

**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 & GAS INC.
APPROVAL OF AN UNORTHODOX OIL
WELL LOCATION AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO**

CASE NO. 12,663

MAY 11 PM 4:04

OIL CONSERVATION DIV.

ARRINGTON'S RESPONSE TO MOTION FOR CONTINUANCE

DAVID H. ARRINGTON OIL & GAS INC., the applicant in this matter ("Arrington"), files this response in opposition to the request by Permian Resources Holdings, Inc. ("Permian") for one month continuance of this matter until June 14, 2001 Examiner Hearing. Arrington submits that since it has already agreed to a penalty commensurate with its proposed unorthodox location, Permian's appearance in this case is only for purposes of delay and that the Division should either:

- A. Deny Permian's request or at the most grant Permian a two-week continuance; or
- B. Accommodate Permian's request for a one-month continuance by setting the matter for hearing before the full Commission and thereby avoiding additional delays cause by a *de novo* appeal.

In support of this response Arrington states:

1. Arrington's application seeks approval to re-complete Arrington's existing Mayfly "14" State Well No. 7 (located at a previously approved unorthodox gas well location 330 feet from the North and East lines of Section 14, T-16-S, R-35-E) in the Strawn Formation, North Shoe Bar-Strawn Pool, and to simultaneously dedicate this well to the 160-acre oil spacing and proration unit dedicated to Arrington's Mayfly "14" State Com Well No. 2.

2. Arrington's Mayfly "14" State Com Well No. 2 is presently producing from the North Shoe Bar-Strawn Pool - which is a prorated oil pool - but is not meeting the allowable for this 160-acre oil spacing and proration unit.

3. Arrington first proposed its re-completion to Permian, Chesapeake Operating, Inc. and Yates Petroleum (the only parties affected by the proposal) on March 9th. Yates operates an offsetting Strawn well in the SE/4 of Section 11 at an unorthodox location 330 feet from the South and East lines. Permian operates an offsetting Strawn well in the NW/4 of Section 13 at a standard location.

4. Arrington has agreed to accept a production penalty for its proposed re-completion in the Mayfly "14" State Well No. 7 equal to the well's bottomhole encroachment on offsetting Sections 11 and 14. *See* Attachment A. As a result, Yates does not oppose Arrington's application, and neither does Chesapeake Operating. *See* Attachment B.

5. Since a production penalty is not at issue in this case, and the North Shoe Bar-Strawn Pool is a prorated oil pool, Permian's only purpose in opposing Arrington's application is to cause delay to the detriment of Arrington's correlative rights.


6. Permian seeks a one-month continuance because one of its geologists (Robert Marshall) has "recently undergone cardiac surgery" and is restricted from traveling by his treating physician. Permian does not indicate when Mr. Marshall became aware of his scheduled surgery nor does it offer any explanation why another geologist is not prepared to render testimony.

7. Permian has known about Arrington's recompletion proposal since March 9th, has known about this hearing since April 26th, and has an engineer (Mike Stewart) available to offer testimony. Permian does not need an additional month to prepare for this case.

WHEREFORE Arrington respectfully requests that the Division deny Permian's request or at the most grant Permian a two-week continuance. *In the alternative*, Arrington requests that the Division accommodate Permian's request for a one-month continuance by setting the matter before the full Commission and thereby avoiding additional delays cause by a *de novo* appeal.

Respectfully submitted,

HOLLAND & HART and
CAMPBELL & CARR

By 

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 87504-2208


505-988-4421

Attorneys for David H. Arrington Oil & Gas
Inc.

Certificate of Mailing

I hereby certify that a true and correct copy of the foregoing was served by facsimile and mailed to counsel of record on the 11 day of May, 2001, as follows:

J. Scott Hall
Miller, Stratvert & Torgerson, P.A.
Post Office Box 1986
Santa Fe, NM 87504-1986
Fax No. 989-9857


Michael H. Feldewert

MAR-26-2001 03:18P Capstone Oil & Gas.
MAR-26-2001 MON 10:49 AM YPC LHMU

915 682 4498
915 682 4498

P.02

Mar-26-01 07:34A Capstone Oil & Gas.

214 West Tama
Suite 400 (2nd 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone: 682-4498
Fax: 682-4138

March 26, 2001

Yates Petroleum Corporation
Attn: Mr. Randy Patterson
105 S. 4th Street
Artesia, NM 88210

Re: Stipulation and Waiver of Objection
Unorthodox Well Location
Mayfly #7 Well
330' FNL and 330' FEL, Section 14, T16S, R35E
Lea County, NM

Gentlemen:

Reference is herein made to that certain letter dated December 15, 1999 from William F. Carr, attorney for Yates Petroleum Corporation ("Yates"), to David H. Arrington Oil & Gas, Inc. ("Arrington"), a copy of which is attached hereto.

Pursuant to our phone conversation on Friday, March 23, 2001, David H. Arrington Oil & Gas, Inc., PO Box 2071, Midland, Texas 79702 is proposing to recomplete the captioned well in the Strawn formation, which is a non standard location.

The purpose of this letter is to set forth the understanding and consensus of both Arrington and Yates that the December 15, 1999 letter is still in force and effect. Please confirm this understanding by signing in the space provided below, and returning one copy of same via fax to my attention at 915-682-4498.

Should there be any questions or comments regarding this matter, please advise.

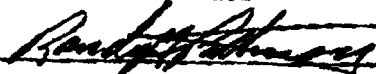
Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.


Dale Douglas, CIL

ACCEPTED AND AGREED:

Yates Petroleum Corporation

BY: 
3-26-2001

ATTACHMENT A

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS**

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDGEWERT
PAUL R. OWEN
ANTHONY F. NEDEIROS

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 988-8043
E-MAIL: ccbarpa@ix.netcom.com

December 15, 1999

HAND DELIVERED

David H. Arrington Oil & Gas, Inc.
Post Office Box 2071
Midland, Texas 79702

Re: STIPULATION AND WAIVER OF OBJECTION
Unorthodox well location
R. T. Burns "ATL" Well No. 1
330 feet from the South and East lines
Section 11, Township 16 South, Range 35 East, NMPM
Lea County, New Mexico.

Dear Mr. Arrington:

Yates Petroleum Corporation requests that David H. Arrington Oil & Gas, Inc. waive objection to an unorthodox well location for the R. T. Burns "ATL" Well No. 1 which Yates proposes to drill at an unorthodox location 330 feet from the South and East lines of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico upon the following stipulated terms and conditions:

- A. A production penalty shall be imposed on the R.T. Burns "ATL" Well No. 1 in any formation which is governed by Oil Conservation Division rules that provide for wells to be located no closer than 660 feet from the quarter section boundary. This penalty shall equal the percentage the well's bottomhole encroaches on the boundary based on a 660 foot minimum set back.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12221 Exhibit No. 2
Submitted by: David Petroleum Corporation
Hearing Date: December 16, 1999

David H. Arrington Oil & Gas, Inc.

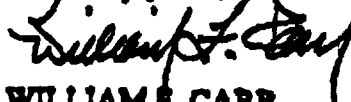
December 15, 1999

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- B. Yates will waive objection to a David H. Arrington Oil & Gas, Inc. unorthodox location in the NE/4 NE/4 of section 14, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico. Any well at an unorthodox location in said Section 14 shall be subject to a production penalty equal to the percentage the well's bottomhole location encroaches on the quarter section boundary based on a 660 foot minimum set back requirement. This production penalty shall be applied to the results of semi-annual deliverability test of the well conducted in accordance with requirements of the Oil Conservation Division.

Please sign a copy of this letter indicating the Waiver and Approval of David H. Arrington Oil & Gas, Inc. and return it to me as confirmation of this agreement.

Very truly yours,



WILLIAM F. CARR

Attorney for Yates Petroleum Corporation

APPROVAL AND WAIVER OF OBJECTION:

David H. Arrington Oil & Gas, Inc.

By: 

Title

WFC/md

cc: Mr. Randy Patterson

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone: 682-6885
Fax: 682-4130

March 9, 2001

Chesapeake Operating, Inc.
Attn: Lynda Townsend
PO Box 18496
Oklahoma City, OK 73154

Re: Offset Notification
Unorthodox Location 330' FNL, 330' FEL
Mayfly State Com #7
Section 14, T16S, R35E
Lea County, NM

Ladies and Gentlemen:

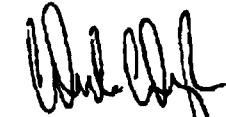
With the prior approval of the NMOCD, David H. Arrington Oil & Gas, Inc. ("Arrington") drilled the captioned well at the unorthodox location described above to test the Mississippian formation. This test was unsuccessful in the Mississippian and has been temporarily abandoned.

Arrington would however like to re-enter this wellbore and attempt a completion in the Strawn formation. This location does not comply with the well spacing requirements set forth in NMOCD Rules for the Strawn.

If you have no objection to this unorthodox location to test the Strawn, we would appreciate it if you would please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



Dale Douglas, OPL

The undersigned hereby waives any objection to this proposed unorthodox location

By: J. Mark Lester

Title: Sr. VP Exploration

Date: 3/20/01