre-hearing Statement is a Well Log of Arrington's existing well, the Green Eyed Squealy Worm, showing the mineral characteristics for the formations at issue in Arrington's application.

**Art Carrasco**

**20 Minutes**

**2 Exhibits**

**Operations Manager, Engineer**

Mr. Carrasco, who is Arrington's Engineering Operations Manager and works in a petroleum engineering capacity, will testify about the parties' competing applications, specifically including Arrington's proposed workover, the feasibility and desirability of that workover, the need for Arrington to complete its workover before Marshall & Winston performs any operations on the subject well, and other petroleum engineering issues respecting the applications that are the subject of this hearing.

**Exhibit 6** to this Pre-hearing Statement is an Authority For Expenditure showing the anticipated well costs associated with Arrington's application.

**Exhibit 7** to this Pre-hearing Statement is a Workover Prognosis Arrington's existing well, the Green Eyed Squealy Worm, showing the prognosis relating to Arrington's proposed workover at the subject location.

**Keith Bucy**  
**Petroleum Engineer**

**20 Minutes**

**2 Exhibits**

Mr. Bucy, who is Arrington's General Manager and a registered petroleum engineer, will testify about the parties' competing applications, specifically including the economics associated with Arrington's application, the feasibility and desirability of Arrington's proposed workover, and other petroleum engineering and economics issues respecting the applications that are the subject of this hearing.

**Exhibit 8** to this Pre-hearing Statement is an Economic Projection showing the anticipated economics relating to Arrington's application.

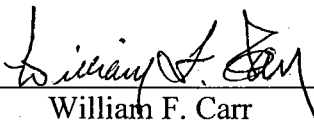
**Exhibit 9** to this Pre-hearing Statement is a Log showing the anticipated economics relating to Arrington's application.

### **PROCEDURAL MATTERS**

David H. Arrington Oil & Gas Inc. will request that the above-referenced cases be consolidated for hearing.

Respectfully,

**HOLLAND & HART, LLP**

By  \_\_\_\_\_

William F. Carr

Larry J. Montañó

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**ATTORNEYS FOR**

**DAVID H. ARRINGTON OIL & GAS, INC.**

**CERTIFICATE OF SERVICE**

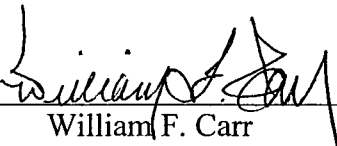
I certify that on December 1, 2011, I served a copy of the foregoing document to the following by email and U.S. mail:

David K. Brooks, Esq.  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

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NEW MEXICO OIL CONSERVATION DIVISION**

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**ATTORNEYS FOR  
MARSHALL & WINSTON**

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