

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

Original  
 Supplemental

AFE #: \_\_\_\_\_ Date: 07/10/02

Lease: Triple Teaser Federal Com "1" Well #: 1 Well Type: Exploratory/Gas

Location: 1,200 FNL & 1,665' FEL of Sec 1 County: Lea State: New Mexico  
T16S-R34E

Prospect: West Bulldog Objective: Morrow Proposed TD: 13,400'

Purpose of Expenditure: Drill and Test Atoka & Morrow 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 43 @ \$8,000 /Day	344,000	0	344,000
	Drilling - Directional @	0	0	0
	Completion Rig 12 @ \$2,000 /Day	0	24,000	24,000
	Fuel, Power & Lubricants	40,000	0	40,000
	Bits, Reamers & Stabilizers	85,000	0	85,000
	Drilling & Completion Fluids	55,000	2,000	57,000
	Water	25,000	2,000	27,000
	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	8,000	2,000	10,000
	Supervision	25,000	7,500	32,500
	Sand Blast & Coat Casing	0	5,000	5,000
	Contingencies	56,000	14,400	70,400
	Gross Receipts Tax	48,000	12,400	60,400
	<b>TOTAL INTANGIBLE EXPENSE</b>			