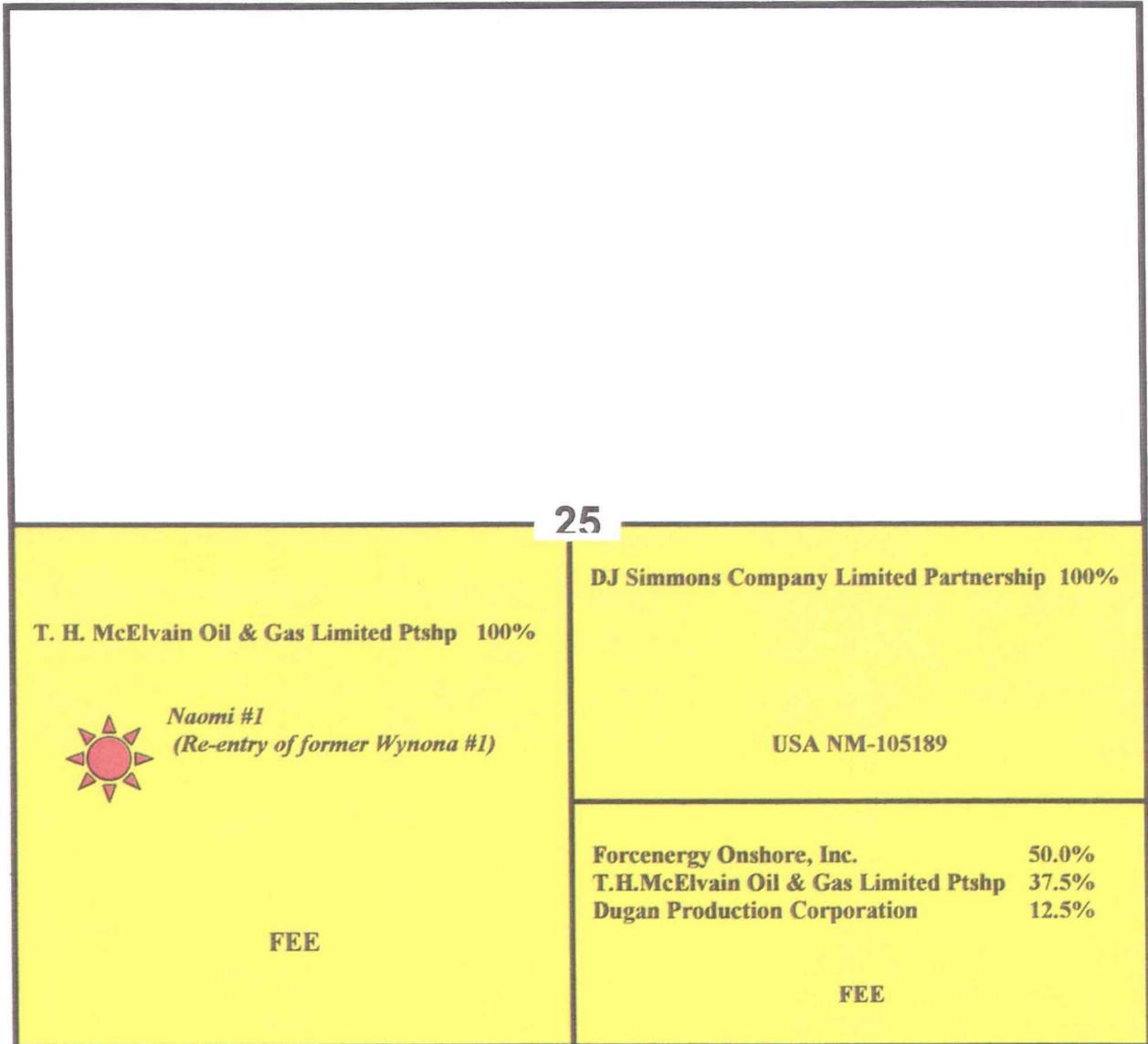


Section 25: S/2
T-25-N, R-3-W, N.M.P.M.
San Juan Basin - Rio Arriba County, New Mexico
As to those depths below the base of Pictured Cliffs Formation

NAOMI #1 WELL



McElvain Oil & Gas Properties, Inc.

1050 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

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

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

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

November 10, 2000

D. J. Simmons Co. LP
1009 Ridgeway Pl
Farmington, NM 87401

Benson-Montin-Greer Drilling Corporation
501 Airport Drive
Farmington, New Mexico 87401-2466

3TEC Energy Corp.
Two Shell Plaza, 777 Walker, Suite 2400
Houston, Texas 77002

Re: Re-Entry Proposal
Wynona #1 Well
Township 25 North, Range 3 West
Section 25: SW/4
Rio Arriba County, New Mexico

Gentlemen:

McElvain Oil & Gas Properties, Inc., as sole general partner and Operator in behalf of T. H. McElvain Oil & Gas Limited Partnership ("McElvain") hereby proposes to re-enter an oil and gas well which has been previously plugged and abandoned formerly known as the Wyonana #1 Well located SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, in order to attempt a completion of the Mesaverde formation therein for the production of oil and gas from the S/2 of said Section 25 as the dedicated proration unit.

The estimated cost to complete the well, as proposed, is \$364,150, which is detailed on the enclosed McElvain Authority for Expenditure dated September 6, 2000. Pursuant to McElvain's review of the records, the ownership of the dedicated proration unit to be as follows:

T.H. McElvain Oil & GAS Limited Partnership	50.00%
D. J. Simmons Co. LP	25.00%
Benson-Montin-Greer Drilling Corporation	12.50%
3TEC Energy Corp.	12.50%

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 2
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

D. J. Simmons Co. LP
November 10, 2000
Page 2

An Opinion of Title is being ordered to cover the proration unit and an Operating Agreement to govern operations across the dedicated proration unit is being prepared using AAPL Model form 610-1982 revised and will be transmitted to you for review and execution in the very near future.

We request that you review the enclosed proposal and indicate your election regarding participation and execute the enclosed Election Page in the space provided and return one copy to this office at your earliest possible convenience. If your election is to participate, we ask that you also execute the enclosed Authorization for Expenditure and return one copy to this office along with your executed Election Page. 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.

McElvain is an active operator in this area and is currently drilling and completing new wells and re-entering and re-completing old wells as an effort to explore and develop the Mesaverde formation. At this point we have under contract rig(s) and equipment which are adequate to perform the proposed operation, however, this equipment must be kept active in order to maintain contract rights for their use. The proposed re-entry described herein is scheduled in this program to commence prior to year-end 2000 and in light of the circumstances and in order to avoid additional delays which could arise from weather conditions or sensitive surface restrictions, we respectfully request that you review and respond to this proposal at your earliest possible convenience.

If you have any questions concerning this proposal, please feel free to contact the undersigned. We look forward to hearing from you soon.

Very truly yours,

McElvain Oil & Gas Properties, Inc.

Mona L. Binion, CPL
Land Manager

MLB/idi

Encls.

