

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12711

APPLICATION

David H. Arrington Oil & Gas Inc. applies for an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E½ of Section 19, Township 15 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 19, and has the right to drill a well thereon.

2. Applicant proposes to drill its Lou's Hopper Well No. 1, at an orthodox gas well location in the NW¼NE¼ (Unit B) of the section, to a depth sufficient to test the lower Mississippian formation (approximately 13,500 feet), and seeks to dedicate the E½ of Section 19 to the well to form a standard 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Esat Morton-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 19 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in

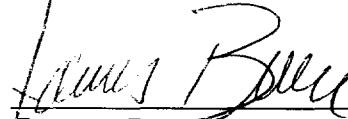
dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 19, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the E½ of Section 19 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E½ of Section 19 from the surface to the base of the Mississippian formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates pursuant to the COPAS accounting procedure; and
- E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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