



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

September 5, 2002

**WORKING INTEREST OWNERS**

RE: Federal "34" Com. #1  
1700' FSL & 950' FEL,  
Section 34, T15S, 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 Atoka and Morrow gas formations. 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.

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  
Enclosures

CERTIFIED MAIL

**BEFORE THE OIL CONSERVATION  
DIVISION**  
Santa Fe, New Mexico  
Case No. 12943 Exhibit No. 7  
Submitted by: Great Western Drilling Company  
Hearing Date: October 10, 2002

**WORKING INTEREST OWNERS ADDRESSES**

Abo Petroleum Corp.  
105 S. Fourth Street  
Artesia, NM 88210

David Arrington  
200 W. Texas Ave.  
Midland, TX 79701

Tom Brown, Inc.  
P. O. Box 2608  
Midland, TX 79702

Edward David  
116 W. First Street  
Roswell, NM 88201

David Petroleum Corp.  
116 W. First Street  
Roswell, NM 88201

Davoil, Inc.  
P. O. Box 12507  
Fort Worth, TX 76116

Devon SFS Operating Inc.  
20 N. Broadway, Suite 1500  
Oklahoma City, OK 73102

Keith E. McKamey  
116 W. First Street  
Roswell, NM 88201

Michael A. McMillan  
116 W. First Street  
Roswell, NM 88201

McMillan Production Co., Inc.  
116 W. First Street  
Roswell, NM 88201

McMillan Ventures LLC  
116 W. First Street  
Roswell, NM 88201

Myco Industries, Inc.  
105 S. First Street  
Artesia, NM 88210

Nearburg Exploration Corp.  
3300 North "A" Street  
One Petroleum Center  
Bldg. 8, Suite 120  
Midland, TX 79705

William Owens  
116 W. First Street  
Roswell, NM 88201

Permian Exploration Co., Inc.  
116 W. First Street  
Roswell, NM 88201

Permian Exploration Corp.  
116 W. First Street  
Roswell, NM 88201

Yates Drilling Company  
105 S. Fourth Street  
Artesia, NM 88210

Yates Petroleum Corp.  
105 S. Fourth Street  
Artesia, NM 88210

**Grea Western Drilling Company**  
**Drilling Cost Estimate**

Well: Federal "34" Com. #1 Date: 5-Sep-02 ER # \_\_\_\_\_  
 County: Lea State: New Mexico AFE # \_\_\_\_\_  
 Location: 1700' FSL & 950' FEL, Sec. 34, T15S-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 46 days @ \$7500/day	345,000.00	-	\$ 345,000.00
Completion Unit 12 days @ \$1800/day	-	21,600.00	\$ 21,600.00
Drill Pipe, Bits, Reamers & other tools	85,000.00	-	\$ 85,000.00
Company Drilling Supervision	28,000.00	7,000.00	\$ 35,000.00
Well Supplies & Non-Salvable Materials	2,000.00	28,000.00	\$ 30,000.00
Rentals	20,000.00	5,000.00	\$ 25,000.00
Contract services	20,000.00	15,000.00	\$ 35,000.00
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	55,000.00	4,000.00	\$ 59,000.00
Fuel & Utilities	40,000.00	-	\$ 40,000.00
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%	40,000.00	15,000.00	\$ 55,000.00
<b>Total Intangibles</b>	<b>\$ 843,500.00</b>	<b>\$ 259,100.00</b>	<b>\$ 1,102,600.00</b>

Surface Casing	8,000.00	-	\$ 8,000.00
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
<b>Total Tangibles</b>	<b>\$ 98,000.00</b>	<b>\$ 291,000.00</b>	<b>\$ 389,000.00</b>

**Total Well Costs**      \$ 941,500.00      \$ 550,100.00      \$ 1,491,600.00

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

Partner: \_\_\_\_\_  
 Approval By: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Partner % Interest: \_\_\_\_\_  
 Date: \_\_\_\_\_



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

September 17, 2002

WORKING INTEREST OWNERS  
Addressee List Attached

RE: Joint Operating Agreement  
Federal "34" Com #1  
E/2 of Section 34,  
T55S, R34E,  
Lea County, New Mexico

Gentlemen:

Enclosed for your review and consideration, please find (1) one proposed Joint Operating Agreement dated September 12, 2002 and covering the above captioned acreage and well. Also enclosed is (1) one extra signature page to this agreement.

In the event the enclosed meets with your acceptance, please execute and return (1) one extra signature page to this agreement at your earliest convenience. As the final spud date approaches we will request that Exhibit "H" (Memorandum of Joint Operating Agreement) be signed and notarized as well as the appropriate Insurance Election as to well control insurance or Exhibit "D" to the JOA.

Please be advised that it looks like October 10, 2002 could be our hearing date for our competing force pooling application with David Arrington. Any agreement to our proposed Joint Operating Agreement would be greatly appreciated on or before October 1, 2002.

Yours very truly,

Mike S. Heathington  
Land Manager

MSH/vw  
Enclosures

**ADDRESSEE LIST ATTACHED**

**Abo Petroleum Corporation  
105 S. Fourth Street  
Artesia, NM 88210**

**Edward N. David  
116 W. First Street  
Roswell, NM 88203**

**David Petroleum Corp.  
116 W. First Street  
Roswell, NM 88203**

**Keith E. McKamey  
116 W. First Street  
Roswell, NM 88203**

**Micheal A. McMillan  
116 W. First Street  
Roswell, NM 88203**

**McMillan Production Co., Inc.  
116 W. First Street  
Roswell, NM 88203**

**McMillan Ventures LLC  
116 W. First Street  
Roswell, NM 88203**

**Myco Industries, Inc.  
105 S. First Street  
Artesia, NM 88210**

**William B. Owen  
116 W. First Street  
Roswell, NM 88203**

**Permian Exploration Corporation  
116 W. First Street  
Roswell, NM 88203**

**Yates Drilling Company  
105 S. Fourth Street  
Artesia, NM 88210**

**Yates Petroleum Corp.**  
**105 S. Fourth Street**  
**Artesia, NM 88210**

**Great Western Drilling Company**  
**P. O. Box 1659**  
**Midland, TX 79702**

**Davoil, Inc.**  
**P. O. Box 12507**  
**Ft. Worth, TX 76116**

**Tom Brown, Inc.**  
**P. O. Box 2608**  
**Midland, TX 79702**

**David Arrington Oil & Gas, Inc.**  
**1445 Ross Road**  
**Dallas, TX 75202**

**Devon SFS Operating, Inc.**  
**20 N. Broadway, Suite 1500**  
**Oklahoma City, OK 73102**