

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: _____ Date: 06/19/02 Original Supplemental

Lease: Huma Huma No. 1 Well #: 1 Well Type: Exploratory/Gas

Location: 1,700' FSL & 950' FEL of Sec 34 County: Lea State: New Mexico
T16S-R34E

Prospect: Bulldog (East) 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	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 46 @ \$7,500 /Day	345,000	0	345,000
	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	85,000	0	85,000
	Drilling & Completion Fluids	35,000	2,000	37,000
	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	55,000	0	55,000
	Cement & Services - Surface	6,000	0	6,000
	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	15,000	5,000	20,000
	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	7,800	2,000	9,800
	Supervision	32,000	7,500	39,500
	Sand Blast & Coat Casing	0	5,000	5,000
	Contingencies	54,900	14,400	69,300
	Gross Receipts Tax	47,000	12,400	59,400
	TOTAL INTANGIBLE EXPENSE	895,100	238,900	1,134,000

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 9 5/8" @ \$14.00 /Ft	30,800	0	30,800
	Casing - Intermediate 4,000 of 9 5/8" @ \$12.00 /Ft	48,000	0	48,000
	Casing - Production 9,000 of 5 1/2" @ \$7.80 /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	100,101	290,800	390,901
	TOTAL WELL COST	995,201	529,700	1,524,901

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: _____