

T. H. McElvain Oil & Gas Limited Partnership
McElvain Oil & Gas Properties, Inc., sole General Partner
1050 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

MONA L. BINION, CPL
LAND MANAGER
e-mail monab@mcelvainoilandgas.com

TELEPHONE 303-893-0933 EXT.306
FAX 303-893-0914
Cellular 303-809-2058

VIA TELEFAX ON JULY 9, 2001
FOLLOWED BY ORIGINAL VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

July 9, 2001

TO WORKING INTEREST OWNERS
(See Attached Addressee List)

Re: Bear Com #29-2 Well Proposal
Revised Depth and Cost Estimate
Township 26 North, Range 2 West
Section 29: NE/4
Rio Arriba County, New Mexico

Gentlemen:

By letter dated May 3, 2001, McElvain Oil & Gas Properties, Inc. ("McElvain") proposed the drilling of the Bear Com #29-2 well as a Dakota/Mesaverde test to be at a legal location in the NE/4 of Section 29, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

After reviewing the results of completion attempts in the Dakota formation under certain offset wells recently drilled by McElvain, and after discussions with certain of the affected leasehold owners, McElvain is revising the objective depth and formation for the subject well to be *Mesaverde test only* rather than a dual Mesaverde / Dakota test. As a result of this change, the the estimated cost to drill and complete the well, as a Mesaverde test only, is reduced to **\$814,450** which is detailed on the enclosed McElvain Authority for Expenditure dated July 9, 2001. This revision does not affect or change the ownership of the parties as represented on the original May 3 proposal.

Once all elections of the parties are received, you will be provided revised pages for the Operating Agreement that was submitted with the original May 3 transmittal which will change the depths covered to be only down to Mesaverde formation rather than Dakota.

If you have previously furnished McElvain with your election regarding participation, no further action is necessary.

If you have not already forwarded to McElvain your election regarding participation, we respectfully request that you review all of the enclosed and previously forwarded materials relative to this proposal and proceed as follows:

- Indicate your election regarding participation on the enclosed Election Page, execute both copies in the space provided and return one to the undersigned;

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12692 Exhibit No. 4
Submitted by:
McElvain Oil & Gas Properties, Inc.
Hearing Date: July 12, 2001

BEFORE THE OIL CONSERVATION DIVISION

To Working Interest Owners
Bear Com #29-2 Well - Revised
July 9, 2001
Page 2

- If your election is to participate, also execute both copies of the enclosed Authorization for Expenditure and return one copy to the undersigned along with a summary of your well reporting requirements;
- Execute the Operating Agreement and extra signature page thereto previously furnished, returning the extra signature page fully executed to the undersigned

Telefax copies of the executed documents will be accepted at:

McElvain Oil & Gas Properties, Inc.
(303) 893-0914
Attention: Mona L. Binion

provided that original copies are delivered promptly thereafter.

If you have any questions concerning this proposal, please feel free to contact the undersigned.

Very truly yours,

T. H. McElvain Oil & Gas Limited Partnership
By McElvain Oil & Gas Properties, Inc., sole General Partner

Mona L. Binion

Mona L. Binion, CPL
Land Manager

MLB/idi

Encls.

ELECTION PAGE
Bear Com #29-2 Well
REVISED TO BE SINGLE MESAVERDE TEST
July 9, 2001

_____ YES, I/We do hereby elect to participate in the drilling of the Bear Com #29-2 Well as a Mesaverde test to be located in the NE/4 of Section 29, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

- *execute and return the Operating Agreement signature page*
- *execute and return the Authority for Expenditure*
- *complete and return the well reporting summary or submit your firm's summary*

_____ NO, I/We do hereby elect NOT to participate in the drilling of the Bear Com #29-2 Well as a Mesaverde test to be located in the NE/4 of Section 29, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

As an alternative to participation, I/We hereby offer support to McElvain and the participating parties hereunder the following:

(Please select one of the following if your election is NOT to participate)

_____ I/We hereby offer to farmout my/our working interest in the proposed well on mutually acceptable terms to be negotiated among the parties and, therefore, request a proposal of terms from McElvain; OR,

_____ I/We hereby offer to sell my/our interest in the proposed well as an alternative to participation and hereby request a proposal of sale terms from McElvain; OR,

_____ I/We hereby offer to execute a mutually acceptable Operating Agreement which shall reflect and election against my/our working interest as a non-participating, non-drilling party subject to the penalty provisions contained therein.

