

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

May 12, 1999

Working Interest Owners  
(on attached list)

RE: ELK COM #10-8 - NEW WELL PROPOSAL  
N/2 SECTION 10, 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 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the N/2 of Section 10. 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 from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of said Section 10. 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.

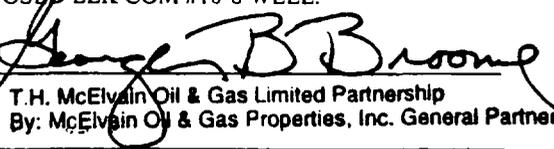
Should you have any questions, please contact the undersigned at (505) 982-1935, ext. 115.

Very truly yours,

  
Steve Jordan  
Enclosures

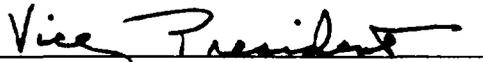
THE UNDERSIGNED HEREBY ELECTS TO  PARTICIPATE IN,  NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED ELK COM #10-8 WELL.

SIGNED: \_\_\_\_\_

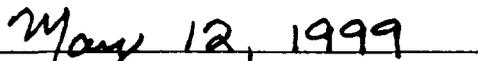
  
T.H. McElvain Oil & Gas Limited Partnership  
By: McElvain Oil & Gas Properties, Inc. General Partner

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_



DATE: \_\_\_\_\_



BEFORE THE OIL CONSERVATION  
DIVISION

Santa Fe, New Mexico

Case No. 12224 Exhibit No. 3

Submitted by: McElvain Oil & Gas, Inc.

**PLEASE SIGN AND RETURN**

**McELVAIN OIL & GAS PROPERTIES, INC.**

409 ST. MICHAELS

P.O. BOX 2148

SANTA FE, NEW MEXICO 87504-2148

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LAND MANAGER

May 12, 1999

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(on attached list)

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N/2 SECTION 10, T25N, R2W  
RIO ARRIBA COUNTY, NEW MEXICO**

Ladies and Gentlemen:

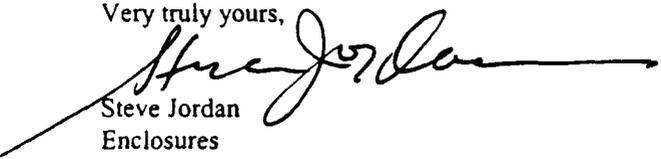
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Steve Jordan  
Enclosures

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SIGNED:  \_\_\_\_\_

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: 5-19-1999

**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

May 12, 1999

Working Interest Owners  
(on attached list)

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N/2 SECTION 10, T25N, R2W  
RIO ARRIBA COUNTY, NEW MEXICO**

Ladies and Gentlemen:

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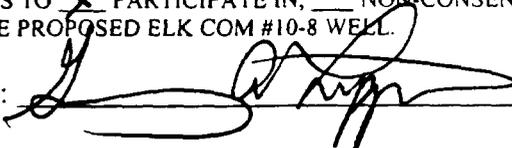
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Enclosures

THE UNDERSIGNED HEREBY ELECTS TO  PARTICIPATE IN,  NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED ELK COM #10-8 WELL.

SIGNED:  \_\_\_\_\_

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: 5-14-99

Air Compressors 4 days @ \$2500/day	10,000	10,000
Water Hauling	1,000	1,000
Rental Equipment	1,800	1,800
Well Logging	14,000	14,000
Cement & Services..Cond, Surface,Intermediate	17,000	17,000
Cement & Services..Plugging	6,000	
Trucking & Labor	4,000	4,000
Overhead & Supervision	10,000	10,000
Misc Costs	12,000	12,000
Contingency		
<b>Total Drilling</b>	<b>234,700</b>	<b>228,700</b>

