

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

December 27, 1999

Calaveras

CERTIFIED MAIL: P 555 884 434

Anson Energy Corporation
PO Box 24060
Oklahoma City, Oklahoma 73124

MC
12274

99 DEC 30 PM 11:24
OIL CONSERVATION DIVISION

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$135,496.88, representing your proportionate 22.734375% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 555 884 431

Bahlburg Exploration, Inc.
C/O William C. Bahlburg
PO Box 866937
Plano, TX 75086

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of **\$13,037.50**, representing your proportionate **2.1875%** share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 555 884 419

Clifford R. Cone
PO Box 1629
Lovington, NM 88260

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of **\$1,862.50**, representing your proportionate **0.3125%** share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone: 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 555 884 418

Douglas L. Cone
PO Box 64244
Lubbock, TX 79464

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of **\$1,862.50**, representing your proportionate **0.3125%** share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 555 884 416

DALCO Petroleum, L.L.C.
C/O David A. Lynch
PO Box 1904
Lovington, NM 88260

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$5,587.50, representing your proportionate 0.9375% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.


David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

December 27, 1999

CERTIFIED MAIL: P 555 884 415

Gary J. Lamb, Inc.
C/O Gary J. Lamb
PO Box 3383
Midland, TX 79702

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$6,208.35, representing your proportionate 1.04167% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6885
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 377 867 776

J.M. Mineral & Land Co., Inc.
C/O Jon M. Morgan
PO Box 1015
Midland, TX 79702

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$6,208.35, representing your proportionate 1.04167% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 377 867 775

Kenneth G. Cone
PO Box 11310
Midland, TX 79702

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$1,862.50, representing your proportionate 0.3125% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 555 884 433

Tom R. Cone
PO Box 778
Jay, Oklahoma 74363

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$1,862.50, representing your proportionate 0.3125% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone: 682-6685
Fax: 682-4139

December 27, 1999

CERTIFIED MAIL: P 377867 774

Magnolia Royalty Company, Inc.
C/O John R. Norwood
PO Box 10703
Midland, TX 79702

Re: Prince Nymph # 1A
Surface Location 2308' FSL and 943' FEL
Section 29, T15S, R36E
Lea County, New Mexico
Oil Conservation #12274, Order #R-11284

Ladies and Gentlemen:

The captioned order providing for the pooling of the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico has been issued. Pursuant to paragraph (7) of the order, within thirty days from the date the enclosed schedule of estimated well costs is furnished to you, you have the right to pay for your share of the estimated well costs to the operator in lieu of paying your share of reasonable costs out of production as provided in the order. A copy of the order is enclosed herewith and you should familiarize yourself with its contents.

If you desire to participate in the Prince Nymph #1A Well under the terms of the captioned order, please execute and return one copy of the enclosed Authority for Expenditure along with your check in the amount of \$6,208.29, representing your proportionate 1.04166% share of the estimated well costs, within the time period prescribed in the order.

Should there be any questions, please feel free to contact us.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.



David H. Arrington
President

cc: State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

RECEIVED

DEC 03 1999

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CAMPBELL, CARR, et. al.

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case No. 12274
Order No. R-11284

APPLICATION OF DAVID H. ARRINGTON OIL AND GAS INC. FOR
COMPULSORY POOLING, DIRECTIONAL DRILLING AND AN UNORTHODOX
WELL LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 4, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of December, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, David H. Arrington Oil & Gas Inc., seeks an order pooling all uncommitted mineral interests from the surface to the base of the Wolfcamp formation underlying the SE/4 NE/4 of Section 29, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, thereby forming a standard 40-acre oil spacing and proration unit. This unit is to be dedicated to the Prince Nymph Well No. 1-A (formerly the Prince Nymph Well No. 1), which will be re-entered and directionally drilled from its current surface location 2308 feet from the South line and 943 feet from the East line (Unit I) of Section 29 to an unorthodox bottomhole location within 50 feet of a point 2440 feet from the North line and 866 feet from the East line (Unit H) of Section 29 and not closer than 200 feet to the southern boundary of the spacing unit.

(3) Division records indicate that the Prince Nymph Well No. 1 was originally drilled by David H. Arrington Oil and Gas Inc. during 1999 to a depth of approximately 12,050 feet. The well was drilled to an unorthodox bottomhole location 2446 feet from the South line and 1006 feet from the East line (Unit I) of Section 29 (approved by Division Order No. R-11094) to test the Strawn and Wolfcamp formations. The well was subsequently plugged and abandoned after encountering no commercial hydrocarbon production in these formations.

