



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	
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
Total Intangibles	\$ 843,500.00	\$ 259,100.00	\$ 1,102,600.00

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
Total Tangibles	\$ 98,000.00	\$ 291,000.00	\$ 389,000.00

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**

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P. O. Box 12507
Ft. Worth, TX 76116

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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