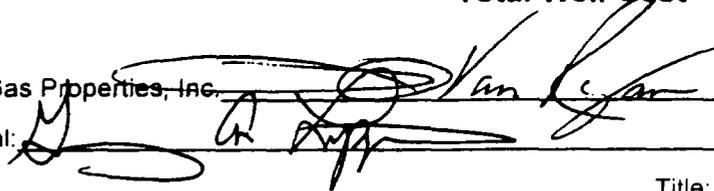
<b>Completion Intangibles</b>		
Cement & Services..Production Casing		9,300
Completion Unit 10 days @ \$2,500/day		25,000
Logging & Perforating		21,000
Stimulation		125,000
Tool & Tank Rental		26,000
Supervision 13 days @ \$650/day		8,450
Water		21,000
Trucking		7,200
Roustabouts/Labor 5 days @ \$2000/day		10,000
Specialized Tools		4,500
5% Contingency		12,900
<b>Total Completion</b>	<b>0</b>	<b>270,350</b>

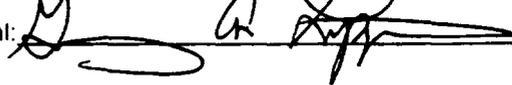
**Total Intangibles      234,700      499,050**

<b>Tangibles</b>		
Casing..Surface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
Casing..Intermediate 4100' 7" @ \$7.21/ft.	29,560	29,560
Casing..Liner 2223' 4 1/2" @ 3.72/ft		8,270
Liner Hanger		9,400
Float Equipment	1,500	2,500
Tubing..6400' 2 3/8" @ \$2.00/ft		12,800
Wellhead	1,500	9,500
Tanks & Pits		7,500
Separator & Dehydrator		9,800
Line Pipe & Fittings		5,000
<b>Total Tangibles</b>	<b>36,460</b>	<b>98,230</b>

**Total Well Cost      \$271,160      \$597,280**

**APPROVALS:**

McElvain Oil & Gas Properties, Inc.  Date: 1-26-99

Investor Approval:  Date: 5-14-9

Approved by: \_\_\_\_\_ Title: \_\_\_\_\_

Company: \_\_\_\_\_

2 461 508 462

**SENDER:**  
 • Complete items 1 and/or 2 for additional services.  
 • Complete items 3, 4a, and 4b.  
 • Print your name and address on the reverse of this form so that we can return this card to you.  
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 J. Roger Friedman  
 425 Park Ave.  
 New York, NY 10022

4a. Article Number  
 2 461 508 462

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-17-99

5. Received By: (Print Name)  
 Mendez

6. Signature: (Addressee or Agent)  
 X

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-8-0229 Domestic Return Receipt

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

Sent to  
 Roger Friedman  
 Street & Number  
 425 Park Ave.  
 Post Office, State, & ZIP Code  
 New York

Postage \$ 2.75

Certified Fee 1.40

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered 1.25

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$ 5.40

Postmark or Date

PS Form 3800, April 1995

2 461 508 461

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

Sent to  
 George Lippman  
 Street & Number  
 5862 Crono Dr. Suite 199  
 Post Office, State, & ZIP Code  
 El Paso, TX 79912

Postage \$ 2.75

Certified Fee 1.40

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered 1.25

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$ 5.40

Postmark or Date

PS Form 3800, April 1995

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3. Article Addressed to:  
 George Lippman  
 5862 Crono Dr., Suite 199  
 El Paso, TX 79912

4a. Article Number  
 2 461 508 461

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-14-99

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)  
 X

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-8-0229 Domestic Return Receipt

Fold at line over top of envelope to

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I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 James Raymond  
 P.O. Box 1445  
 Kerrville, TX 78028

4a. Article Number  
 2 461 508 459

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-14-99

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)  
 X

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-8-0229 Domestic Return Receipt

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

Sent to  
 James Raymond  
 Street & Number  
 Box 1445  
 Post Office, State, & ZIP Code  
 Kerrville, TX 78028

