

Ashley
11-6-00

McElvain Oil & Gas Properties, Inc.

1050 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

MONA L. BINION, CPL
LAND MANAGER
e-mail monab@mcelvainoilandgas.com

TELEPHONE 303-893-0933 EXT.306
FAX 303-893-0914
Cellular 303-809-2058

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 31, 2000

NOV - 3 2000

TO AFFECTED WORKING INTEREST OWNERS
SECTION 4: E/2, TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M.
(see attached list)

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

CASE NO. 12452
CASE NO. 12467
Order No. R-11182-B

RE: Estimated Well Cost
Cougar Com #4-1A
E/2 Section 4, T25N-R2W
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Pursuant to the Paragraph (7) under order from New Mexico Oil Conservation Commission R-11182-B for the compulsory pooling application and hearing, Case No. 12452 and Case No. 12467 please find enclosed the McElvain Oil & Gas Properties, Inc. Authority for Expenditure, which details the estimated cost to drill and complete the in the Cougar Com #4-2 Well (API No. 30-039-24079) as a Dakota producer located in the E/2 of Section 4, T25N, R2W, N.M.P.M., Rio Arriba County, New Mexico along with a copy of said NMOCD Order No. R-11182-B.

Please refer to Paragraph (8), et seq on Page 8 of said Order R-11182-B, 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. Those parties noted on the attached address list have not yet elected, in writing, to voluntarily commit their working interest to the proposed operation and are hereby noticed to be subject to the aforementioned provisions and 30 day response requirement. If you so elect, both the attached Election Page and the signature page to the Operating Agreement which has been previously furnished must be returned fully executed as directed within the prescribed 30 day period.

If you have any questions or require additional information, please feel free to contact the undersigned.

Very truly yours,
McELVAIN OIL & GAS PROPERTIES, INC.



Mona L. Binion, CPL
Land Manager

MLB/idi

Attachment (Affected Owner List)
Enclosures (AFE & Order)

WORKING INTEREST OWNERS

Affected by Compulsory Pooling under Order No. 11182-B
Cougar Com #4-1A Well
Re-entry and Recompletion of Mesaverde Formtion
September 13, 2000

*As of this date, the following parties **HAVE NOT** provided written indication of voluntary commitment to the proposed operation:*

Noseco Corporation, a Nevada corporation
7400 Lakeside Drive
Reno, NV 89511

Neumann Family Trust and/or
Peter and Renate Neumann, individually
c/o Peter C. Neumann
P.O. Box 1170
Reno, NV 89504

Gavilan Dome Properties, a California Limited Partnership
1180 Cedarwood Drive
Moraga, CA 94556

Mesa Grande Resources, Inc., an Oklahoma corporation
1200 Philtower Bldg.
Tulsa, Oklahoma 74103

NM & O Operating Company
6 E. 5th Street, Suite 200
Tulsa, OK 74103

Williams Production Company¹
Attn: Mr. M. Vern Hansen
P.O. Box 3102
Tulsa, Oklahoma 74101

Dugan Production Corporation²
P.O. Box 420
Farmington, NM 87499-420

¹ This party is incorporated hereunder due to reference in title to a certain "payout" defined in that certain Agreement for Purchase and Sale dated August 1, 1986, between Northwest Pipeline Corporation and Mesa Grande Resources, Inc., which creates uncertainty in title.

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. Dugan has been included hereunder due to the uncertainty as to the status of such right to reassignment.