

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

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED - 7000 1530 0004 2503 2749

Ensign Oil & Gas, Inc.  
1225 Seventeenth Street, Suite 1900  
Denver, CO 80202-5519

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, S60-136, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

SOIL CONSERVATION DIVISION  
CASE NUMBER 12840  
EXHIBIT 3

Ladies and Gentlemen:

David H. Arrington Oil & Gas, Inc. ("Arrington"), PO Box 2071, Midland, Texas 79702, hereby proposes the drilling of the captioned well at the above referenced location to a depth of approximately 14,000' to adequately test the Atoka, Morrow, and Mississippian formations. The proposed spacing unit or proration unit for this well will be the S/2 of Section 36, T-14-S, R-34-E, Lea County, New Mexico.

Arrington's AFE's for the drilling and completion of this well is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of your executed AFE, we will forward for your review and execution, Arrington's Joint Operating Agreement covering this proposed well.

In the event you should elect to not participate in the drilling of this test well, and would like to make other arrangements concerning your interest, please feel free to contact us in order that we might discuss same.

We anticipate drilling the captioned well in the very near future. We therefore request that you please review this matter as soon as possible and advise as to your position regarding this proposal within thirty (30) days from your receipt of this letter.

Should you have any questions or comments, we invite you to contact us.

Yours very truly,  
DAVID H. ARRINGTON OIL & GAS, INC.

*John R. McRae*  
John R. McRae

/jrm  
Enclosure

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	A. Received by (Please Print Clearly) <u>Deana Watson</u> B. Date of Delivery <u>2/5/02</u>
1. Article Addressed to:  Ensign Oil & Gas, Inc. 1225 Seventeenth St, Suite 1900 Denver, Co 80202-5519	C. Signature <u>Deana Watson</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee
2. Article Number (Copy from service label) <u>7000 1530 0004 2503 2749</u>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No <b>FEB 08 2002</b>
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED - 7000 1530 0004 2503 3753

Roy Dean Campbell, a single man  
C/O Greg & Gina Pitts  
HC 68 Box 709  
Plainview, AR 72857

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, Sec. 36, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

Ladies and Gentlemen:

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John R. McRae

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1. Article Addressed to:  ROY DEAN CAMPBELL C/O GREG & GINA PITTS HC 68 BOX 709 PLAINVIEW, AR 72857	C. Signature <input checked="" type="checkbox"/> <i>Gina Pitts</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
2. Article Number (Copy from service label) <i>Red Eyed Squealy Worm</i> 7000 1530 0004 2503 3753	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
PS Form 3811, July 1999	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
Domestic Return Receipt	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED - 7000 1530 0004 2503 3791

Abo Petroleum Corporation  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, Sec. 36, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

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*John R. McRae*  
John R. McRae

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1. Article Addressed to:  ABO PETROLEUM CORP. 105 S. 4TH STREET ARTESIA, NM 88210		C. Signature <b>X</b> <i>Patti Carlis</i> <input type="checkbox"/> Addressee <input type="checkbox"/> Addressee	
2. Article Number (Copy from service label) <b>7000 1530 0004 2503 3791</b>		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

Red Eyed Squealy Worm

PS Form 3811, July 1999 Domestic Return Receipt 102595-99-M-1789

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED -- 7000 1530 0004 2503 3784

Myco Industries, Inc.  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, Sec. 36, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

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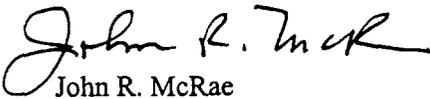
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Yours very truly,  
DAVID H. ARRINGTON OIL & GAS, INC.

  
John R. McRae

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Enclosure

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If YES, enter delivery address below: <input type="checkbox"/> No																	
1. Article Addressed to:  MYCO INDUSTRIES, INC. 105 S. 4TH STREET ARTESIA, NM 88210  <u>Red Eyed Squealy Worm</u> 2. Article Number (Copy from service label) <b>7000 1530 0004 2503 3784</b>	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes																

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

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED - 7000 1530 0004 2503 3807

Yates Drilling Company  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, Sec. 36, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

Ladies and Gentlemen:

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Yours very truly,  
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*John R. McRae*  
John R. McRae

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Enclosure

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1. Article Addressed to:  YATES DRILLING CO. 105 S. 4TH STREET ARTESIA, NM 88210		C. Signature <i>Patti Carlile</i> <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee	
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:	
		3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Copy from service label) <i>Red Eyed Squealy Worm</i> <b>7000 1530 0004 2503 3807</b>			

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED - 7000 1530 0004 2503 3814

Yates Petroleum Corporation  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, Sec. 36, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

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1. Article Addressed to:  YATES PETROLEUM CORP. 105 S. 4TH STREET ARTESIA, NM 88210	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
2. Article Number (Copy from service label) <b>7000 1530 0004 2503 3814</b>	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes

January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED – 7099 3400 0017 1722 4796

Charree Joe Dotson, dealing in her sole and separate property  
700 Box House  
Lytle, TX 78052

Re: Well Proposal  
Red Eyed Squealy Worm #1 - 1275' FEL and 825' FSL, Sec. 36, T14S, R34E  
Lea County, New Mexico  
Our Papalotes Prospect

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January 28, 2002

CERTIFIED MAIL RETURN RECEIPT REQUESTED – 7099 3400 0017 1722 4789

Bonny Dotson, Guardian for Charlee Jessica Dotson, a minor  
700 Box House  
Lytle, TX 78052

Re: Well Proposal  
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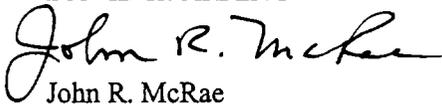
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