

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

February 23, 2000

Working Interest Owners
(see attached list)

**RE: BEAR COM 29 #1 – REVISED NEW WELL PROPOSAL (DAKOTA TEST)
SE/4 SECTION 29, T26N, R2W
RIO ARRIBA COUNTY, NEW MEXICO**

Ladies and Gentlemen:

This new proposal replaces our proposal dated January 13, 2000. We are replacing that proposal to test the Mesaverde formation with this proposal to test the Dakota formation. We hereby propose to drill a well to a sufficient depth to test the Dakota formation, to be located at a legal location in the SE/4 of Section 29, T26N, R2W, Rio Arriba County, New Mexico, with a spacing unit encompassing the S/2 of Section 29. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$686,520.00, representing the estimated cost to drill and complete the proposed well.

The proposed operating agreement for this test well is the one mailed to you in our 1/13/00 proposal package. If you cannot locate the operating agreement and want another, please let us know. That agreement covers operations in the S/2 of Section 29, limited to depths below the base of the Pictured Cliffs formation. Please check Exhibit "A" of the operating agreement and advise us if you believe your interest to be different than what is shown.

McElvain hopes 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 page. 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 acknowledgment pages.

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

Very truly yours,

151

Steve Jordan
Enclosures

THE UNDERSIGNED HEREBY ELECTS TO PARTICIPATE IN, NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED BEAR COM 29 #1 WELL.

SIGNED: _____

COMPANY: _____

TITLE: _____

DATE: _____

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12395 Exhibit No. 3
Submitted by:
McElvain Oil & Gas Properties
Hearing Date: May 4, 2000

M. /AIN OIL & GAS PROPERTIES
AUTHORITY for EXPENDITURE
FEBRUARY 18,2000

COM 29 #1 Dakota SE/4 Sec. 29 T26N R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Title Work & Survey	3,500	3,500
Location,Road,Damages	30,000	30,000
Footage 8480' @ \$19.00/ft	161,120	161,120
Daywork 1.5 days @ \$6100/day	9,150	9,150
Mud Logging	15,000	15,000
Water Hauling	15,000	15,000
Rental Equipment	1,800	1,800
Well Logging	22,000	22,000
Drilling Mud	55,000	55,000
Cement & Services..Surface,Intermediate	8,500	8,500
Cement & Services..Plugging	10,000	
Trucking & Labor	7,500	7,500
Overhead & Supervision	15,000	15,000
Misc Costs	12,000	12,000
Contingency		
Total Drilling	365,570	355,570

Completion Intangibles		
Cement & Services..Production Casing		45,000
Completion Unit 7 days @ \$2,500/day		17,500
Logging & Perforating		10,500
Stimulation		50,000
Tool & Tank Rental		14,000
Supervision 10 days @ \$650/day		6,500
Water		6,500
Trucking		12,000
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		
5% Contingency		8,800
Total Completion	0	184,800

Total Intangibles 365,570 540,370

Tangibles		
Casing..Surface 500' 9 5/8" @ \$11.60/ft.	5,800	5,800
Casing..Production 8480' 5 1/2" @ \$7.40/ft.		62,750
Casing..Liner		
Liner Hanger		
Float Equipment	1,500	11,000
Tubing..8500' 2 3/8" @ \$2.13/ft		18,100
Wellhead	1,500	8,500
Tanks & Pits		14,500
Separator		17,500
Line Pipe & Fittings		8,000
Total Tangibles	8,800	146,150

Total Well Cost \$374,370 \$686,520

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 2-18-00

Investor Approval: _____ Date: _____

Approved by: _____ Title: _____

Company: _____

BEAR COM 29 #1
RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 26 NORTH, RANGE 2 WEST, N.M.P.M.
Section 29: S/2, below the base of the Pictured Cliffs formation
containing 320 acres, more or less

FEBRUARY 25, 2000

Working Interest Owners:

McElvain Oil & Gas Properties, Inc. P.O. Box 2148 Santa Fe, New Mexico 87504-2148	OPERATOR <u>BPO</u>	<u>APO</u> ¹
T.H. McElvain Oil & Gas Limited Partnership P.O. Box 2148 Santa Fe, New Mexico 87501-2148	50.000000%	50.000000%
Noseco Corporation, a Nevada corporation 7400 Lakeside Drive Reno, NV 89511	16.918585%	15.332468%
Neumann Family Trust c/o Peter C. Neumann P.O. Box 1170 Reno, Nevada 89504	13.397140%	12.141158%
Gavilan Dome Properties, a California Limited Partnership 1180 Cedarwood Drive Moraga, CA 94556	10.818685%	9.804433%
Mesa Grande Resources, Inc., an Oklahoma corporation 1200 Philtower Bldg. Tulsa, Oklahoma 74103	4.568695%	4.140380%
NM & O Operating Company 6 E. 5th Street, Suite 200 Tulsa, OK 74103	3.515645%	3.186053%
Johansen Energy Partnership P.O. Box 1773 Whitefish, MT 59937	0.781250%	0.708008%
Williams Production Company Attn: Mr. M. Vern Hansen P.O. Box 3102 Tulsa, Oklahoma 74101	0.000000%	4.687500%
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.

