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T. H. McELVAIN OIL & GAS LIMITED PARTNERSHIP
McElvain Oil & Gas Properties, Inc., Sole General Partner

1050 - 17TH STREET, SUITE 2500
DENVER, COLORADO 80265

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TELEPHONE 303-893-0933 EXT. 372
FAX 303-893-0914
e-mail: RickH@mcelvain.com

February 25, 2011

State of New Mexico
Energy, Minerals and Natural Resources Development
Oil Conservation Division
1220 South St. Francis Drive
P. O. Box 6429
Santa Fe, New Mexico 87502

Pooled Working Interest Owners
Ruby Well #2

Re: Ruby #2 Well
Township 29 North, Range 13 West, N.M.P.M.
Section 3: SE/4
City of Farmington, San Juan County, New Mexico
Compulsory Pool Order No. R-13292

Dear Sir or Madam:

Pursuant to Order No. R-13292 issued in Case No. 14471 and concerning the captioned well, enclosed is an itemized schedule showing the actual costs of drilling and completing said well. We will assume that these costs are reasonable should there not be any objections within the 45-day time limit set forth in the aforementioned order.

If you have any questions please do not hesitate to contact me at 303-893-0933, Ext.372. 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
Senior Landman

MCELVAIN OIL GAS PROPERTIES INC

RUBY #2 GROSS COSTS
TD: 1,465' PICTURED CLIFFS

Code	Name	Category	Description Detail	Operation Description	Budget		Supplement		Total	Category	AFE	
					Amount		Amount				Actual Amount	Variance
DONNM10000297	RUBY 2	3012	ABSTRACT AND TITLE	ACREAGE	\$ 30,000.00				30,000.00	3012	\$ -	\$ 30,000.00
DONNM10000297	RUBY 2	3010	LANDMAN COSTS	ACREAGE	\$ 5,000.00				5,000.00	3010	\$ -	\$ 5,000.00
				ACREAGE Total	\$ 35,000.00				35,000.00		\$ -	\$ 35,000.00
DONNM10000297	RUBY 2	5135	BITS	INTANGIBLE COMPLETION	\$ 500.00				500.00	5135	\$ -	\$ 500.00
DONNM10000297	RUBY 2	5220	CASED HOLES, LOGS & PERFORATING	INTANGIBLE COMPLETION	\$ 10,000.00				10,000.00	5220	\$ 5,910.55	\$ 4,089.45
DONNM10000297	RUBY 2	5409	CASING & TBG INSPECTION	INTANGIBLE COMPLETION	\$ -					5409	\$ 343.18	\$ (343.18)
DONNM10000297	RUBY 2	5408	CASING CREW	INTANGIBLE COMPLETION	\$ 2,500.00				2,500.00	5408	\$ 2,118.60	\$ 381.40
DONNM10000297	RUBY 2	5225	CEMENT, CEMENTING TOOLS & SERV	INTANGIBLE COMPLETION	\$ 10,000.00				10,000.00	5225	\$ 7,993.94	\$ 2,006.06
DONNM10000297	RUBY 2	5620	COMPLETION OVERHEAD	INTANGIBLE COMPLETION	\$ 6,600.00				6,600.00	5620	\$ 6,805.77	\$ (205.77)
DONNM10000297	RUBY 2	5121	COMPLETION WATER	INTANGIBLE COMPLETION	\$ 11,000.00				11,000.00	5121	\$ 3,871.92	\$ 7,128.08
DONNM10000297	RUBY 2	5609	ELECTRICAL INSTALLATION	INTANGIBLE COMPLETION	\$ -					5609	\$ 4,439.65	\$ (4,439.65)
