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January 16, 2001

HAND-DELIVERED

Lori Wrotenberg, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Case 12591

Re: Application of David H. Arrington Oil and Gas, Inc. for pool contraction, pool extension, unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico.

Dear Ms Wrotenberg:

Enclosed in triplicate is the Application of David H. Arrington Oil and Gas, Inc. in the above-referenced case as well as a copy of a legal advertisement. Arrington requests that this application be placed on the docket for the February 8, 2001 Examiner hearings.

Very truly yours,

William F. Carr

William F. Carr

Enclosures

cc: Bill Baker (w/ enclosures)

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

**IN THE MATTER OF THE APPLICATION OF
DAVID H. ARRINGTON OIL AND GAS, INC.
FOR POOL CONTRACTION, POOL EXTENSION,
UNORTHODOX GAS WELL LOCATION,
AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12591

APPLICATION

DAVID H. ARRINGTON OIL AND GAS, INC. ("Arrington"), through its undersigned attorneys, hereby makes application for an order contracting the boundaries of the Townsend-Morrow Gas Pool, extending the boundaries of the North Shoe Bar-Atoka Gas Pool and authorizing the simultaneous dedication of the following wells located in the NW/4 of Section 14, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico to the 320-acre spacing and proration unit in the North Shoe Bar-Atoka Gas Pool comprised of the W/2 of Section 14:

- A. Mayfly "14" State Com. Well No. 1 (**API No. 30-025-34695**) located in Unit D at a previously approved unorthodox gas well location 330 feet from the North and West lines (Order Nos. R-11242 and R-11242-A);
- B. Mayfly "14" State Com. Well No. 4 (**API No. 30-0250-34865**) located in Unit E at an unorthodox well location 1651 feet from the North line and 371 feet from the West line; and
- C. Mayfly "14" State Com Well No. 6 (**API No. 30-025-24895**), formerly the Monsanto well No 1, located in Unit K at a standard location 1980 feet from the South and

West lines.

In support of its application, Arrington states:

1. The North Shoe Bar-Atoka Gas Pool currently comprises the following described acreage located in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 2: Lots 9, 10, 15 and 16, SE/4
Section 10: E/2
Section 11: All
Section 15: E/2

2. The Atoka formation in the North Shoe Bar-Atoka Gas Pool consists of multiple pay intervals which are separate from and not in communication with other pay intervals in the Atoka formation.

3. Arrington is the operator of a standard 320-acre spacing and proration of the W/2 of Section 14, Township 16 South, Range 35 East, NMPM, Lea County New Mexico. This spacing unit is currently dedicated in the Townsend-Morrow Gas Pool to the Mayfly "14" State Com Well No.1 and the Mayfly "14" State Com. Well No. 6 .

4. The Townsend-Morrow Gas Pool was created by Oil Conservation Division Order No. R-4041 dated September 1, 1970 and has been extended from time to time to include the following described acreage located in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 8: All
Section 9: W/2, SE/4
Section 10: S/2
Section 14: All
Section 15: E/2
Section 16: All

Section 17: E/2, NW/4
Section 18: N/2, SW/4
Section 20: N/2
Section 21: N/2
Section 23: N/2

5. Arrington's spacing unit is offset to the west by a 320-acre spacing and proration unit operated by Chesapeake Operating, Inc. ("Chesapeake") comprised of the E/2 of Section 15, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. Pursuant to Division Order No. R-11432-A, the Chesapeake spacing and proration unit is simultaneously dedicated to its Boyce "15" Well No. 1 (**API No. 30-025-34591**) located in Unit A and its Boyce "15" Well No. 3 (**API No. 30-025-35006**) located in Unit H of the section.

6. Pursuant to Order No. R-11432-A, the Chesapeake Boyce "15" Well No. 1 is only authorized to produce from the upper Atoka pay section and the Chesapeake Boyce "15" Well No. 3 is only authorized to only produce from the "Brunson" interval of the Atoka formation.

7. Although classified as Townsend-Morrow Gas Wells, geological information establishes that the Arrington Mayfly "14" State Com Well No. 1 (Unit D) and Mayfly "14" State Com Well No. 6 (Unit K) are not in the Townsend Morrow-Gas Pool but produce from the "Brunson" interval of the Atoka formation, North Shoe Bar-Atoka Gas Pool. Accordingly the Townsend-Morrow Gas Pool should be contracted to exclude therefrom the W/2 of Section 14, Township 16 South, Range 35 East, NMPM and the North ShoeBar-Atoka Gas Pool should be extended to include this acreage thereby placing wells producing from the same common source of supply in the same pool and thereby subjecting them to the same rules and regulations.

8. The North Shoe Bar-Atoka Gas Pool is governed by Division Rule 104.C.(2) which

provides, in part:

- (a) the initial well on a 320-acre unit shall 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
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section on 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.