ELECTION PAGE
Re-Entry – Mesaverde Completion
Wyonona #1 Well
November 10, 2000

_____ YES, I/We do hereby elect to participate in the proposed re-entry and Mesaverde formation recompletion in the oil and gas well located in the SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico formerly known as the Wynona #1.

_____ NO, I/We do hereby elect NOT to participate in the proposed re-entry and Mesaverde formation recompletion in the oil and gas well located in the SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico formerly known as the Wynona #1. 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 an election against my/our working interest as a non-participating, non-drilling party subject to the penalty provisions contained therein.

..

is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

D.J. SIMMONS CO. LP
1009 RIDGEWAY PL
FARMINGTON, NM 87401

MARY TOSIE

5. Received By: (Print Name)

Mary Tosie

6. Signature: (Addressee or Agent)

X

4a. Article Number

Z 152 933 700

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

11/14/00

8. Addressee's Address (Only if requested and fee is paid)

!!

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

PS Form 3800, April 1995

Z 152 933 700

**US Postal Service
Receipt for Certified Mail**

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to

D.J. SIMMONS CO. LP
Street & Number RIDGEWAY PL
FARMINGTON, NM 87401
Post Office, State, & ZIP Code

Postage

\$

Certified Fee

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees

\$

Postmark or Date

Z 1.52 933 626

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.
Do not use for International Mail. (See reverse)

Sent to	
3TEC ENERGY CORP. TWO SHELL PLAZA, 777 WALKER, SUITE 2400 HOUSTON, TX 77002 Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, April 1995

is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

Thank you for using Return Receipt Service.

3. Addressee's Name and Address: 3TEC ENERGY CORP. TWO SHELL PLAZA, 777 WALKER, SUITE 2400 HOUSTON, TX 77002	4a. Article Number Z 152 933 626
	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
	7. Date of Delivery 11/14/00
5. Received By: (Print Name) Julie Elskes	8. Addressee's Address (Only if requested and fee is paid)
6. Signature: (Addressee or Agent) Julie Elskes	

PS Form 3811, December 1994 102595-97-8-0179 Domestic Return Receipt

7 152 933 629

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sender: **HENSON-MONTIN-GREER DRILLING CORPORATION**
Street & Number: **1 AIRPORT DRIVE**
City, State, & ZIP Code: **FARMINGTON, NM 87401-2466**

Postage	<i>Returned</i>
Certified Fee	
Special Delivery Fee	<i>None</i>
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	<i>Address</i>
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$

Postmark or Date

PS Form 3800, April 1995

McELVAIN OIL & GAS PROPERTIES, INC.
INDEPENDENCE PLAZA
1050 17TH STREET • SUITE 1800
DENVER, COLORADO 80265

- Forwarding Center
- Incomplete
- Moved, Left no address
- Uncollected
- Attempted, Not Known

NOV 20 1980
DENVER CO
1050 17TH STREET
SUITE 1800
DENVER, CO 80265
[Signature]

~~Benson-Montin Greer Drilling Corp.
501 Airport Drive
Farmington, NM 87401-2466~~



0000007190



McElvain Oil & Gas Properties, Inc.

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

November 20, 2000

D. J. Simmons Co. LP
1009 Ridgeway Pl
Farmington, NM 87401

Benson-Montin-Greer Drilling Corporation
501 Airport Drive
Farmington, New Mexico 87401-2466

3TEC Energy Corp.
Two Shell Plaza, 777 Walker, Suite 2400
Houston, Texas 77002

Re: Recompletion Procedure
Re-Entry Proposal (f/k/a Wynona #1)
Naomi Com #1
Township 25 North, Range 3 West
Section 25: SW/4
Rio Arriba County, New Mexico

Gentlemen:

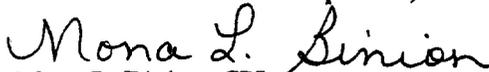
By letter dated November 10, 2000, McElvain Oil & Gas Properties, Inc., proposed the re-entry of the Wyonana #1 Well located SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, *to be named the Naomi Com #1* in order to attempt a completion of the Mesaverde formation. Submitted with that proposal was a detailed Authorization for Expenditure that represented cost estimates but did not give any specific detail regarding operational procedures for the proposal.

For your information and review to help in evaluating this proposal, and at the request of 3Tec Energy, we have enclosed herewith a Recompletion Procedure outline for the subject re-entry and re-completion.

As previously explained, this re-completion operation is scheduled for early December, therefore, your review and response at your earliest convenience would be greatly appreciated.

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.

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 3
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

McELVAIN OIL & GAS PROPERTIES, 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



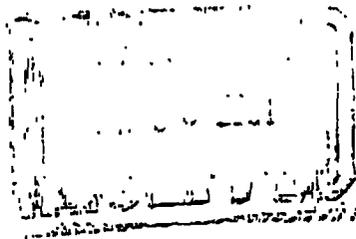
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

December 29, 2000

Lori Wrotenbery
Director
Oil Conservation Division

McElvain Oil & Gas Properties, Inc.
1050 17th Street - Suite 1800
Denver, Colorado 80265
Attention: John D. Steuble



Telefax No. (303) 893-0914

Administrative Order NSL-4538

Dear Mr. Steuble:

Reference is made to the following: (i) your application dated November 28, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe and Aztec: all concerning McElvain Oil & Gas Properties, Inc.'s ("McElvain") request for an unorthodox Blanco-Mesaverde gas well location within a proposed 320-acre standard lay-down gas spacing and proration unit comprising the S/2 of Section 25, Township 25 North, Range 3 West, NMPM, Undesignated Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, for the existing Naomi Com Well No. 1 (API No. 30-039-24222), located 1650 feet from the South line and 450 feet from the West line (Unit L) of Section 25.

It is our understanding that the Naomi Com Well No. 1 is currently completed in the West Lindrith-Gallup Dakota Oil Pool at a standard oil well location within a standard 160-acre oil spacing and proration unit comprising the SW/4 of section 25; however, this well is to be plugged back and recompleted up-hole into the Mesaverde formation upon issuance of this order. This location however is considered to be unorthodox pursuant to the "Special Rules for the Blanco-Mesaverde Pool," as promulgated by Division Order No. R-10987-A.

The application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing both pools.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox gas well location for the Naomi Com Well No. 1 is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 4
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

McElvain Oil & Gas Properties, Inc.

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 CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 7, 2000

GWR Operating Company
9800 Centre Parkway, Suite 900
Houston, TX 77036

Re: Re-Entry Proposal
Wyonna #1 Well
Township 25 North, Range 3 West
Section 25: SW/4
Rio Arriba County, New Mexico

Gentlemen:

McElvain Oil & Gas Properties, Inc. as sole general partner and Operator in behalf of T.H. McElvain Oil & Gas Limited Partnership ("McElvain") hereby proposes to re-enter an oil and gas well which has been previously plugged and abandoned formerly known as the Wyonana #1 Well located SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, in order to attempt a completion of the Mesaverde formation therein for the production of oil and gas from the S/2 of said Section 25 as the dedicated proration unit.

