

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: 98-0501 Operation: Drilling Original
 Supplemental
 Lease: Parachute Hopper Well #: 1 Well Type: Exploratory/Gas
 Location: 3510' FSL & 1850' FWL Sec 3, T16S, R35E County: Lea State: New Mexico
 Prospect: North Airport Objective: Atoka Proposed TD: 12,200'
 Purpose of Expenditure: Drill and complete Atoka test.

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	800		800
	Staking & Permitting	100		100
	Location, Roads & Damages	15,000	2,000	17,000
	Lease Restoration	4,500		4,500
	Mobilization/Demobilization			0
	Drilling - Footage 12,200 @ \$23.00 /Ft	280,600		280,600
	Drilling - Daywork 7 @ \$6,000 /Day	42,000		42,000
	Drilling - Directional			0
	Completion Rig 6 @ \$2,000 /Day		12,000	12,000
	Fuel, Power & Lubricants			0
	Bits, Reamers & Stabilizers			0
	Drilling & Completion Fluids	35,000	2,000	37,000
	Water	15,000	2,000	17,000
	Mud Logging 14/20 @ 425/450 /Day	15,500		15,500
	Drill Stem Tests	13,500		13,500
	Coring Services			0
	Logging - Open Hole & Sidewall Cores	37,000		37,000
	Cement & Services - Surface	5,000		5,000
	Cement & Services - Intermediate	10,000		10,000
	Cement & Services - Production		16,000	16,000
	Perforating & Cased Hole Logs		8,000	8,000
	Acidizing, Fracturing & Stimulation		6,000	6,000
	Rental Equipment	6,000	3,500	9,500
	Installation - Production Facilities		9,000	9,000
	Inspection & Testing	1,500	1,000	2,500
	Transportation	4,500	3,000	7,500
	Miscellaneous Labor	2,000	3,000	5,000
	Engineering & Geological Services	2,400	1,000	3,400
	Overhead	7,500	2,500	10,000
	Supervision	16,000	3,000	19,000
	Well Control Insurance			0
	Contingencies (10%)	51,300	7,400	58,700
	Gross Receipts Tax	35,300	5,100	40,400
	TOTAL INTANGIBLE EXPENSE	600,500	88,500	687,000

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor of @ /Ft	1,500		1,500
	Casing - Surface 425 of 13 3/8" @ \$16.74 /Ft	7,115		7,115
	Casing - Intermediate 950 of 8 5/8" @ \$13.08 /Ft	12,426		12,426
	Casing - Intermediate 3,800 of 8 5/8" @ \$11.30 /Ft	42,940		42,940
	Casing - Production 7500 of 5 1/2" @ \$7.51 /Ft		56,325	56,325
	Casing - Production 4700 of 5 1/2" @ \$7.88 /Ft		37,036	37,036
	Tubing 12200 of 2 7/8" @ \$3.30 /Ft		40,260	40,260
	Float & Other Equipment	2,400	1,000	3,400
	Wellhead Equipment, Tree	4,600	10,400	15,000
	Sucker Rods		23,500	23,500
	Down Hole Pump		3,000	3,000
	Packers/TAC		4,300	4,300
	Pumping Unit & Prime Mover		70,000	70,000
	Tank Battery & Storage Facilities		19,000	19,000
	Separator/Heater Treater/Dehydrator		8,500	8,500
	Meters & Flowlines		1,000	1,000
	Miscellaneous Valves & Fittings		19,000	19,000
	Gross Receipts Tax			0
	TOTAL TANGIBLE EXPENSE	70,981	293,321	364,302
	TOTAL WELL COST	671,481	379,821	1,051,302

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: Larry Gillette

Company:

Approved By: 

Approved By:

Title: President

Title:

Date: May 7, 1998

Date:

**BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico**

Case No. 11994 Exhibit No. 3

Submitted by: David H. Arrington Oil and Gas, Inc.

Hearing Date: July 9, 1998