

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
EXT.306
LAND MANAGER
e-mail monab@mcelvainoilandgas.com

TELEPHONE 303-893-0933

FAX 303-893-0914
Cellular 303-809-2058

May 9, 2001

TO WORKING INTEREST OWNERS
(See Attached Addressee List)

Re: Revised Division of Interest
Cougar Com #5-2 Well Proposal
Township 25 North, Range 2 West
Section 5: SE/4
Rio Arriba County, New Mexico

Gentlemen:

By letter dated April 13, 2001, McElvain Oil & Gas Properties, Inc., as sole general partner and Operator in behalf of T. H. McElvain Oil & Gas Limited Partnership ("McElvain") proposed the drilling of 6,200' Mesaverde test well to be at a legal location in the SE/4 of Section 5, Township 25 North, Range 2 West, Rio Arriba County, New Mexico, known as the Cougar Com #5-2 Well. Represented in that proposal was a breakdown of interests of the parties in the E/2 anticipated spacing unit, which was prepared by McElvain from a preliminary check of the records. We have since obtained additional title information which resulted in a change in the resulting combined interest of the parties from what was represented previously. The revised interest are set forth as follows:

<i>T.H. McElvain Oil & GAS Limited Partnership</i>	7.639471% (*)
<i>NM&O Operating Company</i>	12.490000%
<i>Noseco Corporation (or T. H. McElvain Ltd by Farmout)</i>	2.691118% (**)
<i>Neumann Family Trust (or T. H. McElvain Ltd by Farmout)</i>	17.197813% (**)
<i>Premier Operating Co.</i>	3.915101%
<i>Cherokee Operating Co.</i>	0.000000%
<i>Williams Production Company</i>	0.000000%(***)
✓ Mesa Grande Resources, Inc.	27.226185%
✓ Mesa Grande Ltd.	11.865500%
✓ Gavilan Dome Properties	4.690313%
✓ Arriba Company Ltd.	.6245000%
✓ Hooper, Kimball & Williams	8.329999%
✓ Ibex Partnership	3.900622%
✓ Petco Limited	3.900622%
✓ Carolyn Clark Oatman	.218620%
✓ Warren Clark Trust	.203369%
✓ Testamentary Trust u/w/o Warren Clark	.106767%

BEFORE THE OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO
Case No. 12693 Exhibit No. 4

Submitted by:
McElvain Oil & Gas Properties, Inc.
Hearing Date: September 20, 2001

To Working Interest Owners
Cougar Com #5-2 Well
May 9, 2001
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()Pending title transfer to T. H. McElvain Oil & Gas Limited Partnership pursuant to individual arrangement with NM&O Operating Company.*

*(**)Interest shown subject to title dispute affecting proposed operation which is pending resolution under case filed in District Court of Rio Arriba County, New Mexico.*

*(***)Uncertainty as to status of entitlement to reversionary rights in favor of Williams Production Company reflected in title chain to one of the subject leases.*

A **revised** breakdown of tract ownerships and recap of spacing unit totals across the designated spacing unit (E/2 of Section 5) at depths from the base of the Pictured Cliffs formation to the base of the Mesaverde formation is enclosed for your review and information. A **revised Operating Agreement** (those parties who previously received the complete Operating are only receiving a revised Exhibit "A" thereto enclosed herewith) and **Authorization for Expenditure** submitted with the original April 13 proposal is also enclosed herewith for those parties who have previously received same.

If you have not previously returned an election regarding participation in the proposed operation, we request that you review all of the enclosed 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;
- 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 (blank form is enclosed for your convenience, if needed);
- Execute the enclosed Operating Agreement and extra signature page thereto, 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.

We respectfully request that you review and respond to this proposal at your earliest possible convenience. If you have any question, 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.

WORKING INTEREST OWNERS

Cougar Com #5-2 Well

May 9, 2001

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

Noseco Corporation 7099-3220-0006 -
7400 East Murray Drive 3444-5471
Reno, Nevada 89511

Mesa Grande Resources, Inc.
1318 Philtower Bldg 7000-0520-0022 -
Tulsa, OK 74103 9542-5986

Neumann Family Trust 7099-3220-0006-3444
c/o Peter C. Neumann 5488
P. O. Box 1170
Reno, Nevada 89504

Mesa Grande Ltd. 7000-0520-0022-9542 -
6 East 5th Street, Suite 200 5993
Tulsa, OK 74103

Ibex Partnership 7099-3220-0005 -
P. O. Box 911 9425-5233
Breckenridge, TX 76424-0911

Gavilan Dome Properties
1800 Cedarwood Drive 7000-0520-0022 -
Moraga, CA 94556 9542-6006

Petco Limited 7699-3220-0006-3444 -
P. O. Box 911 5877
Breckenridge, TX 76424-0911

Arriba Company Ltd.
P. O. Box 35304 7000-0520-0022-9542 -
Tulsa, OK 74153 6013

Carolyn Clark Oatman
Drawer 310 7099-3220-0006-3444 -
Bastrop, TX 78602 5907

✓ Hooper, Kimball & Williams, Inc.
5550 South Lewis, Suite 301
Tulsa, OK 74105 7000-0520-0022-9542 -
6020

✓ Warren Clark Trust 7099-3220-0006-3444
Box 73 5884
Austin, TX 78767

Williams Production Company
P. O. Box 3102 7000-0520-0022-9542 -
Tulsa, OK 74101 5887

✓ Testamentary Trust u/w/o Warren Clark
Box 1846 7099-3220-0006-3444
Austin, TX 78767 5891

NM&O Operating Company
6 East 5th Street, Suite 200
Tulsa, OK 74103 7099-3220-0006-3444 -
5464

Premier Operating Co.
P. O. Box 35984 7699-3220-0005-9425 -
Tulsa, OK 74153-0984 5226

ELECTION PAGE

**Cougar Com #5-2 Well
REVISED May 9, 2001**

YES, I/We do hereby elect to participate in the drilling of the Cougar Com #5-2 Well as a Mesaverde test to be located in the SE/4 of Section 5, Township 25 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 Cougar Com #5-2 Well as a Mesaverde test to be located in the SE/4 of Section 5, Township 25 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

MCELVAIN OIL AND GAS PROPERTIES, INC.

