

ARRINGTON OIL & GAS OPERATING LLC

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

RECEIVED OCD
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 #: NMA9

Date: 1/29/2012

Original
 Supplement

Lease: Green Eyed Squealy Worm

Well #: 1

Well Type: Gas

API #: 30-025-36013

County: Lea

State: New Mexico

Location: 1,974' FSL & 1,129' FEL
 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						
Bits						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
Pits & 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
Sickline						
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%	6,825
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 Pumps/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
Water 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

Keith E. Bucy - General Manager

Partner Approval

Art Carrasco

Art Carrasco - Operations Manager

Company: _____

Approved By: _____

Title: _____

David H. Arrington - President

Date: _____

2/1/2012