Postage \$ 2.75

Certified Fee 1.40

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered 1.25

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$ 5.40

Postmark or Date

PS Form 3800, April 1995

Fold at line over top of envelope to

Z 461 508 460

US Postal Service  
Receipt for Certified Mail  
No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to	John Brown
Street & Number	P.O. Box 31639
Post Office, State & ZIP Code	El Paso, TX 79931
Postage	\$ 2.75
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt (Showing to Whom & Date Delivered)	1.25
Return Receipt (Showing to Whom, Date, & Addressee's Address)	
TOTAL Postage & Fees	\$ 5.40
Postmark or Date	

PS Form 3800, April 1995

Field at the top of envelope to

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 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 John S. Brown, Jr.  
 P.O. Box 31639  
 El Paso, TX 79931

4a. Article Number  
 Z 461 508 460

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-14-99

5. Received By: (Print Name)

8. Signature: (Addressee or Agent)  
 X Ricardo Paz

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-B-0229 Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

Z 461 508 458

US Postal Service  
Receipt for Certified Mail  
No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to	Dugan Production
Street & Number	P.O. Box 5820
Post Office, State & ZIP Code	Farmington, NM 87499
Postage	\$ 2.75
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt (Showing to Whom & Date Delivered)	1.25
Return Receipt (Showing to Whom, Date, & Addressee's Address)	
TOTAL Postage & Fees	\$ 5.40
Postmark or Date	

PS Form 3800, April 1995

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 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Dugan Production Co.  
 P.O. Box 5820 420  
 Farmington, NM 87499

4a. Article Number  
 Z 461 508 458

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-13-99

5. Received By: (Print Name)  
 Hunt, William

8. Signature: (Addressee or Agent)  
 X William Hunt

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-B-0229 Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

Z 461 508 464

US Postal Service  
Receipt for Certified Mail  
No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to	Arriba Co.
Street & Number	P.O. Box 35304
Post Office, State & ZIP Code	Tulsa, OK 74153
Postage	\$ 2.75
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt (Showing to Whom & Date Delivered)	1.25
Return Receipt (Showing to Whom, Date, & Addressee's Address)	
TOTAL Postage & Fees	\$ 5.40
Postmark or Date	

PS Form 3800, April 1995

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 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Arriba Company  
 P.O. Box 35304  
 Tulsa, OK 74153

4a. Article Number  
 Z 461 508 464

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 MAY 17 1999

5. Received By: (Print Name)

8. Signature: (Addressee or Agent)  
 X [Signature]

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-98-B-0229 Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

Thank you for using Return Receipt Service.

2 461 508 456

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3. Article Addressed to:  
 NM & O Operating Co.  
 6 E. 5th St., Suite 200  
 Tulsa, OK 74103

4a. Article Number  
 2 461 508 456

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-17

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Addressee or Agent)  
 X N. Sheerue

PS Form 3811, December 1994 102595-08-8-0229 Domestic Return Receipt

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

Sent to  
 NM & O Operating Co.  
 6 E. 5th St., Suite 200  
 Tulsa, Oklahoma 74103

Postage \$ 2.75

Certified Fee 1.40

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered 1.25

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$ 5.40

Postmark or Date

PS Form 3800, April 1995

2 461 508 463

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

Sent to  
 Joe Elledge  
 P.O. Box 111  
 Farmington, NM 87499

Post Office, State, & ZIP Code  
 Farmington, NM 87499

Postage \$ 2.75

Certified Fee 1.40

Special Delivery Fee 2.11

Restricted Delivery Fee 1.14

Return Receipt Showing to Whom & Date Delivered 1.25

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$ 5.40

Postmark or Date

PS Form 3800, April 1995

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 2.  Restricted Delivery  
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3. Article Addressed to:  
 Joe Elledge  
 P.O. Box 111  
 Farmington, NM 87499

4a. Article Number  
 2 461 508 463

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery

5. Received By: (Print Name)  
 Joe Elledge

6. Signature (Addressee or Agent)  
 X J. Elledge

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994 102595-08-8-0229 Domestic Return Receipt