AUTHORITY FOR EXPENDITURE SUMMARY FOR EXPENDITURES EXPLORATION & DEVELOPMENT

REVISED MAY 9, 2001

WELL INFORMATION

DATE:	4/12/2001
WELL NAME:	Cougar Com #5-2 Well
LOCATION:	T25N-R2W SEC. 5: E/2
COUNTY:	RIO ARRIBA COUNTY
STATE:	NEW MEXICO
PROPOSED DEPTH:	TD 6200'
PURPOSE OF AFE:	Drill Mesaverde Test Well

COST ESTIMATES

Intangible Drilling Costs:	\$310,150	
Tangible Drilling Costs	\$38,430	
SUB TOTAL TO CASING POINT		\$348,580
Plugging and Abandonment Costs	\$10,000	
TOTAL DRY HOLE COSTS		\$358,580
Intangible Completion Costs:	\$364,350	
Tangible Completion Costs:	\$94,405	
TOTAL COMPLETION COSTS		\$458,755
TOTAL COMPLETED WELL COSTS		\$807,335
Facilities Land, Geological, Geophysical, Prospect		
TOTAL THIS AFE:		\$807,895

APPROVALS

COMPANY:	T. H. McElvian Oil & Gas Ltd. By: McElvain Oil & Gas Properties Inc., General Partner	WORKING INTEREST:	7.639471%
BY:	_____	DATE:	_____
COMPANY:	NM&O Operating Company	WORKING INTEREST:	12.490000%
BY:	_____	DATE:	_____
COMPANY:	Mesa Grande Resources, Inc.	WORKING INTEREST:	22.226185%
BY:	_____	DATE:	_____
COMPANY:	Mesa Grande, LTD.	WORKING INTEREST:	11.865500%
BY:	_____	DATE:	_____
COMPANY:	Gavilan Dome Properties	WORKING INTEREST:	4.690313%
BY:	_____	DATE:	_____
COMPANY:	Noseco Corporation	WORKING INTEREST:	2.691118%
BY:	_____	DATE:	_____
COMPANY:	or		
BY:	T. H. McElvain LTD (by Farmout)	DATE:	_____
COMPANY:	Neumann Family Trust	WORKING INTEREST:	17.197813%
BY:	_____	DATE:	_____
COMPANY:	or		
BY:	T. H. McElvain LTD (by Farmout)	DATE:	_____

APPROVALS

COMPANY:	Premier Operating Co.	WORKING INTEREST:	3.915101%
BY:	_____	DATE:	_____
COMPANY:	Arriba Company, LTD	WORKING INTEREST:	0.624500%
BY:	_____	DATE:	_____
COMPANY:	Hooper, Kimball & Williams, Inc.	WORKING INTEREST:	8.329999%
BY:	_____	DATE:	_____
COMPANY:	Ibex Partnership	WORKING INTEREST:	3.900622%
BY:	_____	DATE:	_____
COMPANY:	Petco Limited	WORKING INTEREST:	3.900622%
BY:	_____	DATE:	_____
COMPANY:	Carolyn Clark Oatman	WORKING INTEREST:	0.218620%
BY:	_____	DATE:	_____
COMPANY:	Warren Clark Trust	WORKING INTEREST:	0.203369%
BY:	_____	DATE:	_____
COMPANY:	Testamentary Trust u/w/o W. Clark	WORKING INTEREST:	0.106767%
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
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COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
COMPANY:	_____	WORKING INTEREST:	_____
BY:	_____	DATE:	_____
TOTAL			100.000000%

M. McELVAIN OIL & GAS PROPERTIES, INC.

AUTHORITY for EXPENDITURE

March 8, 2001

Cougar Com 5 #2 SE/4 Sec. 5 T25N R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Title Work & Survey	3,500	3,500
Location, Road, Damages	30,000	30,000
Footage 6200' @ \$23.00/ft	142,600	142,600
Daywork 2.5 days @ \$8500/day	21,250	21,250
Air Compressors 5 days @ \$3200/day	16,000	16,000
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	15,000	15,000
Misc Costs	12,000	12,000
Contingency		
Total Drilling	320,150	310,150

Completion Intangibles		
Cement & Services..Production Casing		12,500
Completion Unit 20 days @ \$2,500/day		50,000
Logging & Perforating		15,000
Stimulation		180,000
Tool & Tank Rental		27,000
Supervision 20 days @ \$650/day		13,000
Water		25,000
Trucking		6,000
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		4,500
5% Contingency		17,350
Total Completion	0	364,350

Total Intangibles 320,150 674,500

Tangibles		
Casing..Surface 600' 9 5/8" @ \$12.80/ft.	7,680	7,680
Casing..Production 3750' 7" @ \$7.40/ft.	27,750	27,750
Casing..Liner 2450' 4 1/2" @ 3.70/ft		9,065
Liner Hanger		9,500
Float Equipment	1,500	2,500
Tubing..6200' 2 3/8" @ \$2.20/ft		13,640
Wellhead	1,500	8,500
Artificial Lift		6,500
Tanks & Pits		22,200
Separator		17,500
Line Pipe & Fittings		8,000
Total Tangibles	38,430	132,835

Total Well Cost \$358,580 \$807,335

APPROVALS:

McElvain Oil & Gas Properties, Inc.



Date: 3/9/01