

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 26077

RECEIVED
MAR 27 2006
OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|---------------------------------|-----------------------------------|
| 1. Operator Name and Address DAVID H ARRINGTON OIL & GAS INC PO BOX 2071 MIDLAND, TX 79702 | | 2. OGRID Number 5898 |
| | | 3. API Number 30 - 015 - 34743 |
| 4. Property Code 35551 | 5. Property Name WONDERBUNNY | 6. Well No. 001H |

| 7. Surface Location | | | | | | | | | |
|---------------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot O | Section 17 | Township 17S | Range 24E | Lot Idn | Feet From 660 | N/S Line S | Feet From 1815 | E/W Line E | County EDDY |

Under 75010
Collins Ranch WOLFCAMP (GAS) 75010

| 8. Pool Information | | | | |
|--|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3818 |
| 14. Multiple N | 15. Proposed Depth 8540 | 16. Formation Wolfcamp | 17. Contractor | 18. Spud Date 4/1/2005 |
| Depth to Ground water 500 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 20 mils thick Clay <input type="checkbox"/> Pit Volume: 6000 bbls Drilling Method: Closed Loop System Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel Oil-based <input type="checkbox"/> Gas Air <input type="checkbox"/> | | | | |

| 19. Proposed Casing and Cement Program | | | | | | |
|--|-----------|-------------|------------------|---------------|-----------------|---------------|
| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
| Surf | 11 | 8.625 | 32 | 900 | 1350 | 0 |
| Prod | 7.875 | 5.5 | 17 | 8540 | 890 | 0 |

Casing/Cement Program: Additional Comments
8 5/8", 32# J55, LTC @ 900' w/200 sx PP w/10 pps diamondseal(9.5/7.65) & 100 sx PP Thixset w/1% thixset
A,0.25%WG-17(14.0/1.53) & 650 sx lgt PP w/5 pps gilsonite & 2% CaCl2(12.4/2.04)& 500 sx OO w.2% CaCl2(14.8/1.34). 5 1/2"
17#,P100,LTC,@8540'. 490 sx Interfill C w/1/4#pps flocele(11.9/2.45)&400 sx Howco Acid Sol. Cmt w/0.7% Hal 344,0.2%
FWCA&0.2%HR-601(15.0/2.48)-circulated to surface.

| Proposed Blowout Prevention Program | | | |
|-------------------------------------|------------------|---------------|--------------|
| Type | Working Pressure | Test Pressure | Manufacturer |
| DoubleRam | 5000 | 5000 | Weatherford |

| | | | |
|---|--|--|--|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCDD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> | | OIL CONSERVATION DIVISION District II Supervisor Approved By: [Signature] Title: [Signature] Approved [Signature] MAR 28 2006 Expiration Date: MAR 28 2007 | |
| Printed Name: Ann E. Ritchie | | | |
| Title: Regulatory Agent | | | |
| Email Address: ann.ritchie@ecoton.net | | | |

NOTIFY OCD TO WITNESS
ALL CASING STRINGS

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals, and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised August 15, 2000

Submit to Appropriate District Office

State Lease - 4 copies

Fee Lease - 3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------|---|---|
| 1 API Number 30-015- | 2 Pool Code 75010 | 3 Pool Name Collins Ranch (Wolfcamp) |
| 4 Property Code | 5 Property Name WONDERBUNNY | 6 Well Number 1H |
| 7 OGRID No. 5898 | 8 Operator Name DAVID H. ARRINGTON OIL & GAS | 9 Elevation 3818' |

10 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| 0 | 17 | 17 SOUTH | 24 EAST, N.M.P.M. | | 660' | SOUTH | 1815' | EAST | EDDY |

11 Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------------------|--------------------|-----------------------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| B | 17 | 17 SOUTH | 24 EAST, N.M.P.M. | | 660' | NORTH | 1880' | EAST | EDDY |
| 12 Dedicated Acres 320 | 13 Joint or Infill | 14 Consolidation Code | 15 Order No. | | | | | | |

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | |
|----|---|---|
| 16 | <p>BHL X = 415575 Y = 669705 LAT.: N 32.8408026 LONG.: W 104.6082126</p> <p>NAD 27 NME ZONE X = 415647 Y = 665739 LAT.: N 32.8299030 LONG.: W 104.6079477</p> | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Ann E. Ritchie Printed Name Regulatory Agent Title 1-11-06 Date |
| | | 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field observations made by me or under my supervision and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyor Certificate Number V. L. BEZNER R.P.S. #7920 JOB #108961 / 101 SE / E.U.O. |

BOTTOMHOLE INFORMATION PROVIDED BY DAVID H. ARRINGTON OIL & GAS

Grand Avenue, Artesia, NM 88210
 III
 Rio Brazos Road, Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

For drilling and production facilities, submit to
 appropriate NMOCD District Office.
 For downstream facilities, submit to Santa Fe
 office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: David H. Arrington Oil & Gas, Inc. Telephone: 432 684-6381 e-mail address: ann.ritchie@wtor.net
 Address: c/o Box 953, Midland, TX 79702
 Facility or well name: Wonderbunny #1H API #: 30-015-pending U/L or Qtr/Qtr O Sec 17 T T17S R 24E
 County: Eddy Latitude 32.8299030 Longitude 104.6079477 NAD: 1927 X 1983 ☐
 Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 20 mil Clay ☐

Pit Volume 6000 bbl

Below-grade tank

Volume: bbl Type of fluid:

Construction material:

Double-walled, with leak detection? Yes ☐ If not, explain why not.

