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PLEASE REPLY TO SANTA FE

August 27, 2002

**HAND-DELIVERED**

Lori Wrotenberg, Director  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: New Mexico Oil Conservation Case No. 12926; Application of David H. Arrington Oil and Gas, Inc. For Compulsory Pooling, Eddy County, New Mexico

Dear Ms. Wrotenberg:

Enclosed is an original and two copies of the Application of David H. Arrington Oil and Gas, Inc. in the above referenced matter. On behalf of the Applicant, we request this matter be set for hearing on the September 19, 2002 Division Examiner hearing docket. Also enclosed on disk and in hard copy is a proposed advertisement for the case.

Thank you for your assistance.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.

*J. Scott Hall*

J. Scott Hall

JSH/glb  
Enclosures

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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 COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE No. 12926

**APPLICATION**

DAVID H. ARRINGTON OIL AND GAS, INC., by its undersigned attorneys, Miller, Stratvert & Torgerson, P.A. (J. Scott Hall), hereby makes application pursuant to Section 70-2-17, N.M.S.A. (1978) for an order pooling all mineral interests underlying the following described acreage in Section 12, Township 18 South, Range 24 East, NMPM: W/2 to form a standard 320-acre stand-up gas spacing and proration unit ("the 320-acre Unit") for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Penasco Draw Permo-Penn Gas Pool. Said units are to be dedicated to Applicant's proposed Gold Stonefly Fed. Com. "12" No. 1 well to be drilled at a standard 320-acre spacing and proration unit gas well location 665 feet from the South line and 1032 feet from the West line in the SW/4 of said Section 12. 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 David H. Arrington Oil and Gas, Inc. or its designee as operator of the well and a charge for risk involved in drilling said well. Applicant, in support thereof would show the Division:

1. Applicant owns a substantial portion of the working interest in and under the W/2 of Section 12, and Applicant has the right to drill thereon.

2. Applicant has sought, but has been unable to obtain either voluntary agreement for pooling or farmout from one hundred percent of the other interest owners in the W/2 of said Section 34.

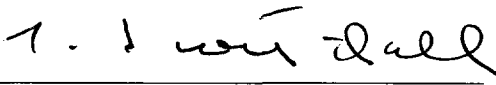
3. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed examiner of the Oil Conservation Division on September 19, 2002, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for applicant to recover its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

MILLER, STRATVERT & TORGERSON, P.A.

By:   
J. Scott Hall  
Post Office Box 1986  
Santa Fe, New Mexico 87504  
(505) 989-9614

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

## Proposed Advertisement

**Case No. 12926 Application of David H. Arrington Oil and Gas, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests underlying the W/2 of Section 12, Township 18 South, Range 24 East to form a standard 320-acre stand-up gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include but are not necessarily limited to the Penasco Draw Permo-Penn Gas Pool. Said units are to be dedicated to Applicant's proposed Gold Stonefly Fed. Com. "12" No. 1 well to be drilled at a standard 320-acre spacing and proration unit gas well location 665 feet from the South line and 1032 feet from the West line in the SW/4 of said Section 24. 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 David H. Arrington Oil and Gas, Inc. or its designee as operator of the well and a charge for risk involved in drilling said well. The proposed well location is approximately 5 miles northwest of Arkansas Junction, New Mexico.

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