The estimated cost to complete the well, as proposed, is \$364,150, which is detailed on the enclosed McElvain Authority for Expenditure dated September 6, 2000. Also enclosed for your review is the Recompletion Procedure.

An Opinion of Title is being ordered to cover the proration unit and an Operating Agreement to govern operations across the dedicated proration unit is being prepared using AAPL Model form 610-1982 revised and will be transmitted to you for review and execution in the very near future.

We request that you review the enclosed proposal and indicate your election regarding participation and execute the enclosed Election Page in the space provided and return one copy to this office at your earliest possible convenience. If your election is to participate, we ask that you also execute the enclosed Authorization for Expenditure and return one copy to this office along with your executed Election Page. 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.

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 5
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

GWR Operating Company

December 7, 2000

Page 2

McElvain is an active operator in this area and is currently drilling and completing new wells and re-entering and re-completing old wells as an effort to explore and develop the Mesaverde formation. At this point we have under contract rig(s) and equipment which are adequate to perform the proposed operation, however, this equipment must be kept active in order to maintain contract rights for their use. The proposed re-entry described herein is scheduled in this program in commence prior to year-end 2000 and in light of the circumstances and in order to avoid additional delays which could arise from weather conditions or sensitive surface restrictions, we respectfully request that you review and respond to this proposal at your earliest possible convenience.

If you have any questions concerning this proposal, please feel free to contact the undersigned. We look forward to hearing from you soon.

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

Mona L. Binion, CPL
Land Manager

MLB/idi
Encls.

McElvain Oil & Gas Properties, Inc.

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 CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 7, 2000

Dugan Production Corporation
709 E. Murray Drive
Farmington, NM 87401

Re: Re-Entry Proposal
Wyonna #1 Well
Township 25 North, Range 3 West
Section 25: SW/4
Rio Arriba County, New Mexico

Gentlemen:

McElvain Oil & Gas Properties, Inc. as sole general partner and Operator in behalf of T.H. McElvain Oil & Gas Limited Partnership ("McElvain") hereby proposes to re-enter an oil and gas well which has been previously plugged and abandoned formerly known as the Wyonana #1 Well located SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, in order to attempt a completion of the Mesaverde formation therein for the production of oil and gas from the S/2 of said Section 25 as the dedicated proration unit.

The estimated cost to complete the well, as proposed, is \$364,150, which is detailed on the enclosed McElvain Authority for Expenditure dated September 6, 2000. Also enclosed for your review is the Recompletion Procedure.

An Opinion of Title is being ordered to cover the proration unit and an Operating Agreement to govern operations across the dedicated proration unit is being prepared using AAPL Model form 610-1982 revised and will be transmitted to you for review and execution in the very near future.

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

Provided that original copies are delivered promptly thereafter.

Dugan Production Corporation

December 7, 2000

Page 2

McElvain is an active operator in this area and is currently drilling and completing new wells and re-entering and re-completing old wells as an effort to explore and develop the Mesaverde formation. At this point we have under contract rig(s) and equipment which are adequate to perform the proposed operation, however, this equipment must be kept active in order to maintain contract rights for their use. The proposed re-entry described herein is scheduled in this program in commence prior to year-end 2000 and in light of the circumstances and in order to avoid additional delays which could arise from weather conditions or sensitive surface restrictions, we respectfully request that you review and respond to this proposal at your earliest possible convenience.

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

Mona L. Binion, CPL
Land Manager

MLB/idi
Encls.

..

McElvain Oil & Gas Properties, Inc.

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 CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 7, 2000

Herbert Kai
P.O. 500
Rillito, AZ 85654

Re: Re-Entry Proposal
Wyonna #1 Well
Township 25 North, Range 3 West
Section 25: SW/4
Rio Arriba County, New Mexico

Gentlemen:

McElvain Oil & Gas Properties, Inc. as sole general partner and Operator in behalf of T.H. McElvain Oil & Gas Limited Partnership ("McElvain") hereby proposes to re-enter an oil and gas well which has been previously plugged and abandoned formerly known as the Wyonana #1 Well located SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, in order to attempt a completion of the Mesaverde formation therein for the production of oil and gas from the S/2 of said Section 25 as the dedicated proration unit.

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

Provided that original copies are delivered promptly thereafter.

Herbert Kai
December 7, 2000
Page 2

McElvain is an active operator in this area and is currently drilling and completing new wells and re-entering and re-completing old wells as an effort to explore and develop the Mesaverde formation. At this point we have under contract rig(s) and equipment which are adequate to perform the proposed operation, however, this equipment must be kept active in order to maintain contract rights for their use. The proposed re-entry described herein is scheduled in this program in commence prior to year-end 2000 and in light of the circumstances and in order to avoid additional delays which could arise from weather conditions or sensitive surface restrictions, we respectfully request that you review and respond to this proposal at your earliest possible convenience.

If you have any questions concerning this proposal, please feel free to contact the undersigned. We look forward to hearing from you soon.

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

Mona L. Binion, CPL
Land Manager

MLB/idi
Encls.

ELECTION PAGE
Re-Entry - Mesaverde Completion
Wyonona #1 Well
November 10, 2000

_____ YES, I/We do hereby elect to participate in the proposed re-entry and Mesaverde formation recompletion in the oil and gas well located in the SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico formerly known as the Wyonona #1.

_____ NO, I/We do hereby elect NOT to participate in the proposed re-entry and Mesaverde formation recompletion in the oil and gas well located in the SE/4SW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico formerly known as the Wyonona #1. 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 an election against my/our working interest as a non-participating, non-drilling party subject to the penalty provisions contained therein.

" :

Z 152 933 687

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail. (See reverse)

Settle **GWR OPERATING COMPANY**

9800 CENTRE PARKWAY, SUITE 900
Houston, TX 77036

Post Office, State, & ZIP Code	
Postage	\$
Certified Postage	\$
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

Return Receipt Requested

PS Form 3800, April 1995

SENDER:

- Complete Items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

Restricted Delivery

Adult Signature Required

Signature Confirmation

Certified Mail

Registered Mail

Insured Mail

Return Receipt for Merchandise

Certified Mail Restricted Delivery

Registered Mail Restricted Delivery

Insured Mail Restricted Delivery

Return Receipt for Merchandise Restricted Delivery

Consult postmaster for fee.

NOT DELIVERABLE AS ADDRESSED
UNABLE TO FORWARD

3. Article Addressed to:

GWR OPERATING COMPANY
9800 CENTRE PARKWAY, SUITE 900
HOUSTON, TX 77036

4a. Article Number
Z152 933 687

4b. Service Type

Registered Certified

Express Mail Insured

Return Receipt for Merchandise COD

7. Date of Delivery

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

CERTIFIED

Z 152 933 687

MAIL

NOT DELIVERABLE AS ADDRESSED
UNABLE TO FORWARD



MC ELVAIN OIL & GAS PROPERTIES, INC.

INDEPENDENCE PLAZA

1050 17TH STREET • SUITE 1800

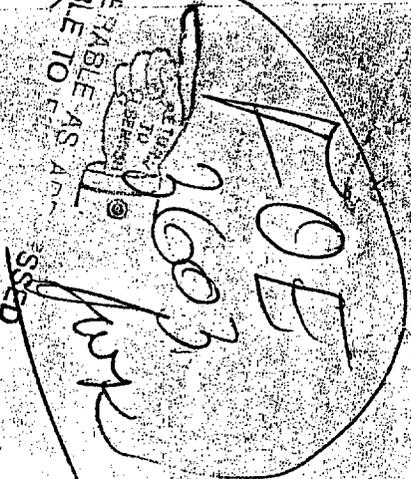
DENVER, COLORADO 80265

GWR OPERATING COMPANY
9800 CENTRE PARKWAY, SUITE 900
HOUSTON, TX 77036

NOT DELIVERABLE AS ADDRESSED
UNABLE TO FORWARD



NOT DELIVERABLE AS ADDRESSED
UNABLE TO FORWARD



944400000 #



Z 52 933 646

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to	
DUGAN PRODUCTION Street & Number 709 E. MURRAY DRIVE Post Office Box FARMINGTON, NM 87401	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

DUGAN PRODUCTION
 709 E. MURRAY DRIVE
 FARMINGTON, NM 87401

4a. Article Number

7152 933 646

4b. Service Type

- | | |
|--|---|
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input checked="" type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

12-11-00

5. Received By: (Print Name)

Billie Tankersley

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Z 152 933 686

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to	HERBERT KAI
Street & Number	PO 500
Post Office, State, & ZIP Code	RILLITO, AZ 85654
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, April 1995

SENDER:

- Complete Items 1 and/or 2 for additional services.
- Complete Items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write 'Return Receipt Requested' on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

HERBERT KAI
PO 500
RILLITO, AZ 85654

4a. Article Number

Z 152 933 686

4b. Service Type:

- Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD

7. Date of Delivery

12-13-00

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

PO Box 550
Rillito AZ 85654

6. Signature: (Addressee or Agent)

Thank you for using Return Receipt Service.

McElvain Oil & Gas Properties, Inc.

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

February 27, 2001

Chuck Rasey
Forest Oil Corporation
1600 Broadway, Suite 2200
Denver, CO 80202

Re: Edwards Lease
T25N, R3W - Section 25: S/2SE/4
Rio Arriba County, New Mexico

Gentlemen:

In accordance with our conversation of this date, please find enclosed the following materials

- Opinion of Title dated February 1, 2001 covering S/2 of Section 25, T25N-R3W
- Letter dated December 7, 2000 proposing re-entry of the Wynona #1 Well (now Naomi #1)
- Proposal to Purchase dated February 27, 2001
- Copy of Oil & Gas Lease dated April 16, 1980 from Floyd E. and Emma B. Edwards to Kenai Oil & Gas, Inc. covering the captioned lands, among others.

This information is being provided for your review and election regarding participation or sale to McElvain of the rights and interests owned by Forcenergy Onshore, Inc. (formerly Great Western Onshore, Inc.).

Inasmuch as we have had such difficulty tracing the interest of the parties down to your acquisition of Forcenergy since our original proposal was dated back in November of 2000, we are very anxious to conclude some arrangement with to in order that we may proceed with our re-entry project.

We certainly appreciate your attention to this request and ask that should you have any questions you feel free to contact the undersigned.

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

Mona L. Binion, CPL
Land Manager

MLB/idi
Encls.

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

McElvain Oil & Gas Properties, Inc.

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 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 Wynona #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
Mona L. Binion, CPL
Land Manager

MLB/idi
Encls.

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 7
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

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	DRY HOLE	COMPLETED WELL
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	DRY HOLE	COMPLETED WELL
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: _____

NAOMI #1 WELL

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

December 1 , 2000 ,

OPERATOR McElvain Oil & Gas Properties, Inc.

CONTRACT AREA TOWNSHIP 25 NORTH, RANGE 3 WEST, N.M.P.M.

Section 25: S/2

Limited to those depths below the base of the Pictured

Cliffs formation

COUNTY OR PARISH OF Rio Arriba STATE OF New Mexico

COPYRIGHT 1982 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT
WORTH, TEXAS, 76137-2791, APPROVED FORM.
A.A.P.L. NO. 610 - 1982 REVISED

Exhibit "A"

Attached to and made a part of that certain Operating Agreement dated December 1, 2000 by and among McElvain Oil & Gas Properties, Inc., as Operator, and DJ Simmons Company Limited Partnership, et al, as Non-Operators

I. LANDS SUBJECT TO OPERATING AGREEMENT

Township 25 North, Range 3 West
Section 25: S/2
Containing 320 acres, more or less
Rio Arriba County, New Mexico

II. RESTRICTIONS, IF ANY, AS TO DEPTHS OR FORMATIONS

All depths below Pictured Cliffs Formation

III. ADDRESSES AND PERCENTAGES OR FRACTIONAL INTERESTS OF PARTIES TO THIS AGREEMENT

McElvain Oil & Gas Properties, Inc.,
1050 17th Street, Suite 1800
Denver, Colorado 80266

OPERATOR

The cost of operations conducted under this Agreement and the revenue received from the sale of production from wells drilled, completed or recompleted and produced hereunder shall be shared in the following proportions subject to:

- (a) The right to elect regarding participation in subsequent operations as provided under Article VI. B. 2, hereof; and,
- (b) The obligation of each party for payment of its respective shares of fees and taxes, royalties, overriding royalties and other lease burdens due on its share of the production

T. H. McElvain Oil & Gas Limited Partnership
c/o McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, Colorado 80265

50.000%

D. J. Simmons Company Limited Partnership
1009 Ridgeway Place
Farmington, NM 87401

25.000%

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

12.500%

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

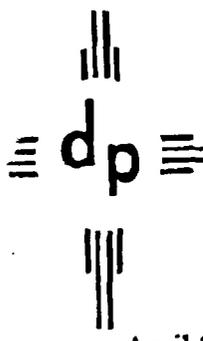
9.375%

Dugan Production Corporation
709 East Murray Drive
Farmington, NM 87499

3.125%

IV. OIL & GAS LEASES SUBJECT TO THIS AGREEMENT

A.	Lessor: Original Lessee: Lease Date: Current WI Owner: Description: Royalty: Overriding Royalty:	Huntington T. Walker, et ux T. H. McElvain Oil & Gas Limited Partnership September 20, 2000 T. H. McElvain Oil & Gas Limited Partnership <u>Township 25 North, Range 3 West</u> Section 25: SW/4 20.00% None	100.00%
B.	Lessor: Original Lessee: Lease Date: Current WI Owner: Description: Royalty: Overriding Royalty:	Donald G. Parsons Profit Sharing Trust T. H. McElvain Oil & Gas Limited Partnership October 7, 2000 T. H. McElvain Oil & Gas Limited Partnership <u>Township 25 North, Range 3 West</u> Section 25: SW/4 20.00% None	100.00%
C.	Lessor: Original Lessee: Lease Date: Current WI Owner: Description: Royalty: Overriding Royalty:	James B. Fullerton, et ux T. H. McElvain Oil & Gas Limited Partnership September 20, 2000 T. H. McElvain Oil & Gas Limited Partnership <u>Township 25 North, Range 3 West</u> Section 25: SW/4 20.00% None	100.00%
D.	Lessor: Original Lessee: Lease Date: Current WI Owner: Description: Royalty: Overriding Royalty:	USA NM-105189 D. J. Simmons Company Limited Partnership September 1, 2000 D. J. Simmons Company Limited Partnership <u>Township 25 North, Range 3 West</u> Section 25: N/2SE/4 12.50% None	100.00%
E.	Lessor: Original Lessee: Lease Date: Current WI Owner: Description: Royalty: Overriding Royalty:	Floyd E. Edwards, et ux Kenai Oil & Gas, Inc. April 16, 1980 Forcenergy Onshore, Inc. Herbert Kai Dugan Production Corporation <u>Township 25 North, Range 3 West</u> Section 25: S/2SE/4 12.50% 3.25%	50.00% 37.50% 12.50%



dugan production corp.

April 2, 2001

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Attention: Lori Wrotenbery

RE: April 5, 2001 Examiner Hearing
CASE 12635
Naomi Well No. 1
S/2 Section 25, T 25 N, R 3 W
Rio Arriba County, New Mexico

Gentlemen:

This office has noted the referenced Case No. 12635. Dugan Production Corp. has been requested to join in this recompletion and has elected to join and pay its proportionate share of costs as to a S/2 Section 25 spacing unit. As an owner of a partial interest in this well it is our belief that it is to Dugan's benefit to have the financial risk reduced by the use of an existing wellbore and to share the risk among several parties. A change of spacing to a W/2 dedication would take Dugan out of this well and require a new well to be drilled in the E/2 in order for Dugan Production Corp. to share in production. This would cause additional expense to drill a new well, especially considering that we have to date never received a request from anyone proposing such a well. For the above reasons Dugan supports the spacing unit for this recompletion of this well to be on a S/2 spacing unit.

Sincerely,

David M. Poage
Land Manager

xc: Campbell & Carr
Attn: Mr. William F. Carr
FAX 505-983-6043

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 8
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

WORKING INTEREST OWNERS

Designated Spacing Unit Consisting of S/2 of Section 25, T25N-R3W

Naomi #1 Well

(Re-entry of Wynona #1)

T25N-R3W, Section 25, SW/4

Rio Arriba County, New Mexico

McElvain Oil & Gas Properties, Inc.

1050 17th Street, Suite 1800

Denver, Colorado 80265

OPERATOR

T. H. McElvain Oil & Gas Limited Partnership	50.000%	<i>Voluntary Commitment</i>
T. H. McElvain Oil & Gas Limited Partnership (formerly Herbert Kai)	9.375%	
c/o McElvain Oil & Gas Properties, Inc.		
1050 17th Street, Suite 1800		
Denver, Colorado 80265		
Dugan Production Corporation	3.125%	<i>Voluntary Commitment</i>
709 East Murray Drive		
Farmington, NM 87499		
D. J. Simmons Company Limited Partnership	25.000%	<i>Uncommitted</i>
1009 Ridgeway Place		
Farmington, NM 87401		
Forcenergy Onshore, Inc.	12.500%	<i>Uncommitted</i>
c/o Forest Oil Company		
1600 Broadway, Suite 2200		
Denver, CO 80202		

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 9
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001



AX

D.J. SIMMONS, INC.

1009 RIDGEWAY PLACE, SUITE 200
FARMINGTON, NM 87401

Date: 10/8/01
Number of pages including cover sheet 2

To: Mona L Binion

From: May for
John Byrom

Phone: _____

Phone: 505-326-3753

FAX: 363 893-0914

FAX: 505-327-4659

CC: _____

REMARKS: Urgent Reply ASAP Please Comment For Your Review

ELECTION PAGE

Naomi #1 Well

September 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.

✓

^{not}
NO, 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.

PARTICIPANT NAME: D.J. Simmons Company Limited Partnership

BY: J. A. Ryan, Vice President

Date: 10/5/2001

PLEASE RETURN THIS ELECTION WITHIN 48 HOURS OF RECEIPT TO:

Telefax (303) 893-0914
Attention: Mona L. Binion

Mail original to:

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

D.J. SIMMONS, INC.

RECEIVED

JUN 11 2001

McELVAIN OIL & GAS
PROPERTIES INC.

June 7th, 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
Bishop Federal #25-2 Well
Township 25 North – Range 3 West, NMPM
Section 25: NE/4
Rio Arriba County, New Mexico

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 11
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

Gentlemen:

D. J. Simmons, Inc. ("Simmons") is proposing the drilling of two (2) test wells. One in the NE/4 of Section 25, the other in the SE/4 of Section 25, Township 25 North – Range 3 West, NMPM, Rio Arriba County, New Mexico to test all productive formations between the surface of the earth and one hundred feet below the top of the Burro Canyon formation. Well spacing - for all formations except the Fruitland Coal and Mesaverde is 160 acres. The Fruitland Coal and Mesaverde spacing is 320 acres. Simmons' main objective is the Dakota formation, however, Simmons is proposing an E/2 unit in the event the Mesaverde is commercially productive.

The Unit percentages in and to the E/2 of Section 25, Township 25 North – Range 3 West, NMPM, Rio Arriba County, New Mexico are as follows:

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%

Lease ownership as follows:

Section 25: NE/4 and the N/2SE/4

D. J. Simmons, Inc.	100.000%
---------------------	----------

Section 25: S/2SE/4

Forcenergy Onshore, Inc.	50.000%
T. H. McElvain Oil & Gas Limited Partnership	37.500%
Dugan Production Corporation	<u>12.500%</u>
	100.000%

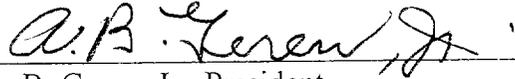
The location for the proposed Bishop Federal #25-1 is in the NE/4 and the location for the Bishop Federal #25-2 is the NW/4SE/4, both in Section 25, Township 25 North – Range 3 West, NMPM, Rio Arriba County, New Mexico. These wells will be permitted as Dakota tests. The locations have been staked, and the permitting process with the BLM and the New Mexico OCD has begun.

