



via Fax and US Mail
505/827-8177


October 27, 1999

OCT 29 1999

Mr. David Catanach
NMOCD
2040 South Pacheco
Santa Fe, NM 87505

RE: Application of David H. Arrington Oil & Gas, Inc. for compulsory pooling, directional drilling, and an unorthodox well location, Lea County, New Mexico. (Case No. 12274, Hearing Date of November 4, 1999)

Dear Mr. Catanach:

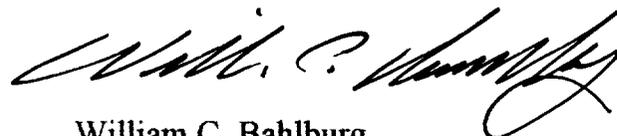
We received notice today by Certified Mail of the above described compulsory pooling application by David H. Arrington Oil & Gas, Inc. Bahlburg Exploration, Inc. owns a 1.328125% of 8/8ths leasehold interest in the SE/NE of Section 29. We have previously offered to farmout our leasehold interest in the SE/NE of Section 29 to Arrington on industry standard terms (1/4 BIAPO), but have not received a response as of this date. Enclosed for your review are copies of all correspondence received from Arrington or sent to Arrington by us concerning this matter.

We will be unable to attend the hearing in Santa Fe on November 4th. We respectfully request that our interest be excluded from any compulsory pooling action as we intend to support Arrington's test well through a farmout of our interest per our letter dated October 19, 1999.

Please call me if you have any questions or comments.

Very truly yours,

BAHLBURG EXPLORATION, INC.



William C. Bahlburg
President

Enclosures (4)
cc: Bill Carr



via Certified Return-Receipt Mail
Z 196 351 915

October 19, 1999

FILE COPY

Mr. Dale Douglas
David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, Texas 79702

RE: Prince Nymph #1 Sidetrack Proposal(Revised)
Section 29-T15S-R36E
Lea County, New Mexico

Gentlemen:

We received your letter dated October 11, 1999 yesterday revising your previous proposal dated September 8, 1999. We are in agreement with your new designation of the SE/NE of Section 29 as the proration unit for the proposed test. Therefore, please be advised that Bahlburg Exploration, Inc. will agree to support your proposed well through a Farmout of it's leasehold interest in the SE/NE of Section 29 on the basis of .75 NRI delivery and a proportionately reduced 25% Back-in After Payout of the well costs in favor of BEI. Our offer to farmout is subject to execution of a formal Farmout Agreement containing mutually acceptable terms and conditions. Please prepare and send us a Farmout Agreement for our review and execution.

We wish you success in your proposed well and look forward to our participation through the above described farmout of our interest.

Very truly yours,

BAHLBURG EXPLORATION, INC.

William C. Bahlburg

cc: NMOCD

2 196 351 915

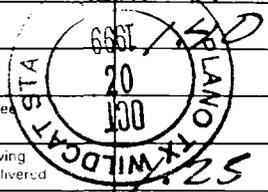


Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, March 1993

Sent to ARLINGTON OIL & GAS INC.	
Street and No. P.O. BOX 2071	
P.O., State and ZIP Code MIDLAND TX 79702	
Postage	\$ 33
Certified Fee	1.50
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	52 WILDCAT
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$ 2.98
Postmark or Date LM	



214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 916
Phone: 682-6685
Fax: 682-4139

October 11, 1999

CERTIFIED MAIL: 2 470 962 353

Bahlburg Exploration, Inc.
C/O William C. Bahlburg
PO Box 866937
Plano, TX 75086



Re: Prince Nymph #1 Well
Surface Location 2446' FSL and 1006' FEL, Section 29-T15S, R36E
Lea County, New Mexico

Gentlemen:

Reference is herein made to that certain letter dated September 8, 1999 from David H. Arrington Oil & Gas, Inc. proposing the re-entry of the captioned wellbore.

At the request of one party, which represents several of the parties in the originally proposed spacing unit, in order to accommodate the requests of these parties, we would like to change the acreage which would be included in this spacing unit. As well, we have discovered that this well will be drilled on statewide rules which provide for 40 acre spacing. Therefore, the new spacing unit for this well will be the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico.

In changing this spacing unit, the bottom hole location for this re-entry, will be at an unorthodox location.