9. The W/2 of Section 14 is also currently dedicated in the Northwest Shoe Bar-Strawn Pool to the Arrington Mayfly "14" State Com Well No. 4 located in Unit E of this section.

10. Arrington seeks an exception to Rule 104.C.(2)(b) to permit it to re-complete the Mayfly "14" State Well No. 4 from the Strawn formation, North Shoe Bar-Strawn Pool, to the upper pay section of Atoka formation, North Shoe Bar-Atoka Gas Pool. The location of the Arrington Mayfly "14" State Com. Well No. 4 will be unorthodox because it will be only 371 feet from the West line of Section 14.

11. Approval of this re-completion will protect correlative rights by affording Arrington the opportunity to compete for the reserves in the upper Atoka pay currently being produced in the offsetting Chesapeake Boyce "15" Well No. 1.

12. The names and addresses of the persons to whom notice of this application will be provided in accordance with Oil Conservation Division Rules and Regulations is attached hereto as Exhibit A.

13. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

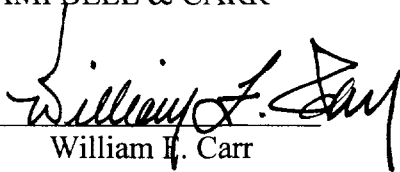
WHEREFORE, David H. Arrington Oil and Gas, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 8, 2001 and after notice and hearing as required by law, the Division enter its order:

- A. Contracting the Townsend-Morrow Gas Pool by excluding therefrom the W/2 of Section 14, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico;
- B. Extending the North Shoe Bar-Atoka Gas Pool to include the W/2 of Section 14, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico;
- C. Granting an exception to Division Rule 104.C.(2)(b) and approving the simultaneous dedication of the W/2 of Section 14 to the Arrington Mayfly "14" State Com Well No. 1 located at a previously approved unorthodox gas well location 330 feet from the North and West lines of Section 14 to be produced from the "Brunson" interval of the Atoka formation; The Mayfly "14" State Com Well No. 6 located at a standard well location 1980 feet from the South and West lines to be produced from the "Brunson" interval of the Atoka formation: and the Arrington Mayfly "14" State Com. Well No. 1 to be re-completed at an unorthodox gas well location 1651 feet

from the North line and 371 feet from the West line of Section 14 to be produced from the upper pay interval of the Atoka formation.

Respectfully submitted,

HOLLAND & HART LLP
AND
CAMPBELL & CARR

By: 

William H. Carr

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

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

EXHIBIT A
APPLICATION OF DAVID H. ARRINGTON OIL AND GAS, INC.
FOR POOL CONTRACTION, POOL EXTENSION,
UNORTHODOX GAS WELL LOCATION, AND
SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO.
NOTICE LIST

Chesapeake Operating, Inc.
Post Office Box 18496
Oklahoma City, Oklahoma 73154

Louis Dreyfus Natural Gas Corp.
14000 Quail Spring Parkway, Suite 600
Oklahoma City, Oklahoma 73134

EOG Resources, Inc.
Post Office Box 2267
Midland, Texas 79702

Great Western Drilling
Post Office Box 1659
Midland, Texas 79702

Nadel and Gussman Permian, LLC
601 North Marienfeld, Suite 508
Midland, Texas 79701

Ocean Energy Resources, Inc.
410 17th Street, Suite 1400
Denver, Colorado 80202

Paladin Energy Corp.
10290 Monroe Drive
Dallas, Texas 75229

TMBR/Sharp Drilling, Inc.
4607 West Industrial
Midland, Texas 79703

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

CASE 12591:

Application of David H. Arrington Oil and Gas, Inc. for pool contraction, pool extension, unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant in the above-styled cause seeks an order contracting the Townsend-Morrow Gas Pool by excluding therefrom the W/2 of Section 14, Township 16 South, Range 35 East, NMPM, and extending the North Shoe Bar-Atoka Gas Pool to include these lands. Applicant also seeks an exception to Division Rule 104.C.(2)(b) to permit the simultaneous dedication of the following wells to a a 320-acre spacing and proration unit in the Atoka formation comprised of the W/2 of Section 14: the Mayfly "14" State Com. Well No. 1 at a previously approved unorthodox location 330 feet from the North and West lines; the Mayfly "14" State Com. well No. 6 (formerly the Monsanto Well No. 1) located at a standard well location 1980 feet from the South line and West lines; and the Mayfly "14" State Com. Well No. 4 to be re-completed at an unorthodox gas well location 1651 feet from the North line and 371 feet from the West line of said Section 14 in the North Shoe Bar-Atoka Gas Pool. Said wells are located approximately 5 miles west of Lovington, New Mexico.