Case No. 12274
Order No. R-11284
Page 2 of 5

- (4) The applicant proposes to re-enter the Prince Nymph Well No. 1 and directionally drill the well in a northerly direction to test the Wolfcamp formation, Caudill-Permo Upper Pennsylvanian Pool.
- (5) The applicant presented sufficient geologic evidence to demonstrate the necessity of drilling the Prince Nymph Well No. 1-A to an unorthodox bottomhole location.
- (6) The applicant estimates that re-entry and completion costs for the Prince Nymph Well No. 1-A will be approximately \$596,000.
- (7) The applicant has the right to re-enter the Prince Nymph Well No. 1 and proposes to directionally drill the well to the unorthodox bottomhole location described above.
- (8) There are interest owners in the proposed proration unit that have not agreed to pool their interests.
- (9) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in the unit the opportunity to recover or receive without unnecessary expense its just and fair share of production this application should be approved by pooling all uncommitted mineral interests, whatever they may be, within the unit.
- (10) David H. Arrington Oil and Gas, Inc. should be designated the operator of the well and unit.
- (11) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.
- (12) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (13) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (14) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

Case No. 12274
Order No. R-11284
Page 3 of 5

(15) Reasonable charges for supervision (combined fixed rates) should be fixed at \$6,000.00 per month while drilling and \$600.00 per month while producing. The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(16) All proceeds from production from the well not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(17) If the operator of the pooled unit fails to commence re-entry and directional drilling operations on or before March 1, 2000, or if all the parties to this compulsory pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect whatsoever.

(18) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All uncommitted mineral interests, whatever they may be, from the surface to the base of the Wolfcamp formation underlying the SE/4 NE/4 of Section 29, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled thereby forming a standard 40-acre oil spacing and proration unit. This unit shall be dedicated to the Prince Nymph Well No. 1-A, which will be re-entered and directionally drilled from its current surface location 2308 feet from the South line and 943 feet from the East line (Unit I) of Section 29 to an unorthodox bottomhole location within 50 feet of a point 2440 feet from the North line and 866 feet from the East line (Unit H) of Section 29, provided, however, the bottomhole location shall not be located closer than 200 feet of the southern boundary of the spacing unit. Note: After pooling, "uncommitted" mineral working interest owners are referred to as "nonconsenting" working interest owners.

(2) The operator of the unit shall commence re-entry and directional drilling operations on or before March 1, 2000, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Wolfcamp formation.

(3) In the event the operator does not commence re-entry and directional drilling operations on or before March 1, 2000, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

Case No. 12274
Order No. R-11284
Page 4 of 5

(4) Should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(5) David H. Arrington Oil and Gas, Inc. is hereby designated the operator of the well and unit.

(6) After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.

(7) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(8) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within the 45-day period the Division will determine reasonable well costs after public notice and hearing.

(9) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.

(10) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
- (b) as a charge for the risk involved in drilling the well, 200 percent of the above costs.

(11) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.

Case No. 12274
Order No. R-11284
Page 5 of 5

(12) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$6,000.00 per month while drilling and \$600.00 per month while producing. The operator is hereby authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order.

(14) Any well costs or charges that are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) All proceeds from production from the well that are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(16) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(18) 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

LORI WROTENBERY
Director

S E A L

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: 99-0709 Date: 7/8/99 Original
 Supplemental
 Lease: Prince Nymph Well #: 1 Well Type: Oil
 Location: NE/SE Section 29, T15N-R36E County: Lea State: New Mexico
 Prospect: West Dean Objective: Wolfcamp Proposed TD: 11,000'
 Purpose of Expenditure: Re-enter, Drill, Complete Wolfcamp Oil Test