Telefax executed documents to

Mona Binion
(303) 893-0914

Mail original executed documents to

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

WORKING INTEREST OWNERS
Bear Com #29-2 Well

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

Lindrith Capital, LLC
200 East Sunset, Suite E
El Paso, Texas 79922
Telefax: (915) 581-1282
Attention: George Lippman

Joe Elledge
P. O. Box 111
Farmington, NM 87401
Telefax: (505) 327-2564

Rio Chama Petroleum, Inc.
P. O. Box 3027
Pagosa Springs, Colorado 81147
Telefax: (970) 264-0171
Attention: Craig Creel

Hooper, Kimball & Williams
5550 South Lewis, Suite 301
Tulsa, OK 74105
Telefax: (918) 743-4084
Attention: Greg Owens

Dugan Production Corporation
709 East Murray Drive
Farmington, NM 87499
Telefax: (505) 327-4613
Attention: David Poage

Ibex Partnership
c/o Breck Operating Corp.
Box 911
Breckenridge, TX 76424-0911
Telefax: (254) 559-3220
Attention: Lorie Hill

States, Inc. / Petco, Inc.
Box 911
Breckenridge, TX 76424-0911
Telefax: (254) 559-3220
Attention: Lorie Hill

Clark & Oatman, a Texas general ptshp
Drawer 310
Bastrop, TX 78602
Telefax: (512) 303-2968
Attention: Carolyn Oatman

MCELVAIN OIL AND GAS, PROPERTIES, INC.

AUTHORITY FOR EXPENDITURE SUMMARY FOR EXPENDITURES EXPLORATION & DEVELOPMENT

REVISED JULY 9, 2001

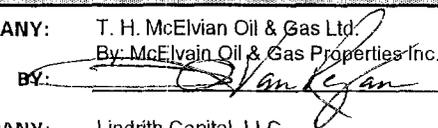
WELL INFORMATION

DATE:	
WELL NAME:	Bear Com #29-2 Well
LOCATION:	NE/4 Section 29, T26N-R2W
COUNTY:	Rio Arriba
STATE:	New Mexico
PROPOSED DEPTH:	6,100' (Revised)
PURPOSE OF AFE:	To Drill and Complete a single Mesaverde Test Well (Revised)

COST ESTIMATES

Intangible Drilling Costs:	\$344,800
Tangible Drilling Costs	\$38,250
SUB TOTAL TO CASING POINT	\$383,050
Plugging and Abandonment Costs	\$15,000
TOTAL DRY HOLE COSTS:	\$398,050
Intangible Completion Costs:	\$350,700
Tangible Completion Costs:	\$80,700
TOTAL COMPLETION COSTS:	\$431,400
TOTAL COMPLETED WELL COSTS:	\$814,450
Facilities Land, Geological, Geophysical, Prospect	
TOTAL THIS AFE:	\$814,450

APPROVALS

COMPANY:	T. H. McElvian Oil & Gas Ltd. By: McElvian Oil & Gas Properties Inc., General Partner	DATE:	7/9/01
BY:			
COMPANY:	Lindrith Capital, LLC	DATE:	
BY:			
COMPANY:	Joe Elledge	DATE:	
BY:			
COMPANY:	Rio Chama Petroleum, Inc.	DATE:	
BY:			
COMPANY:	Clark & Oatman	DATE:	
BY:			
COMPANY:	Ibex Partnership	DATE:	
BY:			
COMPANY:	States, Inc. for Petco, Inc.	DATE:	
BY:			
COMPANY:	Hooper, Kimball & Williams, Inc.	DATE:	
BY:			
COMPANY:	Dugan Production Corporation	DATE:	
BY:			

McELVAIN OIL & GAS PROPERTIES, INC.

AUTHORITY for EXPENDITURE

July 9,2001

Bear Com 29 #2 Mv NE/4 Sec. 29 T26N R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Staking,Permitting,Title Work & Survey	16,000	16,000
Location,Road,Damages	25,000	25,000
Footage 6100' @ \$26.00/ft	158,600	158,600
Daywork 2.0 days @ \$8100/day	16,200	16,200
Air Compressors	26,000	26,000
Water Hauling	5,500	5,500
Rental Equipment	2,000	2,000
Well Logging	18,000	18,000
Drilling Mud	15,000	15,000
Cement & Services..Surface,Intermediate	21,000	21,000
Cement & Services..Plugging	15,000	
Trucking & Labor	9,500	9,500
Overhead & Supervision	22,000	22,000
Misc Costs	10,000	10,000
Contingency		
Total Drilling	359,800	344,800

Completion Intangibles		
Cement & Services..Production Casing		12,500
Completion Unit 15 days @ \$2,800/day		42,000
Logging & Perforating		26,000
Stimulation		175,000
Tool & Tank Rental		24,000
Supervision 20 days @ \$650/day		13,000
Water		18,000
Trucking		9,500
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		
5% Contingency		16,700
Total Completion	0	350,700

Total Intangibles 359,800 695,500

Tangibles		
Casing..Surface 300' 9 5/8" @ \$12.80/ft.	3,850	3,850
Casing..Intermediate 3800' 7" @ \$7.20/ft.	27,400	27,400
Liner..2500' 4 1/2" @ \$3.80/ft.		9,500
Tubing..6100' 2 3/8" @ \$2.13/ft		13,000
Float Equipment/Centralizers/Liner Hanger	2,500	12,200
Wellhead	4,500	4,500
Artificial Lift..Plunger		4,500
Tanks & Pits		18,500
Separator		17,500
Line Pipe & Fittings		8,000
Total Tangibles	38,250	118,950

Total Well Cost \$398,050 \$814,450

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date: 7/9/01