

D.J. SIMMONS, INC.

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AUG 09 2001

**McELVAIN OIL & GAS
PROPERTIES INC.**

August 6th, 2001

CERTIFIED MAIL-RETURN RECEIPT

Forcenergy Onshore, Inc.
C/O Forest Oil Corporation
1600 Broadway, Suite 2200
Denver, Colorado 80202

T. H. McElvain Oil & Gas Limited Partnership
1050 17th Street, Suite 1800
Denver, Colorado 80265

Dugan Production Corporation
709 East Murray Drive
Farmington, New Mexico 87499

RE: Two Well Proposal
Bishop Federal #25-1 Well, NE/4 of Section 25
Bishop Federal #25-2 Well, SE/4 of Section 25
Township 25 North - Range 3 West, NMPM
Section 25; E/2 Unit
Rio Arriba County, New Mexico

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 12
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

Ladies/Gentlemen:

By certified letter dated June 7th, 2001, D. J. Simmons, Inc. invited you to participate in the drilling and completion of the above referenced wells. To clarify, your cost in the Bishop Federal #25-1 well would be your proportionate share of drilling to the Mesaverde formation, and if productive, the cost of completing the Mesaverde formation. Your cost for the Mesaverde in the Bishop Federal #25-2 well would be the same as outlined above for the Bishop #25-1 well.

The interest of the participants in the wells and units would be as follows:

Bishop #25-1 and #25-2, E/2 Mesavered Unit and/or #25-1, NE/4 Dakota Unit.

D. J. Simmons, Inc.	75.000%
Forcenergy Onshore, Inc.	12.500%
T. H. McElvain Oil & Gas Limited Partnership	9.375%
Dugan Production Corporation	<u>3.125%</u>
	100.000%

Bishop #25-2, SE/4 Dakota Unit.

D. J. Simmons, Inc.	50.000%
Forcenergy Onshore, Inc.	25.000%
T. H. McElvain Oil & Gas Limited Partnership	18.750%
Dugan Production Corporation	<u>6.250%</u>
	100.000%

However, Simmons would welcome your participation in drilling to the Dakota formation in the Bishop #25-1 and therefore earn your proportionate percentage of the leasehold in the unit, from the surface of the earth down to the base of the Dakota formation or total depth, which ever is the lesser depth, for a percentage of the leasehold, drilling and completion costs.

As of this writing, the NMOCD has not ruled on the May 17th, 2001 Compulsory Pooling hearing, concerning a S/2 Section 23 Unit.

D. J. Simmons, Inc.



A. B. Geren, Jr., President