RECEIVED

MAR 27 2006

OCD-ARTESIA

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

X

(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

X

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

X

(0 points)

Ranking Score (Total Points)

0

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility . (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

Pit volume for reserve pit is approximately 6000. Will comply with all NMOCD guidelines and pit closure stipulations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 3-23-06

Printed Name/Title Ann E. Ritchie Signature Ann E. Ritchie

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Printed Name/Title

Signature

MAR 28 2006

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico

Energy, Minerals and Natural Resources

Form C-102
Permit 26077

Oil Conservation Division

1220 S. St Francis Dr.

Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------|--|---|
| 1. API Number | 2. Pool Code 75250 | 3. Pool Name COTTONWOOD CREEK;WOLFCAMP (GAS) |
| 4. Property Code | 5. Property Name WONDERBUNNY | 6. Well No. 001H |
| 7. OGRID No. 5898 | 8. Operator Name DAVID HARRINGTON OIL & GAS INC | 9. Elevation 3818 |

10. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| O | 17 | 17S | 24E | | 660 | S | 1815 | E | EDDY |

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|-------------------------------|---------|---------------------|-------|------------------------|-----------|----------|---------------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| B | 17 | 17S | 24E | B | 660 | N | 1880 | E | EDDY |
| 12. Dedicated Acres 320.00 | | 13. Joint or Infill | | 14. Consolidation Code | | | 15. Order No. | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By:
Title:
Date:

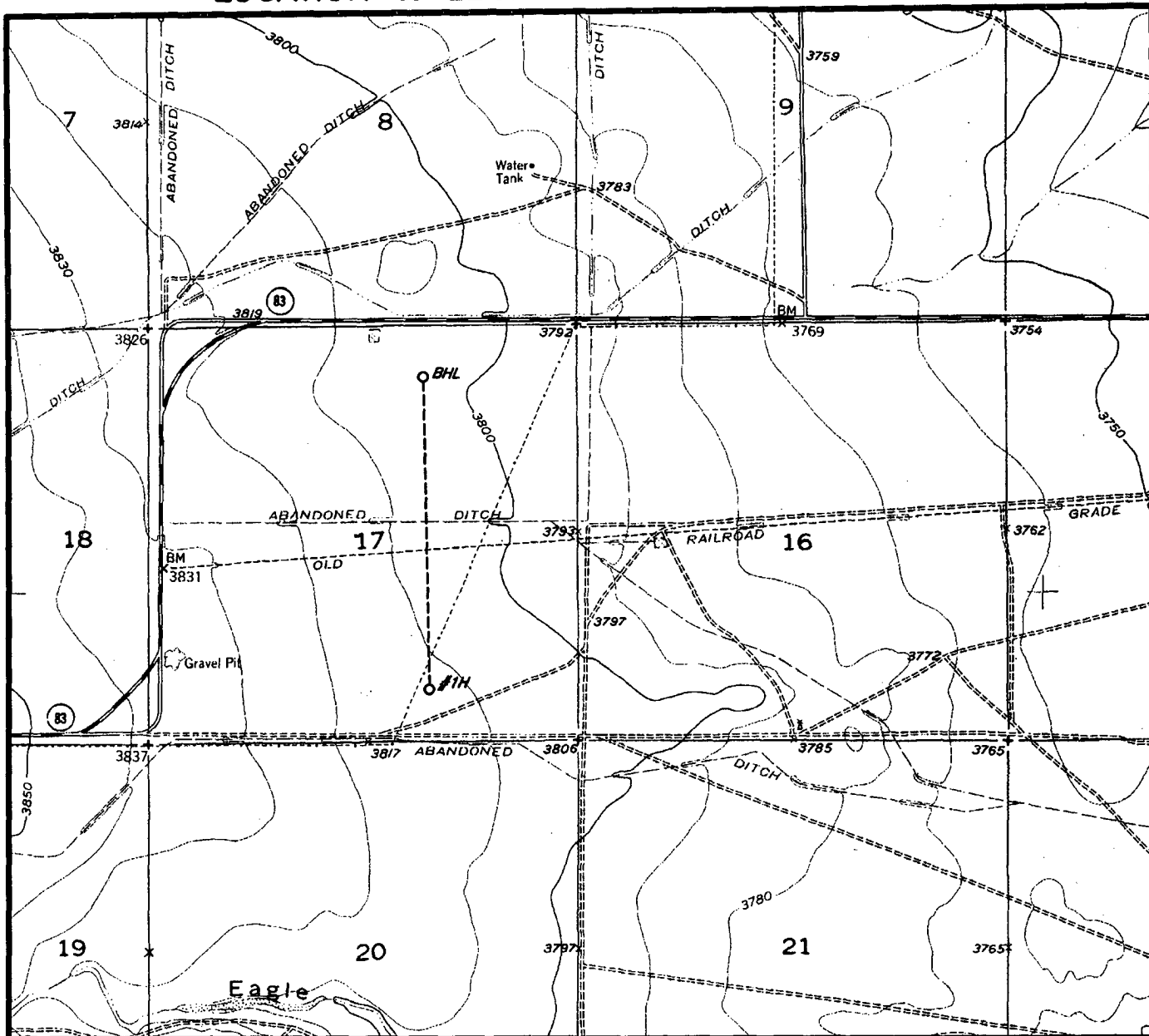
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Lynn Bezner
Date of Survey: 12/15/2005