DONNM10000297	RUBY 2	5615	FIELD SUPERVISION	INTANGIBLE COMPLETION	\$ 9,500.00				9,500.00	5615	\$ 17,490.35	\$ (7,990.35)
DONNM10000297	RUBY 2	5126	FLUID DISPOSAL	INTANGIBLE COMPLETION	\$ 20,000.00				20,000.00	5126	\$ 26,749.60	\$ (6,749.60)
DONNM10000297	RUBY 2	5015	LOCATION, ROAD	INTANGIBLE COMPLETION	\$ 10,000.00				10,000.00	5015	\$ 1,029.11	\$ 8,970.89
DONNM10000297	RUBY 2	5580	MISC. MATERIALS & SUPPLIES	INTANGIBLE COMPLETION	\$ -					5580	\$ 1,285.17	\$ (1,285.17)
DONNM10000297	RUBY 2	5715	OTHER COMPLETION COSTS	INTANGIBLE COMPLETION	\$ 10,000.00				10,000.00	5715	\$ 6,150.51	\$ 3,849.49
DONNM10000297	RUBY 2	5112	PULLING UNIT-COMPLETION UNIT	INTANGIBLE COMPLETION	\$ 40,000.00				40,000.00	5112	\$ 15,622.03	\$ 24,377.97
DONNM10000297	RUBY 2	5610	REGULATORY COMPLIANCE	INTANGIBLE COMPLETION	\$ -					5610	\$ 771.72	\$ (771.72)
DONNM10000297	RUBY 2	5515	ROUSTABOUT SERVICE & CONTRACT LABO	INTANGIBLE COMPLETION	\$ 3,500.00				3,500.00	5515	\$ -	\$ 3,500.00
DONNM10000297	RUBY 2	5550	SLICKLINE SERVICES	INTANGIBLE COMPLETION	\$ 2,500.00				2,500.00	5550	\$ -	\$ 2,500.00
DONNM10000297	RUBY 2	5004	STAKING, PERMIT & LEGAL FEES	INTANGIBLE COMPLETION	\$ -					5004	\$ 2,085.07	\$ (2,085.07)
DONNM10000297	RUBY 2	5520	STIMULATION, FRAC, ACID, ETC.	INTANGIBLE COMPLETION	\$ 200,000.00				200,000.00	5520	\$ 78,237.65	\$ 121,762.35
DONNM10000297	RUBY 2	5011	SURFACE DAMAGES, RIGHT OF WAY	INTANGIBLE COMPLETION	\$ -					5011	\$ 3,280.77	\$ (3,280.77)
DONNM10000297	RUBY 2	5314	SWABBING	INTANGIBLE COMPLETION	\$ -					5314	\$ 35,206.98	\$ (35,206.98)
DONNM10000297	RUBY 2	5250	TOOL & EQUIPMENT RENTAL	INTANGIBLE COMPLETION	\$ 12,000.00				12,000.00	5250	\$ 9,344.97	\$ 2,655.03
DONNM10000297	RUBY 2	5480	TRUCKING & TRANSPORTATION	INTANGIBLE COMPLETION	\$ 10,000.00				10,000.00	5480	\$ 4,512.64	\$ 5,487.36
DONNM10000297	RUBY 2	5127	WATER TRUCK SVCS - OTHER	INTANGIBLE COMPLETION	\$ -					5127	\$ 128.55	\$ (128.55)
				INTANGIBLE COMPLETION Total	\$ 358,100.00				358,100.00		\$ 233,378.73	\$ 124,721.27
DONNM10000297	RUBY 2	4409	CASING & TBG INSPECTION	INTANGIBLE DRILLING	\$ -					4409	\$ 1,384.73	\$ (1,384.73)
DONNM10000297	RUBY 2	4408	CASING CREW	INTANGIBLE DRILLING	\$ 1,500.00				1,500.00	4408	\$ 1,423.10	\$ 76.90
DONNM10000297	RUBY 2	4225	CEMENT, CEMENTING TOOLS & SERV	INTANGIBLE DRILLING	\$ 12,500.00				12,500.00	4225	\$ 8,879.41	\$ 3,620.59
DONNM10000297	RUBY 2	4611	CLOSED LOOP SYSTEM COSTS	INTANGIBLE DRILLING	\$ 60,000.00				60,000.00	4611	\$ 25,919.16	\$ 34,080.84
DONNM10000297	RUBY 2	4125	DRILLING MUD & ADDITIVES	INTANGIBLE DRILLING	\$ 3,600.00				3,600.00	4125	\$ 1,186.80	\$ 2,413.20

