

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

Original
 Supplemental

AFE #: _____ Date: 01/28/02

Lease: Red Eyed Squealy Worm Well #: 1 Well Type: Exploratory/Gas

Location: 1,275' FEL & 825' FSL Sec 36 County: Lea State: New Mexico
T145-R34E

Prospect: Papalotes Objective: Mississippian Proposed TD: 14,000'

Purpose of Expenditure: Drill and Test Atoka, Morrow, & Mississippian Intervals

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	32,000	0	32,000
	Drilling - Footage @ /Ft	0	0	0
	Drilling - Daywork 45 @ \$8,000 /Day	360,000	0	360,000
	Drilling - Directional @	0	0	0
	Completion Rig 12 @ \$2,000 /Day	0	24,000	24,000
	Fuel, Power & Lubricants	35,000	0	35,000
	Bits, Reamers & Stabilizers	80,000	0	80,000
	Drilling & Completion Fluids	45,000	2,000	47,000
	Water	20,000	2,000	22,000
	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	7,000	0	7,000
	Cement & Services - Intermediate	20,000	0	20,000
	Cement & Services - Production	0	20,000	20,000
	Casing Crews/Laydown Machine	4,500	5,500	10,000
	Perforating & Cased Hole Logs	0	15,000	15,000
	Acidizing, Fracturing & Stimulation	0	100,000	100,000
	Rental Equipment	20,000	5,000	25,000
	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	7,900	2,100	10,000
	Supervision	25,000	8,000	33,000
	Sand Blast & Coat Casing	0	5,000	5,000
	Contingencies	55,400	14,700	70,100
	Gross Receipts Tax	47,400	12,600	60,000
	TOTAL INTANGIBLE EXPENSE	902,100	242,400	1,144,500

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 2200 of 8 5/8" @ \$13.50 /Ft	29,700	0	29,700
	Casing - Intermediate 4,000 of 8 5/8" @ \$11.50 /Ft	46,000	0	46,000
	Casing - Production 9,000 of 5 1/2" @ \$7.80 /Ft	0	70,200	70,200
	Casing - Production 5,000 of 5 1/2" @ \$8.30 /Ft	0	41,500	41,500
	Tubing 13,500 of 2 7/8" @ \$3.80 /Ft	0	51,300	51,300
	Float & Other Equipment	2,700	1,500	4,200
	Wellhead Equipment, Tree	5,000	20,000	25,000
	Sucker Rods	0	0	0
	Down Hole Pump	0	0	0
	Packer/TAC/Misc Downhole	0	15,000	15,000
	Pumping Unit & Prime Mover	0	0	0
	Tank Battery & Storage Facilities	0	17,000	17,000
	Separator/Heater Treater/Dehydrator	0	30,000	30,000
	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	97,001	290,800	387,801
	TOTAL WELL COST	999,101	533,200	1,532,301

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: _____
 Chuck Sledge, Petroleum Engineer

Approved By: _____ Approved By: _____
 David H. Arrington, President

Title: _____ Title: _____

Date: _____ Date: _____

OIL CONSERVATION DIVISION
 CASE NUMBER 12840
 EXHIBIT 4