



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

December 10, 2002

RECEIVED

JAN 10 2003

OIL CONSERVATION
DIVISION

Attn: Bill Baker
David Arrington Oil & Gas, Inc.
200 W. Texas Avenue
Midland, Texas 79701

Attn: Lori Wrotenbery
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

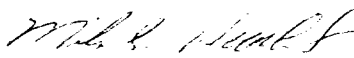
RE: Force Pooling Case No. 12943
Order No. R-11869
Federal "34" Com #1
E/2 of Section 34, T15S, R34E,
Lea County, New Mexico

Gentlemen:

Pursuant to the above captioned order (copy attached), please find our Authority For Expenditure showing estimated well costs for the Federal "34" Com #1 well. Also enclosed for your consideration, please find (1) one Joint Operating Agreement, together with (1) one extra signature page for this location and well.

If you desire to participate, please forward your 32.03125% of total estimated well costs on or before 30 days from receipt of this notice. If you participate, your return of (1) one executed extra signature page to the JOA would be greatly appreciated.

Yours very truly,


Mike S. Heathington
Land Manager

MSH/vw
Enclosures
SENT CERTIFIED MAIL

**Great 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
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: David Arrington O&G, Inc
 Approval By:
 Title:
 Partner % Interest: 32.03125%
 Date:

SCHEDULE OF NON-CONSENT WORKING INTEREST OWNER
Federal "34" Com #1

David Arrington Oil & Gas, Inc. $32.03125\% \times \$1,491,600.00 = \$477,778.13$
200 W. Texas Avenue
Midland, Texas 79701

