

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: 99-1020 Date: 10/20/99 Original
 Supplemental
 Lease: H & L Variance Well #: #1 Well Type: Exploratory/Oil
 Location: 1650' FWL & 2130' FSL Sec. 10 T16S-R37E County: Lea State: New Mexico
 Prospect: Sitting Bull Objective: Strawn Proposed TD: 12,000' Vertical
13,000' MD
 Purpose of Expenditure: Drill and Complete Strawn Oil Test

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	800	0	800
	Staking & Permitting	2,700	0	2,700
	Location, Roads & Damages	25,000	3,000	28,000
	Lease Restoration	4,500	0	4,500
	Mobilization/Demobilization	0	0	0
	Drilling - Footage 12,000 @ \$19.00 /Ft	228,000	0	228,000
	Drilling - Daywork 7 @ \$5,700 /Day	39,900	0	39,900
	Drilling - Directional 18 @ \$5,700 /Day	102,600	0	102,600
	Completion Rig 10 @ \$1,500 /Day	0	15,000	15,000
	Pit Lining	5,000	0	5,000
	Bits, Reamers & Stabilizers	0	0	0
	Drilling & Completion Fluids & Oil	25,000	5,000	30,000
	Water	20,000	3,000	23,000
	Mud Logging 25 @ \$450 /Day	11,500	0	11,500
	Drill Stem Tests	8,000	0	8,000
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores	35,000	0	35,000
	Cement & Services - Surface	4,000	0	4,000
	Cement & Services - Intermediate	10,000	0	10,000
	Cement & Services - Production	0	10,000	10,000
	Perforating & Cased Hole Logs	0	8,000	8,000
	Acidizing, Fracturing & Stimulation	0	25,000	25,000
	Rental Equipment (Safety, Test Tk., Choke, ect.)	15,000	5,000	20,000
	Installation - Production Facilities	0	9,000	9,000
	Inspection & Well Testing	5,000	3,000	8,000
	Transportation	2,000	3,000	5,000
	Miscellaneous Labor	2,000	2,000	4,000
	Engineering & Geological Services	8,000	3,000	11,000
	Overhead	9,000	2,500	11,500
	Supervision	16,000	4,000	20,000
	Sand Blast & Coat Casing	105,000	0	105,000
	Contingencies	43,000	9,950	52,950
	Gross Receipts Tax	37,300	6,000	43,300
	TOTAL INTANGIBLE EXPENSE	764,300	116,450	880,750

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor 40 of 20 @ \$50.00 /Ft	2,000	0	2,000
	Casing - Surface 480 of 13 3/8 @ \$14.00 /Ft	6,720	0	6,720
	Casing - Intermediate 1,000 of 8 5/8 @ \$10.50 /Ft	10,500	0	10,500
	Casing - Intermediate 3,900 of 8 5/8 @ \$8.70 /Ft	33,930	0	33,930
	Casing - Production 9,500 of 5 1/2 @ \$5.70 /Ft	0	54,150	54,150
	Casing - Production 3,500 of 5 1/2 @ \$5.90 /Ft	0	20,650	20,650
	Tubing 13,000 of 2 7/8 @ \$2.90 /Ft	0	37,700	37,700
	Float & Other Equipment	2,000	1,500	3,500
	Wellhead Equipment, Tree	6,000	12,000	18,000
	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	16,000	16,000
	Gross Receipts Tax	3,300	13,300	16,600
	TOTAL TANGIBLE EXPENSE	64,450	259,100	323,550
	TOTAL WELL COST	828,750	375,550	1,204,300

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, Petroleum Engineer Company: _____
 Approved By: David H. Arrington Approved By: _____
 Title: President Title: _____
 Date: _____ Date: _____

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 12313 Exhibit No. 3
 Submitted by: David H. Arrington Oil & Gas
 Hearing Date: December 16, 1999