Please consider this change in spacing unit in your evaluation of the September 8, 1999 proposal letter.

Should there be any questions or comments regarding this matter, please advise.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.


Dale Douglas, CPL

September 29, 1999

Mr. Dale Douglas
David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, Texas 79702

FILE COPY

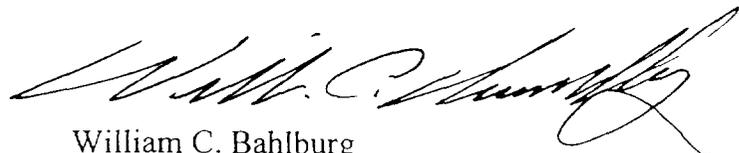
RE: Prince Nymph #1 Sidetrack Proposal
Section 29-T15S-R36E
Lea County, New Mexico

Gentlemen:

We received your letter dated September 8, 1999 yesterday outlining your proposal to drill a sidetrack hole in your Prince Nymph #1 well to a new bottom-hole location under our leasehold interest in the NE/4 of Section 29, T15S, R36E. Please be advised that we reject your proposal as being unfair and inequitable to lessors in the NE/4 of said section. When you drilled the Prince Nymph #1 well you located the well in the SE/4 only 194 ft. from our southern lease boundary and applied for an unorthodox location and 80 ac. spacing unit comprised of the E/2 SE/4 excluding our leasehold in the NE/4. We originally questioned your well location because it seemed unfair to drill the well so close to our lease without including our leasehold interest in the spacing or proration unit. However, Arrington was adamantly opposed to including our lease interest regardless of the proximity to our lease boundary. Now that you have drilled your Prince-Nymph #1 well at this unorthodox location and proven the well and surrounding leasehold in the SE/4 to be non-productive you now propose to form a new 80-ac. unit that includes only 40 acres of our leasehold interest with the other half being contributed from your non-productive leasehold in the SE/4. You condemned your leasehold in the SE/4 and it should not be included in the proration unit for your proposed sidetrack test of our lease interest in the NE/4.

We propose that you form an 80-ac. proration unit for your new bottom-hole location on our leasehold using the S/2 NE/4 of Section 29 and conduct your sidetrack operation as you described in your September 8th letter. We will either join in this operation, farmout, or sell you a term lease for \$200.00 per net acre and .75 NRI. We will oppose any attempt to combine our leasehold in the NE/4 with your proven non-productive lease interest in the SE/4. In the event you have any questions, please contact the undersigned.

Very truly yours,
BAHLBURG EXPLORATION, INC.



William C. Bahlburg
President

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

September 8, 1999

CERTIFIED MAIL: P 700 120 771

Bahlburg Exploration, Inc.
C/O William C. Bahlburg
PO Box 866937
Plano, TX 75086



Re: Prince Nymph #1 Well
Surface Location 2446' FSL and 1006' FEL, Section 29-T15S, R36E
Lea County, New Mexico

Gentlemen:

David H. Arrington Oil & Gas, Inc. ("Arrington") drilled the captioned well to an approximate depth of 12,050' and plugged and abandoned this well as a dry hole in the fourth quarter of 1998. Arrington is proposing to re-enter and sidetrack this wellbore to an approximate bottomhole location of 2440' FNL and 866' FEL of Section 29 to test the Wolfcamp zone at a depth of approximately 11,000'. Utilizing this wellbore shall effect a savings to all parties electing to participate in evaluating the potential of this Wolfcamp zone. Arrington is proposing that the spacing unit for this wellbore encompass the NE/4SE/4 and the SE/4NE/4 of Section 29, T15S, R36E, Lea County, New Mexico.

In this regard, please find enclosed Arrington's AFE for this proposed operation. In the event that you should elect to participate in this operation, please so indicate by signing and returning one copy of the AFE. Upon receipt of your signed AFE, we will furnish a Joint Operating Agreement for your review and execution.

In the event that you should wish to not participate in this proposed operation, Arrington hereby submits for your review the following proposal for a term assignment covering your leasehold estate under the SE/4NE/4 of Section 29:

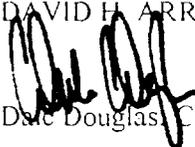
1. One (1) year term
2. \$100.00 per leasehold acre bonus
3. You would retain an ORRI equal to difference between 22.5% and leasehold burdens

In the event you elect to grant a term assignment, please advise, and we will prepare and furnish for your review and execution such term assignment.

