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October 12, 2001

Via Facsimile to (505) 476-3462

New Mexico Oil Conservation Division
Attn: Florence Davidson
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 12744

Dear Ms. Davidson:

Please find attached for filing the Prehearing Statement for David H. Arrington Oil & Gas, Inc. If you have any questions, please do not hesitate to call. Thank you very much.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Hannah Palomin
Secretary to Ernest L. Carroll

Encl.

cc: Mr. W. Thomas Kellahin
(Via Fax to 505/982-2047)

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

**IN THE MATTER OF THE APPLICATION OF
TMBR/SHARP DRILLING INC. APPEALING
THE ARTESIA DISTRICT SUPERVISOR'S
DECISION DENYING APPROVAL OF TWO
APPLICATIONS FOR PERMIT TO DRILL
FILED BY TMBR/SHARP DRILLING, INC.
LEA COUNTY, NEW MEXICO**

CASE NO. 12744

PREHEARING STATEMENT

This prehearing statement is submitted by DAVID H. ARRINGTON OIL & GAS, INC. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

TMBR/Sharp Drilling, Inc.

W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OPPOSITION

David H. Arrington Oil & Gas, Inc.

Ernest L. Carroll
Losee, Carson, Haas & Carroll
P.O. Box 1720
Artesia, NM 88211-1720
(505) 746-3505

STATEMENT OF THE CASE

1. The applicant TMBR/Sharp Drilling Inc. ("TMBR") attempts by this proceeding to involve this administrative agency in the adjudication of ownership rights to certain oil and gas leases, an issue and subject matter exclusively within the jurisdiction of the

- judicial branch of the government. The true issue is strictly which of the two contending parties is the rightful owner of the oil and gas leasehold in the acreage in Lea County, New Mexico particularly described in the leases attached to Exhibit 7 to the application.
2. The application itself demonstrates that the dispute which TMBR attempts to bring before the agency is already the subject of litigation in the Fifth Judicial District Court, Lea County, New Mexico.
 3. The regulations cited by the applicant (19 NMAC 15.C.102, 19 NMAC 15.M.1101 and 19 NMAC 15.N.1202) are irrelevant and do not confer jurisdiction in the Director of the Division to determine the contested title to real property.
 4. The only administrative action which is cognizable by the Division concerns the August 8, 2001 letters of District I Supervisor, Chris Williams, disapproving Form C-101 applications for permits to drill submitted by TMBR. Copies of those letters are attached hereto. The actions of the District Supervisor result from the circumstance of TMBR seeking a permit to drill wells on acreage already dedicated to previously issued permits for the same pool and overlapping well spacing units. As an administrative matter the District Supervisor's actions were clearly and indisputably correct on the facts before him. There is nothing about those decisions that is even alleged to be erroneous, contrary to the rules or regulations or to law.
 5. What TMBR, in reality, asks the Director to do is decide that the earliest issued permits to drill have been issued to a party who does not have the leasehold rights to the acreage to be developed. That is a question for the courts, and the courts alone, to decide and not one withing the power, authority or jurisdiction of the Division.

PROPOSED EVIDENCE

DAVID H. ARRINGTON OIL & GAS, INC.:

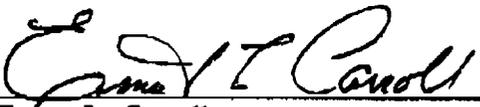
<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Enich Diffie (landman)		None anticipated
Bill Baker (Exploration Mgr. David H. Arrington Oil & Gas, Inc.)		None anticipated

PROCEDURAL MATTERS

Arrington has filed a motion to dismiss and TMBR/Sharp has filed a response. Awaiting Division decision.

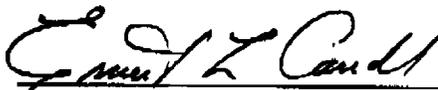
Respectfully submitted,

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 
 Ernest L. Carroll
 P.O. Box 1720
 Artesia, NM 88211-1720
 (505)746-3505

Attorneys for David H. Arrington Oil & Gas, Inc.

I hereby certify that I caused a true and correct copy of the foregoing to be mailed to counsel of record this October 12, 2001.


 Ernest L. Carroll