MCELVAIN OIL GAS PROPERTIES INC

RUBY #2 GROSS COSTS
TD: 1,465' PICTURED CLIFFS

Code	Name	AFE		Description Detail	Operation Description	Budget		Supplement	Total	AFE		Actual Amount	Variance
		Category				Amount	Amount			Category			
DONM10000297	RUBY 2	4620		DRILLING OVERHEAD	INTANGIBLE DRILLING	\$ 3,300.00			3,300.00	4620		\$ 2,848.11	\$ 451.89
DONM10000297	RUBY 2	4120		DRILLING WATER	INTANGIBLE DRILLING	\$ 8,000.00			8,000.00	4120		\$ 757.81	\$ 7,242.19
DONM10000297	RUBY 2	4111		DRILLING DAYWORK	INTANGIBLE DRILLING	\$ 22,500.00			22,500.00	4111		\$ 19,724.07	\$ 2,775.93
DONM10000297	RUBY 2	4104		DRILLING FOOTAGE	INTANGIBLE DRILLING	\$ 32,200.00			32,200.00	4104		\$ 33,066.25	\$ (866.25)
DONM10000297	RUBY 2	4615		FIELD SUPERVISION	INTANGIBLE DRILLING	\$ 7,000.00			7,000.00	4615		\$ 23,444.71	\$ (16,444.71)
DONM10000297	RUBY 2	4126		FLUID DISPOSAL	INTANGIBLE DRILLING	\$ -				4126		\$ 15,919.11	\$ (15,919.11)
DONM10000297	RUBY 2	4015		LOCATION/ROAD	INTANGIBLE DRILLING	\$ 210,000.00			210,000.00	4015		\$ 150,610.08	\$ 59,389.92
DONM10000297	RUBY 2	4580		MISC. MATERIALS & SUPPLIES	INTANGIBLE DRILLING	\$ -				4580		\$ 42.69	\$ (42.69)
DONM10000297	RUBY 2	4116		MOB/DEMOB	INTANGIBLE DRILLING	\$ 4,500.00			4,500.00	4116		\$ -	\$ 4,500.00
DONM10000297	RUBY 2	4204		MUD LOGS	INTANGIBLE DRILLING	\$ -				4204		\$ -	\$ -
DONM10000297	RUBY 2	4220		OPEN HOLE LOGS	INTANGIBLE DRILLING	\$ 9,500.00			9,500.00	4220		\$ 4,485.29	\$ 5,014.71
DONM10000297	RUBY 2	4715		OTHER INT DRILLING COSTS	INTANGIBLE DRILLING	\$ 1,500.00			1,500.00	4715		\$ 17,882.68	\$ (16,382.68)
DONM10000297	RUBY 2	4603		PLUG & ABANDONMENT COSTS	INTANGIBLE DRILLING	\$ 12,000.00			12,000.00	4603		\$ -	\$ 12,000.00
DONM10000297	RUBY 2	4118		RIG FUEL	INTANGIBLE DRILLING	\$ 2,200.00			2,200.00	4118		\$ 2,025.94	\$ 174.06
DONM10000297	RUBY 2	4515		ROUSTABOUT SVC & CONTRACT LABOR	INTANGIBLE DRILLING	\$ 15,000.00			15,000.00	4515		\$ 8,036.71	\$ 6,963.29
DONM10000297	RUBY 2	4004		STAKING, PERMIT & LEGAL FEES	INTANGIBLE DRILLING	\$ 35,000.00			35,000.00	4004		\$ 44,153.77	\$ (9,153.77)
DONM10000297	RUBY 2	4011		SURFACE DAMAGES, RIGHT OF WAY	INTANGIBLE DRILLING	\$ 150,000.00			150,000.00	4011		\$ 155,000.00	\$ (5,000.00)
DONM10000297	RUBY 2	4250		TOOL & EQUIPMENT RENTAL	INTANGIBLE DRILLING	\$ 10,000.00			10,000.00	4250		\$ 11,918.82	\$ (1,918.82)
DONM10000297	RUBY 2	4480		TRUCKING & TRANSPORTATION	INTANGIBLE DRILLING	\$ 7,000.00			7,000.00	4480		\$ 5,335.54	\$ 1,664.46
					INTANGIBLE DRILLING Total	\$ 607,300.00			607,300.00			\$ 534,044.78	\$ 73,255.22
DONM10000297	RUBY 2	8030		CASING RELATED EQUIPMENT	TANGIBLES	\$ -				8030		\$ 1,829.93	\$ (1,829.93)
DONM10000297	RUBY 2	8205		CHRISTMAS TREE AND WELLHEAD	TANGIBLES	\$ 15,500.00			15,500.00	8205		\$ 21,793.97	\$ (6,293.97)
DONM10000297	RUBY 2	8210		COMPRESSION EQUIPMENT	TANGIBLES	\$ -				8210		\$ 907.76	\$ (907.76)
DONM10000297	RUBY 2	8303		GAS ENGINES	TANGIBLES	\$ 15,000.00			15,000.00	8303		\$ -	\$ 15,000.00
DONM10000297	RUBY 2	8250		LINE PIPE & FITTINGS	TANGIBLES	\$ 20,000.00			20,000.00	8250		\$ 15,855.39	\$ 4,144.61
DONM10000297	RUBY 2	8705		NON-CONTROLLABLE EQUIP	TANGIBLES	\$ 5,000.00			5,000.00	8705		\$ 530.50	\$ 4,469.50
DONM10000297	RUBY 2	8605		OTHER CONTROLLABLE EQUIPMENT	TANGIBLES	\$ -				8605		\$ 186.19	\$ (186.19)
DONM10000297	RUBY 2	8225		PIT TANKS	TANGIBLES	\$ 12,000.00			12,000.00	8225		\$ -	\$ 12,000.00
DONM10000297	RUBY 2	8015		PRODUCTION CASING/LINER	TANGIBLES	\$ 15,900.00			15,900.00	8015		\$ 32,725.68	\$ (16,825.68)
DONM10000297	RUBY 2	8305		PUMPING UNIT & ARTIFICIAL LIFT EQUI	TANGIBLES	\$ 25,000.00			25,000.00	8305		\$ 20,325.60	\$ 4,674.40
DONM10000297	RUBY 2	8310		RODS AND PUMP	TANGIBLES	\$ 10,000.00			10,000.00	8310		\$ -	\$ 10,000.00
DONM10000297	RUBY 2	8220		SEPARATION EQUIPMENT	TANGIBLES	\$ 34,000.00			34,000.00	8220		\$ 24,532.95	\$ 9,467.05
DONM10000297	RUBY 2	8230		STORAGE FACILITIES-TANKS	TANGIBLES	\$ 18,000.00			18,000.00	8230		\$ 11,886.55	\$ 6,113.45

