

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:

APPLICATION OF DAVID H. ARRINGTON
OIL & GAS INC. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

No. 12711

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

David H. Arrington Oil & Gas Inc.
Post Office Box 2071
Midland, Texas 79702
Attention: John McRae
(915) 682-6685

APPLICANT'S ATTORNEY

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OTHER PARTY

Yates Petroleum Corporation,
et al.

OTHER PARTY'S ATTORNEY

William F. Carr

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E½ of Section 19, Township 15 South, Range 35 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated East Morton-Morrow Gas Pool. The unit is to be dedicated to applicant's Lou's Hopper Well No. 1, to be drilled at an orthodox location in the NW¼NE¼ of Section 19. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well.

OTHER PARTY**PROPOSED EVIDENCE**APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Enick Diffie (landman)	15 Min.	(a) Land plat (b) Correspondence (c) AFE (d) Notice affidavit
John McRae (geologist)	15 min.	(a) Structure map (b) Isopach (c) Cross sections

OTHER PARTY

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

Respectfully submitted,



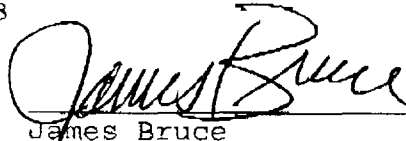
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Applicant

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was sent via facsimile transmission to the following counsel of record this 22nd day of August, 2001:

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Fax: 982-6043



James Bruce

DOCKET: EXAMINER HEARING - THURSDAY – AUGUST 23, 2001

**8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico**

Docket Nos. 29-01 and 30-01 are tentatively set for September 6, 2001 and September 20, 2001. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 12654: Continued from June 28, 2001, Examiner Hearing.

Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 9, Township 22 South, Range 25 East, in the following manner: The W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Revelation-Strawn Gas Pool and Undesignated Revelation-Morrow Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the NE/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to applicant's In Bounds Well No. 1, to be drilled at an orthodox location in the NE/4 SW/4 of Section 9. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The units are located approximately 10½ miles west-southwest of Carlsbad, New Mexico.

CASE 12711: **Application of David H. Arrington Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/2 of Section 19, Township 15 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated East Morton-Morrow Gas Pool. The unit is to be dedicated to applicant's Lou's Hopper Well No. 1, to be drilled at an orthodox location in the NW/4 NE/4 of Section 19. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 7 miles northwest of Lovington, New Mexico.

CASE 12712: **Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the base of the Grayburg formation to the base of the Morrow formation underlying the E/2 of Section 18, Township 18 South, Range 29 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated West Millman-Wolfcamp Pool, Millman-Strawn Gas Pool, and Undesignated South Millman-Morrow Gas Pool. The unit is to be dedicated to applicant's Remington "18" St. Com. Well No. 1, to be drilled at an orthodox location in the NW/4 SE/4 of Section 18. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 9 miles southwest of Loco Hills, New Mexico.

CASE 12699: Continued from July 26, 2001, Examiner Hearing.

Application of Ocean Energy Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the E/4 of Section 10, Township 16 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated North Duffield-Strawn Gas Pool, Diamond Mound-Atoka Gas Pool, and Diamond Mound-Morrow Gas Pool. The unit is to be dedicated to applicant's Cook Fed. Com. 10 Well No. 2, to be drilled at an orthodox location in the SE/4 SE/4 of Section 10. The unit will be simultaneously dedicated, in the Morrow formation, to the proposed well and the existing Cook Fed. Com. 10 Well No. 1, located in the S/2 NE4 of the section. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 10½ miles northeast of Artesia, New Mexico.

CASE 12713: **Application of Ocean Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Lower Mississippian Lime underlying the following described acreage in Section 17, Township 16 South, Range 35 East, in the following manner: The W/2 of Section 17 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Townsend-Morrow Gas Pool; and the NW/4 of Section 17 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent. The unit is to be dedicated to applicant's Eidson Ranch State Com. 17 Well No. 1, to be drilled at an orthodox location in the NE/4 NW/4 of Section 17. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 8 miles west-southwest of Lovington, New Mexico.

CASE 12714: **Application of Southwestern Energy Production Company for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 33, Township 17 South, Range 30 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated Loco Hills-Atoka Gas Pool and Undesignated Cedar Hills-Morrow Gas Pool. The unit is to be dedicated to applicant's Big Tank "33" Fed. Com. Well No. 1, to be drilled at an orthodox gas well location in the SE/4 of Section 33. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The unit is located approximately 2 miles southwest of Loco Hills, New Mexico.

CASE 12705: Continued from August 9, 2001, Examiner Hearing.

