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RECEIVED OCD

2010 AUG -2 P 4: 25

August 2, 2010

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Case 14538

Dear Florene:

Enclosed for filing, on behalf of Marshall & Winston, Inc., are an original and one copy of an application to cancel an operator's authority, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set the application for the September 2, 2010 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Marshall & Winston, Inc.

Parties Being Notified

David H. Arrington Oil & Gas, Inc.

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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2010 AUG -2 P 4: 25

APPLICATION OF MARSHALL & WINSTON, INC.  
TO CANCEL AN OPERATOR'S AUTHORITY AND  
TERMINATE A SPACING UNIT, AND APPROVE A  
CHANGE OF OPERATOR, LEA COUNTY, NEW MEXICO.

Case No. 14538

APPLICATION

Marshall & Winston, Inc., for its application, states:

1. Applicant owns or controls 100% of the working and royalty interest in the N $\frac{1}{2}$ SE $\frac{1}{4}$  of Section 26, Township 15 South, Range 34 East, NMPM.
2. The Green Eyed Squealy Worm Well No. 1 (the "Well"), located 1974 feet from the south line and 1129 feet from the east line of Section 26, was drilled in 2004 by David H. Arrington Oil & Gas, Inc. ("Arrington") and completed in the Morrow formation. The S $\frac{1}{2}$  of Section 26 was dedicated to the Well.
3. The Well produced from the Morrow formation until September 2008, at the latest. The well has not been plugged and abandoned, but production from the Well (from any formation) has ceased. Arrington is still operator of record of the Well.
4. Applicant desires to re-enter the well to test an oil zone developed on 40 acre spacing. Applicant will own 100% of the working interest in such re-completion. Applicant is currently ready and able to re-enter the Well and conduct its proposed operations.
5. Arrington has proposed to re-enter the Well, purportedly to restore production from existing Morrow perforations, and has filed an application seeking to pool all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$  of Section 26, to form a standard 320-acre gas spacing unit for all pools or formations developed on 320-acre

spacing, and the SE¼ of Section 26 to form a standard 160-acre gas spacing unit for all pools or formations developed on 160-acre spacing. **Case No. 14497.**

6. Applicant's working interest is not subject to an operating agreement or other agreement pertaining to development of the N½SE¼ of Section 26 or the S½ of Section 26. However, Arrington sent re-entry proposals on the Well to applicant and to Winston Partners, Ltd. (who together own 100% of the mineral interest in the N½SE¼ of Section 26) implying that a JOA is still in effect. That is incorrect.

7. It is applicant's opinion that production cannot be re-established from existing Morrow perforations, and that Arrington's purpose in filing its application was to coerce applicant into agreeing to jointly develop its 80 acres with Arrington, which applicant does not desire to do.

8. As a result, applicant requests that Arrington's authority to operate the Well be canceled, the current S½ of Section 26 spacing unit be terminated, and that operatorship of the Well be transferred to applicant.

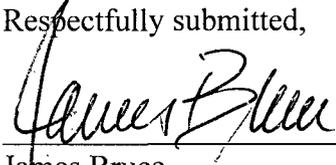
9. The granting of this application is in the interests of conservation and the prevention of waste.

WHEREFORE, applicant requests that, after hearing, the Division enter its order:

- A. Denying the relief requested by Arrington in Case No. 14497;
- B. Canceling Arrington's authority to operate the Well;
- C. Terminating the current S½ of Section 26 spacing unit; and
- D. Transferring operatorship of the Well to applicant.

Applicant further requests that, if Arrington's pooling application is granted, the order provide that, at such time as production from the Well again ceases, Arrington be prohibited from plugging and abandoning the Well.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Marshall & Winston, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 2nd day of August, 2010 by facsimile transmission:

William F. Carr  
Ocean Munds-Dry  
Holland & Hart LLP  
P.O. Box 2208  
Santa Fe, New Mexico 87504  
(505) 983-6043



James Bruce

PROPOSED ADVERTISEMENT

Case No. 14538 :

*Application of Marshall & Winston, Inc. to cancel an operator's authority and terminate a spacing unit, and approve a change of operator, Lea County, New Mexico.* Applicant seeks an order canceling the authority of David H. Arrington Oil & Gas, Inc. to operate the Green Eyed Squealy Worm Well No. 1, located 1974 feet from the south line and 1129 feet from the east line of Section 26, Township 15 South, Range 34 East, NMPM, and terminating the S½ of Section 26 spacing unit currently dedicated to the well. Applicant further requests that it be approved as operator of the well. The well is located approximately 8 miles west-northwest of Lovington, New Mexico.

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MARSHALL & WINSTON, INC.  
 100% WORKING INTEREST  
 AUGUST 30, 2010 NYMEX PRICES  
 NONESCALATED ECONOMICS

PROPERTY  
 RESERVES AND ECONOMICS

EFFECTIVE SEP 01, 2010  
 YEAR ENDS DEC 31, 2010

GREEN EYED SQUEALY WORM #1  
 EIDSON NORTH (MORROW)  
 NM, LEA  
 ARRINGTON DAVID H OIL & GAS INC.  
 PDNP(BP)

OWNERSHIP	EXPENSE	OIL NET	GAS NET		OIL	GAS
	---	---	---		---	---
	---	---	---		---	---
INITIAL INTERESTS	100.0000	80.8922	80.8922	GROSS WELLS	1.0	0.0
FINAL INTERESTS	100.0000	80.8922	80.8922	GROSS CUM (MBBL & MMCF)	0.000	0.000
				GROSS RES (MBBL & MMCF)	5.852	223.956
				GROSS ULT (MBBL & MMCF)	5.852	223.956

--END-- MO-YEAR	GROSS RESERVES		NET RESERVES		BACK CALC AVG PRICE		NET REVENUE		
	OIL MBBL	GAS MMCF	OIL MBBL	GAS MMCF	OIL \$/BBL	GAS \$/MCF	OIL M\$	GAS M\$	TOTAL M\$
12-2010	0.365	13.138	0.295	10.627	72.644	2.492	21.445	26.480	47.925
12-2011	1.290	46.455	1.044	37.579	72.644	2.492	75.829	93.636	169.465
12-2012	1.079	39.105	0.873	31.633	72.644	2.492	63.410	78.821	142.230
12-2013	0.906	33.839	0.733	27.373	72.644	2.492	53.264	68.207	121.471
12-2014	0.761	29.773	0.616	24.084	72.644	2.492	44.742	60.010	104.752
12-2015	0.640	26.259	0.517	21.242	72.644	2.492	37.583	52.929	90.512
12-2016	0.537	23.161	0.435	18.735	72.644	2.492	31.570	46.684	78.253
12-2017	0.273	12.227	0.221	9.891	72.644	2.492	16.028	24.645	40.673
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
SUB	5.852	223.956	4.734	181.163	72.644	2.492	343.870	451.412	795.282
REM	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	5.852	223.956	4.734	181.163	72.644	2.492	343.870	451.412	795.282

--END-- MO-YEAR	SEVERANCE	AD VALOREM	OPERATING	REV BEFORE	CAPITAL	FUTURE NET	REVENUE	DISC NET	REVENUE
	TAX	TAX	COSTS	CAPITAL	COSTS	PERIOD	CUMULATIVE	PERIOD	CUMULATIVE
	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$
12-2010	3.623	1.423	15.000	27.879	160.650	-132.771	-132.771	-132.044	-132.044
12-2011	12.811	5.032	60.000	91.622	0.000	91.622	-41.149	84.867	-47.176
12-2012	10.754	4.223	60.000	67.253	0.000	67.253	26.104	56.631	9.454
12-2013	9.192	3.607	60.000	48.672	0.000	48.672	74.776	37.266	46.721
12-2014	7.937	3.110	60.000	33.705	0.000	33.705	108.481	23.474	70.194
12-2015	6.867	2.687	60.000	20.958	0.000	20.958	129.439	13.285	83.480
12-2016	5.945	2.323	60.000	9.986	0.000	9.986	139.425	5.775	89.255
12-2017	3.093	1.207	35.000	1.372	0.000	1.372	140.797	0.737	89.992
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
SUB	60.222	23.612	410.000	301.447	160.650	140.797	140.797	89.992	89.992
REM	0.000	0.000	0.000	0.000	0.000	0.000	140.797	0.000	89.992
TOTAL	60.222	23.612	410.000	301.447	160.650	140.797	140.797	89.992	89.992

*7 years @ 90,000*

PRIMARY DISCOUNT RATE 10.00%

PROJECT SETTINGS		ECONOMIC PARAMETERS		DISCOUNT PROFILE	
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SCENARIO	WPC1008	EFFECTIVE DATE	09/2010	0.00	140.796
SETTINGS	WPC2010_09	ECONOMIC LIFE	6.917 YEARS	5.00	112.865
DBS NAME	MARSHALL_09421	UNDISCOUNTED PAYOUT	1.95 YEARS	10.00	89.992
REPORT FILE	WPC_REPORT1	DISCOUNTED PAYOUT	2.17 YEARS	15.00	71.002
		UNDISCOUNTED ROI	1.876	20.00	55.044
		DISCOUNTED ROI	1.565	25.00	41.485
		RATE OF RETURN	47.55 %	30.00	29.852
				35.00	19.781
				40.00	10.994
				50.00	-3.561
				60.00	-15.085

26I 15S 34E SW NE SE  
 IHS 1300210253601376360

WILLIAMSON PETROLEUM CONSULTANTS, INC.  
 TEXAS REGISTERED ENGINEERING FIRM F-81  
 MIDLAND, TEXAS PROJECT 0.9421  
 JOHN D. SAVAGE, P.E./LAS