



February 20, 2001

Dale Douglas, CPL  
David H. Arrington Oil & Gas, Inc.  
P. O. Box 2071  
Midland, Texas 79702

**FAXED**  
02-21-01  
2:10 pm

Dear Dale: (Fax: 682-4139)

Subject: Disco Midge #1 Well

Letter SFL: 330' FWL 1560' FNL

Application SFL: 331' FWL 1487' FNL

Letter BHL: 660' FNL 800' FWL

Application BHL: 1250' FNL 390' FWL (Strawn formation)

Application BHL: 660' FNL 800' FWL (Mississippian formation)

W/2 Section 35, T15S, R35E

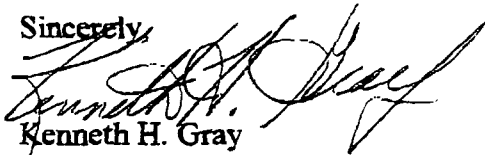
Lea County, New Mexico

To make sure no misunderstanding exists we are responding to your letter of December 18, 2000 in writing. It is assumed that your reference to "T16S" should be "T15S".

As to the W/2SW/4 (except for the Strawn formation) Energen owns a 82.27975% W.I. which would be 20.569938% W. I. ( $80/320 \times 82.27975\%$ ) in the W/2 of Section 35. Because of the different ownership for different depths where the above well is located Energen has proposed a working interest unit covering all of the W/2 of Section 35 excluding the Strawn formation only as to the W/2SW/4 which has already been committed to the WLSU. To allow Energen and all other working interest owners to have the same interest within the entire working interest unit for all depths Energen's interest would be further reduced by the fraction of  $240/320$  being 15.4274535% to compensate for the Strawn formation in the W/2SW/4 not being part of the proposed unit.

Any consideration you could give to this request is appreciated.

Sincerely,

  
Kenneth H. Gray  
District Landman  
ARRINGTON DISCO MIDGE #1

KHG/pkr

BETHEL, TEXAS - R. CALVINACH	
OIL COMPLETION DIVISION	
ENERGEN	EXHIBIT NO. <u>12</u>
CASE NO.	<u>12602</u>