Simmons offers you the options to either participate or farmout your interest in the Mesaverde formation only, and only at such time as Simmons completes that zone for the First Test Well (Bishop Federal #25-1). The Bishop Federal #25-2 would be drilled as a Gallup/Dakota test with partners participating as to their interests. Enclosed herewith for your perusal is Simmons well procedures and AFEs for the subject wells. Should the wells be productive in the Mesaverde formation, and you chose to participate or farmout, Simmons will provide you with a Joint Operating Agreement 610-1982 with a 100/300/300 percent non-consent and a COPAS 1984 Accounting Procedure with a Overhead-Fixed Rate of \$350/\$3,500 per well. In addition, you will be provided with information concerning the drilling and completion of the Bishop Federal #25-1 and #25-2 wells. Simmons would also entertain the purchase of your rights as to the Mesaverde formation only, at a fair market value.

As you are obviously aware, McElvain Oil & Gas Properties, Inc. is proposing the formation of a S/2 Section 25 spacing unit and is in conflict with this proposal. The matter is currently before the New Mexico OCD for a decisions. In the event the OCD should rule in favor of the McElvain proposal, Simmons would propose the formation of a N/2 Section 25 spacing unit for the Mesavarede in the Bishop Federal #25-1. Obviously, the ability to commingle or re-complete the Mesaverede as to the Bishop Federal #25-2 would be lost.

In that time is of the essence, your early reply would be most appreciated.

D. J. Simmons, Inc.



A. B. Geren, Jr., President

enclosures

D.J. SIMMONS, INC.

Drilling Plan

Well Name: Bishop Federal 25-2
Surface Location: 2175 FSL x 1813 FEL, Section 12, T29N, R9W
Rio Arriba County, NM
Bottom Hole Location: Same
Formation: Gallup/Dakota
Elevation: 7187' GL

Geology:

Formation	Top Measured Depth	Probable Content
San Jose	Surface	
Ojo Alamo	3235	salt water
Fruitland	3335	gas/water
Pictured Cliffs	3510	gas
Chacra	3945	gas
Mesa Verde	5197	gas
Menefee	5294	gas
Point Lookout	5710	gas
Mancos	5948	gas/oil
Gallup	6677	gas/oil
Graneros	7802	gas/oil
Dakota	7909	gas/oil
Burro Canyon	8079	gas/water

Logging Program: Spectral Density, Epithermal Neutron, Induction Log from TD to surface casing shoe.

Drilling Fluid Program:

Interval	Fluid Type	Weight	Viscosity	Fluid Loss
0' - 600'	fresh water spud mud	8.4 - 9.0 ppg	30 - 50 sec	no control
600' - 5197'	2% KCL / PHPA polymer	8.4 - 9.0 ppg	30 - 50 sec	no control
5197' - TD	2% KCL / PHPA polymer	8.4 - 9.0 ppg	30 - 50 sec	10

Casing Program:

Interval	Hole Diameter	Csg Size	Wt.	Grade	Thread
0' – 600'	12 ¼"	9 5/8"	32 ppf	J-55	LTC
0' – 6200'	7 7/8"	5 1/2"	15.50 ppf	J-55	LTC
6200' – 7500'	7 7/8"	5 1/2"	17 ppf	J-55	LTC
7500' – 8150'	7 7/8"	5 1/2"	17 ppf	N-80	LTC

Tubing Program: 0 – 8100', 2 3/8", 4.7 ppf, J55, EUE

BOPE and Wellhead Specifications and Testing:

From surface casing shoe to TD: 9 5/8" 3000 psi threaded casing head with two 2" outlets. 11", 3000 psi double gate BOP and 3000 psi choke manifold (see figures 1 and 2). Pressure test BOPE to 3000 psi and 9 5/8" surface casing to 600 psi prior to drilling surface casing shoe.

For completion operations: 7" x 2 3/8", 3000 psi tree assembly. 7 1/16", 3000 psi double gate BOP system (see figure 3).

General Operation:

- Actuate pipe rams once each day during drilling operations. Actuate blind rams once each trip.
- An upper Kelly cock valve, with handle, will be available on the rig floor to fit each drilling string.
- BOP pit level drill will be conducted weekly for each drilling crew.
- All BOP tests and drills will be recorded in the daily drilling report.
- Blind and pipe rams will be equipped with extension hand wheels.

Cementing Program:

9 5/8" Surface Casing String: Run casing with saw tooth guide shoe on bottom, insert float valve one joint from bottom, and install bowspring centralizers as per Onshore Order #2. Cement with 350 sks class 'G' with ¼ #/sk flocele and 3% CaCl₂ (413 cf slurry, 100% excess to circulate to surface).

5 ½" Production Casing String: Run casing with float shoe on bottom, float collar one joint from bottom and centralizers every other joint from TD to 3700'. Install stage collars at 5800' and 3800'. Cement in three stages. Stage 1 (8225' – 5800'); 350 sks class 'G' 50/50 poz with, 2% gel, ¼ #/sk flocele, 5 #/sk gilsonite. Stage 2 (5800' – 3800'); 400 sks class 'G' 50/50 poz with 2% gel, ¼ #/sk flocele, 5 #/sk gilsonite. Stage 3 (4100' – 0'); 670 sks class 'G' 50/50 poz with 2% CaCl₂, 6% gel, ¼ #/sk flocele, 5 #/sk gilsonite. Precise slurry volumes to be calculated from open hole log caliper plug 25% excess. Top of cement to be at surface.

Special Drilling Operations:

No special operations are anticipated

Additional Information:

- This well is to be completed in the Gallup and Dakota formations.
- No abnormal temperature or pressure, or other hazards are anticipated.
- LCM will be added to the mud system as required to maintain circulation.
- Estimated formation pressures:
 - Fruitland Coal 300 psi
 - Pictured Cliffs 300 psi
 - Mesa Verde 600 psi
 - Gallup 650 psi
 - Dakota 800 psi

Completion Information:

The completion procedure will be prepared after open hole logs are analyzed. The well will probably be completed by hydraulic frac in two to three stages.

