

FROM :

FAX NO. : 505 758 5059

Aug. 08 2000 03:41PM P2

Spencer Cross, Attorney
8018 NDCBU
Taos, New Mexico 87571
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Via Facsimile and U.S. Mail

08.08.00

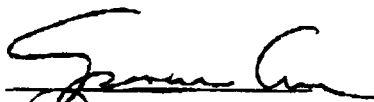
Ms. Lori Wrotenbery
Director
Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
20405 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case Numbers 12452, 12467 Before the Oil Conservation Division April 10, 2000

Dear Ms. Wrotenbery:

This letter serves as a declaration of intent by Mr. Dennis Hopper to enter into a gas lease with McElvain Oil covering all formations developed on the 320 acre spacing from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the E1/2 of Section 4, Township 25 North, Range 2 West, N.M.P.M. Rio Arriba County, New Mexico. Mr. Hopper has a 24.9% BPO & APO interest in all located in all gas located in this spacing unit and sole ownership of 1/2 of the unit's surface. The gas lease will be signed upon the final approval of a draft surface use agreement being negotiated by Mr. Hopper and McElvain. As the representative for Mr. Hopper in this matter I would note that McElvain Oil has been diligent in negotiating a surface use agreement throughout its dealings with Mr. Hopper.

Sincerely,



Spencer Cross
Attorney for Dennis Hopper

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12467 Exhibit B
Submitted by:
McElvain Oil & Gas Properties, Inc.
Hearing Date: August 10, 2000

JAMES M RAYMOND

POST OFFICE BOX 291445
KERRVILLE, TEXAS 78029-1445

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August 8, 2000

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

BY FAX
505/827-8177

Attention: Lori Wrotenbery, Director

Re: Case No 12467
E2 Sec 4-25N-2W, 320.73 acres m/l
Rio Arriba County, NM

Gentlemen:

The captioned lands are the subject of an Application for compulsory Pooling filed by NM&O Operating Company; it is my understanding that the case is to be heard Thursday, August 10. As a working interest owner in the lands covered by this application, I wish to express my objection to its approval.

On August 3 I received a letter dated July 28, 2000, which purported to be a second request for participation in NM&O's proposal to recomplete the Dewey Bartlett #1 well (re-entry). It was accompanied by a proposed Joint Operating Agreement, but included no AFE for the proposed work. Earlier, on July 25, I received notice regarding the hearing of this case together with a copy of the application. My staff has researched our records and believes these to be the only items received in connection with NM&O's proposed operation.

I have previously entered into an operating agreement dated September 1, 1999, in which McElvain Oil & Gas Properties, Inc is named operator; I have participated in the drilling and completion of the Cougar Com #4-1, a successful MesaVerde well operated by McElvain, also comprising this E2 of Section 4. It is my understanding that NM&O did not agree to participate in this well and compulsory pooling was required. Because of the success of the Cougar Com #4-1 MV, I have since agreed to participate in McElvain's proposal to re-enter the Dewey Bartlett #1 well and complete in the MesaVerde formation. That McElvain has applied for compulsory pooling on this well also would indicate that NM&O has no regard for developing the MesaVerde formation in this area.

New Mexico OCD

August 8, 2000

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Upon review, I continue to support McElvain as operator of the referenced lands as to all formations because

- the higher potential for economic recovery exists in the Mesa Verde formation, making McElvain's proposal to first complete this formation more reasonable
- McElvain's proposal does not preclude testing the Dakota at a later date.
- NM&O's proposal *may* preclude completing in the Mesa Verde at a later date
- McElvain has proceeded to develop properties in this area in an orderly and prudent manner, and therefore, may be expected to continue development in such a manner

For these reasons, I oppose the application by NM&O to operate the re-entry of the Dewey Bartlett well and respectfully request that the Commission deny same.

Sincerely,

James M Raymond

:

copy:

CASE NO. 12467

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

Re: Objection to Application
Compulsory Pooling
T25N-R2W, Section 4: E/2
Rio Arriba County, New Mexico

Dear Director:

Cougar Capital LLC is the owner of a leasehold working interest in the lands and geologic formations covered by that certain Application For Compulsory Pooling filed with your office by NM&O Operating Company. As a party to be directly affected by the actions taken by you regarding this application, I hereby express, in writing, my formal objection to the subject application and request that you deny same as presented.

The concerns and justification for this objection and request for denial are as follows:

1. The E/2 of Section 4 has previously been "pooled" and the parties who have voluntarily committed their interests to the drilling and completion of the Cougar Com #4-1 well have named and supported McElvain Oil & Gas Properties, Inc. as the operator of the "pool" for the drilling and development of the Mesaverde formation and all other formations below the base of the Pictured Cliffs formation (JOA), which includes the re-entry and recompletion of the Mesaverde in the Dewey Bartlett #1 well. After receipt of NM&O's proposal, McElvain addressed their plans to include the Dakota formation as part of their overall development of this area which confirms for all of the affected that no rights will be lost and all zones can be effectively tested under McElvain's plan.
2. McElvain Oil & Gas Properties have drilled and completed one Mesaverde well in the "pooled" area (without support from NM&O since compulsory pooling was required for that well also) which was accomplished over a year ago. McElvain has shown their ability to operate in this area and have performed all their duties as operator. They now are requesting to complete the Mesaverde formation in the Dewey Bartlett #1 well which was proposed in April of 2000. NM&O's proposal does not take into account the rights of the owners to complete and produce the Mesaverde formation. Since NM&O does not support Mesaverde operations, as is evident by their continuous non-participation in any proposed Mesaverde locations, Cougar Capital LLC has great concern that if they are allowed use of this wellbore

for re-entry purposes, that the Mesaverde zone will be blocked and not available for development by the drillsite owners.

3. The agreement submitted by NM&O covers the same interest, same lands and depths as does the operating agreement which we (and other owners) are currently subject to naming McElvain Oil & Gas Properties, Inc. as operator. We are not able to commit the same interest to more than one operating agreement without all parties currently committed agreeing to do the same. NM&O Operating has been offered the same participation with us in the existing arrangement which would afford them the right to propose a Dakota completion. An election not to participate in the Mesaverde completion would not preclude them from joining in a Dakota proposal. McElvain is planning to complete the Dakota formation, as the second completion. I agree with McElvain's analysis that the Mesaverde formation offers the economic formation to develop first leaving the Dakota formation as the second completion option.

In summary, for all of the above reasons, we oppose the conflicting application of NM&O to operate the Dewy Bartlett re-entry and continue to support McElvain to operate the development of all formations in this re-entry and the "pooled" lands. It would be my hope that both parties could work together for the orderly economic development of this drillsite. Cougar Capital LLC request that the Commission deny the application of NM&O as referenced herein and allow McElvain to continue to orderly explore this acreage.

Very truly yours,

Cougar Capital LLC
George A. Lippman, Manager

cc: ALL WORKING INTEREST OWNERS