

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

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 30-015-34670 |
| 4. Property Code | 5. Property Name RED HOSE | 6. Well No. 002H |

7. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot O | Section 14 | Township 18S | Range 23E | Lot Idn O | Feet From 400 | N/S Line S | Feet From 1880 | E/W Line E | County EDDY |
|---------------|---------------|-----------------|--------------|--------------|------------------|---------------|-------------------|---------------|----------------|

8. Pool Information

| | |
|-----------------------|-------|
| WILDCAT; WOLFCAMP GAS | 97489 |
|-----------------------|-------|

Additional Well Information

| | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------------|-------------------------|---------------------------------------------|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3900 |
| 14. Multiple N | 15. Proposed Depth 8630 | 16. Formation Wolfcamp | 17. Contractor | 18. Spud Date 3/15/2006 |
| 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 <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input checked="" 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 | 12.25 | 8.625 | 32 | 1300 | 1450 | 0 |
| Prod | 7.875 | 5.5 | 17 | 8630 | 890 | 0 |

Casing/Cement Program: Additional Comments

| |
|------------------------------------------------------------------------|
| Fresh water depth is 500', wash out zones from approximately 850-900'. |
|------------------------------------------------------------------------|

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 NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> . Printed Name: Electronically filed by Danny Ledford Title: Manager Email Address: dledford@arringtonoil.com Date: 3/6/2006 | OIL CONSERVATION DIVISION | |
| | Approved By: Bryan Arrant | |
| | Title: Geologist | |
| | Approved Date: 3/8/2006 | Expiration Date: 3/8/2007 |
| | Phone: 432-682-6685 | |
| Conditions of Approval Attached | | |

RIG 624

First wall on reserve @
back of cellar on pump side

120'

20'

20'

40'

40'

124'

40'

10'

45'

150'

170'

165'

150'

6' x 6' Cellar

130' x 135' interior pit diameter

Rathole/Mousehole

S 5' 5" → M 20' @ 3 deg

8' 2" → 7' 8" → R 30' @ 6 deg

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

Energy, Minerals, and Natural Resources Department

Revised August 15, 2000

Submit to Appropriate District Office:

State Lease 4 copies

Free Lease - 3 copies

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

1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

DISTRIBUTION
1220 S. St. Francis Dr., Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------|-----------------------------------------------|------------------------------------------|
| AP# Number 30-015 | Pond Code 75250 | Pond Name Cottonwood Creek (Wolfcamp) |
| Property Code | Property Name RED HOSE | Well Number 2H |
| CheckID No 5898 | Operator Name DAVID H. ARRINGTON OIL & GAS | Elevation 3900' |

¹⁰ Surface Location

| 11 or lot no. | Section | Township | Range | Lot Idn | Feet from the | North-South line | Feet from the | East-West line | County |
|---------------|---------|----------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| 0 | 14 | 18 SOUTH | 23 EAST, N.M.P.M. | | 400' | SOUTH | 1880' | EAST | EDDY |

¹¹ Bottom Hole Location If Different From Surface

| 11 | or lot no. | Section | Township | Range | Lot, 1/4 | Feet from the | North-South line | Feet from the | East-West line | County |
|----|------------|---------|----------|-------------------|----------|---------------|------------------|---------------|----------------|--------|
| | B | 14 | 18 SOUTH | 23 EAST, N.M.P.M. | | 660' | NORTH | 1880' | EAST | EDDY |

| | | | | | | | |
|----|-----------------|----|-----------------|----|--------------------|----|-----------|
| 10 | Dedicated Acres | 11 | Joint or Infill | 12 | Consolidation Code | 13 | Order No. |
| | 320 | | | | | | |

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

BHL
X = 698049
Y = 637948
LAT. N 32.7533800
LONG. W 104.6582292

POINT OF ENTRY
X = 698784
Y = 633977
LAT. N 32.7424635
LONG. W 104.6592354

NAD 27 NW 1/4
X = 699794
Y = 642713
LAT. N 32.7417494
LONG. W 104.6592356

Distances:
Top Well to Point of Entry: 1680'
Point of Entry to Bottom Well: 1680'
Top Well to Bottom Well: 1680'

Bearings:
From Top Well to Point of Entry: S 89° 17' E 421.6' PL 24.4
From Point of Entry to Bottom Well: S 89° 17' E 421.6' PL 24.4

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: Ann E. Ritchie
Title: Regulatory Agent
Date: 3-1-06

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plan was placed 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.

FEBRUARY 23, 2006

Date of Survey
Signature and Seal of Professional Surveyor

V. L. BEZNER R.P.S. #7928

JOB # 11002 101 SW 1/4 SEC. 16

BOTTOMHOLE INFORMATION PROVIDED BY DAVID H. ARPENTON JR. ENR

Permit Comments

Operator: DAVID H ARRINGTON OIL & GAS INC , 5898

Well: RED HOSE #002H

API: 30-015-34670

| Created By | Comment | Comment Date |
|------------|-------------------------------------------------------------------|--------------|
| BArrant | Please see e-mail of explanation to Mr. Ledford sent on 3/3/2006. | 3/5/2006 |

Permit Conditions of Approval

Operator: DAVID H ARRINGTON OIL & GAS INC , 5898

Well: RED HOSE #002H

API: 30-015-34670

| OCD Reviewer | Condition |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| BArrant | Will require a directional survey with the C-104 |
| BArrant | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |
| BArrant | Operator to drill surface hole to @ 1300'. As noted, operator to drill surface hole with fresh water mud. |
| BArrant | Please notify OCD time of spud & time to witness the cementing of the surface and production strings of casing. |