

McElvain Oil & Gas Properties, Inc.

1050 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

MONA L. BINION, CPL
LAND MANAGER
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Cellular 303-809-2058

VIA OVERNIGHT MAIL - RETURN RECEIPT REQUESTED

March 28, 2001

TO WORKING INTEREST OWNERS
(See attached addressee list)

Re: Operating Agreement
Re-Entry Proposal (f/k/a Wynona #1)
Naomi Com #1
Township 25 North, Range 3 West
Section 25: S/2
Rio Arriba County, New Mexico

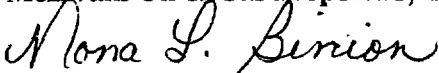
Gentlemen:

By letter dated November 10, 2000, McElvain Oil & Gas Properties, Inc., proposed the re-entry of the Wyonana #1 Well located SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, *to be named the Naomi Com #1* in order to attempt a completion of the Mesaverde formation. Submitted herewith as a followup to that proposal is the form Operating Agreement covering the S/2 of Section 25, Township 25 North, Range 3 West, limited to those depths below the base of the Pictured Cliffs formation.

Please review the enclosed and execute the Operating Agreement and extra signature pages provided therewith, returning one fully executed signature page to the undersigned at your earliest convenience. Those parties who have not previously responded regarding an election to participate or not participate in the proposed operation, we have enclosed herewith an Election Page and Authorization for Expenditure, in duplicate, which we again request that you complete, execute and return to the undersigned. If you elect not to participate you have the option of executing the enclosed Operating Agreement and electing to be subject to the "non-consent" provision of Article VI. B. 2 thereof. McElvain would also willingly entertain proposals to assume non-participating interests under purchase or farmout arrangements.

We thank you for your consideration to this request and ask that if you have any questions concerning the above or enclosed, please feel free to contact the undersigned.

Very truly yours,
McElvain Oil & Gas Properties, Inc.


Mona L. Binion, CPL
Land Manager

MLB/idi
Encls.

WORKING INTEREST OWNERS

Naomi #1

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

DJ Simmons Company Limited Partnership
1009 Ridgeway Place
Farmington, NM 87401

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

Herbert Kai
P. O. Box 500
Rilliot, Arizona 85654

Dugan Production Corporation
709 East Murray Drive
Farmington, NM 87499

ELECTION PAGE

Naomi #1 Well

March 28, 2001

**Re-entry of the former Wynona #1
Mesaverde Recompletion**

YES, I/we do hereby elect to participate in the proposed re-entry and recompletion of the Mesaverde formation in the Naomi #1 Well located in the SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico.

*If your election is to participate, please return this Election
Page along with:*

Executed Authority for Expenditure

Executed signature pages to Operating Agreement

Well Reporting Requirements for your firm

NO, I/we hereby elect NOT to participate in the proposed re-entry and recompletion of the Mesaverde formation in the Naomi #1 Well located in the SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico.

Parties electing not to participate are offered optional arrangements with McElvain for purchase, farmin, non-participation with penalty (non-consent) under JOA enclosed, or other arrangement as negotiated to be mutually acceptable to the affected parties. As a party not interested in participating in the proposed operation, I/we would be interested in receiving a proposal from McElvain for one of the following:

_____ **Farmin**

_____ **Sale of Interest**

_____ **Non-Consent under enclosed JOA**

_____ **Other _____**

PARTICIPANT NAME: _____

BY: _____

(Title)

Date: _____

PLEASE RETURN THIS ELECTION AS INSTRUCTED ABOVE TO:

**Mona L. Binion
Telefax (303) 893-0914**

Mail original to:

**McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265**

McELVAIN OIL & GAS PROPERTIES, INC.

AUTHORITY for EXPENDITURE

September 6, 2000

WYNONA #1 Mv Recompletion
SE/SW Section 25 T25N R3W

DRY
HOLE

COMPLETED
WELL

Completion Intangibles		
Title Work, Survey & Permitting		2,500
Location, Road, Damages		8,500
Completion Unit 21 days @ \$2,500/day		52,500
Perforating & Cased Hole Logging		15,000
Stimulation acid & frac		135,000
Tool & Tank Rental		15,000
Supervision 25 days @ \$650/day		16,250
Water		15,000
Trucking		12,000
Roustabouts/Labor 7 days @ \$2000/day		14,000
Location Rehab		2,500
5% Contingency		13,900
Total Completion	0	299,650

Total Intangibles

0

299,650

Tangibles		
Casing..Surface		
Casing..Intermediate		
Casing..Liner		
Tubing..6000' 2 3/8" @ \$2.30/ft		13,800
Wellhead		7,500
Bits		1,200
Artificial Lift..Plunger		4,500
Tanks & Pits		13,500
Separator & Dehydrator		17,500
Line Pipe & Fittings		6,500
Total Tangibles	0	64,500

Total Well Cost

\$0

\$364,150

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date: 9/6/00

Approved by: _____ Title: _____

Company: _____

McELVAIN OIL & GAS PROPERTIES, INC.

