BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF DAVID H. ARRINGTON OIL & GAS, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. No. 12840

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 S½ of Section 36, Township 14 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the S½ of Section 36, and has the right to drill a well thereon.

2. Applicant proposes to drill its Red Eyed Squealy Worm Well No. 1, at an orthodox gas well location in the SE¼SE¼ of the section, to a depth sufficient to test the lower Mississippian formation (at approximately 14,000 feet subsurface), and seeks to dedicate the following acreage to the well:

(a) The SE¼SE¼ of Section 36 to form a standard 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated North Morton-Permo Pennsylvanian Pool and Undesignated Morton-Wolfcamp Pool;

(b) The E½SE¼ of Section 36 to form a standard 80 acre oil spacing and proration unit for any and all formations and/or pools developed on 80 acre spacing within that vertical extent, including the Undesignated Morton-Lower Wolfcamp Pool;

(c) The SE¼ of Section 36 to form a standard 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within that vertical extent; and

(d) The S½ of Section 36 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 North Morton-Atoka Gas Pool and Undesignated Morton-Mississippian Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 36 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 S½ of Section 36, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 36 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 S½ of Section 36 from the surface to the base of the Mississippian formation;

B. Designating applicant or its designee 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 COPYIST 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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