

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12533
ORDER NO. R-11505**

**APPLICATION OF DAVID H. ARRINGTON OIL & GAS, INC. FOR
COMPULSORY POOLING AND AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 7, 2000, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this 19th day of December, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, David H. Arrington Oil & Gas, Inc., seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N/2 of Section 26, Township 18 South, Range 24 East, NMPM, Eddy County, New Mexico, for any and all formations or pools developed on 320-acre gas spacing within this vertical extent, including the Penasco Draw-Morrow and Penasco Draw-Permo Penn Gas Pools. This unit is to be dedicated to the applicant's proposed Yellow Stonefly "26" Federal Com Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the North line and 2600 feet from the West line (Unit F) of Section 26.

(3) At the hearing, the applicant requested that the portion of this case seeking to compulsory pool the N/2 of Section 26, Township 18 South, Range 24 East, be dismissed.

(4) The proposed Yellow Stonefly "26" Federal Com Well No. 1 is located within one mile of the Penasco Draw-Morrow and Penasco Draw-Permo Penn Gas Pools. Both pools are currently governed by Division Rule 104.C., which:

- (a) provides for standard 320-acre gas spacing and proration units;
- (b) requires the initial well on a 320-acre unit to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (c) allows only one infill well on a 320-acre unit provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) The applicant presented geologic and 3-D seismic evidence and testimony that demonstrates:

- (a) the primary objective in the Yellow Stonefly "26" Federal Com Well No. 1 is the Morrow formation;
- (b) the targeted Morrow sand traverses the N/2 of Section 26 generally in a north-south direction;
- (c) the targeted Morrow sand is bounded by and located on the downthrown side of two north-south trending sealing faults; and
- (d) the proposed location is necessary in order to penetrate the Morrow formation in the area of sand deposition and at a structurally high position within this Morrow reservoir.

(6) The applicant identified the Upper-Pennsylvanian (Cisco) interval as being a secondary target in the proposed well.

(7) The proposed location is unorthodox with respect to the interior quarter-quarter section line only and does not encroach upon the outer boundary of the proration unit.

(8) No offset operator or interest owner appeared at the hearing in opposition to the application.

(9) Approval of the proposed unorthodox gas well location will afford the applicant the opportunity to recover the oil and gas reserves in the Morrow formation underlying the N/2 of Section 26, and will protect correlative rights.

(10) The unorthodox location approval granted by this order should apply only to those formations spaced on 320-acres (Wolfcamp and older) and should be contingent upon the dedication of the N/2 of Section 26 to the proposed well.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, David H. Arrington Oil & Gas, Inc., is hereby authorized to drill its Yellow Stonefly "26" Federal Com Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 2600 feet from the West line (Unit F) of Section 26, Township 18 South, Range 24 East, NMPM, to test the Penasco Draw-Morrow and Penasco Draw-Permo Penn Gas Pools, Eddy County, New Mexico.

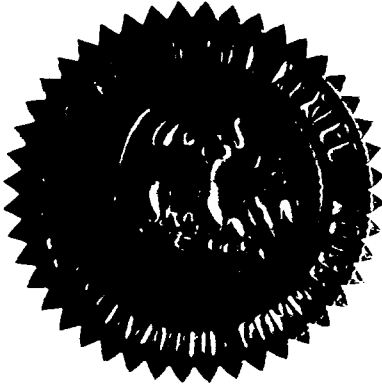
(2) The N/2 of Section 26 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for the Penasco Draw-Morrow and Penasco Draw-Permo Penn Gas Pools.

(3) The unorthodox location approval granted by this order shall apply only to those formations spaced on 320-acres (Wolfcamp and older) and shall be contingent upon the dedication of the N/2 of Section 26 to the proposed well.

(4) The portion of this case seeking to compulsory pool the N/2 of Section 26, Township 18 South, Range 24 East, thereby forming a standard 320-acre gas spacing and proration unit, said unit to be dedicated to the proposed Yellow Stonefly "26" Federal Com Well No. 1, is hereby **dismissed**.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director