E12
C-102
attached
(on-line submit
blocked)

LOCATION & ELEVATION VERIFICATION MAP



SCALE : 1" = 2000' CONTOUR INTERVAL 5 FEET

SECTION 12 TWP 17-S RGE 25-E
 SURVEY NEW MEXICO PRINCIPAL MERIDIAN
 COUNTY EDDY STATE NM
 DESCRIPTION 660' FSL & 1815' FEL
 ELEVATION 3818'

OPERATOR DAVID H. ARRINGTON OIL & GAS
 LEASE WONDERBUNNY #1H

U.S.G.S. TOPOGRAPHIC MAP
HOPE SE, NEW MEXICO

LAT. LAT.: N 32.8299030
 LONG. LONG.: W 104.6079477



TOPOGRAPHIC LAND SURVEYORS

Surveying & Mapping for the Oil & Gas Industry

This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us.

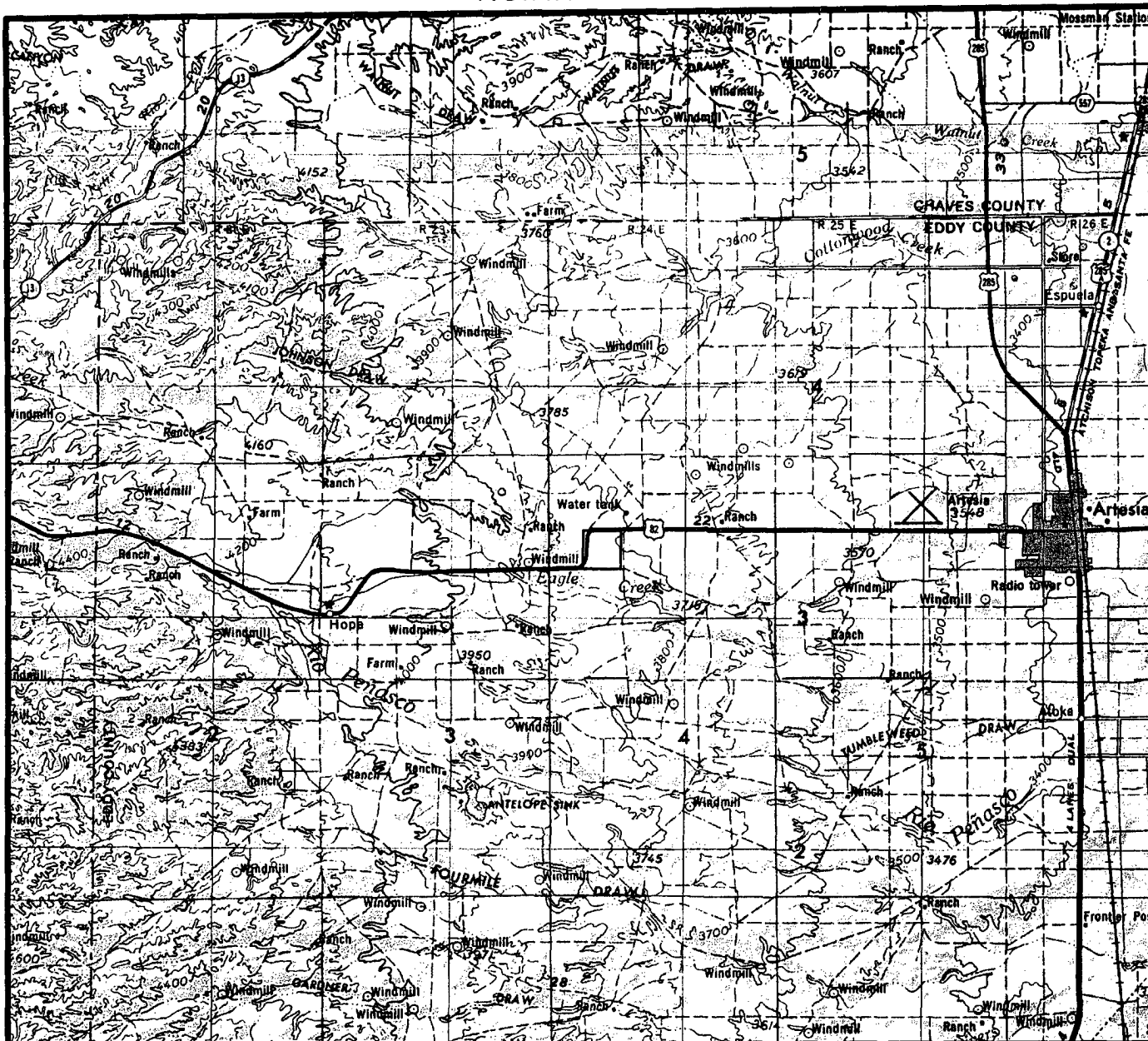
Review this plat and notify us immediately of any possible discrepancy.