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RUBY #2 GROSS COSTS
TD: 1,465' PICTURED CLIFFS

Code	Name	AFE		Description Detail	Operation Description	Budget		Supplement	Total	AFE		Actual Amount	Variance
		Category	Category			Amount	Amount			Category	Category		
DONM10000297	RUBY 2	8231	STRUCTURAL ENCLOSURES	TANGIBLES		\$ 25,000.00			25,000.00	8231		\$ 24,717.12	\$ 282.88
DONM10000297	RUBY 2	8005	SURFACE CASING	TANGIBLES		\$ 3,400.00			3,400.00	8005		\$ 9,563.02	\$ (6,163.02)
DONM10000297	RUBY 2	8505	TRUCKING & CONSTRUCTION COSTS	TANGIBLES		\$ 35,600.00			35,600.00	8505		\$ 53,080.49	\$ (17,480.49)
DONM10000297	RUBY 2	8506	TRUCKING SURF EQUIPT INSTALL	TANGIBLES		\$ 8,500.00			8,500.00	8506		\$ 883.46	\$ 7,616.54
DONM10000297	RUBY 2	8025	TUBING	TANGIBLES		\$ 8,200.00			8,200.00	8025		\$ 14,662.76	\$ (6,462.76)
				TANGIBLES Total		\$ 251,100.00			251,100.00			\$ 233,481.37	\$ 17,618.63
				Grand Total		\$ 1,251,500.00			1,251,500.00			\$ 1,000,904.88	\$ 250,595.12