



OCT 07 2002

GREAT WESTERN DRILLING COMPANY
Post Office Box 1659 • Midland, Texas 79702 • 915/682-5241

September 30, 2002

David Arrington
214 W. Texas Ave., Suite 400
Midland, Texas 79701

CERTIFIED MAIL

Davoil, Inc.
P. O. Box 122269
Fort Worth, Texas 76121-2269

RE: Lovington Federal #1
1200' FNL & 1335 FEL,
Section 1, T16S, R34E,
Lea County, New Mexico

Dear Sirs:

Great Western Drilling Ltd. (GWD) hereby proposes a competing drilling proposal on the captioned well at the legal location referenced above to test the Morrow gas formation. This well will be drilled to an approximate vertical depth of 14,000' 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. A Joint Operating Agreement covering the interests of all parties will be sent to you for approval.

In the event that you 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, please contact the undersigned, so we can make a mutually acceptable agreement on your interest. After obtaining appropriate agreements with all owners, we plan to start the well in the fourth quarter of 2002.

Thank you for your consideration and earliest reply to this proposal.

Yours very truly,

Mike S. Heathington
Land Manager

MSH/vw

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12942 Exhibit No. 4
Submitted by:
David H. Arrington Oil & Gas, Inc.
Hearing Date: October 10, 2002

**Great Western Drilling Company
Drilling Cost Estimate**

Well: Lovington Federal "1" Date: 1-Sep-02 ER # _____
 County: Lea State: New Mexico AFE # _____
 Location: 1200' FNL & 1335' FEL of Sec. 1, T16S-R34E Depth: 14000'

	Cost to Casing Point	Cost to Completion	Total
Landman, Legal, Insurance	5,000.00	-	\$ 5,000.00
Damages, Surveys, Permits	4,000.00	-	\$ 4,000.00
Construction - Pad, roads, pit	30,000.00	2,000.00	\$ 32,000.00
Rig Up & Tear Out/Move in & out	40,000.00	-	\$ 40,000.00
Contract - Dayrate 44 days @ \$7800/day	343,200.00	-	\$ 343,200.00
Completion Unit 12 days @ \$2000/day	-	24,000.00	\$ 24,000.00
Drill Pipe, Bits, Reamers & other tools	85,000.00	-	\$ 85,000.00
Company Drilling Supervision	23,000.00	7,000.00	\$ 30,000.00
Well Supplies & Non-Salvable Materials	2,000.00	28,000.00	\$ 30,000.00
Rentals	25,000.00	5,000.00	\$ 30,000.00
Contract services	20,000.00	15,000.00	
Cement & Cmt Services	30,000.00	25,000.00	\$ 55,000.00
Transportation	7,000.00	3,500.00	\$ 10,500.00
Mud, Water & Chemicals	50,000.00	4,000.00	\$ 54,000.00
Fuel & Utilities	50,000.00	-	\$ 50,000.00
Drill Stem Test	15,000.00	-	\$ 15,000.00
Mud Logging	20,000.00	-	\$ 20,000.00
Logging	50,000.00	4,000.00	\$ 54,000.00
Perforating	-	12,000.00	\$ 12,000.00
Treating	-	100,000.00	\$ 100,000.00
Overhead	7,500.00	2,000.00	\$ 9,500.00
Other Sub-surface Costs	-	15,000.00	\$ 15,000.00
Contingencies 5%	45,000.00	15,000.00	\$ 60,000.00
Total Intangibles	\$ 851,700.00	\$ 261,500.00	\$ 1,113,200.00
Surface Casing	9,000.00	-	\$ 9,000.00
Intermediate Casing	80,000.00	-	\$ 80,000.00
Production Casing	-	115,000.00	\$ 115,000.00
Wellhead	5,000.00	20,000.00	\$ 25,000.00
Tubing	-	51,000.00	\$ 51,000.00
Packer / Anchor	-	15,000.00	\$ 15,000.00
Rods	-	-	\$ -
Bottom Hole Pump	-	-	\$ -
Pumping Unit	-	-	\$ -
Prime Mover	-	-	\$ -
Tanks	-	15,000.00	\$ 15,000.00
Treater	-	30,000.00	\$ 30,000.00
Separator	-	-	\$ -
Flow Lines	-	10,000.00	\$ 10,000.00
Connections, Etc.	-	20,000.00	\$ 20,000.00
Miscellaneous	-	-	\$ -
Contingencies 5%	5,000.00	15,000.00	\$ 20,000.00
Total Tangibles	\$ 99,000.00	\$ 291,000.00	\$ 390,000.00
Total Well Costs	\$ 950,700.00	\$ 552,500.00	\$ 1,503,200.00

Prepared By: D. Hendrix
 Operator: Great Western Drilling Company
 GWDC % Interest: _____
 GWDC Approved By: _____
 Title: _____
 Date: _____

Partner: _____
 Approval By: _____
 Title: _____
 Partner % Interest: _____
 Date: _____