1307 N. HOBART
 PAMPA, TX. 79065
 (800) 658-6382

6709 N. CLASSEN BLVD.
 OKLAHOMA CITY, OK. 73116
 (800) 654-3219

2903 N. BIG SPRING
 MIDLAND, TX. 79705
 (800) 767-1653

VICINITY MAP



SECTION 17 TWP 17-S RGE 24-E
 SURVEY NEW MEXICO PRINCIPAL MERIDIAN
 COUNTY EDDY STATE NM
 DESCRIPTION 660' FSL & 1815' FEL

OPERATOR DAVID H. ARRINGTON OIL & GAS
 LEASE WONDERBUNNY #1H

DISTANCE & DIRECTION FROM INT. OF HWY. 82 & CO. RD.
95, GO WEST ON HWY. 82 1.5 MILES, THENCE SOUTH ON
TRAIL ROAD 0.7 MILES, THENCE EAST 0.6 MILES TO A
POINT ±600' SOUTH OF THE LOCATION.



TOPOGRAPHIC LAND SURVEYORS

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Permit Comments

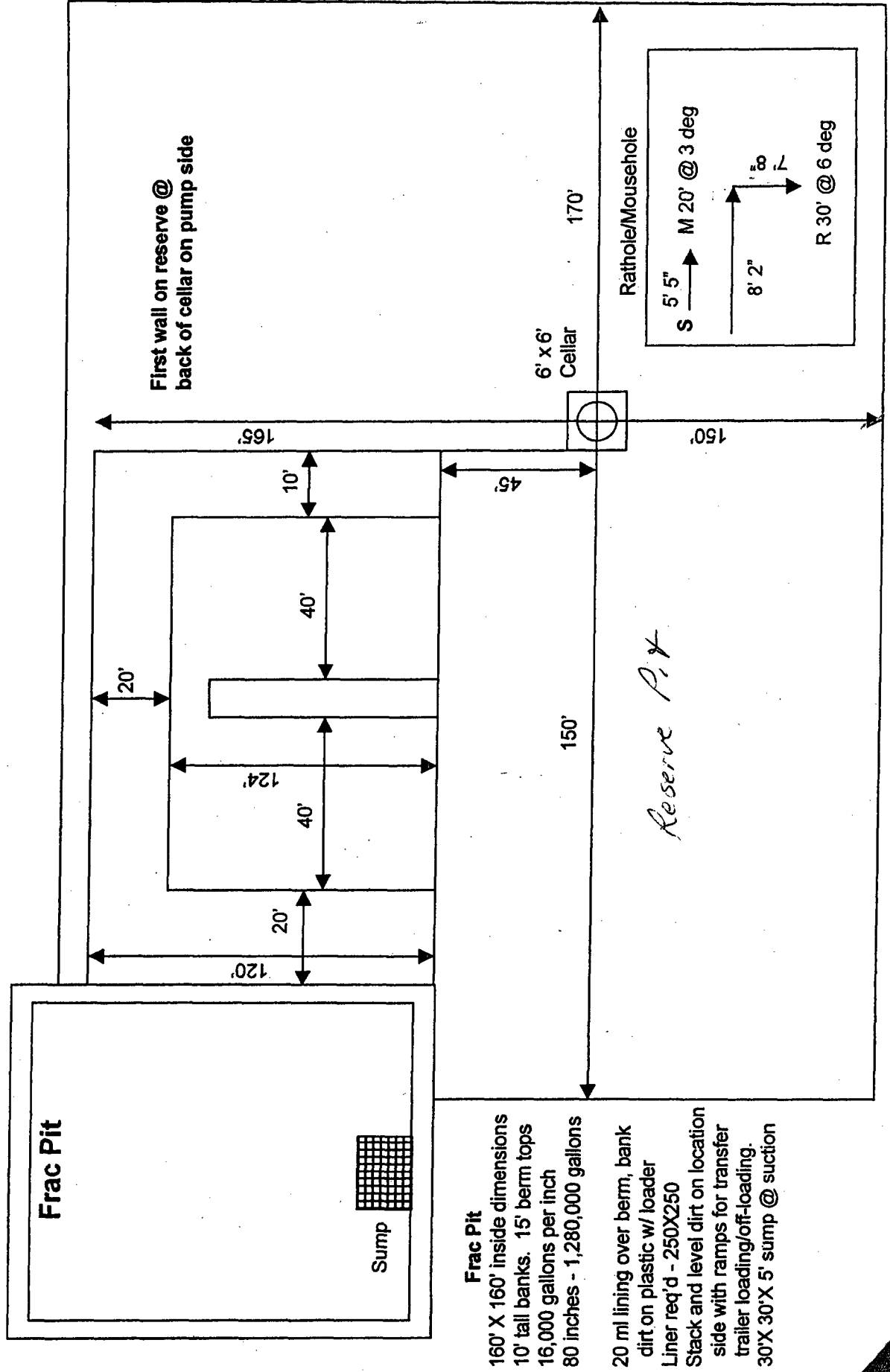
Operator: DAVID H ARRINGTON OIL & GAS INC , 5898

