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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

October 24, 2000

HAND DELIVERED

Ms. Lori Wrottenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

12533

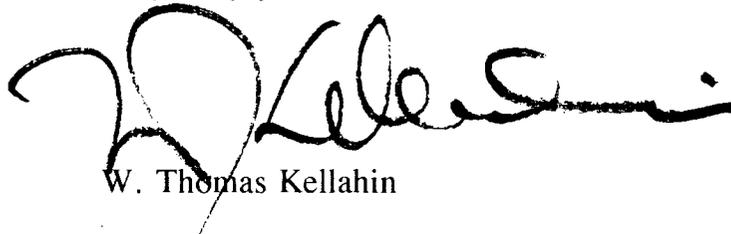
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OIL CONSERVATION DIV

**Re: Yellow Stonefly "26" Federal Com Well No. 1
Application of David H. Arrington Oil & Gas, Inc.
for compulsory pooling and an unorthodox gas well location
Eddy County, New Mexico**

Dear Ms. Wrottenbery:

On behalf of David H. Arrington Oil & Gas, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 16, 2000. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: David H. Arrington Oil & Gas, Inc.
Attn: Dale Douglas

CASE¹²⁵³³: Application of David H. Arrington Oil & Gas Inc. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the N/2 of Section 26, T18S, R24E, NMPM, for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Penasco-Morrow Gas Pool, and the Penasco Draw Permo-Penn (Cisco) Gas Pool. This unit is to be dedicated to its Yellow Stonefly "26" Federal Com Well No. 1 which will be located at an unorthodox gas well location 1980 feet from the north line and 2600 feet from the west line of this section (Unit F). Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 9 miles south of Artesia, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF DAVID H. ARRINGTON OIL & GAS, INC.
FOR COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

CASE NO. 12533

APPLICATION

Comes now DAVID H. ARRINGTON OIL & GAS, INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the N/2 of Section 26, T18S, R24E, NMPM, for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent, including the Penasco-Morrow Gas Pool, and the Penasco Draw Permo-Penn (Cisco) Gas Pool. This unit is to be dedicated to its Yellow Stonefly "26" Federal Com Well No. 1 which will be located at an unorthodox gas well location 1980 feet from the north line and 2600 feet from the west line of this section (Unit F). Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well.

In support of its application, David H. Arrington Oil & Gas, Inc. ("Arrington") states:

1. Arrington has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying the NW/4 of Section 26, T18S, R24E, NMPM, Eddy County, New Mexico.
2. This well is located within one mile of the pools described above.
3. Arrington has proposed this well to the working interest owner in the spacing unit as identified on Exhibit "A."
4. Arrington has not been able to obtain a written voluntary agreement from the party listed on Exhibit "A."

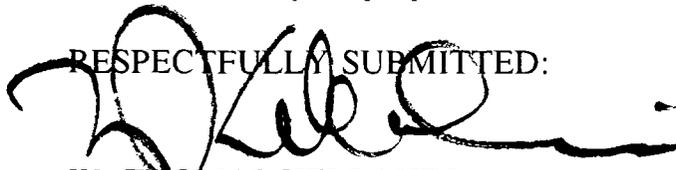
5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "A" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for November 16, 2000.

WHEREFORE, David H. Arrington Oil & Gas, Inc., as applicant, requests that this application be set for hearing on November 16, 2000 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of this well location upon terms and conditions which include:

- (1) David H. Arrington Oil Gas, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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EXHIBIT "A"

Nearburg Exploration Company, L.L.C.
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Midland, Texas 79705