

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: _____ Date: 14-Aug-01 Original
 Supplemental
 Lease: Royal Stimulator "31"-2 Well #: 2 Well Type: Exploratory/Oil/Gas
 Location: SFL: 2,235' FNL @ 330' FWL County: Lea State: New Mexico
BHL: 1,900' FSL @ 1,300' FWL Section 31, T155-R36E
 Prospect: Pato Ardiendo Objective: Wolfcamp/Atoka Proposed TD: 13,400' TVD
Morrow/Mississippian

Purpose of Expenditure: Drill and Test Wolfcamp, Atoka, Morrow, and Mississippian Formations

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	800	0	800
	Staking & Permitting	200	0	200
	Location, Roads & Damages	35,000	2,000	37,000
	Lease Restoration	6,000	0	6,000
	Mobilization/Demobilization	40,000	0	40,000
	Drilling - Footage @ _____ /Ft	0	0	0
	Drilling - Daywork 48 @ \$12,000 /Day	576,000	0	576,000
	Drilling - Directional 20 @ \$7,300 /Day	146,000	0	146,000
	Completion Rig 18 @ \$1,800 /Day	0	21,600	21,600
	Fuel, Power & Lubricants	45,000	0	45,000
	Bits, Reamers & Stabilizers	90,000	0	90,000
	Drilling & Completion Fluids	80,000	2,000	82,000
	Water	18,000	2,000	20,000
	Mud Logging 35 @ \$600 /Day	21,000	0	21,000
	Drill Stem Tests (3 tests)	15,000	0	15,000
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores	60,000	0	60,000
	Cement & Services - Surface	5,000	0	5,000
	Cement & Services - Intermediate	15,000	0	15,000
	Cement & Services - Production	0	16,000	16,000
	Casing Crews/Laydown Machine	3,000	4,000	7,000
	Perforating & Cased Hole Logs	0	15,000	15,000
	Acidizing, Fracturing & Stimulation	0	100,000	100,000
	Rental Equipment	14,500	3,500	18,000
	Installation - Production Facilities	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	11,600	20,300	31,900
	Supervision	24,000	7,200	31,200
	Sand Blast & Coat Casing	0	5,000	5,000
	Contingencies	81,250	14,196	95,446
	Gross Receipts Tax	69,600	12,170	81,770
	TOTAL INTANGIBLE EXPENSE	1,373,350	249,466	1,622,816

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor of _____ @ _____ /Ft	0	0	0
	Casing - Surface 470 of 13 3/8" @ \$18.50 /Ft	8,695	0	8,695
	Casing - Intermediate 1000 of 9 5/8" @ \$14.50 /Ft	14,500	0	14,500
	Casing - Intermediate 4,000 of 9 5/8" @ \$12.00 /Ft	48,000	0	48,000
	Casing - Production 9,000 of 5 1/2" @ \$7.75 /Ft	0	69,750	69,750
	Casing - Production 4,800 of 5 1/2" @ \$8.00 /Ft	0	38,400	38,400
	Tubing 13,800 of 2 7/8" @ \$3.80 /Ft	0	52,440	52,440
	Float & Other Equipment	2,700	1,500	4,200
	Wellhead Equipment, Tree	5,000	15,000	20,000
	Sucker Rods	0	0	0
	Down Hole Pump	0	0	0
	Packer/TAC	0	12,000	12,000
	Pumping Unit & Prime Mover	0	0	0
	Tank Battery & Storage Facilities	0	17,000	17,000
	Separator/Heater Treater/Dehydrator	0	22,000	22,000
	Meters & Flowlines	0	8,000	8,000
	Miscellaneous Valves & Fittings	0	20,000	20,000
	Contingencies	5,000	16,300	21,300
	TOTAL TANGIBLE EXPENSE	83,895	272,390	356,285
	TOTAL WELL COST	1,457,245	521,856	1,979,101

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: Chuck Sledge Company: _____
 Approved By: David H. Arrington Approved By: _____
 Title: _____ Title: _____
 Date: 8-14-01 Date: _____

Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12752 Exhibit No. 5
 David H. Arrington Oil & Gas, Inc.
 Hearing Date: November 1, 2001