Application of D.J. Simmons, Inc. for Compulsory Pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mesaverde formation in the E/2 of Section 25, Township 25 North, Range 3 West, for all formations and or pools developed on 320-acre spacing, including, but not necessarily limited to, the Mesaverde formation, Blanco-Mesaverde Gas Pool. Said unit is to be dedicated to Applicant's Bishop Federal 25-1 well to

be drilled at a standard location in the NE/4 of said Section 25 to a depth sufficient to test all formations in the pooled intervals, as well as the Chacra formation and the Gallup-Dakota formation, West Lindrith Gallup-Dakota Oil pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator and a charge for the risk involved in drilling said well. The unit is located approximately 5 miles southwest of Lindrith, New Mexico.

CASE 12715: **Application of Permian Resources Inc. for Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 7, Township 16 South, Range 36 East, to form a standard 160-acre spacing and proration unit for production from the North Shoe Bar Wolfcamp Oil Pool. Said unit is to be dedicated to Applicant's Chambers No. 2 well to be drilled from a standard location in the N/2 SE/4 of said Section 7 to a depth sufficient to test the Wolfcamp formation in the pooled interval, as well as the Strawn formation, North Shoe Bar Strawn Oil Pool. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Applicant as operator and a charge for the risk involved in drilling said well. The subject lands are located approximately 4 miles east of Lovington, New Mexico.

CASE 12633: **Reopened**

Application of McElvain Oil & Gas Properties, Inc. To Reopen Compulsory Pooling Case 12633 For The Limited Purpose Of Including Additional Mineral Interests Under Order R-11471-A And To Amend Said Order To Form A Standard 640-acre Spacing Unit, Rio Arriba County, New Mexico. Applicant seeks to reopen Case No. 12633 for the limited purpose of including additional mineral interests under Order R-11471-A and to amend said Order to form a standard 640-acre spacing unit comprised of Section 4, Township 25 North, Range 2 West. Division Order R-11471 was entered on December 10, 1999, and pooled all mineral interests in all formations from the base of the Pictured Cliffs formation to the base of the Dakota formation in the W/2 of said Section 4 to form a standard 320-acre spacing unit. Division Order R-11471-A was entered on July 10, 2001, and dedicated the 320-acre spacing unit formed by Order R-11471 to an additional well, the Cougar Com 4 Well No. 2A. Order R-11471-A addressed, among other matters, the cost of drilling and completing this additional well, actual operating costs and charges for supervision, designation of applicant as operator, and a charge for risk involved in drilling this additional well. Applicant seeks to include additional mineral interests under Order R-11471-A and to amend said order to form a standard 640-acre spacing unit comprised of all of Section 4 within that same vertical extent for the purpose of testing the Mancos formation, Gavalin Mancos Oil Pool. Said area is located approximately 9.5 miles north of Lindrith, New Mexico.

CASE 11986: **(Reopened) Continued from July 26, 2001, Examiner Hearing.**

In the matter of Case 11986 being reopened pursuant to the provisions of Division Order No. R-11059, which order promulgated temporary special rules and regulations for the Tatum-Upper Pennsylvanian Pool in Lea County, New Mexico, including provisions for 80-acre spacing and designated well locations. Operators in the Tatum-Upper Pennsylvanian Pool may appear and show cause why the temporary special pool rules for the pool should not be rescinded.

CASE 12179: **(Reopened) Continued from July 26, 2001, Examiner Hearing.**

In the matter of Case 12179 being reopened pursuant to the provisions of Division Order No. R-

11208, which order promulgated temporary special pool rules for the East Hobbs-San Andres Pool in Lea County, New Mexico. Operators in the East Hobbs-San Andres Pool should be prepared to appear and show cause why the top oil allowable rate of 160 barrels of oil per day for the pool should not be rescinded.

CASE 12707: **Continued from August 9, 2001, Examiner Hearing.**

Application of BP/Amoco Production Company for permit modification and an exemption to certain provisions of Oil Conservation Division Rule 711, San Juan County, New Mexico. Applicant seeks an order modifying OCD Rule 711 Permit Approval NM-02-0003 for the BP Crouch Mesa Centralized Waste Management Facility and an exemption from the provision of Oil Conservation Division Rule 711 to permit it to accept wastes generated outside New Mexico at this centralized surface waste management facility. Applicant accepts for remediation by land farming crude oil contaminated soils from pump stations operated by BP which are part of the former ARCO Pipe Line crude oil pipeline (Line 90) that runs from New Mexico to southern California. Applicant seeks authorization to accept crude oil contaminated soils from two pump stations on this pipeline located in the state of Arizona and one pump station on this line located in the state of Utah. The BP Crouch Mesa Centralized Waste Management Facility is located in the SW/4 SE/4 of Section 2, Township 29 North, Range 12 West, which is approximately 4 miles southeast of Farmington, New Mexico.

CASE 12716: **Application of Xeric Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SW/4 NE/4 of Section 14, Township 19 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the DK-Abo Pool. Said unit is to be dedicated to its Chardonnay Well No. 1 to be drilled and completed at a standard well location in Unit G of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 2-1/2 miles south-southeast from the center of Hobbs, New Mexico.

