

DAVID H. ARRINGTON OIL AND GAS, INC.

AUTHORITY FOR EXPENDITURE (AFE)

Original  
 Supplemental

AFE #: 99-0616 Date: 8/13/99  
 Lease: Orange Stimulator Caddis Fed Com #1 Well #: 1 Well Type: Gas  
 Location: 1650' FSL & 1980' FWL Sec. 28 T20S-R24E County: Eddy State: New Mexico  
 Prospect: Fat Albert Objective: Canyon/Morrow Proposed TD: 9200'  
 Purpose of Expenditure: Drill and complete as a Canyon/Morrow gas well

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	800	0	800
	Staking & Permitting	2,700	0	2,700
	Location, Roads & Damages	25,000	0	25,000
	Lease Restoration	3,500	1,000	4,500
	Mobilization/Demobilization	18,000	0	18,000
	Drilling - Footage 9200 @ \$13.50 /Ft	124,200	0	124,200
	Drilling - Daywork 6 @ \$5,500 /Day	33,000	0	33,000
	Drilling - Directional	0	0	0
	Completion Rig 8 @ \$1,500 /Day	0	12,000	12,000
	Pit Lining	3,000	0	3,000
	Bits, Reamers & Stabilizers	0	0	0
	Drilling & Completion Fluids & Oil	17,000	3,000	20,000
	Water	35,000	3,000	38,000
	Mud Logging 15 @ \$460 /Day	6,900	0	6,900
	Drill Stem Tests 3 @ 3000	9,000	0	9,000
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores	25,000	0	25,000
	Cement & Services - Surface	11,300	0	11,300
	Cement & Services - Intermediate	0	0	0
	Cement & Services - Production	0	15,000	15,000
	Perforating & Cased Hole Logs	0	6,000	6,000
	Acidizing, Fracturing & Stimulation	0	40,000	40,000
	Rental Equipment (Safety, Test Tk., Choke, ect.)	3,000	500	3,500
	Installation - Production Facilities	0	10,000	10,000
	Inspection & Well Testing	2,500	1,000	3,500
	Transportation	0	0	0
	Miscellaneous Labor	0	500	500
	Engineering & Geological Services	4,000	3,000	7,000
	Overhead	3,000	1,500	4,500
	Supervision	5,500	4,500	10,000
	Sand Blast & Coat Casing	0	2,000	2,000
	Contingencies	15,500	6,400	21,900
	Gross Receipts Tax	21,000	6,600	27,600
	<b>TOTAL INTANGIBLE EXPENSE</b>	<b>368,900</b>	<b>116,000</b>	<b>484,900</b>

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor 40 of 20 @ /Ft	1,000	0	1,000
	Casing - Surface 1100 of 9 5/8 @ \$10.50 /Ft	11,550	0	11,550
	Casing - Intermediate of @ /Ft	0	0	0
	Casing - Intermediate of @ /Ft	0	0	0
	Casing - Production 3,200 of 7 @ \$8.40 /Ft	0	26,880	26,880
	Casing - Production 6000 of 7 @ \$7.40 /Ft	0	44,500	44,500
	Tubing 9200 of 2 7/8 @ \$2.80 /Ft	0	25,760	25,760
	Float & Other Equipment	1,040	5,570	6,610
	Wellhead Equipment, Tree	4,000	5,000	9,000
	Sucker Rods	0	2,500	2,500
	Down Hole Pump	0	2,000	2,000
	Packer/TAC	0	4,100	4,100
	Pumping Unit & Prime Mover	0	9,000	9,000
	Tank Battery & Storage Facilities	0	8,950	8,950
	Separator/Heater Treater/Dehydrator	0	4,250	4,250
	Meters & Flowlines	0	0	0
	Miscellaneous Valves & Fittings	0	8,000	8,000
	Gross Receipts Tax	1,000	8,800	9,800
	<b>TOTAL TANGIBLE EXPENSE</b>	<b>18,590</b>	<b>155,310</b>	<b>173,900</b>
	<b>TOTAL WELL COST</b>	<b>387,490</b>	<b>271,310</b>	<b>658,800</b>

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: Steve Scott, Petroleum Engineer Company: \_\_\_\_\_  
 Approved By: [Signature] Approved By: \_\_\_\_\_  
 Title: President Title: \_\_\_\_\_  
 Date: \_\_\_\_\_ Date: \_\_\_\_\_

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Case No. 12297 Exhibit No. 3  
 Submitted by: David H. Arrington Oil & Gas  
 Hearing Date: December 2, 1999