

June 18, 2002

VIA CERTIFIED MAIL #7001 1140 0002 4299 3179

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

Re: HUMA HUMA "34" #1 (**EAST BULLDOG PROSPECT**)
1700' FSL & 950' FEL
Section 34, T15S-R34E
Lea County, New Mexico

Dear Dale:

David H. Arrington Oil & Gas, Inc.(DHAOG) hereby proposes the drilling of the captioned well at the legal location referenced above to test the Atoka and Morrow gas formations. This well will be drilled to an approximate vertical depth of 14000' and the proposed spacing unit for the well will be the E/2 of Section 34. You will find enclosed an AFE for the drilling of this well which sets forth the anticipated costs.

In the event that Yates should desire to participate in the drilling of this well, please so indicate by signing and returning one copy of the AFE to my attention. In the event that you should elect to not participate in the drilling of this well, DHAOG is willing to discuss other options regarding your interest.

If you should have any further questions or require additional information, please call at (915) 682-6685 or Mr. Dale Douglas at (915) 682-5565.

Sincerely,
DAVID H. ARRINGTON OIL & GAS, INC.

Bill Baker Jr.
Exploration Manager
Enclosures/Attachment

NMOCD CASE NO. 12922
SEPTEMBER 5, 2002
DAVID H. ARRINGTON OIL & GAS, INC.
EXHIBIT NO. 3