



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 2, 2008

Mr. J. Scott Hall
Miller Stratvert
P.O. Box 1986
Santa Fe, NM 87504-1986

Administrative Order NSL-5744

**Re: David H. Arrington Oil and Gas, Inc.
Green Eyed Squealy Worm Well No. 1
API No. 30-025-36013
Unit I, Section 26-15S-34E
Lea County**

Dear Mr. Hall:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR07-31329996**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of David H. Arrington Oil and Gas, Inc. (Arrington), on November 7, 2007, and

(b) the Division's records pertinent to this request.

Arrington has requested to re-complete the above-referenced well at an unorthodox Upper Pennsylvanian oil well location, 1974 feet from the South line and 1129 feet from the East line (Unit I) of Section 26, Township 15 South, Range 34 East, N.M.P.M., in Lea County, New Mexico. The NE/SE of Section 26 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the Townsend-Permo Upper Pen Pool (59845). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the western unit boundary.

Your application on behalf of Arrington has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

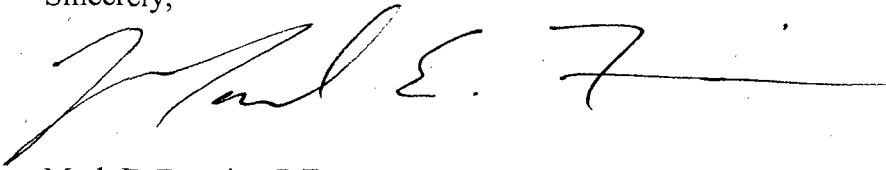
It is our understanding that Arrington is seeking this location in order to utilize and existing wellbore that was originally drilled to test another formation.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because working interest ownership in the unit towards which this location encroaches is identical with the proposed unit for this well.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', followed by a long horizontal flourish.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs