McElvain Oil & Gas Properties, Inc.

409 ST. MICHAELS P.O. BOX 2148 SANTA FE, NEW MEXICO 87504-2148

STEVE JORDAN, JD, CPL Land Manager TELEPHONE 505/982-1935 EXT. 115 Fax 505/984-3027

February 22, 2000

Working Interest Owners (on attached list)

RE: BADGER COM 10 #1 - NEW WELL PROPOSAL S/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 SW 4 of Section 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the S/2 of Section 10. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$630,210.00, representing the estimated cost to drill and complete 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 Dakota formation in the S/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 possible unrecorded purchase and sale or 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 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 page.

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

Verv m fev**e** Jordan

Enclosures

THE UNDERSIGNED HEREBY ELECTS TO ____ PARTICIPATE IN, ____ NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED BADGER COM 10 #1 WELL.

SIGNED:	
COMPANY:	
TITLE:	_

DATE: _____

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. 12412 Exhibit No. 3 Submitted by: <u>McElvain Oil & Gas Properties</u> Hearing Date: June 1, 2000 S

BADGER COM 10 #1 WORKING INTEREST OWNERS

<u>Township 25 North, Range 2 West, N.M.P.M.</u> Section 10: S/2, containing 320 acres, more or less Rio Arriba County, New Mexico

RESTRICTIONS, IF ANY, AS TO DEPTHS OR FORMATIONS

Limited to depths from the base of the Pictured Cliffs formation to the base of the Dakota formation

ADDRESSES AND PERCENTAGES OR FRACTIONAL WORKING INTERESTS OF PARTIES

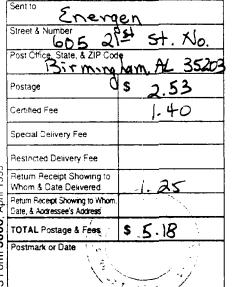
McElvain Oil & Gas Properties, Inc. P.O. Box 2148 Santa Fe, New Mexico 87504-2148		OPERATOR
Dugan Production Corporation P.O. Box 420 Farmington, NM 87499-0420		37.5000%
T.H. McElvain Oil &Gas Limited Partnership P.O. Box 2148 Santa Fe, New Mexico 87501-2148		25.0000%
NM & O Operating Company 6 E. 5th Street, Suite 200 Tulsa, OK 74103		8.3333%
Energen Resources Corporation 605 21 st Street North Birmingham, Alabama 35203-2707		8.3333%
Joanne Lee Rasmussen 557 Stagecoach Road Grand Island, NE 68801		6.2500%
Ibex Partnership P.O. Box 911 Breckenridge, Texas 76424-0911		3.9022%
States, Inc. P.O. Box 911 Breckenridge, Texas 76424-0911		3.9022%
Ernest Laurelle Fundingsland, Jr. Co. 713 Front Range Road Littleton, Colorado 80120		3.1250%
Georgia Ann Fundingsland Co. 713 Front Range Road Littleton, Colorado 80120		3.1250%
Clark & Oatman P.O. Box 310 Bastrop, Texas 78602		0.5290%
	Total:	100.0000%

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Z 461 508 495

US Postal Service **Receipt for Certified Mail** No Insurance Coverage Provided.

Do not use for International Mail (See reverse)



Sent to

Postage

1995

April

3800

Form PS Certified Fee

Whom & Date Delivered

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

TOTAL Postage & Fees i Postmark or Date

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BL€Date o A. Received by (Please Prin De Complete items 1, 2, and 3. Also complete arly) item 4 if Restricted Delivery is desired. Print your name and address on the reverse C. Signature so that we can return the card to you. Agent Attach this card to the back of the mailpiece, х C Addressee or on the front if space permits. [] Yes D. Is delived address different from item 1? 1. Article Addressed to: [] No If YES, enter delivery address below: Energen Resources 605 21st St. No 3. Service Type Certified Mail Express Mail Birmingham, AL 35203 Registered Return Receipt for Merchandise Insured Mail C.O.D. 4. Restricted Delivery? (Extra Fee) [] Yes 2. Article Number (Copy from service label) 2 - 461 508495 PS Form 3811, July 1999 Domestic Return Receipt - 102595-99-M-1789 **SENDER: COMPLETE THIS SECTION** COMPLETE THIS SECTION ON DELIVERY Complete items 1, 2, and 3. Also complete A. Received by (Please Print A item 4 if Restricted Delivery is desired. W.G.BLACI Print your name and address on the reverse Z 461 508 496 C. Signature so that we can return the card to you. 🗆 Agent Attach this card to the back of the mailpiece, × 114 Blue US Postal Service 🗖 Addresse or on the front if space permits. **Receipt for Certified Mail** D. Is delivery address different from item 1? □ Yes 1. Article Addressed to: No Insurance Coverage Provided. If YES, enter delivery address below: Do not use for International Mail (See reverse) Kas <u>mussen</u> Joanne Lee Rasmussen 557 Stagecoard RO. stagecoar A Post Office, State land XIE 68801 3. Service Type Certified Mail Express Mail Registered Grand Is land, xiE Return Receipt for Merchands Insured Mail C.O.D. 4. Restricted Delivery? (Extra Fee) 68801 □ Yes Special Delivery Fee 2. Article Number (Copy from service label) 2. 461 508 496 Restricted Delivery Fee PS Form 3811, July 1999 Domestic Return Receipt 10:2595-99-M-178. Return Receipt Showing to

SENDER: COMPLETE THIS SECTION

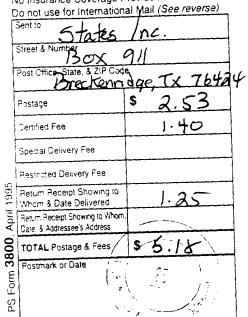
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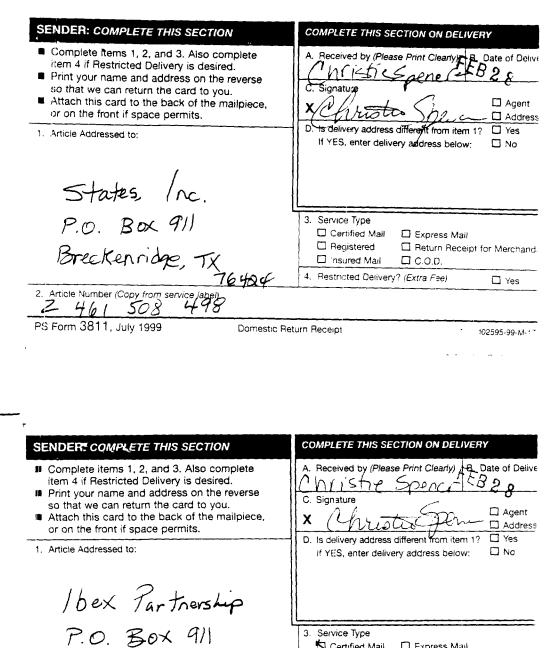
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US Postal Service Receipt for Certified Mail

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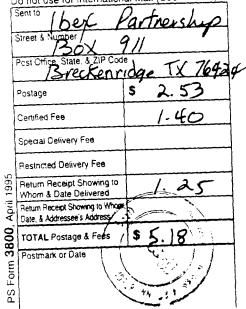




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US Postal Service Receipt for Certified Mail

No Insurance Coverage Provided. Do not use for International Mail (See reverse)



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2. Article Number (Copy from service label) 2 461 508 497

PS Form 3811, July 1999

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4. Restricted Delivery? (Extra Fee)

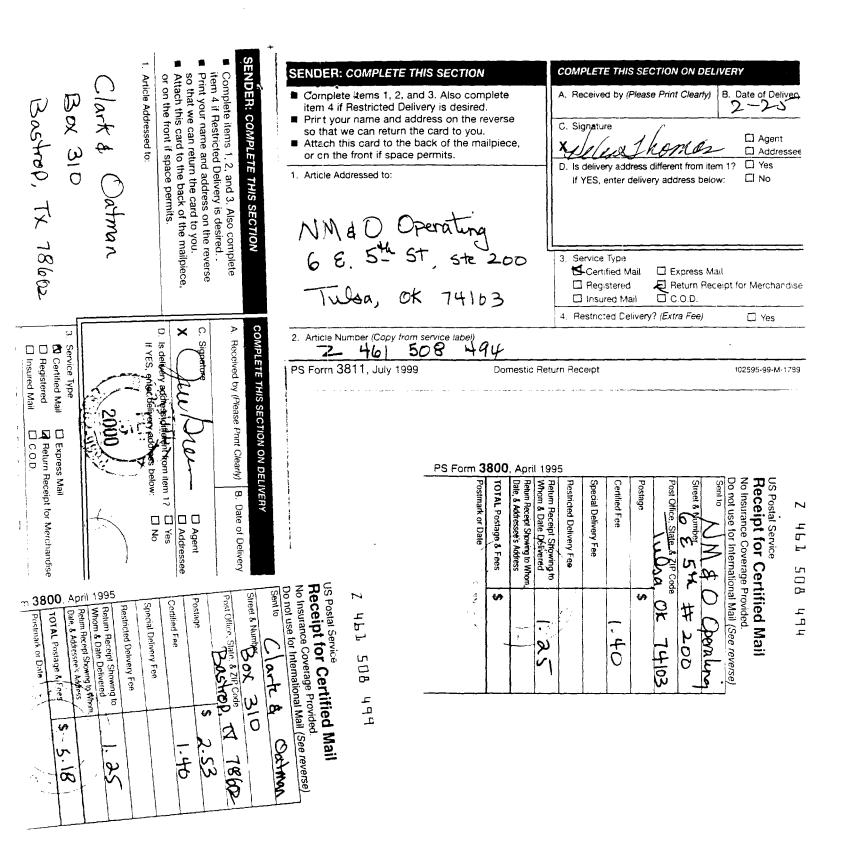
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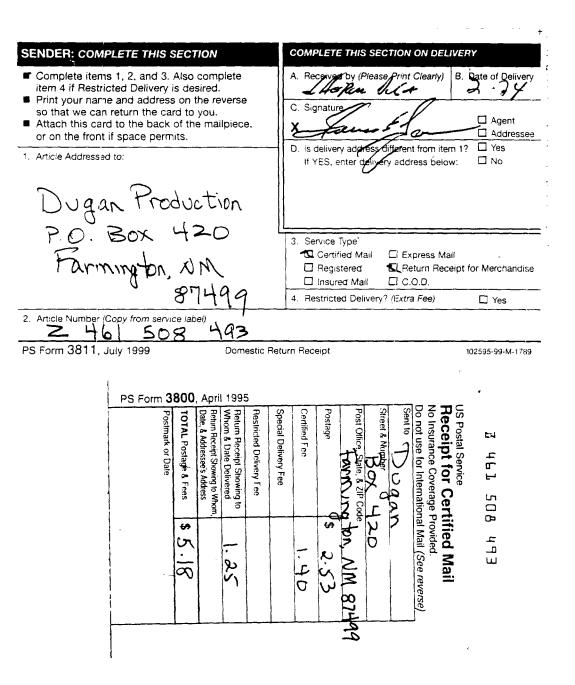
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PS Form 3800 , April 1995	Return Receipt Showing to Whom. Date, & Addressee's Address					
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M VAIN OIL & GAS PROPERTIES C. AUTHORITY for EXPENDITURE FEBRUARY 10,2000

BADGER COM 10 #1 NE/SW Sec. 10 T25 R2W		HOLE	COMPLETE WELL
Drilling Intangibles			
Title Work & Survey		3,500	3,50
Location, Road, Damages		35,000	35,00
Footage 6060' @ \$19.50/ft		118,170	118,17
Daywork 1.5 days @ \$6100/day		9,150	9,15
Air Compressors 3 days @ \$2500/day		7,500	7,50
Water Hauling		5,500	5,50
Rental Equipment		1,800	1,80
Well Logging		18,000	18,00
Drilling Mud		4,000	4,00
Cement & ServicesSurface.Intermediate		25,000	25,00
Cement & ServicesPlugging		10.000	20,00
Trucking & Labor		10,000	10,00
Overhead & Supervision		12,000	12,00
Misc Costs			
Contingency		12,000	12,00
Total Drilling		271,620	261,62
Completion Intangibles			
Cement & ServicesProduction Casing			8,50
Completion Unit 12 days @ \$2,500/day			30,00
Logging & Perforating			21,00
Stimulation			125,00
Tool & Tank Renta			9,00
Supervision 14 days @ \$650/day			9,10
Water			12,00
Trucking			16,00
Roustabouts/Labor 7 days @ \$2000/day			14,00
Specialized Tools			4,50
5% Contingency			12,46
Total Completion		0	261,56
	Total Intangibles	271,620	523,180
Tangibles			·····
CasingSurface 300' 9 5/8" @ \$9.25/ft.		2,780	2,78
CasingProduction 3770' 7" @ \$6.48/ft.		24,430	24,430
Casing Liner 2400' 4 1⁄2" @ 3.55/ft			8,52
Liner Hanger			9,50
Float Equipment		1,500	2,501
Tubing6400' 2 3/8" @ \$2.00/ft			12,80
Wellhead		1,500	8,50
Tanks & Pits			12,50
Separator			17,50
Line Pipe & Fittings			8,000
Total Tangibles		30,210	107,030
	Total Well Cost	\$301,830	\$630,210
APPROVALS:	₹V. V. /	- Data:	2-10-00
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McElvain Oil & Gas Properties, Inc.	× X		
McElvain Oil & Gas Propert ies, Inc		Date:	