

MA
12-15-99

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, CPL
LAND MANAGER

December 13, 1999

CASE NO. 12284
Order No. R-11294

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**TO: AFFECTED OWNERS IN SECTION 33: S/2, TOWNSHIP 26 NORTH, RANGE 2
WEST, N.M.P.M. (see attached list)**

RE: ESTIMATED WELL COSTS: COUGAR COM 33 #1
S/2 33-26N-2W
RIO ARriba COUNTY ,NEW MEXICO

Ladies and Gentlemen:

Pertaining to the order from the New Mexico Oil Conservation Commission R-11294 for the compulsory pooling application and hearing, Case No. 12284, please find enclosed the estimated well costs for the Cougar Com 33 #1 well, located in the S/2 of Section 33, T26N, R2W, N.M.P.M., Rio Arriba County, New Mexico, along with a copy of NMOCD Order R-11294.

Please refer to paragraph 8, et seq., of said Order R-11294, pertaining to the rights of a working interest owner to pay its share of estimated well costs within 30 days hereof, in lieu of paying its share of reasonable well costs and risk charges out of production. The estimated well costs for the Cougar Com 33 #1 well are \$709,430.00. Our AFE in that amount is enclosed.

Please direct any questions in these regards to the undersigned at (505) 982-1935, ext. 115.

Very truly yours,



Steve Jordan

Attachment (Owner List)
Enclosures (AFE & Order)

COUGAR COM 33 #1
RIO ARriba COUNTY, NEW MEXICO

TOWNSHIP 26 NORTH, RANGE 2 WEST, N.M.P.M.
Section 33: S/2, base of the Pictured Cliffs formation to the
base of the Dakota formation
containing 320 acres, more or less
SEPTEMBER 1, 1999

Working Interest Owners:

T.H. McElvain Oil & Gas Limited Partnership P.O. Box 2148 Santa Fe, New Mexico 87501-2148	<u>BPO</u> 63.281250%	<u>APQ</u> ¹ 63.281250%
Energen Resources Corporation 605 21 st Street North Birmingham, Alabama 35203-2707	11.718750%	11.718750%
Noseco Corporation, a Nevada corporation 7400 Lakeside Drive Reno, NV 89511	8.459293%	7.666234%
Neumann Family Trust c/o Peter C. Neumann P.O. Box 1170 Reno, Nevada 89504	6.698570%	6.070579%
Gavilan Dome Properties 1180 Cedarwood Drive Moraga, CA 94556	5.409342%	4.902217%
Mesa Grande Resources, Inc. 1200 Philtower Bldg. Tulsa, Oklahoma 74103	2.284348%	2.070190%
NM & O Operating Company 6 E. 5th Street, Suite 200 Tulsa, OK 74103	1.757822%	1.593026%
Johansen Energy Partnership P.O. Box 1773 Whitefish, MT 59937	0.390625%	0.354004%
Williams Production Company Attn: Mr. M. Vern Hansen P.O. Box 3102 Tulsa, Oklahoma 74101	0.000000%	2.343750%
Dugan Production Corporation P.O. Box 420 Farmington, NM 87499-0420	0.000000%	0.000000% ²
Totals:	100.000000%	100.000000%

¹ Payout is defined in that certain Agreement for Purchase and Sale dated August 1, 1986, between Northwest Pipeline Corporation and Mesa Grande Resources, Inc..

² Under Assignment of Oil and Gas Lease from Dugan Production Corporation to Mesa Grande Resources, Inc., dated March 3, 1988, recorded BK 122, PG 5, Dugan reserved a 2.125% of 8/8ths ORRI, 0.5% of which *may* be converted to a 12.5% WI upon payout as defined in that certain Farmout Agreement dated December 31, 1987. The interests of Mesa Grande Resources, Inc., and its assigns, acquired from Dugan Production Corporation are subject to a reassignment provision in favor of Dugan under the terms of said farmout agreement.

VAIN OIL & GAS, ROBERTIE
 AUTHORITY for EXPENDITURE
 JUNE 29, 1999

COUGAR COM 33 #1 NW/SE Sec 33 T26N R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Title Work & Survey	3,500	3,500
Location, Road, Damages	20,000	20,000
Footage 8400' @ \$16.00/ft	134,400	134,400
Daywork 1.5 days @ \$5500/day	8,250	8,250
Mud Logging	12,000	12,000
Water Hauling	12,000	12,000
Rental Equipment	1,800	1,800
Well Logging	20,000	20,000
Drilling Mud	55,000	55,000
Cement & Services..Cond, Surface	8,000	8,000
Cement & Services..Plugging	10,000	
Trucking & Labor	10,000	10,000
Overhead & Supervision	10,000	10,000
Misc Costs	12,000	12,000
Contingency		
Total Drilling	316,950	306,950

Completion Intangibles		
Cement & Services..Production Casing		35,000
Completion Unit 6 days @ \$2,500/day		15,000
Logging & Perforating		11,500
Stimulation		70,000
Tool & Tank Rental		9,000
Supervision 8 days @ \$650/day		5,200
Water		8,500
Trucking		9,500
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		4,500
5% Contingency		9,110
Total Completion	0	191,310

Total Intangibles 316,950 498,260

Tangibles		
Casing..Surface 500' 9 5/8" @ \$11.60/ft.	5,800	5,800
Casing..Production 8400' 5 1/2" @ \$7.33/ft.		61,570
Casing..Liner		
Liner Hanger		
Float Equipment	1,500	8,000
Tubing..8400' 2 3/8" @ \$2.00/ft		16,800
Wellhead	1,500	8,500
Tanks & Pits		12,500
Separator Pumping Unit, Engine, Rods & Other Equipment		90,000
Line Pipe & Fittings		8,000
Total Tangibles	8,800	211,170

Total Well Cost \$325,750 \$709,430

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date: 9-3-99

Investor Approval: _____

Date: _____

Approved by: _____ Title: _____

Company: _____