

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

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

CASE NO. 12313
ORDER NO. R-11333-A

APPLICATION OF DAVID H. ARRINGTON OIL & GAS INC. FOR
COMPULSORY POOLING, DIRECTIONAL DRILLING OF A HORIZONTAL
WELL, AND A NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 13, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 18th day of July, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, David H. Arrington Oil & Gas, Inc. ("Arrington"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Strawn formation underlying the following described acreage in Section 10, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico in the following manner:

- (a) the NW/4 SW/4 to form a standard 40-acre spacing and proration unit for any formations and/or pools developed on 40-acre spacing within this vertical extent; and
- (b) the SW/4 to form a non-standard 160-acre proration unit or "project area," as defined by Division Rule 111.A(9), by the combination of two standard 80-acre spacing and proration units comprising the W/2 SW/4 and the E/2

SW 4 of Section 10, in order to accommodate a horizontally drilled wellbore within the Northeast Lovington-Pennsylvanian Pool.

Both units are to be dedicated to the applicant's proposed H & L Variance "10" Well No. 1, which will be horizontally drilled from a surface location 2130 feet from the South line and 330 feet from the West line (Unit L) of Section 10 in the following manner:

Drill vertically to a depth of approximately 11,600 feet, kick off from vertical and drill in an easterly direction building angle to 30 degrees at a rate of eight degrees per 100 feet. Drill into the Strawn formation at a location approximately 2130 feet from the South line and 510 feet from the West line (Unit L) of Section 10 and run a drill stem test. If commercial production is encountered, set casing, build angle to 90 degrees and drill horizontally through the Strawn formation a lateral distance of approximately 1,400 feet.

The drilling window or producing area for the well, as defined by Division Rule 111.A.(7), will be in conformance with all applicable setback requirements.

(3) The proposed H & L Variance "10" Well No. 1 is located within one mile of the outer boundary of the Northeast Lovington-Pennsylvanian Pool. This pool is currently governed by special pool rules contained within Division Order No. R-3816, which require standard 80-acre spacing and proration units with wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot.

(4) On December 16, 1999, and February 3, 2000, a Division Examiner heard Case No. 12313; and on March 16, 2000, the Division entered Order No. R-11333, which granted the application of Arrington. Ordering Paragraph No. (2) of Order No. R-11333 further required Arrington, as operator of the subject well, to commence drilling its proposed H & L Variance "10" Well No. 1 on or before June 15, 2000, and to continue drilling the well with due diligence to test the Strawn formation. This order further provided the operator the opportunity to obtain a time extension for good cause shown.

(5) At the July 13, 2000 hearing, counsel for Arrington stated that the H & L Variance "10" Well No. 1 was not commenced on or before June 15, 2000, due to the operator's oversight of the commencement deadline; therefore, Division Order No. R-11333 expired on its own terms.

- (6) No affected party appeared at the hearing or objected to this application.
- (7) This application should be approved and Division Order No. R-11333 should be reinstated.
- (8) The evidence offered in Case No. 12313 on December 16, 1999, and February 3, 2000, remains valid.

IT IS THEREFORE ORDERED THAT:

- (1) Division Order No. R-11333, issued in Case No. 12313 and dated March 16, 2000, is hereby reinstated.
- (2) Ordering Paragraph No. (2) on page 6 of Division Order No. R-11333 is hereby amended to read in its entirety as follows:
 - (2) The operator of the units shall commence drilling operations on the H & L Variance "10" Well No. 1 on or before October 20, 2000, and shall thereafter continue drilling the well with due diligence to test the Strawn formation.
- (3) Ordering Paragraph No. (3) on page 6 of Division Order No. R-11333 is hereby amended to read in its entirety as follows:
 - (3) In the event the operator does not commence drilling operations on the H & L Variance "10" Well No. 1 on or before October 20, 2000, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.
- (4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 12313
Order No. R-11333-A
Page 4

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL