

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, CPL
LAND MANAGER

April 21, 2000

Working Interest Owners
(on attached list)

RE: COUGAR COM 4 #2 (MV) - NEW WELL PROPOSAL
LOTS 3, 4, S/2NW/4, SW/4 (W/2) SECTION 4, T25N, R2W
RIO ARriba COUNTY, NEW MEXICO

Ladies and Gentlemen:

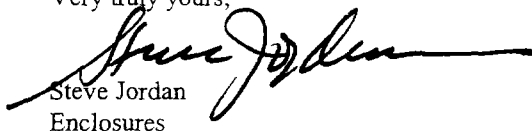
We propose to drill a well to a sufficient depth to test the Mesaverde formation, to be located at a legal location in the NW/4NW/4 of Section 4, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the W/2 of Section 4. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$629,095.00, representing the estimated cost to drill and complete the proposed well.

Some of the working interest owners have already signed an operating agreement. For those who have not, enclosed is an Operating Agreement, covering operations below the base of the Pictured Cliffs formation in the W/2 of said Section 4. The enclosed ownership list, as well as Exhibit "A" to the operating agreement, sets out the working interest ownership as best as we can determine, subject to unrecorded purchase and sale, farmout or other agreements. Please check this ownership list and advise us if you believe your interest to be different than what is shown.

Your prompt response to this proposal and request for Joint Operating Agreement will be 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 applicable). 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 (if applicable).

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 COUGAR COM 4 #2 WELL.

SIGNED: _____

COMPANY: _____

TITLE: _____

DATE: _____

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12484

Exhibit 3

Submitted by:

McElvain Oil & Gas Properties, Inc.

Hearing Date: October 5, 2000

McElvain OIL & GAS PROPERTIES, INC.**AUTHORITY for EXPENDITURE**

April 14,2000

COUGAR COM 4 #2 NW/NW Sec. 4 T25 R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Title Work & Survey	3,500	3,500
Location, Road, Damages	25,000	25,000
Footage 6230' @ \$16.00/ft	99,680	99,680
Daywork 2.5 days @ \$6250/day	15,625	15,625
Air Compressors 5 days @ \$2500/day	12,500	12,500
Water Hauling	7,500	7,500
Rental Equipment	1,800	1,800
Well Logging	20,000	20,000
Drilling Mud	5,500	5,500
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	260,105	250,105
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		12,500
Total Completion	0	261,600
Total Intangibles	260,105	511,705
Tangibles		
Casing..Surface 300' 9 5/8" @ \$11.65/ft.	3,500	3,500
Casing..Production 3960' 7" @ \$6.85/ft.	27,150	27,150
Casing..Liner 2450' 4 1/2" @ 3.60/ft		8,820
Liner Hanger		9,500
Float Equipment	1,500	2,500
Tubing..6300' 2 3/8" @ \$2.05/ft		12,920
Wellhead	1,500	8,500
Artificial Lift		6,500
Tanks & Pits		12,500
Separator		17,500
Line Pipe & Fittings		8,000
Total Tangibles	33,650	117,390

Total Well Cost \$293,755 \$629,095

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date: 4-14-00

Investor Approval: _____

Date: _____

Approved by: _____

Title: _____

Company: _____

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
■ 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: Neumann Family Trust c/o Peter C. Neumann P.O. Box 1170 Reno, NV 89504 Cougar 4 #2 2. Article Number (Copy from service label) 7099 3220 0005 9425 8548 PS Form 3811, July 1999 Domestic Return Receipt		A. Received by (Please Print Clearly) B. Date of Delivery CONNIE SAUER 4-27-00 C. Signature ☐ Agent ☐ Addressee ☒ Express Mail ☐ Return Receipt for Merchandise D. Is delivery address different from item 1? ☐ Yes ☐ No If YES, enter delivery address below: 3. Service Type ☐ Certified Mail ☐ Express Mail ☐ Registered ☒ Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee) ☐ Yes	

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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 Co 6 E. 5th St, Ste 200 Tulsa, OK 74103 Cougar 4 #2 2. Article Number (Copy from service label) 7099 3220 0005 9425 8524 PS Form 3811, July 1999 Domestic Return Receipt		A. Received by (Please Print Clearly) B. Date of Delivery Helen Titman 4-28 C. Signature ☐ Agent ☐ Addressee ☒ Express Mail ☐ Return Receipt for Merchandise D. Is delivery address different from item 1? ☐ Yes ☐ No If YES, enter delivery address below: 3. Service Type ☐ Certified Mail ☐ Express Mail ☐ Registered ☒ Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee) ☐ Yes	

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