

KELLAHIN AND KELLAHIN
 ATTORNEYS AT LAW
 EL PATIO BUILDING
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 POST OFFICE BOX 2265
 SANTA FE, NEW MEXICO 87504-2265
 November 10, 1999

TELEPHONE (505) 822-4285
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W. THOMAS KELLAHIN
 NEW MEXICO BOARD OF LEGAL SPECIALIZATION
 RECOGNIZED SPECIALIST IN THE AREA OF
 NATURAL RESOURCES-OIL AND GAS LAW
 JASON KELLAHIN (RETIRED 1981)

VIA FACSIMILE AND HAND DELIVERED

Mr. Michael E. Stogner
 Chief Hearing Examiner/Engineer
 Oil Conservation Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

Re: **Request for testing allowable**
 David H. Arrington Oil & Gas, Inc.
 Mayfly "14" State Com Well No. 2,
 a directional wellbore located in
 Units A and B of Section 14, T16S, R35E,
 North Shoe Bar-Strawn Pool,
 Lea County, New Mexico

*Forward to
 Chris Williams
 Paul - RR. records
 Melba*

Dear Mr. Stogner:

On behalf of David H. Arrington Oil & Gas, Inc., I am requesting a temporary testing allowable for the referenced well to continue to accumulate data in support of its application set for hearing on December 2, 1999. That application requests a special 890 BOPD project allowable for this horizontal well or, in the alternative, for an amendment to Rule 6 of the North Shoe Bar-Strawn Pool rules to increase the special depth bracket oil allowable from 605 barrels of oil per day to 890 barrels of oil per day. In support of this request, the following is submitted:

1. On September 22, 1999, Arrington completed its Mayfly "14" State Com Well No. 2, (API No. 30-025-34630) ("the Mayfly 2 Well") which is a "directional" wellbore with a surface location 660 feet from the North line and 2060 feet from the East line and a bottomhole location 660 feet from the North line and 660 feet from the East line (Units A and B) of Section 14, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. See Exhibit "A"

OK - approval - 60 days - up to

Permian Resources
 Ex. No. 4
 NMOCD Case No. 12663
 11-11-99

Michael E. Stogner

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2. Geologic and petroleum engineering evidence demonstrates that:

(a) the Mayfly 2 Well is producing from a small unique Strawn reservoir not in pressure communication with any other well; and

(b) in all probability this horizontal wellbore will be the only well necessary in order to adequately deplete this reservoir.

3. The Mayfly 2 Well is currently included in the North Shoe Bar-Strawn Oil Pool, the special rules for which provide: (a) 160-acre oil spacing and proration units; (b) well locations within 150 feet of the center of a governmental quarter section; (c) a special limiting gas oil ratio of 4,000 cubic feet of gas per barrel of oil; and (d) a special depth bracket maximum oil allowable of 605 barrels of oil per day per oil spacing unit.

4. Other horizontal wells producing from the Strawn formation in this area are located in the Big Dog-Strawn Pool and have been assigned 160-acre "project areas" which allow those wells to produce at rates not in excess of 890 BOPD.

5. The Mayfly 2 Well commenced production on September 26, 1999 at an initial rate of 569 BOPD at a 2,243 GOR on a 22/64th choke. Early testing of the well at rates in excess of the 605 BOPD allowable, demonstrated that the GOR can be reduced in the 1600 to 1500 range.

6. During the month of October, 1999, the Mayfly 2 Well was produced at various rates and choke settings to determine its most efficient rate of production and as a result produced 25,576 barrels of oil. Thus, as of November 1, 1999, the well started this next proration period with 3,796 barrels of overproduction (after subtracting the 5 day overproduction tolerance provided for in Rule 502.B). See Exhibit "B"

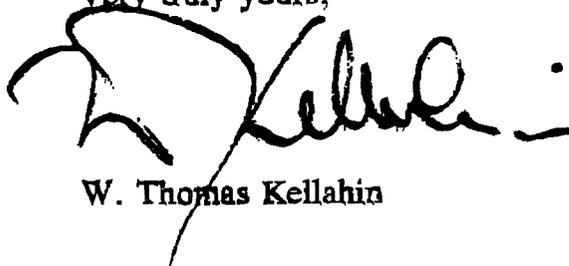
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7. Arrington would like to continue to produce the Mayfly 2 well at various rates up to but not exceeding 890 BOPD in order to gather additional data for the December 2, 1999 hearing.