2 461 508 457

**SENDER:**  
 Complete items 1 and/or 2 for additional services.  
 Complete items 3, 4a, and 4b.  
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 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Mesa Grande  
 6 E. 5th St., Suite 200  
 Tulsa, OK 74103

4a. Article Number  
 2 461 508 457

4b. Service Type  
 Registered  Certified  
 Express Mail  Insured  
 Return Receipt for Merchandise  COD

7. Date of Delivery  
 5-17

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Addressee or Agent)  
 X N. Sheerue

PS Form 3811, December 1994 102595-08-8-0229 Domestic Return Receipt

2 461 508 457

US Postal Service  
**Receipt for Certified Mail**  
 No Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)

Sent to  
 Mesa Grande  
 6 E. 5th St., Suite 200  
 Tulsa, Oklahoma 74103

Post Office, State, & ZIP Code  
 Tulsa, OK 74103

Postage \$ 2.75

Certified Fee 1.40

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered 1.25

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$ 5.40

Postmark or Date

PS Form 3800, April 1995

**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

May 12, 1999

Working Interest Owners  
(on attached list)

**RE: ELK COM #10-8 - NEW WELL PROPOSAL  
N/2 SECTION 10, T25N, R2W  
RIO ARRIBA COUNTY, NEW MEXICO**

Ladies and Gentlemen:

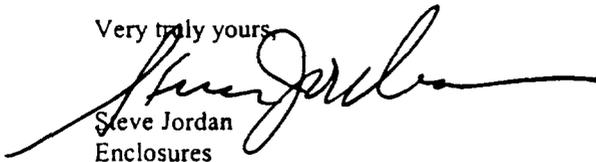
We propose to drill a well to a sufficient depth to test the Mesaverde formation, to be located at a legal location in the NE/4 of Section 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the N/2 of Section 10. Enclosed herewith, in duplicate, is McElvain's AFE in the 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 from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of said Section 10. 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.

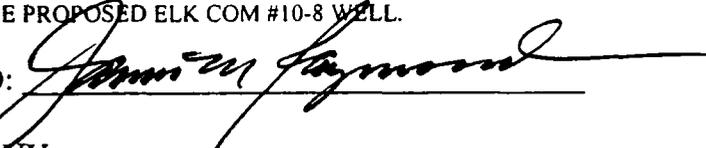
McElvain proposes to drill this well as soon as possible, so your immediate response to this proposal and request for Joint Operating Agreement is greatly appreciated. If you wish to participate in this well, please execute and return one copy of this letter (marked *participate*), one copy of the AFE, 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 #10-8 WELL.

SIGNED:   
\_\_\_\_\_

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: 5/19/99

**McELVAIN OIL & GAS PROPERTIES, INC.**  
**AUTHORITY for EXPENDITURE**  
 January 20, 1999

ELK COM #10-8 SE/NE Section 10 T25N R2W	DRY HOLE	COMPLETED WELL
<b>Drilling Intangibles</b>		
Title Work & Survey	3,500	3,500
Location, Road, Damages	15,000	15,000
Footage 6400' @ \$21.00/ft	134,400	134,400
Fuel	6,000	6,000
Air Compressors 4 days @ \$2500/day	10,000	10,000
Water Hauling	1,000	1,000
Rental Equipment	1,800	1,800
Well Logging	14,000	14,000
Cement & Services..Cond, Surface, Intermediate	17,000	17,000
Cement & Services..Plugging	6,000	
Trucking & Labor	4,000	4,000
Overhead & Supervision	10,000	10,000
Misc Costs	12,000	12,000
Contingency		
<b>Total Drilling</b>	<b>234,700</b>	<b>228,700</b>

<b>Completion Intangibles</b>		
Cement & Services..Production Casing		9,300
Completion Unit 10 days @ \$2,500/day		25,000
Logging & Perforating		21,000
Stimulation		125,000
Tool & Tank Rental		26,000
Supervision 13 days @ \$650/day		8,450
Water		21,000
Trucking		7,200
Roustabouts/Labor 5 days @ \$2000/day		10,000
Specialized Tools		4,500
5% Contingency		12,900
<b>Total Completion</b>	<b>0</b>	<b>270,350</b>