Prepared by: Robert R. Griffie
Operations Engineer
Date: 06/07/01

Bishop Federal 25-2 Drilling and Completion AFE		page 1			
Description: 8150' Gallup/Dakota test. Assumes standard drilling rig is utilized.					
AFE assumes completion in both the Gallup and Dakota formations with a two stage frac.					
Prepared by: R. Griffie					
Dry Hole Cost					
Cost Item Code	Description	Intangible	Tangible	Total	
Preparation					
101	Permitting			\$10,000.00	\$10,000.00
102	Dirtwork			\$5,500.00	\$5,500.00
103	Reclamation			\$1,500.00	\$1,500.00
Drilling Rig Costs					
110	Rig Mobilization			\$25,000.00	\$25,000.00
111	Daywork Drilling Cost			\$75,000.00	\$75,000.00
112	Footage Drilling Cost				
113	Turnkey Drilling Cost				
Drilling Equipment					
120	Drilling Bits			\$15,000.00	\$15,000.00
121	Drilling Tools				
122	Rental Equipment			\$1,600.00	\$1,600.00
Services					
133	Trucking			\$10,000.00	\$10,000.00
134	Water			\$25,000.00	\$25,000.00
135	Fuel				
136	Mud			\$5,500.00	\$5,500.00
137	Air Drilling Services				
138	Directional Services				
139	Fishing Services				
140	Safety Services				
141	Wireline Services				
142	Contract Labor			\$10,000.00	\$10,000.00
143	Inspection Services				
144	Down-hole Tools				
148	Other Services				
Cementing					
150	Primary Cementing			\$3,500.00	\$3,500.00
151	P&A Cementing			\$5,100.00	\$5,100.00
152	Remedial Cementing				
Design and Supervision					
160	Engineering/Geology Design				
161	Field Supervision			\$8,000.00	\$8,000.00
162	Operator Overhead				
163	Outside Operated Overhead				
Formation Evaluation					
170	Open Hole Logging			\$30,000.00	\$30,000.00
171	Drill Stem Testing				
172	Coring				
173	Mud Logging				
174	Field Geologist				
175	Flow Testing				
176	Laboratory Services				
Tangible Items					
180	Conductor Casing				
181	Surface Casing				
182	Intermediate Casing				
183	Intermediate Casing				
184	Float Equipment				
185	Casing Tools			\$7,680.00	\$7,680.00
186	Pipe Inspection				
187	Well Head Equipment			\$1,150.00	\$1,150.00
Miscellaneous					
190					
Total Dry Hole Cost		\$230,700.00	\$10,330.00	\$241,030.00	

Completion Costs		page 2		
Cost to run Production Casing and complete with two stage frac in both the Gallup and Dakota				
prepared by: R. Griffie				
Cost Item Code	Description	Intangible	Tangible	Total
Preparation				
201	Permitting			
202	Dirtwork	blading, location preparation, anchors	\$1,500.00	\$1,500.00
203	Reclamation	dirtwork, water disposal		
Completion Rig Costs				
210	Rig Mobilization		\$2,800.00	\$2,800.00
211	Hourly or Daily Cost		\$25,680.00	\$25,680.00
212	Expendables	swab cups, line, etc.	\$1,800.00	\$1,800.00
213				
Workover Equipment				
220	Bits and Mills		\$650.00	\$650.00
221	Workover tools			
222	Rental Equipment		\$2,000.00	\$2,000.00
Services				
233	Trucking	hauling pipe & materials, hot shot services	\$14,500.00	\$14,500.00
234	Water	water cost and hauling charges *	\$20,000.00	\$20,000.00
234	Fuel	for air drilling equipment		
236	Mud	mud, chemicals, soap, etc.		
237	Air Drilling Services			
238	Directional Services			
239	Fishing Services	fishing tools, etc. Mills		
240	Safety Services	H2S monitoring, etc.		\$0.00
241	Wireline Services	CBL, correlation, squeeze perforating, etc.	\$6,500.00	\$6,500.00
242	Contract Labor	roustabout services, casing crews, welders, etc.	\$2,500.00	\$2,500.00
243	Inspection Services			
244	Down-hole Tools	test packers, bridgeplugs, cement retainers	\$15,000.00	\$15,000.00
245	Stimulation Services	acidizing, frac, etc.	\$100,000.00	\$100,000.00
246	Misc Pumping Services	CO2, Nitrogen, etc.		
247	Hydrotesting Services			
248	Other Services			
Cementing				
250	Primary Cementing	cementing of new production string	\$45,000.00	\$45,000.00
251	P&A Cementing			
252	Remedial Cementing			
Design and Supervision				
260	Engineering/Geology Design			
261	Field Supervision		\$6,400.00	\$6,400.00
262	Operator Overhead			
263	Outside Operated Overhead			
Formation Evaluation				
270	Cased Hole Logging	for formation evaluation		
271	Drill Stem Testing			
272	Coring	coring, and core analysis		
273	Mud Logging			
274	Field Geologist			
275	Flow Testing	flow test, pressure build up, etc.		
276	Laboratory Services	gas, oil, & water analysis		
Tangible Items				
280	Production Casing	8150' of 5 1/2" 15.50 and 17 ppf casing	\$55,488.50	\$55,488.50
281	Tubing	8050' of 2 3/8" EUE	\$16,905.00	\$16,905.00
282	Tubing			
283	Tubing String equipment		\$1,100.00	\$1,100.00
284	Float Equipment	shoe, DV collar, centralizers, etc.	\$15,000.00	\$15,000.00
285	Casing Tools	liner hanger, etc.		
286	Pipe Inspection	casing and tubing strings		
287	Well Head Equipment		\$5,400.00	\$5,400.00
288	Permanent Packers	permanent production packers, bridgeplugs, etc.		
289	Miscellaneous Pipe and Fittings		\$1,500.00	\$1,500.00
Miscellaneous				
290				
Completion Cost Total		\$244,330.00	\$95,393.50	\$339,723.50

Production Equipment		page 3		
Costs to set Production Tanks, Separator, and prep location. Does not include pipeline or pumping unit costs		prepared by: R. Griffiee		
Cost Code	Item Description	Intangible	Tangible	Total
Tangible Items				
501	Production Tanks		\$ 17,500.00	\$17,500.00
502	Flow Lines, Valves, and Fittings		\$ 5,000.00	\$5,000.00
503	Pumping Equipment - Surface pumping unit			
504	Pumping Equipment - Downhole rods, pump, etc			
505	Production Units heater treater / separator		\$ 35,000.00	\$35,000.00
506	Metering Equipment			
507	Wellsite Compression			
508	Buildings			
509	Miscellaneous		\$ 5,000.00	\$5,000.00
Installation and Construction				
520	Contract Labor	\$ 20,000.00		\$20,000.00
Production Equipment Total		\$ 20,000.00	\$ 62,500.00	\$ 82,500.00

AFE Summary				
Cost Code	Item Description	Intangible	Tangible	Total
	Dry Hole Cost	\$230,700.00	\$10,330.00	\$241,030.00
	less P&A Cementing Cost	-\$5,100.00	\$0.00	-\$5,100.00
	Completion Cost	\$244,330.00	\$95,393.50	\$339,723.50
	Production Equipment Cost	\$ 20,000.00	\$ 62,500.00	\$ 82,500.00
	Total Estimated Well Cost excluding pipeline and pumping unit	\$489,930.00	\$168,223.50	\$658,153.50

D.J. SIMMONS, INC.

RECEIVED

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:

1

D.J. Simmons, Inc.

P.O. Box 1469
1009 Ridgeway Place, Suite 200

Farmington, New Mexico 87499

87401

(505) 326-3753

FAX (505) 327-4659

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

RECEIVED

D.J. SIMMONS, INC.

SEP 17 2001

September 13th, 2001

McELVAIN OIL & GAS
PROPERTIES INC.

FAX/CERTIFIED MAIL

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: AFE for Bishop Federal #25-1 Well
Township 25 North – Range 3 West, NMPM
Section 25: NE/4
Rio Arriba County, New Mexico

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 13
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

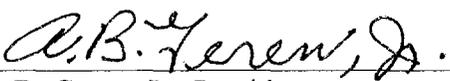
Ladies/Gentlemen:

Enclosed herewith is an allocated Authorization for Expenditure for the drilling and completion of the Bishop #25-1, as to the Mesaverde formation only. This Authorization for Expenditure is furnished for informational purposes only. This letter is a follow up to my letter of August 6th, 2001.