8. Arrington recognizes that if the Division does not grant its application, then Arrington will be obligated to "make-up" the overproduction as required by Division rules.

9. Currently available data supports the conclusion that the Mayfly 2 Well is capable of effectively and efficiently producing Strawn formation oil at rates of up to 890 barrels of oil per day which is in excess of this pool's current maximum oil allowable of 605 barrels of day and can do so without causing the waste of reservoir energy, reducing ultimate recovery or impairing correlative rights.

Very truly yours,



W. Thomas Kellahin

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

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

APPLICATION OF DAVID H. ARRINGTON
OIL & GAS, INC. FOR A SPECIAL PROJECT OIL
ALLOWABLE FOR A DIRECTIONAL WELLBORE OR,
IN THE ALTERNATIVE, TO AMEND RULE 6 OF THE
SPECIAL POOL RULES FOR THE NORTH SHOE BAR-STRAWN POOL,
LEA COUNTY, NEW MEXICO.

CASE NO. 12294

APPLICATION

Comes now David H. Arrington Oil & Gas, Inc. ("Arrington") by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation for a special project oil allowable of 890 barrels of oil per day for its Mayfly "14" State Com Well No. 2, a directional wellbore located in Units A and B of Section 14, T16S, R35E, or in the alternative, to amend Rule 6 of these pool rules to increase the depth bracket oil allowable from 605 barrels of oil per day to 890 barrels of oil per day, and in support thereof states:

1. On September 22, 1999, Arrington completed its Mayfly "14" State Com Well No. 2, (API No. 30-025-34630) ("the Mayfly 2 well") which is a "directional" wellbore with a surface location 660 feet from the North line and 2060 feet from the East line and a bottomhole location 660 feet from the North line and 660 feet from the East line (Units A and B) of Section 14, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. See Exhibit "A"

2. This well produces oil from the Strawn formation and is currently included in the North Shoe Bar-Strawn Oil Pool.

3. Currently, the North Shoe Bar-Strawn Pool rules provide:

(a) 160-acre oil spacing and proration units;

- (b) well locations within 150 feet of the center of a governmental quarter section;
- (c) a special limiting gas oil ratio of 4,000 cubic feet of gas per barrel of oil;
- (d) a special depth bracket maximum oil allowable of 605 barrels of oil per day per oil spacing unit; and
- (e) that each well completed or recompleted in this pool or the Strawn formation within one mile thereof, shall be spaced, drilled operated and produced in accordance with these special rules.

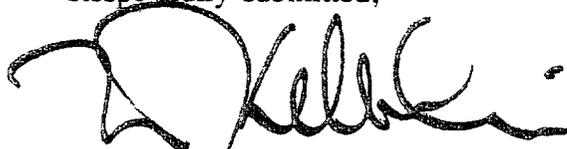
4. The Mayfly 2 well is capable of effectively and efficiently producing Strawn formation oil at rates of up to 890 barrels of oil per day which is in excess of this pool's current maximum oil allowable of 605 barrels of day and can do so without causing the waste of reservoir energy, reducing ultimate recovery or impairing correlative rights.

5. Accordingly, effective October 1, 1999, Arrington seeks either the adoption of a special project allowable of 890 barrels of oil per day for this well or in the alternative to amend Rule 6 of this pool to increase the depth bracket oil allowable from 605 to 890 barrels of oil per day.

6. In accordance with Division notice rules (Rule 1207.A(4)(b)), notification of this application and request for hearing to be held on December 2, 1999 has been sent to all operators in the pool within one mile of the outer boundary of the pool as set forth on Exhibit "B" attached.

Wherefore, Applicant's request that, after notice and hearing, this application be granted.

Respectfully submitted,



W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

1980
88241-1980

State of New Mexico
Energy, Minerals, and Natural Resources Department

Form G-103
Revised 92-10-94
Instructions on back

Submit to the Appropriate
District Office
State Lease - 3 copies
Fee Lease - 3 copies

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

DISTRICT II
Rio Brazos Rd.
NM 87410
DISTRICT III
O. Box 2088
Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 Well Number		2 Well Code		3 Well Name			
4 Property Code		5 Property Name MAYFLY "14" STATE COM				6 Well Number 2	
7 OGRID No.		8 Operator Name DAVID H. ARRINGTON OIL & GAS, INC.				9 Elevation 3978'	