| CODE | INTANGIBLE EXPENSE | DRILLING | COMPLETION | TOTAL |
|------|--|----------------|---------------|----------------|
| | Surveying | 0 | 0 | 0 |
| | Staking & Permitting & City of Lovington | 0 | 0 | 0 |
| | Location, Roads & Damages | 5,000 | 5,000 | 10,000 |
| | Lease Restoration | 4,500 | 0 | 4,500 |
| | Mobilization/Demobilization | 20,000 | 0 | 20,000 |
| | Drilling - Footage @ /Ft | 0 | 0 | 0 |
| | Drilling - Daywork 10 @ \$5,500 /Day | 55,000 | 0 | 55,000 |
| | Drilling - Directional | 70,000 | 0 | 70,000 |
| | Completion Rig 7 @ \$2,000 /Day | 0 | 14,000 | 14,000 |
| | Pit Lining | 0 | 0 | 0 |
| | Bits, Reamers & Stabilizers | 24,500 | 0 | 24,500 |
| | Drilling & Completion Fluids & Oil | 20,000 | 0 | 20,000 |
| | Water | 5,000 | 0 | 5,000 |
| | Mud Logging 7 @ \$500 /Day | 3,500 | 0 | 3,500 |
| | Drill Stem Tests (1) | 3,000 | 0 | 3,000 |
| | Coring Services | 0 | 0 | 0 |
| | Logging - Open Hole & Sidewall Cores | 20,000 | 0 | 20,000 |
| | Cement & Services - Surface | 0 | 0 | 0 |
| | Cement & Services - Intermediate | 0 | 0 | 0 |
| | Cement & Services - Production | 0 | 15,000 | 15,000 |
| | Perforating & Cased Hole Logs | 0 | 8,000 | 8,000 |
| | Acidizing, Fracturing & Stimulation | 0 | 10,000 | 10,000 |
| | Rental Equipment (Safety, Test Tk., Choke, ect.) Rot. Head | 7,000 | 0 | 7,000 |
| | Installation - Production Facilities | 0 | 9,000 | 9,000 |
| | Inspection & Well Testing | 1,000 | 2,000 | 3,000 |
| | Transportation | 3,000 | 1,000 | 4,000 |
| | Miscellaneous Labor | 1,000 | 2,000 | 3,000 |
| | Engineering & Geological Services | 2,500 | 1,500 | 4,000 |
| | Overhead | 2,000 | 1,000 | 3,000 |
| | Supervision | 6,000 | 4,000 | 10,000 |
| | Sand Blast & Coat Casing | 0 | 2,000 | 2,000 |
| | Contingencies | 17,000 | 3,500 | 20,500 |
| | Gross Receipts Tax | 13,500 | 3,900 | 17,400 |
| | TOTAL INTANGIBLE EXPENSE | 283,500 | 81,900 | 365,400 |

| CODE | TANGIBLE EXPENSE | DRILLING | COMPLETION | TOTAL |
|------|--|----------------|----------------|----------------|
| | Casing - Conductor of @ /Ft | 0 | 0 | 0 |
| | Casing - Surface of @ /Ft | 0 | 0 | 0 |
| | Casing - Intermediate of @ /Ft | 0 | 0 | 0 |
| | Casing - Intermediate of @ /Ft | 0 | 0 | 0 |
| | Casing - Production 9000 of 5 1/2 @ \$5.70 /Ft | 0 | 51,300 | 51,300 |
| | Casing - Production 2000 of 5 1/2 @ \$5.90 /Ft | 0 | 11,800 | 11,800 |
| | Tubing 11,000 of 2 7/8 @ \$2.85 /Ft | 0 | 31,400 | 31,400 |
| | Float & Other Equipment | 0 | 1,500 | 1,500 |
| | Wellhead Equipment, Tree | 0 | 12,000 | 12,000 |
| | Sucker Rods | 0 | 18,000 | 18,000 |
| | Down Hole Pump | 0 | 3,000 | 3,000 |
| | Packer/TAC | 0 | 4,300 | 4,300 |
| | Pumping Unit & Prime Mover | 0 | 50,000 | 50,000 |
| | Tank Battery & Storage Facilities | 0 | 19,000 | 19,000 |
| | Separator/Heater Treater/Dehydrator | 0 | 8,500 | 8,500 |
| | Meters & Flowlines | 0 | 1,000 | 1,000 |
| | Miscellaneous Valves & Fittings | 0 | 8,000 | 8,000 |
| | Gross Receipts Tax | 0 | 10,900 | 10,900 |
| | TOTAL TANGIBLE EXPENSE | 0 | 230,700 | 230,700 |
| | TOTAL WELL COST | 283,500 | 312,600 | 596,100 |

NOTE: THIS AFE IS ONLY AN ESTIMATE. BY RETURNING ONE APPROVED COPY, YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

David H. Arrington Oil & Gas, Inc. Approval: Partner Approval:
 Prepared By: Steve Scott *Steve Scott* Company: _____
 Approved By: *David H. Arrington* Approved By: _____
 Title: President Title: _____
 Date: _____ Date: _____