Well: WONDERBUNNY #001H

API:

| Created By | Comment | Comment Date |
|------------|--|--------------|
| annritchie | This APD was previously submitted on 1-11-06. I will resend the drilling plan, vicinity map, location & verification map & wellbore today. | 3/24/2006 |

Patterson Rig 624 Location Layout w/ Frac Pit



Frac Pit

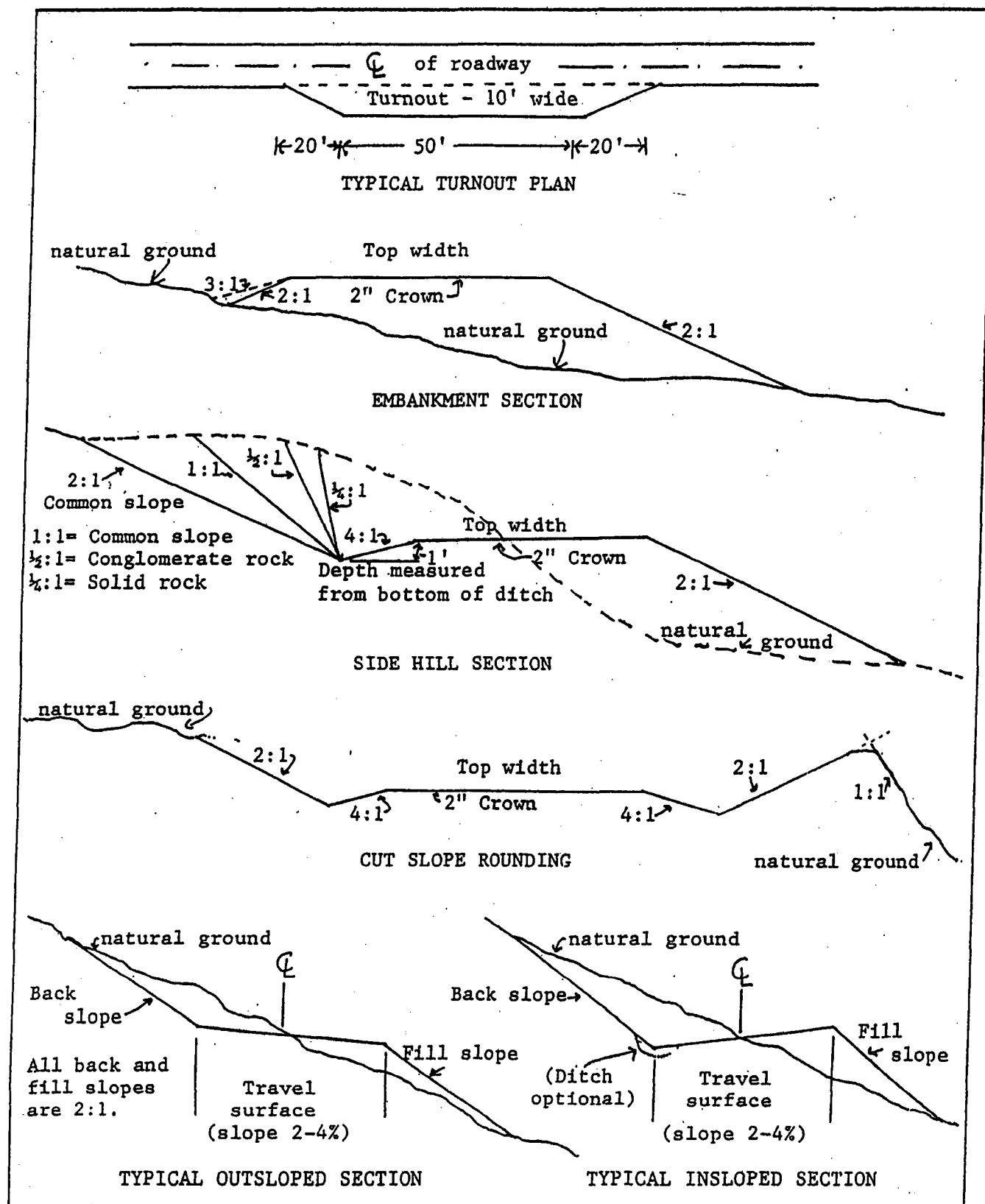
160' X 160' inside dimensions
10' tall banks. 15' berm tops
16,000 gallons per inch
80 inches - 1,280,000 gallons

20 ml lining over berm, bank
dirt on plastic w/ loader
Liner req'd - 250X250
Stack and level dirt on location
side with ramps for transfer
trailer loading/off-loading.
30'X 30'X 5' sump @ suction

FIGURE 1: CROSS-SECTIONS AND PLANS FOR TYPICAL ROAD CONSTRUCTION
REPRESENTATIVE OF BLM RESOURCE, AND HIGHER CLASS, ROADS.

copy for reference

(Travel way, top width, driving surface, and travel surface are synonymous.)



