

gas formations subject to 320-acre gas spacing," will be subject to a 50 percent production penalty to be assessed against the well's ability to produce into a pipeline as determined from semi-annual deliverability testing.

(17) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(18) The applicant testified that prior to producing the Mayfly "14" State Com Well No. 1 in the Townsend-Morrow Gas Pool, it will designate a single operator for both the Mayfly "14" State Com Well No. 1 and the Monsanto State Com Well No. 1.

(19) Approval of the proposed unorthodox gas well location, subject to the production penalty described in Finding (16), will allow the applicant the opportunity to produce its equitable share of the gas in the affected pools and will not violate correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, David H. Arrington Oil & Gas Inc. is hereby granted, to the extent necessary, an exception to well location setback requirements governing any and all formations and/or pools from the surface to the base of the Mississippian formation for its proposed Mayfly "14" State Com Well No. 1 to be drilled 330 feet from the North and West lines (Unit D) of Section 14, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. This well is to be dedicated to the following described spacing and proration units: (i) the W/2 of Section 14 forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, which presently include the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated Shoe Bar-Atoka Gas Pool, Townsend-Morrow Gas Pool and Undesignated North Townsend-Mississippian Gas Pool; and (ii) the NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing, which presently include the Undesignated North Shoe Bar-Wolfcamp Pool and the Undesignated North Shoe Bar-Strawn Pool.

(2) That portion of the application seeking an exception to Division Rule 104.D(3) to continuously and concurrently produce gas from the Townsend-Morrow Gas Pool from the Mayfly "14" State Com Well No. 1 and from the existing Monsanto State Com Well No. 1 (API No. 30-025-24895) currently operated by Mark L. Shidler, Inc. and located at a standard gas well location 1980 feet from the South and West lines (Unit K) of Section 14, and for the simultaneous dedication of the W/2 of Section 14 to the above-described wells in the Townsend-Morrow Gas Pool is hereby dismissed.

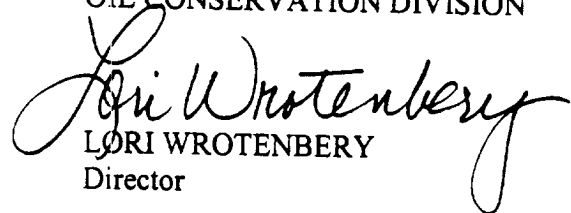
(3) Gas production from any "deep gas formations subject to 320-acre gas spacing" within the Mayfly "14" State Com Well No. 1 shall be subject to a 50 percent production penalty. This penalty shall be assessed against the well's ability to produce as determined from a deliverability test to be conducted on the well on a semi-annual basis. The applicant shall be required to notify Yates Petroleum Corporation, Ocean Energy, Inc. and the Division's Artesia District Office of the date and time the semi-annual deliverability test is to be conducted in order that the test may be witnessed.

(4) Prior to producing the Mayfly "14" State Com Well No. 1 in the Townsend-Morrow Gas Pool, the applicant shall designate to the Division a single operator for both the Mayfly "14" State Com Well No. 1 and the Monsanto State Com Well No. 1.

(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.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director

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