

operations under two approved Applications for Permit to Drill (the "Arrington APDs") pending final determination of Cause No. CV-2001-315C, now pending in the Fifth Judicial District Court of Lea County, New Mexico, styled "**TMBR/Sharp Drilling, Inc. v. David H. Arrington Oil & Gas, Inc., et al.**," ("the TMBR/Sharp suit").

(3) In Case No. 12744, TMBR/Sharp appeals the action of the Supervisor of District I of the Oil Conservation Division ("the District Supervisor") denying two Applications for Permit to Drill ("the TMBR/Sharp APDs") wherein TMBR/Sharp applied for permits to drill on the same spacing and proration units as the previously approved Arrington APDs.

(4) At the hearing in Case No. 12744, that case was consolidated with Case No. 12731, and was taken under advisement, to be determined on the basis of the record made in Case No. 12731. Since these cases involve the same units and subject matter, one order should be entered for both cases.

(5) On July 17, 2001, Arrington filed an Application for Permit to Drill (form C-101) for its proposed Triple-Hackle Dragon "25" Well No. 1, to be located in the W/2 of Section 25, Township 16 South, Range 35 East, Lea County, New Mexico, at a standard location in SW/4 NW/4 (Unit E), 750 feet from the west line and 1815 feet from the north line of the section. This APD was approved on July 17, 2001 by Paul Kautz, acting for the District Supervisor of the Division.

(6) On July 25, 2001, Arrington filed an Application for Permit to Drill (form C-101) for its proposed Blue Drake "23" Well No. 1, to be located in the E/2 of Section 23, Township 16 South, Range 35 East, Lea County, New Mexico, at a standard location in NE/4 SE/4 (Unit I), 660 feet from the east line and 1980 feet from the south line of the section. This APD was approved on July 30, 2001 by Paul Kautz, acting for the District Supervisor of the Division.

(7) The APDs described in findings (5) and (6) are the Arrington APDs that are the subject of the applications filed in these consolidated cases.

(8) On or about August 7, 2001, TMBR/Sharp filed an Application for Permit to Drill (form C-101) for its proposed Blue Fin "25" Well No. 1, to be located in the N/2 of Section 25, Township 16 South, Range 35 East, Lea County, New Mexico, at a standard location in SW/4 NW/4 (Unit E), 924 feet from the west line and 1913 feet from the north line of the section. On August 8, 2001, Paul Kautz, acting for the District Supervisor of the Division, denied this APD by reason of the previous issuance of the APD for Arrington's Triple-Hackle Dragon "25" Well No. 1.