

**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 OF A HORIZONTAL WELL AND A
NONSTANDARD SPACING AND PRORATION
UNIT, LEA COUNTY, NEW MEXICO.**

**CASE NO. 12313
(REOPENED)**

AMENDED APPLICATION

DAVID H. ARRINGTON OIL & GAS, INC. ("Arrington") through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from the surface to the base of the Strawn formation, Northeast Lovington-Pennsylvanian Pool, in the following spacing and proration units:

- A. the NW/4 SW/4 for all formations and/or pools developed on 40 acre spacing, and
- B. a 160-acre horizontal well Project Area to consist of a nonstandard spacing and proration unit which encompasses the SW/4 of Section 10, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, and is comprised of two 80-acre spacing and proration units (W/2 SW/4 and the E/2 SW/4).

The pooled Project Area is to be dedicated to the Arrington H&L Variance

“10” Well No. 1 to be directionally drilled from an unorthodox surface location 2,130 feet from the South line and 330 feet from the West line to a depth of approximately 11,600 feet and then laterally drilled to a point where it penetrates the Strawn formation at a standard location 2,130 feet from the South line and not closer than 510 feet to the West line of said Section 10 and then in an easterly direction for 1,400, feet more or less.

In support of its application Arrington states:

1. Arrington is a working interest owner in the SW/4 of said Section 10 in the Northeast Lovington-Pennsylvanian Pool and has the right to drill thereon.
2. Arrington proposes to drill a horizontal well in the SW/4 of Section to produce Strawn formation reserves which are located in an algal mound which is under at least three of the 40-acre tracts in the SW/4 of this section. A horizontal well bore will avoid the drilling of unnecessary wells and will most effectively produce the reserves in this small reservoir.
3. The Northeast-Lovington Pennsylvanian Pool is governed by Special Rules and Regulations which provide for 80-acre spacing and proration units (Rule 2).
4. Arrington proposes to drill its H&L Variance “10” Well No. 1 as a directional well in a Project Area which consists of a 160-acre nonstandard spacing and proration unit comprised of two 80-acre units in the Strawn formation, Northeast Lovington-Pennsylvanian Pool. This well will be drilled at a standard surface location 2,130 feet from the South line and 330 feet from the West of said Section 10. At an approximate depth of 11,600 feet the

well will be laterally drilled to the east to a point where it penetrates the Strawn formation in the Northeast Lovington-Pennsylvanian Pool and then horizontally drilled for 1400 feet, more or less. The total depth of the directional hole will be approximately 12, 817 feet.

5. The well bore will be at a standard location where it enters the Strawn formation and will be confined within a Producing Area within the SW/4 of Section 10 which is 510 feet from the outer boundary of the Project Area.

6. Arrington has been unable to locate certain mineral owners in the SW/4 of said Section 10 and has therefore been unable to attempt to reach a voluntary agreement with these owners for the development of this acreage.

7. Arrington seeks an exception to the provisions of Rule 2 of the Special Pool Rules and Regulations for the Northeast Lovington-Pennsylvanian Pool to permit the well to be drilled to on the proposed nonstandard unit.

8. Said pooling of interests and the drilling of the H&L Variance "10" Well No. 1 as proposed will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

9. In order to permit the Arrington well 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.

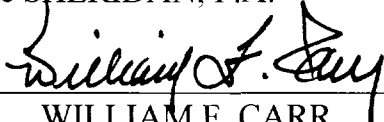
WHEREFORE, David H. Arrington Oil& Gas, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 13, 2000, and,

and, after notice and hearing as required by law, the Division enter its order:

- A. Approving the proposed nonstandard spacing unit for this well,
- B. pooling all mineral interests in the subject nonstandard spacing and proration unit,
- C. approving the directional drilling of the H&L Variance "10" Well No. 1,
- D. designating David H. Arrington Oil & Gas, Inc. operator of these units and the well to be drilled thereon,
- E. authorizing Arrington to recover its costs of drilling, equipping and completing the well,
- F. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- G. imposing a penalty for the risk assumed by Arrington in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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

CASE 12313 (REOPENED): Application of David H. Arrington Oil and Gas, Inc. for compulsory pooling, directional drilling of a horizontal well and a nonstandard spacing unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Northeast Lovington-Pennsylvanian Pool, underlying the following described acreage in Section 10, Township 16 South, Range 37 East in the following manner: (a) the NW/4 SW/4 for any formation and/or pools developed on 40-acre spacing and (b) the SW/4 in order to form a 160-acre Project Area, as defined by Division Rule 111.A(7), by combining two standard 80-acre oil spacing and proration units in order to accommodate a horizontally drilled wellbore. The applicant proposes to vertically drill its H&L Variance "10" Well No. 1 at a surface location 2130 feet from the South line and 330 feet from the West line (Unit L) of Section 10 to an approximate depth of 11,600 feet, kick-off, and then drill horizontally in an easterly direction a lateral distance of 1400 feet through the Strawn formation. the applicable drilling window or producing area [see Division Rule 111.A(7)] for the proposed wellbore is to be standard for any 40-acre unit and 80-acre units per the outer setback requirements for 80-acre units in the subject pool. Also to be considered will the cost of drilling and completing this wellbore 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. The location of the proposed well is approximately six miles east of Lovington, New Mexico.