

May 1, 2002

CERTIFIED MAIL/RRR 7001 1140 0002 8311 1792

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

CERTIFIED MAIL/RRR 7001 1140 0002 8311 1808

Dale Douglas
P. O. Box 10187
Midland, Texas 79702

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Gentlemen:

TMBR/Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that each of you are presently vested with ownership rights in the NE/4 of said Section 25 as follows:

David H. Arrington Oil & Gas, Inc. (“Arrington”):
42.5000 net mineral acres, or 53.1250%, in the E/2 NE/4, and 4.5000 net mineral acres,
or 5.6250%, in the W/2 NE/4, for a N/2 unit participation of 14.6875%.

Dale Douglas (“Douglas”):
2.7999 net mineral acres, or 3.4999%, in the E/2 NE/4, for a N/2 unit participation of
0.8750%.

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Dale Douglas
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The leases owned by you and the associated ownership rights are set forth in greater detail on Exhibit "A", attached hereto. We note that one of the leases owned by Dale Douglas, namely the "Kendra Irene Kelley Lease", appears to be vested by the expiration of the primary term of that certain lease dated March 13, 1999, recorded in Book 954, Page 485 of the Lea County Records (the "Original Kelley Lease"). However, we also believe that the Original Kelley Lease has been extended by an event of force majeure, similar in fact and substance to the events ruled upon by the District Court in the Pending Suit (as herein defined), and we are not recognizing ownership rights pursuant to the Kendra Irene Kelley Lease. We are providing an opportunity to the other present owners of record in the N/2 of Section 25 to participate in this well on the same basis as set forth herein. A proposed form of Operating Agreement is enclosed for your consideration.

TMBR make this proposal, and its entry and possession of the leasehold within the designated spacing unit for the Well, and the claimed ownership of TMBR in the Well are all subject to a determination of ownership rights from the issuance of a final, non-appealable order in the existing litigation between TMBR, et al and Arrington in Cause No. CV-2001-15C in the District Court of Lea County, New Mexico (the "Pending Suit") and TMBR recognizes that Arrington claims an ownership interest in that proceeding. So that Arrington may participate fully in the Well notwithstanding the Pending Suit, TMBR proposes the execution of an escrow agreement between TMBR and Arrington concerning the costs of drilling the Well attributable to the leases and the subject of the Pending Suit (representing an undivided 50% interest in the Well). TMBR will fund the drilling of the Well as to such disputed ownership and costs, and Arrington may participate conditionally as to the disputed interest by funding the escrow account to be maintained with the First National Bank of Artesia. If TMBR prevails finally in establishing ownership of the disputed interest in the Pending Suit, all monies in the escrow account will be available for return to Arrington. If Arrington prevails in establishing ownership of the disputed interest in the Pending Suit, TMBR will be paid 50% of the actual costs incurred for drilling, testing, completing, stimulating and equipping the Well out of the escrowed monies and as otherwise owed by Arrington. Arrington will receive all well information and be afforded all consent and non-consent opportunities as if an owner of the disputed interest until the Pending Suit is resolved.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement. If you wish to participate in the Well with your claimed ownership interest on a conditional basis, please respond in the same manner in the indicated space, and we will forward a draft escrow agreement. The failure to respond to this proposal in the allowed time will be treated as an election not to

Arrington Oil & Gas, Inc.
Dale Douglas
May 1, 2002
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participate in the Well, and your ownership rights and claimed ownership rights in the Pending Suit will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well.

If there are any questions, comments or additional information needed, please let us know.

Yours truly,

TMBR/SHARP DRILLING, INC.

Dennis J. Hopkins, CPL
Land Manager

**AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002,
for participation in the Well for the 14.67850% ownership vested in David H. Arrington Oil
& Gas, Inc.**

By: _____
Name: _____
Title: _____

**AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002,
for participation in the Well for the 0.8750% ownership vested in Dale Douglas.**

By: _____
Dale Douglas

Arrington Oil & Gas, Inc.
Dale Douglas
May 1, 2002
Page Four

**AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002,
for participation in the Well for the claimed ownership in the Pending Suit, being a 50%
interest in the Well conditionally owned by David H. Arrington Oil & Gas, Inc.**

By: _____
Name: _____
Title: _____

EXHIBIT "A"

ATTACHED TO THAT CERTAIN WELL PROPOSAL LETTER AGREEMENT DATED MAY 1, 2002 BETWEEN TMBR/SHARP DRILLING, INC. AND DAVID H. ARRINGTON OIL & GAS, INC. ET AL AS TO LANDS LOCATED IN SECTION 25-16S-35E, N.M.P.M., LEA COUNTY, NEW MEXICO.

Lease Dated: April 24, 2001
Recorded: Book 1084, Page 290
Lessor: Paul Sneed and Howard Kastler, Trustees of the Foundation
For the First Presbyterian Church of Roswell
Lessee: James D. Huff
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: W/2 NE/4

Lease Dated: March 22, 2001
Recorded: Book 1084, Page 293
Lessor: Jerry L. Hooper and wife, Margaret A. Hooper
Lessee: James D. Huff
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: April 24, 2001
Recorded: Book 1084, Page 296
Lessor: Toles-Com Ltd., LLC
Lessee: James D. Huff
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4, from the surface to 100 feet
below total depth drilled in any well drilled

Lease Dated: April 13, 2001
Recorded: Book 1084, Page 298
Lessor: O. D. Whitley
Lessee: James D. Huff
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: April 13, 2001
Recorded: Book 1084, Page 301
Lessor: Jeanine Hooper Bryan
Lessee: James D. Huff
Legal Description: Insofar as said lease covers the following lands:
Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: April 13, 2001
Recorded: Book 1084, Page 304
Lessor: Jimmy L. Hooper and wife, Lynne C. Hooper
Lessee: James D. Huff
Legal Description: Insofar as said lease covers the following lands:
Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: April 13, 2001
Recorded: Book 1092, Page 561
Lessor: Theodora P. Reed, Successor Trustee of the John W. Pilant
And Jean H. Pilant Family Trust dated 09-23-86
Lessee: James D. Huff
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: W/2 NE/4

Lease Dated: January 28, 2002
Recorded: Book 1128, Page 453
Lessor: R. M. Williams and wife, Jacqueline C. Williams
Lessee: Dale Douglas
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: January 28, 2002
Recorded: Book 1128, Page 455
Lessor: George M. O'Brien and wife, Susan O'Brien
Lessee: Dale Douglas
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: January 29, 2002
Recorded: Book 1128, Page 457
Lessor: Mark Caldwell and Bonnie Caldwell, Joint Tenants
Lessee: Dale Douglas
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: February 25, 2002
Recorded: Book 1134, Page 343
Lessor: Christa L. Leavelle, a married woman dealing in her sole and
separate property and as custodian for Michelle C. Leavelle
Lessee: Dale Douglas
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: January 28, 2002
Recorded: Book 1137, Page 234
Lessor: Mary Frances Antweil, a widow
Lessee: Dale Douglas
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Lease Dated: March 20, 2002
Recorded: Book 1130, Page 355
Lessor: Kendra Irene Kelley
Lessee: Dale Douglas
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

Note: no ownership rights are recognized as to this lease

TMBR/Sharp



Drilling, Inc.

Drawer 10970
Midland, Texas 79702-7970
915-699-5050

May 1, 2002

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