

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

**APPLICATION OF TMBR/SHARP DRILLING INC.
FOR AN ORDER STAYING DIVISION APPROVAL
OF TWO APPLICATIONS FOR PERMIT TO DRILL
BY DAVID H. ARRINGTON OIL & GAS, INC.,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12731

TMBR/SHARP EXHIBITS

EXHIBIT 1:

- (a) Arrington's C-102 for Triple Hackle Dragon 25 Well No. 1
W/2 Section 25, T16S, R35E dated 7/17/01
- (b) TMBR/Sharp's C-102 for Bluefin 25 Well No. 1
N/2 Section 25, T16S, R35E dated 8/7/01
- (c) Arrington's C-102 for Blue Drake 23 Well No.
E/2 Section 23, T16S, R35E dated 7/25/01
- (d) TMBR/Sharp's C-102 for Leavelle 23 Well No. 1
E/2 Section 23, T16S, R35E dated 8/7/01

EXHIBIT 2:

On July 17, 2001, Arrington filed an application for permit to drill ("APD" including Division Form C-101 and Form C-102) and on the same day obtained approval from the OCD-Hobbs to drill the Triple Hackle Dragon 25 Well No. 1 in the W/2 of Section 25, T16S, R35E, Lea County, New Mexico.

EXHIBIT 3:

On July 30, 2001, Arrington filed an application for permit to drill ("APD" including Division Form C-1-1 and Form C-102) and on the same day obtained approval from the OCD-Hobbs to drill the Blue Drake 23 Well No. 1 in the E/2 of Section 23, T16S, R35E, Lea County, New Mexico.

EXHIBIT 4:

On August 8, 2001, TMBR/Sharp filed an APD to drill its Blue Fin 25 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the W/2 of Section 25, T16S, R35E stating that the permit granted to Arrington for his Triple Hackle Dragon Well No. 1 with a N/2 spacing unit orientation precluded the approval of TMBR/Sharp's application.

On August 8, 2001, the OCD-Hobbs issued a letter/order denying TMBR/Sharp's APD.

EXHIBIT 5:

On August 8, 2001, TMBR/Sharp filed an APD permit to drill its Leavelle 23 Well No. 1 to be dedicated to a 320-acre spacing unit consisting of the E/2 of Section 23, T16S, R35E stating that the permit granted to Arrington for his Blue Drake 23 Well No. 1 also with a W/2 spacing unit orientation precluded the approval of TMBR/Sharp's application.

On August 8, 2001, the OCD-Hobbs issued a letter/order denying TMBR/Sharp's APD

EXHIBIT 6:

Effective December 7, 1997, Madeline Stokes entered into an oil and gas lease with Ameristate Oil & Gas, Inc. ("Stokes Lease") covering, among other lands, the NW/4SW/4 and NW/4 of Section 24, T16S, R35E, Lea County, New Mexico.

Effective December 7, 1997, Erma Stokes Hamilton entered into an oil and gas lease with Ameristate Oil & Gas, Inc. ("Hamilton Lease") covering, among other lands, the NW/4SW/4 and NW/4 of Section 24, T16S, R35E, Lea County, New Mexico;

TMBR/Sharp is successor to Ameristate.

The primary term for both of these leases ended at midnight June 6, 2001;

EXHIBIT 7:

Effective July 1, 1998, TMBR/Sharp entered into an operating agreement covering lands in Lea County, New Mexico including the Hamilton and Stokes' lands.

EXHIBIT 8:

On November 17, 2000, TMBR/Sharp as operator under this operating agreement, filed an application for permit to drill its Blue Fin "24" Well No. 1 and to dedicate a 320-acre gas spacing and proration unit consisting of the W/2 of Section 24 to the well. The permit was approved on November 22, 2000 by the OCD.

On March 29, 2001 TMBR/Sharp commenced drilling and on June 29, 2001 completed its Blue Fin 24 Well No. 1 for production from the North Townsend Mississippian Gas Pool.

TMBR/Sharp contends that its drilling and completion of the Blue Fin 24 Well No. 1 was sufficient to extend the Hamilton and Stokes leases beyond their primary terms.

EXHIBIT 9:

On March 27, 2001, Madeline Stokes entered into an oil and gas lease with James D. Huff ("Stokes-Huff top lease") which covered the same lands as her lease to Ameristate.

On March 27, 2001, Erma Stokes Hamilton entered into an oil and gas lease with James D. Huff ("Hamilton-Huff top lease") which covered the same lands as her lease to Ameristate.

Arrington's right to drill and operate these wells is predicated upon his assumption that two oil & gas leases held by TMBR/Sharp had expired and that two "top leases" are now in effect.

Arrington contends that controls some or all of the operating rights in the Hamilton-Huff top lease and the Stokes-Huff top lease.

EXHIBIT 10:

On August 21, 2001, TMBR/Sharp filed litigation in the Fifth Judicial District Court, Lea County, New Mexico seeking a judicial determination, among other things, of TMBR/Sharp's right to drill and operate wells on the disputed lease acreage.