



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

June 19, 2002

Lori Wrotenbery

Director

Oil Conservation Division

David H. Arrington Oil & Gas, Inc.

c/o J. Scott Hall

Miller, Stratvert & Torgerson, P.A.

P. O. Box 1986

Santa Fe, New Mexico 87504-1986

Telefax No. (505) 989-9857

TMBR/Sharpe Drilling, Inc.

c/o W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Re: *Division Case No. 12876 -- Application of David H. Arrington Oil & Gas, Inc. to reinstate its previously approved C-101 and C-102 drilling permit for its Glass-Eyed Midge "25" Well No. 1 (API No. 30-025-35787) to be drilled within a standard 320-acre stand-up gas spacing and proration unit comprising the E/2 of Section 25, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico at a standard gas well location 803 feet from the North line and 962 feet from the East line (Unit A) of Section 25.*

Dear Messrs. Kellahin and Hall:

I have reviewed the various correspondences from both David H. Arrington Oil & Gas, Inc. and TMBR/Sharpe Drilling, Inc. concerning Division Case No. 12876 received by the Division since June 6, 2002. The subject well in this matter was also the subject of Division Case No. 12859, which was the application of David H. Arrington Oil & Gas, Inc. for an order pooling all mineral interests underlying the 80 acres comprising the E/2 NE/4, the 160 acres comprising the NE/4, and the 320 acres comprising the E/2 of Section 25 all to be dedicated to the aforementioned Glass-Eyed Midge "25" Well No. 1. Division Case No. 12859 was consolidated with Division Cases No. 12816, 12841, and 12860 at the Division Examiner's hearing on May 16 and 17, 2002. This consolidated matter was taken under advisement, and the Division has not issued an order to date. Hearing Arrington's Case No. 12876 prior to the issuance in the already heard consolidated matter would serve to confuse the issue further and would not serve any purpose at this time; therefore, Division Case No. 12876 is hereby continued until such as an order is issued by the Division in Case No. 12859.

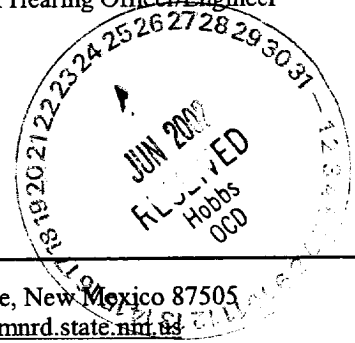
Further, TMBR/Sharpe's motion to quash the Supubpoena Duces Tecum issued on May 29, 2002 at the request of David H. Arrington Oil & Gas, Inc. is hereby granted.

Sincerely,

Michael E. Stogner

Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs[®]
File: Division Cases No. 12876, 12859, 12816, 12841, and 12860
Florene Davidson - NMOCD, Santa Fe
David R. Catanach, Examiner - NMOCD, Santa Fe
David K. Brooks, Legal Counsel for the NMOCD - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe
Jim Bruce, Legal Counsel for Ocean Energy, Inc. - Santa Fe



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PLEASE REPLY TO SANTA FE

- * NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN NATURAL RESOURCES - OIL & GAS LAW
- ** NEW MEXICO BOARD OF SPECIALIZATION RECOGNIZED SPECIALIST IN REAL ESTATE LAW

May 9, 2002

VIA FACSIMILE (505) 393-0720

Mr. Chris Williams
District I Supervisor
New Mexico Oil Conservation Division
1625 French Drive
Hobbs, New Mexico 88240

Re: Triple-Hackle Dragon 25 No. 1-E
Glass-Eye Midge 25 No. 2-A¹
Sec. 25, T-16-S, R-35-E, NMPM, Lea County, New Mexico

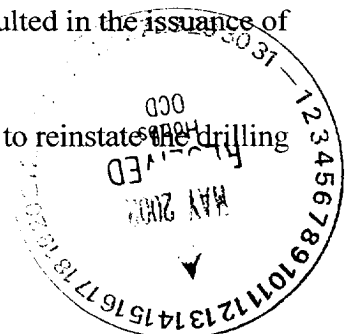
Dear Mr. Williams:

This firm represents David H. Arrington Oil and Gas, Inc. in connection with the above-referenced matter. Your May 1, 2002 letter was received by Arrington on May 7, 2002 and forwarded to me.

Please be advised that Arrington has had and continues to have the right to drill in Section 25 independent of the oil and gas lease that is the subject of the ongoing litigation in the Fifth Judicial District Court referenced in your letter. Therefore, the premise underlying your conclusion that Arrington's C-101 and C-102 should be canceled is erroneous. Moreover, the APD approved by the Division for Arrington's Glass-Eyed Midge 25 Well No. 1 well on December 17, 2001, was not the subject of NMOCC Case Nos. 12731 and 12744 (*de novo*) which resulted in the issuance of Order No. R-11700-B.

On behalf of David H. Arrington Oil and Gas, Inc., you are requested to reinstate the drilling permit for the Glass-Eyed Midge Well No. 1 at the earliest opportunity.

¹ The correct name of the well is the Glass-Eyed Midge 25 Well No. 1.



Mr. Chris Williams
May 9, 2002
Page 2

With respect to the Triple Hackle Well No. 1, Ocean Energy is planning on drilling that well and you should communicate with them directly.

Very truly yours,

MILLER, STRATVERT & TORGERSON, P.A.

A handwritten signature in black ink, appearing to read "J. Scott Hall".

J. Scott Hall