10 SURFACE LOCATION

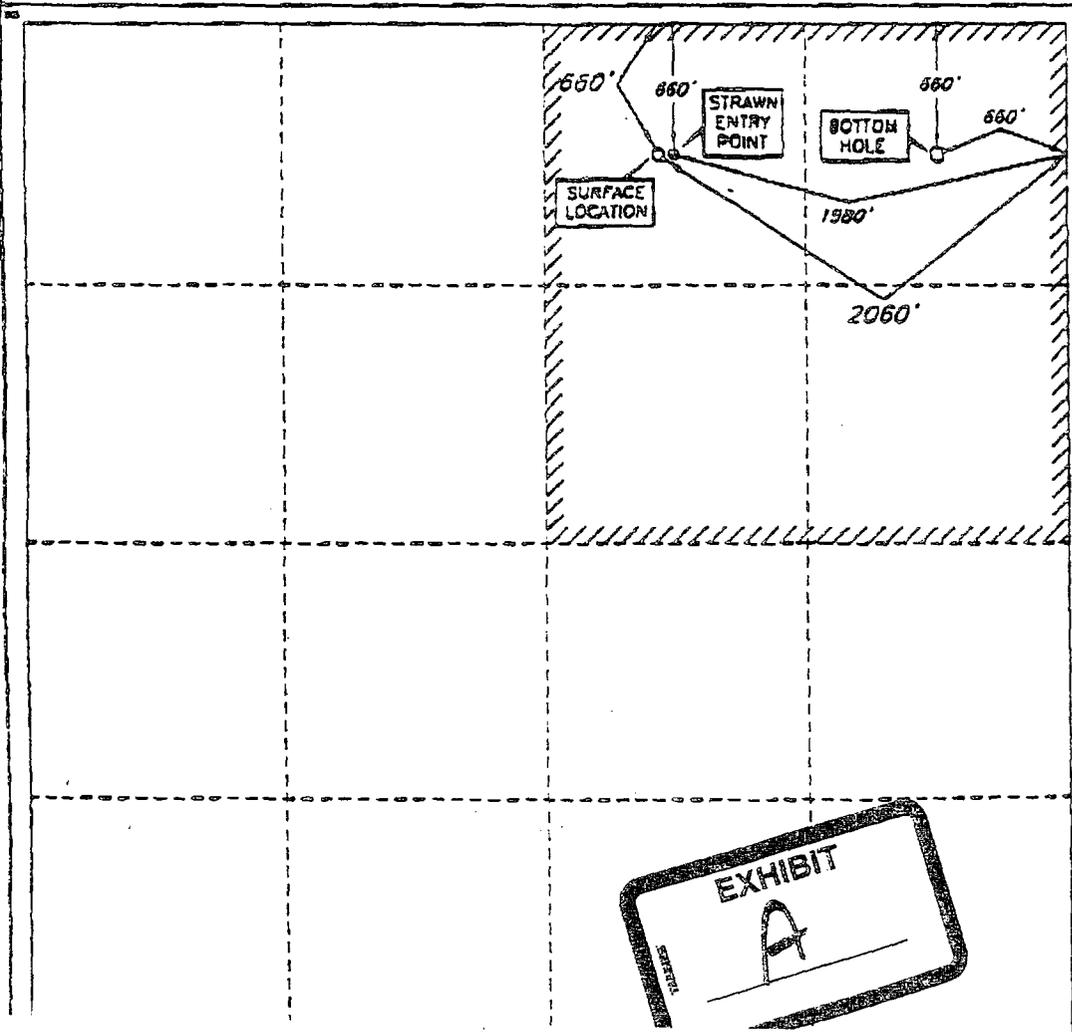
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
B	14	18 SOUTH	35 EAST, N.M.P.M.		660'	NORTH	2060'	EAST	LEA

"BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
A	14	18 SOUTH	35 EAST, N.M.P.M.		660'	NORTH	660'	EAST	LEA

12 Dedicated Acreage	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *[Signature]*
 Printed Name: **Eric Baker Jr.**
 Title: **Exploration Manager**
 Date: **5-20-99**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: **MAY 18, 1999**
 Signature and Seal: *[Signature]*
 Professional Surveyor: **ROGER M. ROBERTS**
 State of New Mexico
 Registration No. **12128**
 Seal: **ROGER M. ROBERTS**
 Registration No. **12128**

