

203 West Wall Street  
Suite 1201 (Zip 79701)  
P.O. Box 10187  
Midland, Texas 79702

**DALE DOUGLAS**  
*Oil & Gas Properties*

Area Code: 915  
Phone : 682-5565  
Fax: 682-4498  
Email: ddrdmidland@aol.com

February 9, 2001

CERTIFIED MAIL: 7099 3400 0016 0200 1181

Bellwether Exploration Company  
1221 Lamar, Suite 1600  
Houston, Texas 77010

Re: Well Proposal  
John's Hopper #1 Well  
Lots 3, 4, E/2SW/4, SE/4 (S/2) Sec. 30, T15S, R35E  
Lea County, New Mexico  
Our Salty Dog Prospect

Gentlemen:

David H. Arrington Oil & Gas, Inc., PO Box 2071, Midland, Texas 79702, hereby proposes the drilling of the captioned well to be drilled at a legal well location in the SE/4 of Section 31, T15S, R35E, Lea County, New Mexico. This well is proposed to be drilled to a depth of approximately 13,200' to test the Mississippian formation. The proposed spacing unit for this well will be the S/2 of said Section 31.

You will find enclosed Arrington's AFE which sets forth the anticipated costs for the drilling and completing of this test well. In the event that you should elect to participate in the drilling of this test well, please so indicate by signing and returning one copy of the AFE to my attention at the letterhead address. Upon receipt of same, we will forward for your review and execution a Joint Operating Agreement.

In the event that you should elect to not participate in the drilling of this test well, we would be glad to entertain a proposal to acquire your leasehold and/or mineral estate under these lands.

Please review this proposal at your earliest convenience, and in the interim period should you have any questions or comments, please advise.

Yours truly,



Dale Douglas CPL  
Enclosure

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12682 Exhibit No. 3  
Submitted by:  
David H. Arrington Oil and Gas, Inc.  
Hearing Date: June 28, 2001

**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:

BELLWETHER EXPLORATION  
COMPANY.  
1221 LAMAR, SUITE 1600  
HOUSTON, TX 77010

2. Article Number (Copy from service label)

7099 3400 0016 0200 1181

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly)

B. Date of Delivery

FEB 21 2000

C. Signature

X

Robert Whitper

☐ 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**U.S. Postal Service****CERTIFIED MAIL RECEIPT**

(Domestic Mail Only; No Insurance Coverage Provided)

Bellwether Exploration Co.

Postage \$

Certified Fee

Return Receipt Fee  
(Endorsement Required)Restricted Delivery Fee  
(Endorsement Required)

Total Postage &amp; Fees \$

Postmark  
Here

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Bellwether Exploration Co.

Street, Apt. No., or PO Box No.

1221 Lamar, Suite 1600

City, State, ZIP+4

Houston, TX 77010

PS Form 3800, February 2000

See Reverse for Instructions

AFE #: 02/07/01-1Date: 02/07/01☒ Original  
☐ SupplementalLease: John's HopperWell #: 1Well Type: Exploratory/GasLocation: 660' FSL & 660' FEL, Sec. 30  
T-15-S, R-35-ECounty: LeaState: New MexicoProspect: Salty Dog ProspectObjective: MississippianProposed TD: 13,200'Purpose of Expenditure: Drill and Complete Mississippian Test

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	800	0	800
	Staking & Permitting	200	0	200
	Location, Roads & Damages	30,000	2,000	32,000
	Lease Restoration	6,000	0	6,000
	Mobilization/Demobilization	40,000	0	40,000
	Drilling - Footage @ /Ft	0	0	0
	Drilling - Daywork 40 @ \$12,000 /Day	480,000	0	480,000
	Drilling - Directional @	0	0	0
	Completion Rig 12 @ \$1,800 /Day	0	21,600	21,600
	Fuel, Power & Lubricants	40,000	0	40,000
	Bits, Reamers & Stabilizers	80,000	0	80,000
	Drilling & Completion Fluids	26,000	2,000	28,000
	Water	18,000	2,000	20,000
	Mud Logging 28 @ \$650 /Day	18,200	0	18,200
	Drill Stem Tests (3 tests)	15,000	0	15,000
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores	55,000	0	55,000
	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	12,000	12,000
	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	7,200	1,800	9,000
	Supervision	24,000	7,200	31,200
	Sand Blast & Coat Casing	0	5,000	5,000
	Contingencies	53,700	13,000	66,700
	Gross Receipts Tax	46,000	11,100	57,100
	<b>TOTAL INTANGIBLE EXPENSE</b>	<b>994,000</b>	<b>209,200</b>	<b>1,203,200</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" @ \$11.15 /Ft	44,600	0	44,600
	Casing - Production 9,000 of 5 1/2" @ \$7.75 /Ft	0	69,750	69,750
	Casing - Production 4,200 of 5 1/2" @ \$8.00 /Ft	0	33,600	33,600
	Tubing 12,900 of 2 7/8" @ \$3.75 /Ft	0	48,375	48,375
	Float & Other Equipment	2,700	1,500	4,200
	Wellhead Equipment, Tree	5,000	15,000	20,000
	Sucker Rods	0		0
	Down Hole Pump	0		0
	Packer/TAC/Misc Downhole	0	10,000	10,000
	Pumping Unit & Prime Mover	0		0
	Tank Battery & Storage Facilities	0	17,000	17,000
	Separator/Heater Treater/Dehydrator	0	15,000	15,000
	Meters & Flowlines	0	8,000	8,000
	Miscellaneous Valves & Fittings	0	20,000	20,000
	Contingencies	5,000	16,300	21,300
	<b>TOTAL TANGIBLE EXPENSE</b>	<b>78,441</b>	<b>254,525</b>	<b>332,966</b>
	<b>TOTAL WELL COST</b>	<b>1,072,441</b>	<b>463,725</b>	<b>1,536,166</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 &amp; Gas, Inc. Approval:

Partner Approval:

Prepared

By: Chuck Sledge, Petroleum Engineer

Company: \_\_\_\_\_

Approved

By: David H. Arrington, President

Approved

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_