

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

December 18, 2000

CERTIFIED MAIL RETURN RECEIPT REQUESTED: 7000 0520 0020 7938 7271

Mr. Ken Gray  
Energen Resources Corporation  
3300 North "A" St., Building 4, Suite 100  
Midland, TX 79705

Re: Disco Midge #1 Well  
SFL: approximately 330' FWL and 1560' FNL; BHL: approximately 660' FNL and 800' FWL  
W/2 of Section 35, T16S, R35E  
Lea County, NM  
Our Calliente Prospect

Gentlemen:

David H. Arrington Oil & Gas, Inc. hereby proposes the drilling of the captioned well at the location referenced above to test the Mississippian formation. This well will be drilled to an approximate measured depth of 13,100'. You will find enclosed an AFE for the drilling and completion of this well which sets forth the anticipated costs. We intend to commit the W/2 of Section 35, T16S, R35E, to the spacing unit for this well.

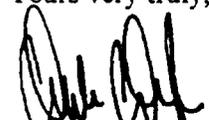
Our review of the records indicates that Energen Resources Corporation owns an undivided leasehold interest in the W/2 of the SW/4 of said Section 35, as to rights lying below the base of the Strawn formation, which is to be included in this W/2 spacing unit.

In the event you should desire to participate in the drilling of this test well, please so indicate by signing and returning one copy of the AFE to my attention as soon as possible. In the event you should elect to participate, we will forward for your review and execution a Joint Operating Agreement.

In the alternative, in the event you should wish to not participate in this test well, we would request that you grant a term assignment of your interest in your leasehold position as to rights lying below the base of the Strawn formation, pursuant to the following terms and conditions: (i) \$100.00 per net acre bonus, (ii) Energen to retain as an ORRI the difference if any between 22% and current leasehold burdens, and (ii) one (1) year primary term.

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

Yours very truly,



Dale Douglas, CPL

/dd

Enclosure

BEFORE THE OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO  
Case No. 12602 Exhibit No. 4

Submitted by:  
David H. Arrington Oil & Gas, Inc.  
Hearing Date: February 22, 2001

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

Original  
 Supplemental

AFE #: \_\_\_\_\_ Date: 9-Nov-00

Lease: Disco Midge Well #: 1 Well Type: Exploratory/Oil

Location: SFL: 330' FWL & 1560 FNL County: Lea State: New Mexico  
BHL: 660' FNL & 800 FWL Section 35, T15S-R35E

Prospect: Caliente Objective: Strawn/Atoka/ Proposed TD: 13,100' MD  
Mississippian

Purpose of Expenditure: Drill and Test Strawn, Atoka, and Mississippian Formation

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	800	0	800
	Staking & Permitting	100	0	100
	Location, Roads & Damages	20,000	2,000	22,000
	Lease Restoration	6,000	0	6,000
	Mobilization/Demobilization	25,000	0	25,000
	Drilling - Footage @ /Ft	0	0	0
	Drilling - Daywork 42 @ \$10,400 /Day	436,800	0	436,800
	Drilling - Directional 15 @ \$6,800	102,000	0	102,000
	Completion Rig 10 @ \$1,800 /Day	0	18,000	18,000
	Fuel, Power & Lubricants	0	0	0
	Bits, Reamers & Stabilizers	35,000	0	35,000
	Drilling & Completion Fluids	40,000	2,000	42,000
	Water	18,000	2,000	20,000
	Mud Logging 30 @ \$650 /Day	19,500	0	19,500
	Drill Stem Tests (3 tests)	15,000	0	15,000
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores	50,000	0	50,000
	Cement & Services - Surface	5,000	0	5,000
	Cement & Services - Intermediate	15,000	0	15,000
	Cement & Services - Production	0	15,000	15,000
	Casing Crews/Laydown Machine	3,000	3,500	6,500
	Perforating & Cased Hole Logs	0	10,000	10,000
	Acidizing, Fracturing & Stimulation	0	85,000	85,000
	Rental Equipment	14,500	3,500	18,000
	Installation - Production Facilities/Electrical	0	15,000	15,000
	Inspection & Testing	5,000	1,000	6,000
	Transportation	5,000	3,500	8,500
	Miscellaneous Labor	2,000	3,000	5,000
	Engineering & Geological Services	4,400	2,000	6,400
	Overhead	8,400	1,700	10,100
	Supervision	21,000	5,000	26,000
	Sand Blast & Coat Casing	0	5,000	5,000
	Contingencies	59,000	11,800	70,800
	Gross Receipts Tax	50,500	10,000	60,500
	<b>TOTAL INTANGIBLE EXPENSE</b>	<b>961,000</b>	<b>199,000</b>	<b>1,160,000</b>

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor of @ /Ft		0	0
	Casing - Surface 470 of 13 3/8" @ \$18.30 /Ft	8,601	0	8,601
	Casing - Intermediate 950 of 8 5/8" @ \$13.20 /Ft	12,540	0	12,540
	Casing - Intermediate 4,000 of 8 5/8" @ \$10.90 /Ft	43,600	0	43,600
	Casing - Production 9,000 of 5 1/2" @ \$7.60 /Ft	0	68,400	68,400
	Casing - Production 4,100 of 5 1/2" @ \$7.80 /Ft	0	31,980	31,980
	Tubing 13,000 of 2 7/8" @ \$3.70 /Ft	0	48,100	48,100
	Float & Other Equipment	2,700	1,500	4,200
	Wellhead Equipment, Tree	5,000	10,400	15,400
	Sucker Rods	0	16,000	16,000
	Down Hole Pump	0	3,000	3,000
	Packer/TAC	0	4,300	4,300
	Pumping Unit & Prime Mover	0	55,000	55,000
	Tank Battery & Storage Facilities	0	17,000	17,000
	Separator/Heater Treater/Dehydrator	0	15,000	15,000
	Meters & Flowlines	0	6,000	6,000
	Miscellaneous Valves & Fittings	0	20,000	20,000
	Contingencies	5,000	20,500	25,500
	<b>TOTAL TANGIBLE EXPENSE</b>	<b>77,441</b>	<b>317,180</b>	<b>394,621</b>
	<b>TOTAL WELL COST</b>	<b>1,038,441</b>	<b>516,180</b>	<b>1,554,621</b>

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

Company:

By:

Chuck Siedge, Petroleum Engineer

Approved

Approved

By:

David H. Arrington, President

Title:

Title:

Date:

Date:

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Ken Gray  
Energen Resources C.  
3300 N. "A" St.  
Building 4, Ste. 100  
Midland, TX 79705  
(Disco midco)

2. Article Number (Copy from service label)

7000 0520 0020 7938 7271

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

JANIA Clements 12-19-93

C. Signature

JANIA Clements  Agent  Addressee

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

- Certified Mail  Express Mail
- Registered  Return Receipt for Merchandise
- Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes