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October 13, 1998

HAND-DELIVERED

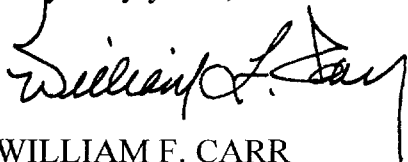
Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of David H. Arrington Oil & Gas, Inc. for Compulsory Pooling,
Directional Drilling and an Unorthodox Well Location, Lea County, New
Mexico*

Dear Ms. Wrotenbery:

Enclosed in triplicate is an Application of David H. Arrington Oil & Gas, Inc. in the above-referenced case as well as a copy of a legal advertisement. David H. Arrington Oil & Gas, Inc. respectfully requests that this matter be placed on the docket for the November 5, 1998 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: David H. Arrington (w/enclosures)
Post Office Box 2071
Midland, TX 79702

12079

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

OIL CONSERVATION DIV.
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IN THE MATTER OF THE APPLICATION
OF DAVID H. ARRINGTON OIL & GAS, INC.
FOR COMPULSORY POOLING,
DIRECTIONAL DRILLING AND
AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 12079

APPLICATION

DAVID H. ARRINGTON OIL & GAS, INC. ("ARRINGTON"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all mineral interests from the surface to the base of the Lower Mississippian formation, under the following acreage in irregular Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico:

- A. Lots 9, 10, 15 and 16 and the SE/4 to form a standard stand-up gas spacing and proration unit for formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Hume-Morrow Gas Pool, and the Undesignated Townsend-Morrow Gas Pool;
- B. SE/4 to form a standard 160-acre spacing and proration unit for formations and/or pools developed on 160-acre spacing within that vertical extent;
- C. N/2 SE/4 to form a standard 80-acre spacing and proration unit for formations

and/or pools developed on 160-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated Big Dog-Strawn Pool; and

- D. NE/4 SE/4 to form a standard 40-acre gas spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Undesignated Northwest Townsend-Abo Pool, Townsend-Permo Upper Pennsylvanian Pool, and Undesignated Townsend-Strawn Pool.

Said spacing and proration units are to be dedicated to the David H. Arrington Oil & Gas, Inc. Parachute Adams Well No. 1 to be directionally drilled from a surface location 1859 feet from the South line and 777 feet from the East line to an unorthodox bottomhole gas well location 1450 feet from the South line and 990 feet from the East line of said Section 3, and in support of its application states:

1. Arrington is a working interest owner in said Section 3 and has the right to drill thereon.
2. Arrington proposes to dedicate the above-referenced spacing or proration units to its Parachute Adams Well No. 1 to be directionally drilled to an unorthodox bottomhole location 1450 feet from the South line and 990 feet from the East line of said Section 3, to a depth sufficient to test any and all formations to the base of the Lower Mississippian formation.

3. Arrington has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in these spacing or proration units.

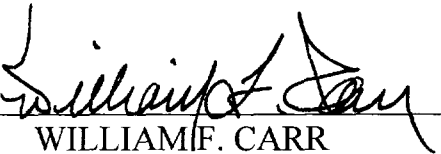
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

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 David H. Arrington Oil & Gas, Inc. should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on November 5, 1998 and, after notice and hearing as required by law, the Division enter its order (1) approving the proposed unorthodox bottomhole well location 1450 feet from the South line and 990 feet from the East line of Section 3, directional drilling of the Parachute Adams Well No. 1 and (2) pooling the lands, including provisions designating Arrington operator of these spacing and proration units, and authorizing Arrington to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, imposing a risk factor for the risk assumed by Arrington in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR DAVID H. ARRINGTON
OIL & GAS, INC.

CASE 12079

OIL CONSERVATION DIV.

98 OCT 13 PM 5:00

Application of David H. Arrington Oil and Gas, Inc. for compulsory pooling, directional drilling and an unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Lower Mississippian formation, underlying Lots 9, 10, 15 and 16 and the SE/4 for all formations developed on 320-acre spacing including but not limited to the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Hume-Morrow Gas Pool and the Undesignated Townsend-Morrow Gas Pool, SE/4 for all formations developed on 160-acre spacing, N/2 SE/4 for all formations developed on 80-acre spacing including but not limited to the Undesignated Big Dog-Strawn Pool, and NE/4 SE/4 for all formations developed on 40-acre spacing including but not limited to the Undesignated Northwest Townsend-Abo Pool, Townsend-Permo Upper Pennsylvanian Pool and the Undesignated Townsend-Strawn Pool, all in Section 3, Township 16 South, Range 35 East, NMPM. Applicant proposes to dedicate this pooled unit to its Parachute Adams Well No. 1 to be directionally drilled from a surface location 1859 feet from the South line and 777 feet from the East line to an unorthodox gas well bottomhole location 1450 feet from the South line and 990 feet from the East line of said Section 3. 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 5 miles west of Lovington, New Mexico.