CASE 12708: **Continued from August 9, 2001, Examiner Hearing.**

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests underlying the following acreage in Section 32, Township 18 South, Range 34 East, from the surface to the base of the Morrow formation, in the following manner: the W/2 to form a standard 320-acre gas spacing and proration unit for formations and/or pools developed on 320-acre spacing within that vertical extent, including but not necessarily limited to the West La Rica Morrow Gas Pool; the SW/4 to form a standard 160-acre spacing and proration unit for formations developed on 160-acre spacing within that vertical extent; the W/2 SW/4 to form a standard 80-acre spacing and proration unit for formations developed on 80-acre spacing within that vertical extent, including but not necessarily limited to the EK-Bone Spring Pool; and, the SW/4 SW/4 to form a standard 40-acre gas spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent, including but not necessarily limited to the EK Yates-Seven Rivers-Queen Oil Pool. Applicant proposes to dedicate these pooled units to its proposed Wapiti "32" State Com Well #2, to be drilled at a standard gas well location in the SW/4 SW/4 of said Section 32. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and

charges for supervision, designation of Nearburg Producing Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 23 miles northwest of Hobbs, New Mexico.

CASE 12717: **Application of Matador E & P Company, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the top of the surface to the base of the Morrow formation underlying W/2 Section 32, Township 18 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent, including but not limited to the West La Rico Morrow Gas Pool. This unit is to be dedicated to its proposed Wapaiti "32" State Com Well No. 2 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the Matador Petroleum Corporation as the operator of this spacing unit and this well and a charge for risk involved in this well. This unit is located approximately 8-1/2 miles southeast of Buckeye, New Mexico.

CASE 12718: **Application of Matador Petroleum Corporation for an unorthodox oil well location, Lea County, New Mexico.** Applicant seeks approval to drill its proposed Williams "34" Well No. 3 at an unorthodox oil well location 230 feet from the South line and 1750 feet from the East line (Unit O) of Section 34, Township 19 South, Range 37 East, which is located approximately 1.5 miles east-southeast of Monument, New Mexico. The SW/4 SE/4 of Section 34 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for the Paddock, Blinebry, Abo, and Strawn formations, and the Northwest Skaggs-Drinkard Pool.

CASE 12709: **Continued from August 9, 2001, Examiner Hearing.**

Application of Melrose Operating Company to expand its Artesia Unit Waterflood project and amend Division Administrative Order WFX-768, Eddy County, New Mexico. Applicant seeks approval to inject water into the Queen, Grayburg and San Andres formations of the Artesia Queen-Grayburg-San Andres Pool in the following injection wells:

Unit Well No. 2. 330 feet FSL & 330 feet FWL, Section 26, T17S, R28E
Unit Well No. 3. 330 feet FSL & 1750 feet FWL, Section 26, T17S, R28E
Unit Well No. 10. 330 feet FNL & 1950 feet FWL, Section 35, T17S, R28E
Unit Well No. 11. 360 feet FNL & 360 feet FWL, Section 35, T17S, R28E
Unit Well No. 12. 1980 feet FNL & 660 feet FWL, Section 35, T17S, R28E
Unit Well No. 13. 1980 feet FNL & 1980 feet FWL, Section 35, T17S, R28E
Unit Well No. 16. 1980 feet FNL & 660 feet FWL, Section 36, T17S, R28E
Unit Well No. 18. 1980 feet FSL & 1980 feet FWL, Section 36, T17S, R28E
Unit Well No. 19. 1980 feet FSL & 660 feet FWL, Section 36, T17S, R28E
Unit Well No. 22. 1980 feet FSL & 1980 feet FWL, Section 35, T17S, R28E
Unit Well No. 23. 1980 feet FSL & 660 feet FWL, Section 35, T17S, R28E
Unit Well No. 28. 990 feet FEL & 330 feet FSL, Section 35, T17S, R28E
Unit Well No. 44. 1980 feet FNL & 1070 feet FWL, Section 3, T17S, R28E
Unit Well No. 46. 2310 feet FNL & 2267 feet FWL, Section 3, T18S, R28E
Unit Well No. 54. 1654 feet FSL & 2272 feet FWL, Section 3, T18S, R28E
Unit Well No. 57. 1570 feet FSL & 1070 feet FWL, Section 3, T18S, R28E

CASE 12710: Continued from August 9, 2001, Examiner Hearing.

Application of Chesapeake Exploration L.P. for a determination that its interest is not subject to Division Order R-11580. Applicant seeks a determination by the Division that its interest in the NW/4 of Section 31, Township 15 South, Range 36 East, Lea County, New Mexico is not subject to Division Order R-11580, which is a compulsory pooling order pooling "all uncommitted mineral interest" obtained by David H. Arrington Oil & Gas Inc. covering the NW/4 and the SE/4 NW/4 of this section and dedicated to Arrington's Royal Simulator Well No. 1 (API No. 30-025-35284). The well is located approximately 2 miles north of the center of the City of Lovington, New Mexico.