

PLEASE SIGN AND RETURN

McELVAIN OIL & GAS PROPERTIES, INC.

409 ST. MICHAELS

P.O. BOX 2148

SANTA FE, NEW MEXICO 87504-2148

TELEPHONE 505/982-1935 EXT. 115

FAX 505/984-3027

STEVE JORDAN, JD, CPL
LAND MANAGER

February 1, 1999

Working Interest Owners
(on attached list)

RE: ELK COM #4-NE - NEW WELL PROPOSAL
LOTS 1, 2, S/2NE/4, SE/4 (E/2) SECTION 4, T25N, R2W
RIO ARRIBA COUNTY, NEW MEXICO

Ladies and Gentlemen:

We propose to drill a well to a sufficient depth to test the Mesaverde formation, to be located at a legal location in the NE/4 of Section 4, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the E/2 of Section 4. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$597,280.00, representing the estimated cost to drill, complete and facilitate the proposed well.

Also enclosed is a Joint Operating Agreement covering operations below the base of the Pictured Cliffs formation in the E/2 of said Section 4. The Exhibit "A" to the operating agreement sets out the working interest ownership as best as we can determine, subject to unrecorded purchase and sale and farmout agreements. Please check this ownership list and advise us if you believe your interest to be different than what is shown.

McElvain proposes to drill this well as soon as possible, so your immediate response to this proposal and request for Joint Operating Agreement is greatly appreciated. If you wish to participate in this well, please execute and return one copy of this letter (marked *participate*), one copy of the AFE, one copy of the well information sheet, and the extra JOA signature and acknowledgement pages. If you desire to go "non-consent" on this well, please execute and return one copy of this letter (marked *non-consent*) along with the extra JOA signature and acknowledgement pages.

Should you have any questions, please contact the undersigned at (505) 982-1935, ext. 115.

Very truly yours,



Steve Jordan
Enclosures

THE UNDERSIGNED HEREBY ELECTS TO ___ PARTICIPATE IN, NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED ELK COM #4-NE WELL.

SIGNED: A. M. Hansen

COMPANY: Noseco Corp.

TITLE: PRESIDENT

DATE: 3-18-99

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LOTS 1, 2, S/2NE/4, SE/4 (E/2) SECTION 4, T25N, R2W
RIO ARRIBA COUNTY, NEW MEXICO**

Ladies and Gentlemen:

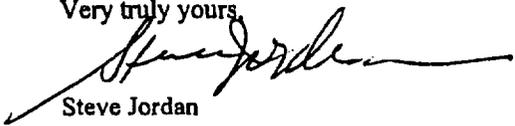
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SIGNED: M. Van HansenCOMPANY: WILLIAMS PRODUCTION Co.TITLE: SENIOR LANDMANDATE: 4/26/99

*AS TO OUR AFTER PAYOUT WORKING INTEREST,

McELVAIN OIL & GAS PROPERTIES, INC.

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February 1, 1999

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(on attached list)

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RIO ARRIBA COUNTY, NEW MEXICO

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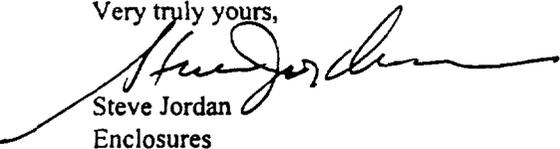
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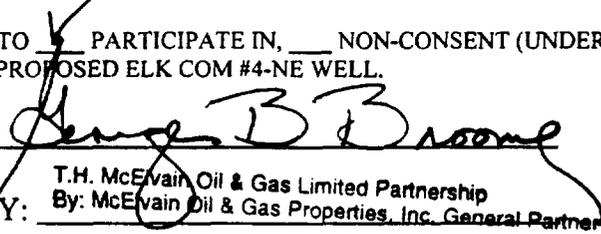
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SIGNED: 

COMPANY:

T.H. McElvain Oil & Gas Limited Partnership
By: McElvain Oil & Gas Properties, Inc. General Partner

TITLE: V. P.

DATE: 2-10-99

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 12172 Exhibit No. 4

Submitted by: McElvain Oil & Gas Properties, Inc.

Hearing Date: April 29, 1999