

ARRINGTON OIL & GAS OPERATING LLC

P.O. BOX 2071, MIDLAND, TEXAS 79702
OFF (432) 682-6685
FAX (432) 682-4139

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2012 FEB 13 P 12:44

February 9, 2012

Marshall & Winston, Inc.
PO Box 50880
Midland, Texas 79710

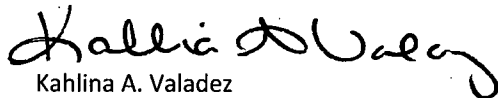
RE: **WO/ Recompletion**
Green Eyed Squeally Worm
API 30-025-36013
Lea County, New Mexico

Dear Interest Owner:

Pursuant to Order No. R-13372-D David H. Arrington Oil & Gas, Inc, (DHA) as operator of record for the subject well proposes to restore production in the Morrow Formation in the subject well. We invite you to participate in the operation. Enclosed is an Authority for Expenditure (AFE) for this project. Please indicate your election below and return one executed copy of this Letter and an executed AFE to the undersigned.

Please feel free to call me (432) 682-6685 ext 366 or email me at Kahlina.valadez@arringtonoil.com with your questions. Thank you for your cooperation.

Best Regards,



Kahlina A. Valadez
Senior Landman

____ I/we elect to participate in the Proposed Operations pursuant to the attached AFE

____ I/we elect not to participate in the Proposed Operations pursuant to the attached AFE.

By: _____

Name: _____

Date: _____

Cc: Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

DAVID H. ARRINGTON OIL GAS, INC.
AUTHORITY FOR EXPENDITURE (AFE)
WO / RECOMPLETION

AFE #: NM49 Date: 1/29/2012 ☒ Original
Loose: Green Eyed Squealy Worm Well #: 1 Supplement
API #: 30-025-36013 County: Lea Well Type: Gas
Location: 1,974' FSL & 1,129' FEL State: New Mexico
Section 26 T-11S R-34E Proposed TD: 13,005

Objective / Project Description: This AFE supports the work involved to repair the casing (squeeze Cisco perforations) and re-establishing production in the Morrow formation utilizing artificial lift equipment.

INTANGIBLE EXPENSE										Total
Acidizing										
Backhoe										
Bbs										1,500
BOPE	10 days	@		400	/Day					4,000
Bridge Plugs / Retainers	1	@		1000	each					1,000
Cased Hole Logging										
Casing Crew										
Casing Recovery (Wireline)										
Cement Plugs										
Cement Squeeze	1	@		20000	each					20,000
Chemicals										
Coil Tbg & Nitrogen										
Completion Fluids										5,000
Consultant	days	@			/Day					
Contract Labor / Roustabouts										2,000
Disposal										5,000
Equipment Repairs										500
Fishing										
Frac Valve Rental										
Frac Tanks										2,000
Fracturing										
Laydown Machine										
Location Reclamation										
Location Repair										1,000
Miscellaneous Service										
Mud										
Packer Rental										5,000
Perforating										
Permits, Bonds & Fees										
Pipe Racks / Catwalk										1,000
Pts & Lining										2,000
Port-A-Pots										500
Pulling Unit	10 days	@		6000	/Day					60,000
Pump Truck	5 days	@		1500	/Day					7,500
Rental Tools										
Reverse Unit	4 days	@		2000	/Day					8,000
Safety Eqpt	10 days	@		200	/Day					2,000
Slickline										
Supervision - Other										
Surveyor										
Transportation										2,000
Trash Trailer										500
Tubular Inspection										
Watchman / Security	days	@			/Day					
Water - Completion										500
Water Transfer										
Welding										
Well Tester / Flowback	1 days	@		1500	/Day					1,500
Wireline										
Workstring Rental & Repairs										
Contingencies								5%		6,625
TOTAL INTANGIBLE EXPENSE								0		139,125
TANGIBLE EXPENSE										Total
Casing - Production										
Rods										45,000
Tubing										
Prime Mover C-640-305-144										60,000
Down Hole Pump/gas lift valves										4,000
Tank Battery & Storage Facilities										
Wellhead Equipment										
Tubing Head										
Tree / Tee										500
Packer/TAC										1,500
Misc Downhole										2,000
Electric Service										25,000
Separator/Line Heater/Dehydrator										1,000
Meter Run										
Meters & Flowlines										
Miscellaneous Valves & Fittings										
Contingencies								5%		6,950
TOTAL TANGIBLE EXPENSE								0		145,950
TOTAL WELL COST								0		285,075

Keith E. Bucy Partner Approval

Keith E. Bucy - General Manager
Company: _____
Art Carrasco Approved By: _____

Art Carrasco - Operations Manager
Title: _____
David H. Arrington - President Date: _____

2/1/2012