**Total Intangibles      234,700      499,050**

<b>Tangibles</b>		
Casing..Surface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
Casing..Intermediate 4100' 7" @ \$7.21/ft.	29,560	29,560
Casing..Liner 2223' 4 1/2" @ 3.72/ft		8,270
Liner Hanger		9,400
Float Equipment	1,500	2,500
Tubing..6400' 2 3/8" @ \$2.00/ft		12,800
Wellhead	1,500	9,500
Tanks & Pits		7,500
Separator & Dehydrator		9,800
Line Pipe & Fittings		5,000
<b>Total Tangibles</b>	<b>36,460</b>	<b>98,230</b>

**Total Well Cost      \$271,160      \$597,280**

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 1-26-99

Investor Approval:  Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Title: \_\_\_\_\_

**McELVAIN OIL & GAS PROPERTIES, INC.**  
**AUTHORITY for EXPENDITURE**  
 January 20, 1999

ELK COM #10-8 SE/NE Section 10 T25N R2W	DRY HOLE	COMPLETED WELL
<b>Drilling Intangibles</b>		
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Tanks & Pits		7,500
Separator & Dehydrator		9,800
Line Pipe & Fittings		5,000
<b>Total Tangibles</b>	<b>36,460</b>	<b>98,230</b>

**Total Well Cost      \$271,160      \$597,280**

APPROVALS:

McElvain Oil & Gas Properties, Inc. *Don L. ...* Date: 1-26-99

Investor Approval: *...* Date: 5-12-99

Approved by: *George B. Broome* Title: Vice President

T.H. McElvain Oil & Gas Limited Partnership  
 By: *...* General Partner

**McELVAIN OIL & GAS PROPERTIES, INC.**  
**AUTHORITY for EXPENDITURE**  
 January 20, 1999

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Contingency		
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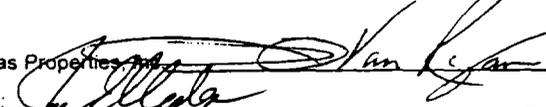
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Line Pipe & Fittings		5,000
<b>Total Tangibles</b>	<b>36,460</b>	<b>98,230</b>

**Total Well Cost      \$271,160      \$597,280**

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 1-26-99

Investor Approval:  Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Title: \_\_\_\_\_

**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

May 12, 1999

Working Interest Owners  
(on attached list)

**RE: ELK COM #10-8 - NEW WELL PROPOSAL  
N/2 SECTION 10, 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 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the N/2 of Section 10. 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 from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of said Section 10. 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.

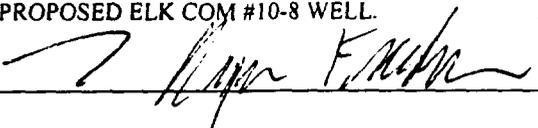
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Should you have any questions, please contact the undersigned at (505) 982-1935, ext. 115.

Very truly yours,

  
Steve Jordan  
Enclosures

THE UNDERSIGNED HEREBY ELECTS TO X PARTICIPATE IN,      NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED ELK COM #10-8 WELL.

SIGNED: 

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

**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  
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STEVE JORDAN, JD, CPL  
LAND MANAGER

May 12, 1999

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(on attached list)

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N/2 SECTION 10, T25N, R2W  
RIO ARRIBA COUNTY, NEW MEXICO**

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Steve Jordan  
Enclosures

THE UNDERSIGNED HEREBY ELECTS TO  PARTICIPATE IN,  NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED ELK COM #10-8 WELL.

SIGNED: 

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

**PLEASE SIGN AND RETURN**

**McELVAIN OIL & GAS PROPERTIES, INC.**

409 ST. MICHAELS

P.O. BOX 2148

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STEVE JORDAN, JD, CPL  
LAND MANAGER

May 12, 1999

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(on attached list)

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N/2 SECTION 10, T25N, R2W  
RIO ARRIBA COUNTY, NEW MEXICO**

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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 #10-8 WELL.

