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RICK HARRIS
LAND MAN

T. H. McELVAIN OIL & GAS LIMITED PARTNERSHIP

McELVAIN OIL & GAS PROPERTIES, INC., SOLE GENERAL PARTNER

1050 17TH STREET, SUITE 1800
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Via Certified Mail, Return Receipt Requested

Jones

June 11, 2008

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South Street, Francis Drive
Santa Fe, NM 87505

Re: CASE NO. 14115
ORDER NO. R-12957
Hutchinson #2 AFE

Dear Sir or Madam:

Enclosed please find a copy of the Authority for Expenditure for the Ruby #1 well detailing the estimated costs of drilling, completing, and equipping the captioned well. This Authority of Expenditure is being furnished to comply with Compulsory Pooling Order #R-12837.

If you have any questions or would like additional information please do not hesitate to contact the undersigned. Thank you for your attention to this matter.

Sincerely,

T. H. McELVAIN OIL & GAS LIMITED PARTNERSHIP

By: McELVAIN OIL & GAS PROPERTIES, INC., Sole General Partner



Rick Harris
Landman

Enclosure

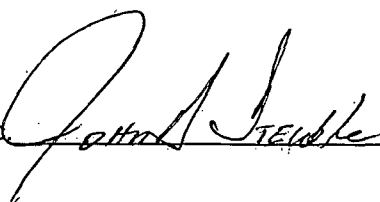
McELVAIN OIL & GAS PROPERTIES, INC.
AUTHORITY for EXPENDITURE
January 31, 2008

CATEGORY NUMBER	Hutchinson #2 NENW Sec 1, T29N, R13W TD: 1,716' Basin Fruitland Coal	DRY HOLE	COMPLETED WELL
Drilling Intangibles			
3010	Landman Costs	12,000	12,000
3012	Abstract/Title	85,000	85,000
4004	Staking, Permitting, Title Work & Survey	15,000	15,000
4011	Surface Damages/ROW	150,000	150,000
4015	Location/Road	43,000	43,000
4116	Rig MOB & DEMOB	5,000	5,000
4104	Drilling Footage (500' of 12 1/4" Hole @ \$26/ft)	13,000	13,000
4225	Cement for Surface Casing	26,250	26,250
4104	Drilling Footage (1716' of 7 7/8" Hole @ \$26.00/ft)	44,650	44,650
4111	Drilling Rig..Daywork..3 days @ \$7800	23,400	23,400
4118	Rig fuel	1,000	1,000
4120	Drilling Water	4,100	4,100
4125	Drilling Mud	5,000	5,000
4126	Fluid Disposal	40,000	40,000
4135	Bits	0	0
4204	Mud logger/Geologist	0	0
4220	Open Hole Logs	10,000	10,000
4480	Transportation	3,500	3,500
4250	Rental Equipment	20,000	20,000
4408	Casing Crew for Surface Casing	0	0
4515	Roustabouts & Contract Labor 2.5 days @ \$2500/day	6,250	6,250
4615	Field Supervision - 6 days @ \$950/day	5,700	5,700
4620	Drilling Overhead - 6 days @ \$550/day	3,300	3,300
4603	P&A Costs	12,000	
4715	Contingency	5,000	5,000
	Total Intangible Drilling	533,150	521,150
Completion Intangibles			
5225	Cement & Cementing Tools		12,500
5112	Completion Unit 8 days @ \$3,800/day		30,400
5135	Bits		500
5220	Cased Hole Logs/Perf		15,000
5520	Stimulation		160,000
5250	Tool & Equip Rental		15,000
5615	Field Supervision (10 days @ \$850/day)		8,500
5121	Completion Water		12,000
5480	Trucking & Transportation		9,500
5408	Casing Crew		3,500
5515	Roustabouts & Contract Labor		2,000
5015	Location & Road		12,500
5550	Slickline Services..BHP Survey		2,500
5126	Fluid Disposal		10,000
5620	Completion Overhead (10 days @ \$550/day)		5,500
5715	Contingency		10,000
	Total Intangible Completion	0	309,400
	Total Intangibles	533,150	830,550
Tangibles			
8005	Surface Casing (500' 8 5/8" 24# @ \$15.20/ft)	7,600	7,600
8015	Production Casing 1716' 5.5", 15.5# @ \$9.80/ft		16,820
8025	Tubing 1716' 2 7/8" J-55 @ \$5.00/ft		8,600
8205	Wellhead	3,000	11,500
8305	Pumping Unit, Engine, Base etc		21,000
8303	Engine		15,000
8310	Rods, Pump etc		15,000
8230	Tanks (2-400 bbl with heaters)		26,000
8220	Separator/Dehydrator		22,500
8250	Line Pipe & Fittings		12,000
8505	Labor for Equipment Install		25,000
8506	Trucking/Transportation		5,000
	Total Tangibles	10,600	186,020

Total Well Cost \$543,750 \$1,016,570

APPROVALS:

McElvain Oil & Gas Properties, Inc.



Date: 1-31-08