March 23, 2006

Oil Conservation Division
Attn: Bryan Arrant
1301 Grand Ave.
Artesia, NM 88210

RE: **David H. Arrington Oil & Gas, Inc.**, Wonderbunny, Well #1H; Cottonwood Creek; Wolfcamp, Sec 17, T17S, R24E,(O) Eddy County, NM

It is not anticipated that we will encounter any H₂S during the drilling or completion of the above referenced well.

We are respectfully requesting an exemption from H₂S requirements as per NMOCD Rule 118. The anticipated TVD is 5000', the MD is 8540' for this proposed horizontal well.

In the event the NMOCD determines that the H₂S contingency plan be a part of the permitting of this well due to the proximity to Hwy 83, please see our plan attached.

Thank you,



Ann E. Ritchie, Regulatory Agent
David H. Arrington Oil & Gas, Inc.
c/o P.O. Box 953
Midland, TX 79702
432 684-6381/682-1458-fax
ann.ritchie@wtor.net

Hydrogen Sulfide Drilling Operations Plan

for

David H. Arrington Oil & Gas, Inc.'s

ONE - Hydrogen Sulfide Training:

All personnel, whether regularly assigned, contracted or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

- The hazards and characteristics of hydrogen sulfide (H₂S);
- The proper use and maintenance of personal protective equipment and life support systems;
- The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds; and,
- The proper techniques of first aid and rescue procedures.

In addition, the supervisory personnel will be trained in the following areas;

- The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements;
- Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
- The contents and requirements of the H₂S Drilling Operations Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500') and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

TWO - H₂S Safety Equipment and Systems:

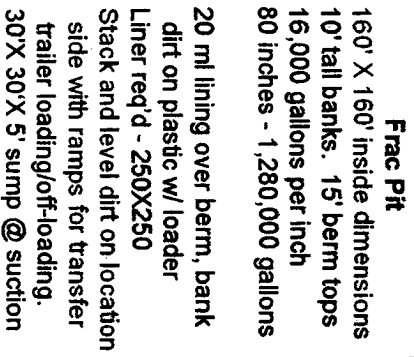
NOTE: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or, three days prior to penetration of the first zone containing, or reasonably expected to contain, H₂S.

1. Well Control Equipment:

- Flare line with flare igniter;
- Choke manifold with one remote hydraulic choke installed;
- Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit;
- Auxiliary equipment to include an Annular Preventer.

2. **Protective equipment for essential personnel:**
 - The designated safety expert will provide 5-minute escape units located in the doghouse, and 30-minute air units at briefing areas.
3. **H2S detection and monitoring equipment:**
 - Three portable H2S monitors will be positioned on location for the best coverage and response. These units have warning lights and audible sirens when triggered by H2S levels > 20 PPM.
 - One portable SO2 monitor will be positioned near flare line during H2S flaring operations.
4. **Visual warning systems:**
 - Wind direction indicators will be placed in accordance with the directives issued by the designated H2S expert.
 - Caution/Danger signs shall be posted on roads providing direct access to the location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be legible from the immediate location.
5. **Mud Program:**
 - The mud program will minimize the volume of H2S circulated to the surface. Proper mud weight safe drilling practices, and, if necessary, the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.
6. **Metallurgy:**
 - All drill strings, casing, tubing, wellhead, blowout preventers, drilling spools kill lines, choke manifold and line valves shall be suitable for H2S service.
 - All elastomers used for packing and seals shall be H2S trimmed.
7. **Communications:**
 - Radio and telephone communications will be available in company vehicles and rig doghouse.
8. **Well Testing:**
 - Drill stem testing will be performed with a minimum number of personnel necessary to safely and adequately conduct the test. The drill stem testing of any known formation that contains H2S will be conducted during daylight hours.

w/ Frac Pit



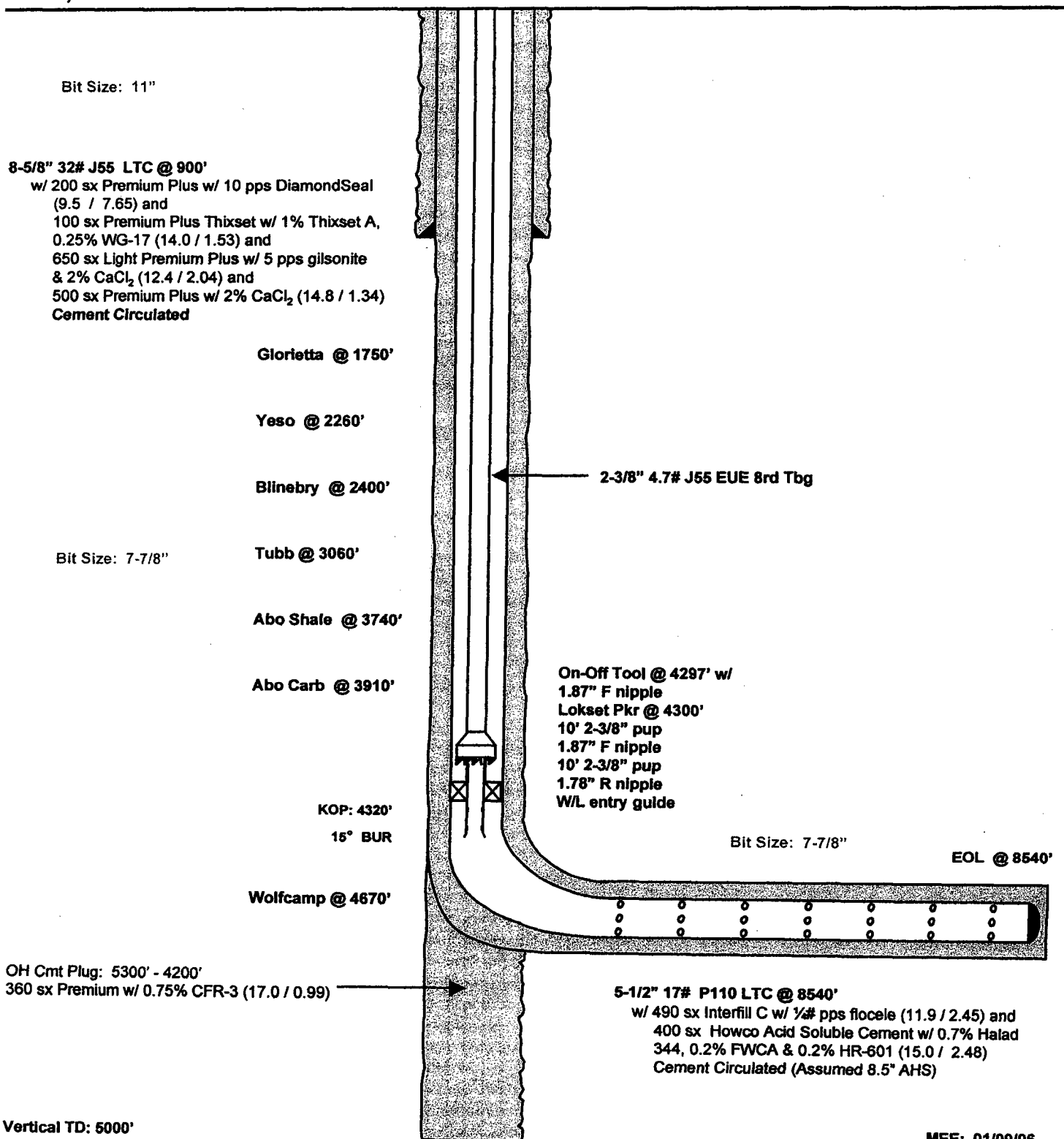
**Wonderbunny 1H
Cottonwood Creek Field
Eddy County, New Mexico**

Surface **Lateral Terminus**
660' FSL **660' FNL**
1815' FEL **1880' FEL**
S-17
T17S, R24E

Proposed Wellbore

API: 30-015-?

KB: 3837'
GL: 3818'



David H. Arrington Oil & Gas Inc.
 Wonderbunny 1H
 SHL - 660' FSL & 1815' FEL
 BHL - 660' FNL & 1880' FEL
 S17, T17S, R24E
 Eddy County, NM

1. Ground elevation above sea level: 3818'
2. Proposed drilling depth: 5000' TVD
3. Estimated tops of geological markers:

| | |
|---------------|-------|
| Glorietta | 1750' |
| Yeso | 2260' |
| Blinberry | 2400' |
| Tubb | 3060' |
| Abo Shale | 3740' |
| Abo Carbonate | 3910' |
| Wolfcamp | 4670' |

4. Possible mineral bearing formations:

Abo/Wolfcamp Gas/Oil

5. Casing Program

| <u>Hole size</u> | <u>Interval</u> | <u>OD of Casing</u> | <u>Weight</u> | <u>Thread</u> | <u>Grade</u> | <u>TOC</u> |
|------------------|-----------------|---------------------|---------------|---------------|--------------|------------|
| 11" | 40' – 900' | 8-5/8" | 32# | LTC | J55 | Surf |
| *7-7/8" | 900' – 5000' | 5-1/2" | 17# | LTC | P110 | Surf |
| *7-7/8" | 4320' – 8540' | 5-1/2" | 17# | LTC | P110 | Surf |

*Drill 7-7/8" vertical hole to 5000', plug back to ~ 4320' and drill lateral to ~ 8540' (~4700' TVD) and run 5-1/2" production string to TD.