SIGNED: John R. Brown, Jr.

COMPANY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: May 26, 1999

**McELVAIN OIL & GAS PROPERTIES, INC.**  
**AUTHORITY for EXPENDITURE**  
 January 20, 1999

ELK COM #10-8 SE/NE Section 10 T25N R2W	DRY HOLE	COMPLETED WELL
<b>Drilling Intangibles</b>		
Title Work & Survey	3,500	3,500
Location, Road, Damages	15,000	15,000
Footage 6400' @ \$21.00/ft	134,400	134,400
Fuel	6,000	6,000
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Rental Equipment	1,800	1,800
Well Logging	14,000	14,000
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Trucking & Labor	4,000	4,000
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Misc Costs	12,000	12,000
Contingency		
<b>Total Drilling</b>	<b>234,700</b>	<b>228,700</b>

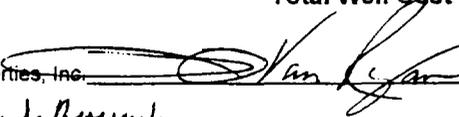
<b>Completion Intangibles</b>		
Cement & Services..Production Casing		9,300
Completion Unit 10 days @ \$2,500/day		25,000
Logging & Perforating		21,000
Stimulation		125,000
Tool & Tank Rental		26,000
Supervision 13 days @ \$650/day		8,450
Water		21,000
Trucking		7,200
Roustabouts/Labor 5 days @ \$2000/day		10,000
Specialized Tools		4,500
5% Contingency		12,900
<b>Total Completion</b>	<b>0</b>	<b>270,350</b>

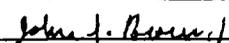
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<b>Tangibles</b>		
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<b>Total Tangibles</b>	<b>36,460</b>	<b>98,230</b>

**Total Well Cost      \$271,160      \$597,280**

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 1-26-99

Investor Approval:  Date: 05/26/99

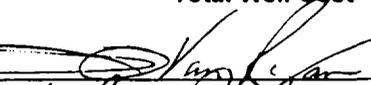
Approved by:  Title: \_\_\_\_\_

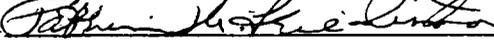
Company: \_\_\_\_\_

**McELVAIN OIL & GAS PROPERTIES, INC.**  
**AUTHORITY for EXPENDITURE**  
 January 20, 1999

	DRY HOLE	COMPLETED WELL
ELK COM #10-8 SE/NE Section 10 T25N R2W		
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	<b>\$271,160</b>	<b>\$597,280</b>

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 1-26-99

Investor Approval:  Date: 5/20/99

Approved by: \_\_\_\_\_ Title: \_\_\_\_\_

Company:

**McLAIN OIL & GAS PROPERTIES, INC.**  
**AUTHORITY for EXPENDITURE**  
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5% Contingency		12,900
<b>Total Completion</b>	<b>0</b>	<b>270,350</b>

**Total Intangibles      234,700      499,050**

<b>Tangibles</b>		
Casing..Surface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
Casing..Intermediate 4100' 7" @ \$7.21/ft.	29,560	29,560
Casing..Liner 2223' 4 1/2" @ 3.72/ft		8,270
Liner Hanger		9,400
Float Equipment	1,500	2,500
Tubing..6400' 2 3/8" @ \$2.00/ft		12,800
Wellhead	1,500	9,500
Tanks & Pits		7,500
Separator & Dehydrator		9,800
Line Pipe & Fittings		5,000
<b>Total Tangibles</b>	<b>36,460</b>	<b>98,230</b>

**Total Well Cost      \$271,160      \$597,280**

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Investor Approval:

Approved by:

Title:

Date:

Date:

*1-26-99*  
*5/20/99*

Company: