

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 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.

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 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:
McElvain Oil & Gas Properties
Hearing Date: June 1, 2000

BADGER COM 10 #1
WORKING INTEREST OWNERS

Township 25 North, Range 2 West, N.M.P.M.
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%

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	Energen
Street & Number	605 21 st St. No.
Post Office, State, & ZIP Code	Birmingham, AL 35203
Postage	\$ 2.53
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	\$ 5.18
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:

Energen Resources
605 21st St. No
Birmingham, AL 35203

2. Article Number (Copy from service label)

Z 461 508 495

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

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

C. Signature

X

D. Is delivery address different from item 1?

If YES, enter delivery address below:

Agent

Addressee

Yes

No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes**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:

Joanne Lee Rasmussen
557 Stagecoach RD.
Grand Island, NE 68801

2. Article Number (Copy from service label)

Z 461 508 496

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

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

W. G. Blackman MAR 14 2000

C. Signature

X

D. Is delivery address different from item 1?

If YES, enter delivery address below:

Agent

Addressee

Yes

No

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

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	Joanne Rasmussen
Street & Number	557 Stagecoach
Post Office, State, & ZIP Code	Grand Island, NE 68801
Postage	\$ 2.53
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	\$ 5.18
Postmark or Date	

Z 461 508 496

PS Form 3800, April 1995

PS Form 3800, April 1995

Z 461 508 498

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	States Inc.
Street & Number	Box 911
Post Office, State, & ZIP Code	Breckenridge, TX 76424
Postage	\$ 2.53
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	\$ 5.18
Postmark or Date	

PS Form 3800, April 1995

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1. Article Addressed to:

States Inc.

P.O. Box 911

Breckenridge, TX

76424

2. Article Number (Copy from service label)

Z 461 508 498

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

COMPLETE THIS SECTION ON DELIVERY

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

Christie Spence FEB 28

C. Signature

X Christie Spence ☐ 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 Merchand.
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Z 461 508 497

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	Ibex Partnership
Street & Number	Box 911
Post Office, State, & ZIP Code	Breckenridge TX 76424
Postage	\$ 2.53
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	\$ 5.18
Postmark or Date	

PS Form 3800, April 1995

SENDER: COMPLETE THIS SECTION

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- 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:

Ibex Partnership

P.O. Box 911

Breckenridge, TX

76424

2. Article Number (Copy from service label)

Z 461 508 497

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

COMPLETE THIS SECTION ON DELIVERY

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

Christie Spence FEB 28

C. Signature

X Christie Spence ☐ 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 Merchand
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Clark & Catman
Box 310
Bastrop, TX 78602

1. Article Addressed to:
- 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.

SENDER: COMPLETE THIS SECTION

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- 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

COMPLETE THIS SECTION ON DELIVERY

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

C. Signature
X *John Thomas*
☐ Agent
☐ Addressee

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

2. Article Number (Copy from service label)

2 461 508 494

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

COMPLETE THIS SECTION ON DELIVERY

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

C. Signature
X *John Thomas*
☐ Agent
☐ Addressee

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.

PS Form 3800, April 1995

Sent to	NM & O Operating
Street & Number	6 E 5th # 200
Post Office, State & ZIP Code	Tulsa OK 74103
Postage	\$ 1.40
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	\$ 1.40
Postmark or Date	

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

Z 461 508 494

Z 461 508 494

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

Sent to	Clark & Catman
Street & Number	Box 310
Post Office, State & ZIP Code	Bastrop, TX 78602
Postage	\$ 2.53
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	\$ 5.18
Postmark or Date	

SENDER: COMPLETE THIS SECTION

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- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dugan Production
P.O. Box 420
Farmington, NM
87499

2. Article Number (Copy from service label)

2 461 508 493

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

[Signature]

B. Date of Delivery

2-24

C. Signature

[Signature]

☐ Agent☐ Addressee

D. Is delivery address different from item 1?

☐ YesIf 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-1789

PS Form 3800, April 1995

US Postal Service Receipt for Certified Mail No Insurance Coverage Provided Do not use for International Mail (See reverse)	
Sent to	Dugan
Street & Number	Box 420
Post Office, State, & ZIP Code	Farmington, NM 87499
Postage	\$ 2.53
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	\$ 5.18
Postmark or Date	

2 461 508 493

Z 461 508 500

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

PS Form 3800 April 1995

Sent to	Ernest Fundingsland
Street & Number	413 Front Range Rd.
Post Office, State, & ZIP Code	Littleton, CO 80120
Postage	\$ 2.53
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	\$ 5.15
Postmark or Date	

Z 461 508 501

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

PS Form 3800 April 1995

Sent to	Georgia Fundingsland
Street & Number	413 Front Range
Post Office, State, & ZIP Code	Littleton, CO 80120
Postage	\$ 2.53
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	\$ 5.18
Postmark or Date	

M .VAIN OIL & GAS PROPERTIES C.
AUTHORITY for EXPENDITURE
FEBRUARY 10,2000

BADGER COM 10 #1 NE/SW Sec. 10 T25 R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Title Work & Survey	3,500	3,500
Location, Road, Damages	35,000	35,000
Footage 6060' @ \$19.50/ft	118,170	118,170
Daywork 1.5 days @ \$6100/day	9,150	9,150
Air Compressors 3 days @ \$2500/day	7,500	7,500
Water Hauling	5,500	5,500
Rental Equipment	1,800	1,800
Well Logging	18,000	18,000
Drilling Mud	4,000	4,000
Cement & Services..Surface, Intermediate	25,000	25,000
Cement & Services..Plugging	10,000	
Trucking & Labor	10,000	10,000
Overhead & Supervision	12,000	12,000
Misc Costs	12,000	12,000
Contingency		
Total Drilling	271,620	261,620

Completion Intangibles		
Cement & Services..Production Casing		8,500
Completion Unit 12 days @ \$2,500/day		30,000
Logging & Perforating		21,000
Stimulation		125,000
Tool & Tank Rental		9,000
Supervision 14 days @ \$650/day		9,100
Water		12,000
Trucking		16,000
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		4,500
5% Contingency		12,460
Total Completion	0	261,560

Total Intangibles 271,620 523,180

Tangibles		
Casing..Surface 300' 9 5/8" @ \$9.25/ft.	2,780	2,780
Casing..Production 3770' 7" @ \$6.48/ft.	24,430	24,430
Casing..Liner 2400' 4 1/2" @ 3.55/ft		8,520
Liner Hanger		9,500
Float Equipment	1,500	2,500
Tubing..6400' 2 3/8" @ \$2.00/ft		12,800
Wellhead	1,500	8,500
Tanks & Pits		12,500
Separator		17,500
Line Pipe & Fittings		8,000
Total Tangibles	30,210	107,030

Total Well Cost \$301,830 \$630,210

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 2-10-00

Investor Approval: _____ Date: _____

Approved by: _____ Title: _____

Company: _____