6. Cementing and Setting Depth

| | | | |
|-------------------|-------|---------|--|
| 8-5/8" Surface | 900' | Lead-1: | Premium Premium Plus w/ 10 pps DiamondSeal |
| | | Lead-2: | Premium Plus Thixset w/ 1% Thixset A & 0.25% WG-17 |
| | | Lead-3: | Light Premium Plus w/ 5 pps gilsonite & 2% CaCl ₂ |
| | | Tail: | Premium Plus w/ 2% CaCl ₂ |
| 5-1/2" Production | 8540' | Lead: | Interfill C w/ ¼ pps Flocele |
| | | Tail: | Howco Acid Soluble Cement w/ 0.7% Halad 344, 0.2% FWCA & 0.2% HR-601 |

7. Pressure Control Equipment: After setting 8-5/8" casing and installing 5000 psi casing head, NU 11" 5000 psi double ram BOP and 5000 psi annular BOP, and test with clear fluid to 3000 psi using rig pumps.

8. Proposed Mud Circulating System

| <u>Interval</u> | <u>Mud Wt.</u> | <u>Visc.</u> | <u>FL</u> | <u>Type Mud System</u> |
|-----------------|----------------|--------------|-----------|---|
| 40' – 900' | 8.5 - 8.6 | 32 – 34 | NC | Fresh water gel/lime slurry. Add paper for seepage. If losses occur, utilize 15-25 lb/bbl LCM. If necessary, spot LCM pill for losses. If not regained, dry drill to depth. |
| 900' – 5000' | 8.4 - 9.3 | 28 -34 | NC-12 | Fresh water-cut brine. Drill out w/ fresh water using paper and high viscosity sweeps for seepage and hole cleaning. At ~ 3,600' add brine to mud. Mud up at ~4,600' utilizing starch/PAC system. |
| 4320' – 8540' | 8.8 - 9.3 | 32 – 50 | 15 | XCD polymer system. Sweep as necessary for hole cleaning. |

Proposed Drilling Plan:

Drill 7-7/8" pilot hole to ~5000' and log well. Plug back and dress off to KOP ~4320'. Drill curve w/ 15°/100' BUR to ~90° inclination. Drill 7-7/8" lateral to ~8540'. Run and cement 5-1/2" casing.

March 24, 2006

Bryan Arrant, Geologist
Oil Conservation Division
1301 W. Grand Ave.
Artesia, NM 88210

RECEIVED

MAR 27 2006

OGG-ARTESIA

RE: David H. Arrington Oil & Gas, Inc., - Wonderbunny, Well #1H
Sec 17, T17S, R24E, Eddy County, NM

Bryan,

I initially submitted this application on 1-11-06. I failed to designate the 320 acres, and the location had already been filed on by EOG. It is my understanding that through negotiations @ OCD-Santa Fe that Arrington received the authority to drill this location vs. EOG.

I went on-line today to submit, but it still shows the EOG permitted location, so I am sending the complete application to you. I hope this is okay, as I needed to send you all the supplemental data anyway. I really appreciate your help on this permitting process.

Thank you,



Ann E. Ritchie, Regulatory Agent
David H. Arrington Oil & Gas, Inc.
c/o P.O. Box 953
Midland, TX 79702
1-800-432-2967/432-682-1458-fax
ann.ritchie@wtor.net

APD enclosed

DAVID H. ARRINGTON OIL & GAS, INC.

P.O. BOX 2071, MIDLAND, TEXAS 79702
OFF (432) 682-6665
FAX (432) 682-4139

March 24, 2006

EOG Resources, Inc.
P.O. Box 2267
Midland, Texas 79702

Attention: Patrick J. Tower

Re: Drilling Permits - EOG Resources, Inc. - Joliba 1H and 2H wells
E/2 Section 17, T17S, T24E, N.M.P.M.
Eddy County, New Mexico

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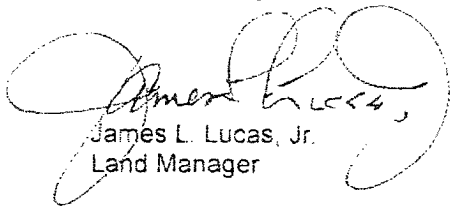
Gentlemen:

David H. Arrington Oil & Gas, Inc. (Arrington), and EOG Resources, Inc. (EOG), have verbally agreed that EOG will assign its drilling permits covering the captioned acreage in order that Arrington may build a location. Likewise, Arrington hereby agrees to indemnify, release and hold harmless EOG, as to any and all operations conducted by Arrington on said lands, prior to the execution of a mutually acceptable Joint Operating Agreement. Should EOG and Arrington be unable to agree upon a Joint Operating Agreement within ten (10) days of receipt of EOG's permission to conduct operations, ~~or assignment of the drilling permits~~, Arrington will re-assign the drilling permits to EOG.

Should you have any questions, or wish to discuss this further, do not hesitate to contact the undersigned at the extension 320, by email at jamey@arringtonoil.com, or by cell phone at (432) 528-4293. Please indicate your acceptance in the space provided below, and return an executed copy. I sincerely appreciate your cooperation in this matter.

Very truly yours,

David H. Arrington Oil & Gas, Inc.


James L. Lucas, Jr.
Land Manager

EOG agrees ☒ (does not ☐) agree to allow Arrington to begin conducting operations on the captioned lands and will assign its drilling permits, as stated above.

EOG Resources, Inc.

by:  PJH

Name: STEVEN E. WEATHERL

Title: VICE PRESIDENT