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Supervision 25 days @ \$650/day		16,250
Water		15,000
Trucking		12,000
Roustabouts/Labor 7 days @ \$2000/day		14,000
Location Rehab		2,500
5% Contingency		13,900
Total Completion	0	299,650

Total Intangibles

0

299,650

Tangibles		
Casing..Surface		
Casing..Intermediate		
Casing.. Liner		
Tubing..6000' 2 3/8" @ \$2.30/ft		13,800
Wellhead		7,500
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Date: 9/6/00

Approved by: _____ Title: _____

Company: _____

Mcl VAIN OIL & GAS PROPERTIL , INC.

**Naomi Com #1
Recompletion Procedure
November, 2000**

LOCATION: SE/SW 25-T25N-R3W
Rio Arriba County

API#: 30-039-24222

TD: 8113' PBSD: 8071' KB: 13'

Purpose of Work: To recomplete in Point Lookout and Menefee sections

CASING:

9 5/8" 36# limited service @ 319' in 12 1/4" hole
Cemented with 200 sacks Class B +2% CaCl + 1/4#/sk floccel
Circulated to surface

5 1/2" 17# N-80/J-55 @ 8120' in 8 3/4" hole..DV Tool @ 5910' & 3569'
1st stage cemented with 462 sxs(660 cu ft) 50/50 POZ +2% gel +6 1/4 #/sk Gilsonite
+6#/sk NaCl
TOC @ 6642' (bond log)

2nd stage 367 sxs (777 cu ft) 65/35 POZ +6% Gel +12 1/4#/sk Gilsonite..Tailed with 50
sxs (59 cu ft) Class B neat
TOC 3924' (Calculated @ 60%)

3rd stage 525 sxs (1114 cu ft) 65/35 POZ +6% Gel +12 1/4#/sk Gilsonite..Tailed with 50
sxs (59 cu ft) Class B neat
Circulated to surface.

PERFORATIONS:

GALLUP:

Upper: 6760'- 6904' 1 shot per 2 feet
Lower: 6950' - 7056' 1 shot per 2 feet

DAKOTA:

7824' 27'
7895'-98'
7901'-05'
7987.5'-96.5'

PLUGGING INFORMATION:

Plug 1: Surface - 50'	Plug 6: 5010' - 5180'
Plug 2: 220' - 370'	Plug 7: 5970'- 6070' (retainer)
Plug 3: 1640' - 1794'	Plug 8: 6640' - 6735' (CIBP)
Plug 4: 2950' - 3126'	
Plug 5: 3280' - 3349'	

PROCEDURE:

1. MI & RUSU
2. Remove dry hole marker and install well head
3. RU power swivel, pump and tank for drilling
4. Drill out six cement plugs down to TOC at 5970'
5. Circulate hole clean with 2% KCl water
6. Pressure test to 3000 psig for 30 minutes
7. POOH with tubing and BHA
8. RUWL
9. Log GR/CBL/CCL/VDL from PBTD at 5970' to 100' above cement top
10. RIH with perforating guns
11. Perforate with decentralized guns(minimum standoff) the following CNL depths:
5603', 5605', 5608'
5627', 5629', 5631', 5633', 5635', 5637', 5639', 5641', 5643'
5665', 5667', 5669', 5671'
5678', 5680', 5682', 5684', 5686', 5688', 5690', 5692', 5694', 5696', 5698'
5770', 5672', 5674'
5802'
(31 shots..70' net pay)
12. RIH with tubing and packer
13. Set packer at ±5550'
14. Establish injection rate with 2% KCl water
15. Break down perforations with 1500 gallons 15% HCl and 48 ball sealers
16. Release packer and run past perforations
17. POOH to ±5550' and reset packer
18. Establish final injection rate with 2% KCl water and monitor falloff pressures
19. POOH with tubing and packer
20. Frac well as per separate procedure
21. RUWL
22. RIH and set RBP at ±5540'
23. Fill hole and pressure test to 1000 psig
24. RIH with dump bailer and cap RBP with sand
25. RIH with perforating guns
26. Perforate with decentralized guns(minimum standoff) the following CNL depths:
5325', 5328', 5331', 5334', 5337', 5340', 5343'
5403', 5406', 5409', 5412', 5415', 5418', 5421', 5424', 5427', 5430', 5433', 5436',
5439', 5442', 5445', 5448'
5462', 5465', 5468', 5471', 5474', 5477', 5480', 5483', 5486', 5489', 5492', 5495' &
5498'
(36 holes ..112' net pay)

27. RIH with tubing and packer
28. Set packer at $\pm 5275'$
29. Establish injection rate with 2% KCl water
30. Break down perforations with 2500 gallons 15% HCl and 45 ball sealers
31. Release packer and run past perforations
32. POOH and reset packer at $\pm 5275'$
33. Establish final injection rate with 2% KCl water and monitor falloff pressures
34. POOH with tubing and packer
35. Frac well as per separate procedure
36. Flow well back until well dies
37. Depending on well bore conditions either circulate sand or bail sand off of RBP
38. Retrieve RBP
39. RIH with tubing and hydrostatic bailer and bail sand to PBTD
40. RIH with notched collar, seating nipple and tubing to $\pm 5650'$
41. ND BOP & NUWH
42. Swab well in if necessary
43. RDSU & MOL

NOTE:

DO NOT USE LIQUID KCl SUBSTITUTE in COMPLETION FLUIDS