

P.O. Box 819
Ranchos de Taos, NM 87557

Office (505) 751-9720

ATTORNEY

W. H. McDERMOTT

BUSINESS CONSULTANT

May 22, 2000

TO: Working Interest Owners
(Mailing list attached)

RE: Basin Dakota Recompletion Proposal
Dewey Bartlett #1 Well (Re-entry)
E/2 Section 4-T25N-R2W
Rio Arriba County, New Mexico

Dear Working Interest Owner:

NM&O Operating Company ("NM&O") proposed to re-enter the Dewey Bartlett #1 Well for the propose of completing and testing the Basin Dakota formation. The spacing unit will encompass the E/2 of Section 4.

Enclosed for your review and execution is NM&O's AFE, submitted in duplicate, in the amount of \$230,125 to recomplete and test the proposed well. Also enclosed for your files and information is NM&O's proposed work procedure for this project.

Please call if you have any questions concerning NM&O's proposal. In the event you wish to participate, please sign one of the AFE's and mail it to me at your earliest convenience.

Very truly yours,

W. H. McDermott

enclosures

| | |
|---------------------------|---------------|
| BEFORE EXAMINER ASHLEY | |
| OIL CONSERVATION DIVISION | |
| NM&O | EXHIBIT NO. 2 |
| CASE NO. 12467 | |

P.O. Box 819
Ranchos de Taos, NM 87557

Office (505) 751-9720

ATTORNEY

W. H. McDERMOTT

BUSINESS CONSULTANT

July 28, 2000

TO: Working Interest Owners

RE: Basin Dakota Recompletion Proposal
Dewey Bartlett #1 Well (Re-entry)
E/2 Section 4-T25N-R2W
Rio Arriba County, New Mexico

Dear Working Interest Owner:

Per my previous correspondence to you dated May 22, 2000, NM&O Operating Company ("NM&O") proposed to re-enter the Dewey Bartlett #1 Well for the purpose of completing and testing the Basin Dakota formation at an estimated cost of \$230,125. Also, per correspondence dated April 18, 2000, McElvain Oil and Gas Properties, Inc. ("McElvain") proposed the re-entry of the Dewey Bartlett #1 Well for the completion of the Mesaverde formation at an estimated cost of \$360,065.

At this time, by farmout or participation, NM&O has received the voluntary commitment of approximately 43% of the working interest owners in this 320.73 acre east half spacing for NM&O's proposed Dakota zone interval completion. For those who have not responded to NM&O's proposal, we again request your voluntary commitment to participate, or in the alternative, entertain a farmout proposal from NM&O. You have previously been provided NM&O's AFE for this work. Enclosed is NM&O's proposed Operating Agreement for your review, files and consideration.

Again, NM&O requests your voluntary participation in its proposed re-entry of the Dewey-Bartlett #1 Well for recompletion in the Basin Dakota zone interval. If you elect to participate, please execute and have witnessed the duplicate signature page and return to me as soon as possible. If you do not wish to participate and would entertain a farmout proposal, please call me as soon as possible as NM&O has filed a Compulsory Pooling Application which has been set for hearing in front of the New Mexico Oil Conservation Division on August 10, 2000.

Please feel free to call if you have any questions concerning this matter.

Very truly yours,

W. H. McDermott

enclosures