

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

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JUL 7 2003

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

Oil Conservation Division

CASE NO. 13081

**APPLICATION OF DAVID H. ARRINGTON OIL & GAS, INC.
FOR COMPULSORY POOLING AND UNORTHODOX WELL
LOCATIONS, LEA COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

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

APPEARANCES OF PARTIES

APPLICANT

David H. Arrington Oil & Gas, Inc.
Attention: Bill Baker
Post Office Box 2071
Midland, Texas 79702
(915) 682.6685

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP and Campbell & Carr
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988.4421

STATEMENT OF CASE

APPLICANT

Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying Lots 1, 2, 3 and 4 and the E/2 W/2 (W/2 equivalent) of irregular Section 31, Township 15 South, Range 36 East in the following manner: Lots 1, 2, 3 and 4 and the E/2 W/2 (W/2 equivalent) to form a standard 320.56 acre stand-up gas spacing and proration unit for any formation or pool spaced on 320 acres within that vertical extent; the SW/4 to form a standard 160.14 acre gas spacing and proration unit for all formations or pools spaced on 160 acres within that vertical extent; and the SW/4 NW/4 (Unit E) to form a standard 40.17 acre oil spacing and proration unit for all formations or pools spaced on 40 acres within that vertical extent, which presently includes but is not necessarily limited to the Caudill Permo - Upper Pennsylvanian Pool and the Undesignated Townsend Permo - Upper Pennsylvanian

Pool. These spacing and proration units are to be dedicated to Arrington's proposed Royal Stimulator "31" Well No. 2 to be drilled at a standard surface location 2235 feet from the North line and 330 feet from the West line of Section 31 and at a depth of 8800 feet directionally drill to a depth sufficient to test the Wolfcamp formation at an unorthodox location 2471 feet from the North line and 527 feet from the West line (Unit E) of the section. The well will then be directionally drilled in a southeasterly direction intersecting the Strawn formation at an unorthodox location 2305 feet from the South line and 888 feet from the West line of said Section 31 and the Atoka formation at an unorthodox gas well location 2192 feet from the South line and 1038 feet from the West line of said Section 31. The well will intersect the Morrow formation, the primary target interval, at a standard location 1979 feet from the South line and 1218 feet from the West line (Unit L) of said Section 31 and continue drilling to a standard bottomhole location 1900 feet from the South line and 1300 feet from the West Line (Unit L) of said Section 31 to a depth sufficient to test the Mississippian formation. Also to be considered will 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 one mile north of Lovington, New Mexico. This matter was previously the subject of an Examiner hearing in Case No. 12752 and Division Order No. R-11690, entered November 16, 2001. Said pooling Order expired by its own terms on February 28, 2002, necessitating this new application.

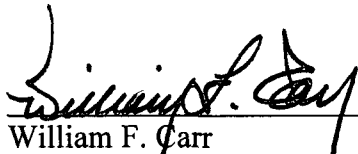
PROPOSED EVIDENCE

APPLICANT

| WITNESSES (Name and Expertise) | ESTIMATED TIME | EXHIBITS |
|-----------------------------------|--------------------|------------|
| Bill Baker (Geologist) | Approx. 15 Minutes | Approx. 10 |
| Dale Douglas (Landman) | Approx. 15 Minutes | Approx. 3 |

PROCEDURAL MATTERS

David H. Arrington Oil & Gas, Inc. has none at this time.



William F. Carr
Attorney for David H. Arrington Oil & Gas, Inc.