Z 461 508 515

US Postal Service
Receipt for Certified Mail

Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to	NM & O Operating	
Street & Number	6 E. 5th ST, Ste 200	
Post Office, State, & ZIP Code	Tulsa, OK 74103	
Postage	\$.77
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	\$	3.42
Postmark or Date		

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

NM & O Operating
6 E. 5th ST., Ste 200
Tulsa, OK 74103

2. Article Number

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
2-25

C. Signature
X [Signature] Agent Address

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

02595-99-M-17

PS Form 3811, July 1999

Z 461 508 516

US Postal Service
Receipt for Certified Mail

Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to	Lohansen Energy	
Street & Number	Box 1773	
Post Office, State, & ZIP Code	Whitefish, MT 59937	
Postage	\$.77
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	\$	3.42
Postmark or Date		

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Lohansen Energy
P.O. Box 1773
Whitefish, MT 59937

Article Number (Copy from service label)

Z 461 508 516

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature
X [Signature] Agent Address

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

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

Sent to	Neumann Family Tr.	
Street & Number	P.O. Box 1170	
Post Office, State, & ZIP Code	Reno, NV 89504	
Postage	\$	77
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	\$	3.42
Postmark or Date		

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

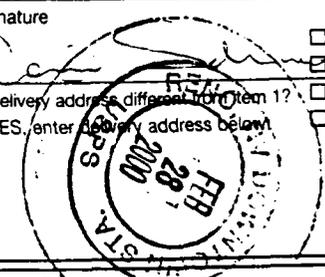
1. Article Addressed to:
 Neumann Family Trust
 P.O. Box 1170
 Reno, NV 89504

2. Article Number (Copy from service label)
 2461 508 512

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) CONNIE SHERNO	B. Date of Delivery
C. Signature X <i>[Signature]</i>	<input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
4. Restricted Delivery? (Extra Fee)	<input type="checkbox"/> Yes



PS Form 3811 April 1995

Domestic Return Receipt

102595-99-M-178

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Gailan Dome Properties
 80 Cedarwood Dr.
 Moraga, CA 94556

2. Article Number (Copy from service label)
 2461 508 513

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-178

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)	B. Date of Delivery
C. Signature X <i>[Signature]</i>	<input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
4. Restricted Delivery? (Extra Fee)	<input type="checkbox"/> Yes

PS Form 3811 April 1995

Sent to	Gailan Dome
Street & Number	80 Cedarwood
Post Office, State, & ZIP Code	Moraga CA 94556
Postage	\$ 77
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	

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

Sent to	Mesa Grande
Street & Number	1200 Philtower Bldg
Post Office, State, & ZIP Code	Tulsa, OK 74103
Postage	\$ 77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.25

PS Form 3811 April 1995

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Mesa Grande
 1200 Philtower Bldg.
 Tulsa, OK 74103

2. Article Number (Copy from service label)
 2461 508 514

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)	B. Date of Delivery MAR 1 2000
C. Signature X <i>[Signature]</i>	<input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
4. Restricted Delivery? (Extra Fee)	<input type="checkbox"/> Yes

Domestic Return Receipt

102595-99-M-178

Z 461 508 517

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Williams Production
 Attn: Vern Hansen
 P.O. Box 3102
 Tulsa, OK 74101

2. Article Number (Copy from service label)

Z 461 508 517

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) Star Alal B. Date of Delivery FEB 28 2000

C. Signature [Signature] Agent Addressee

X D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

US Postal Service

Receipt for Certified Mail

Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to Williams Production

Street & Number Box 3102

Post Office, State, & ZIP Code Tulsa, OK 74101

Postage \$.77

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 \$ 3.42

mark or Date

PS Form 3800, April 1995

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dugan Production
 Box 420
 Farmington, NM 87499

2. Article Number (Copy from service label)

Z 461 508 438

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) [Signature] B. Date of Delivery 2-24

C. Signature [Signature] Agent Addressee

X D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

US Postal Service

Receipt for Certified Mail

Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to Dugan Prod.

Street & Number Box 420

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

Postage \$.77

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 \$ 3.42

mark or Date

PS Form 3800, April 1995

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Noseco Corp.
 20 Lakeside Dr.
 Reno, NV 89511

2. Article Number (Copy from service label)

461 508 511

A. Received by (Please Print Clearly) [Signature] B. Date of Delivery 2-25-00

C. Signature [Signature] Agent Addressee

X D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PS Form 3800, April 1995

Sent to Noseco Corp.

Street & Number 20 Lakeside Dr.

Post Office, State, & ZIP Code Reno, NV 89511

Postage \$.77

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

US Postal Service
Receipt for Certified Mail
 Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Z 461 508 511