Should there be any questions or comments regarding this matter, please advise.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.


Dale Douglas, CPL

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: 99-0709 Date: 7/8/99 Original
 Supplemental
 Lease: Prince Nymph Well #: 1 Well Type: Oil
 Location: NE/SE Section 29, T15N-R36E County: Lea State: New Mexico
 Prospect: West Dean Objective: Wolfcamp Proposed TD: 11,000'
 Purpose of Expenditure: Re-enter, Drill, Complete Wolfcamp Oil Test

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	0	0	0
	Staking & Permitting & City of Lovington	0	0	0
	Location, Roads & Damages	5,000	5,000	10,000
	Lease Restoration	4,500	0	4,500
	Mobilization/Demobilization	20,000	0	20,000
	Drilling - Footage @ /Ft	0	0	0
	Drilling - Daywork 10 @ \$5,500 /Day	55,000	0	55,000
	Drilling - Directional	70,000	0	70,000
	Completion Rig 7 @ \$2,000 /Day	0	14,000	14,000
	Pit Lining	0	0	0
	Bits, Reamers & Stabilizers	24,500	0	24,500
	Drilling & Completion Fluids & Oil	20,000	0	20,000
	Water	5,000	0	5,000
	Mud Logging 7 @ \$500 /Day	3,500	0	3,500
	Drill Stem Tests (1)	3,000	0	3,000
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores	20,000	0	20,000
	Cement & Services - Surface	0	0	0
	Cement & Services - Intermediate	0	0	0
	Cement & Services - Production	0	15,000	15,000
	Perforating & Cased Hole Logs	0	8,000	8,000
	Acidizing, Fracturing & Stimulation	0	10,000	10,000
	Rental Equipment (Safety, Test Tk., Choke, ect.) Rot. Head	7,000	0	7,000
	Installation - Production Facilities	0	9,000	9,000
	Inspection & Well Testing	1,000	2,000	3,000
	Transportation	3,000	1,000	4,000
	Miscellaneous Labor	1,000	2,000	3,000
	Engineering & Geological Services	2,500	1,500	4,000
	Overhead	2,000	1,000	3,000
	Supervision	6,000	4,000	10,000
	Sand Blast & Coat Casing	0	2,000	2,000
	Contingencies	17,000	3,500	20,500
	Gross Receipts Tax	13,500	3,900	17,400
	TOTAL INTANGIBLE EXPENSE	283,500	81,900	365,400

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor of @ /Ft	0	0	0
	Casing - Surface of /Ft	0	0	0
	Casing - Intermediate of @ /Ft	0	0	0
	Casing - Intermediate of @ /Ft	0	0	0
	Casing - Production 9000 of 5 1/2 @ \$5.70 /Ft	0	51,300	51,300
	Casing - Production 2000 of 5 1/2 @ \$5.90 /Ft	0	11,800	11,800
	Tubing 11,000 of 2 7/8 @ \$2.85 /Ft	0	31,400	31,400
	Float & Other Equipment	0	1,500	1,500
	Wellhead Equipment, Tree	0	12,000	12,000
	Sucker Rods	0	18,000	18,000
	Down Hole Pump	0	3,000	3,000
	Packer/TAC	0	4,300	4,300
	Pumping Unit & Prime Mover	0	50,000	50,000
	Tank Battery & Storage Facilities	0	19,000	19,000
	Separator/Heater Treater/Dehydrator	0	8,500	8,500
	Meters & Flowlines	0	1,000	1,000
	Miscellaneous Valves & Fittings	0	8,000	8,000
	Gross Receipts Tax	0	10,900	10,900
	TOTAL TANGIBLE EXPENSE	0	230,700	230,700
	TOTAL WELL COST	283,500	312,600	596,100

NOTE: THIS AFE IS ONLY AN ESTIMATE. BY RETURNING ONE APPROVED COPY, YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

David H. Arrington Oil & Gas, Inc. Approval: Partner Approval:
 Prepared By: Steve Scott *Steve Scott* Company: _____
 Approved By: *[Signature]* Approved By: _____
 Title: President Title: _____
 Date: _____ Date: _____