Interest of parties:

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%

D. J. Simmons, Inc.


A. B. Geren, Jr., President

D.J. Simmons, Inc.
(505) 326-3753

P.O. Box 1469
1009 Ridgeway Place, Suite 200

Farmington, New Mexico 87499
87401
FAX (505) 327-4659

D.J. Simmons, Inc.

Bishop Federal 25-1 Drilling and Completion AFE Allocation for Mesa Verde Completion		page 1	
Description: 8768' md (8263' tvd) directionally drilled Gallup/Dakota test. Assumes standard drilling rig is utilized.			
AFE assumes completion in both the Gallup and Dakota formations with a two stage frac			
		Prepared by: R. Griffie 09/12/2001	
Dry Hole Cost			
Cost Item Code	Description	Intangible	Tangible Total
Preparation			
101	Permitting	permitting, survey, and archaeology	\$5,000.00 \$5,000.00
102	Dirtwork	blading, location preparation, anchors	\$2,750.00 \$2,750.00
103	Reclamation	dirtwork, water disposal	\$750.00 \$750.00
Drilling Rig Costs			
110	Rig Mobilization		\$12,500.00 \$12,500.00
111	Daywork Drilling Cost	8 days @ \$7500 per day to 100' below MV	\$30,000.00 \$30,000.00
112	Footage Drilling Cost		
113	Turnkey Drilling Cost		
Drilling Equipment			
120	Drilling Bits		\$12,500.00 \$12,500.00
121	Drilling Tools	reamers, stabilizers, rental drill pipe, etc.	\$1,120.00 \$1,120.00
122	Rental Equipment		
Services			
133	Trucking	hauling pipe & materials, hot shot services	\$5,000.00 \$5,000.00
134	Water	water cost and hauling charges	\$7,500.00 \$7,500.00
135	Fuel	drilling contractor to provide	
136	Mud	mud, chemicals, soap, etc.	\$3,250.00 \$3,250.00
137	Air Drilling Services		\$0.00
138	Directional Services	not required for MV	
139	Fishing Services		
140	Safety Services	H2S monitoring, etc.	
141	Wireline Services		
142	Contract Labor	roustabout services, casing crews, welders, etc.	\$2,500.00 \$2,500.00
143	Inspection Services		
144	Down-hole Tools		
148	Other Services		
Cementing			
150	Primary Cementing	surface casing	\$1,750.00 \$1,750.00
151	P&A Cementing		\$2,550.00 \$2,550.00
152	Remedial Cementing		
Design and Supervision			
160	Engineering/Geology Design		\$5,600.00 \$5,600.00
161	Field Supervision		
162	Operator Overhead		
163	Outside Operated Overhead		
Formation Evaluation			
170	Open Hole Logging		\$15,000.00 \$15,000.00
171	Drill Stem Testing		
172	Coring	coring, and core analysis	
173	Mud Logging		
174	Field Geologist		
175	Flow Testing		
176	Laboratory Services		
Tangible Items			
180	Conductor Casing		\$3,840.00 \$3,840.00
181	Surface Casing	600', 9 5/8", 32 ppf, J55 @ \$9.71/ft	
182	Intermediate Casing		
183	Intermediate Casing		\$575.00 \$575.00
184	Float Equipment	shoe, DV collar, centralizers, etc.	
185	Casing Tools	liner hanger, etc.	
186	Pipe Inspection	casing and tubing strings	\$750.00 \$750.00
187	Well Head Equipment		
Miscellaneous			
190			
Total Dry Hole Cost		\$107,770.00	\$5,165.00 \$112,935.00

Bishop Federal 25-1 Drilling and Completion AFE Allocation for MesaVerde Completion		page 2		
Cost to run Production Casing and complete with two stage frac in MesaVerde		prepared by: R. Griffie 09/12/2001		
Completion Costs				
Cost Item Code	Description	Intangible	Tangible	Total
Preparation				
201	Permitting			
202	Dirtwork	\$1,500.00		\$1,500.00
203	Reclamation			
Completion Rig Costs				
210	Rig Mobilization	\$2,800.00		\$2,800.00
211	Hourly or Daily Cost	\$48,150.00		\$48,150.00
212	Expendables	\$1,800.00		\$1,800.00
213				
Workover Equipment				
220	Bits and Mills	\$650.00		\$650.00
221	Workover tools			
222	Rental Equipment	\$3,750.00		\$3,750.00
Services				
233	Trucking	\$10,000.00		\$10,000.00
234	Water	\$15,000.00		\$15,000.00
234	Fuel			
236	Mud			
237	Air Drilling Services			
238	Directional Services			
239	Fishing Services			
240	Safety Services			\$0.00
241	Wireline Services	\$13,000.00		\$13,000.00
242	Contract Labor	\$3,000.00		\$3,000.00
243	Inspection Services			
244	Down-hole Tools	\$16,000.00		\$16,000.00
245	Stimulation Services	\$110,000.00		\$110,000.00
246	Misc Pumping Services			
247	Hydrotesting Services			
248	Other Services			
Cementing				
250	Primary Cementing	\$22,500.00		\$22,500.00
251	P&A Cementing			
252	Remedial Cementing			
Design and Supervision				
260	Engineering/Geology Design			
261	Field Supervision	\$12,000.00		\$12,000.00
262	Operator Overhead			
263	Outside Operated Overhead			
Formation Evaluation				
270	Cased Hole Logging			
271	Drill Stem Testing			
272	Coring			
273	Mud Logging			
274	Field Geologist			
275	Flow Testing			
276	Laboratory Services			
Tangible Items				
280	Production Casing		\$29,391.23	\$29,391.23
281	Tubing		\$9,030.00	\$9,030.00
282	Tubing			
283	Tubing String equipment		\$550.00	\$550.00
284	Float Equipment		\$7,500.00	\$7,500.00
285	Casing Tools			
286	Pipe Inspection			
287	Well Head Equipment		\$2,700.00	\$2,700.00
288	Permanent Packers			
289	Miscellaneous Pipe and Fittings		\$750.00	\$750.00
Miscellaneous				
290				
Completion Cost Total		\$260,150.00	\$49,921.23	\$310,071.23

Bishop Federal 25-1 Drilling and Completion AFE Allocation for MesaVerde Completion			page 3		
Costs to set Production Tanks, Separator, and prep location. Does not include pipeline or pumping unit costs			prepared by: R. Griffie 09/12/2001		
Production Equipment					
Cost Item Code	Description	Intangible	Tangible	Total	
Tangible Items					
501	Production Tanks		\$ 8,750.00	\$8,750.00	
502	Flow Lines, Valves, and Fittings		\$ 2,500.00	\$2,500.00	
503	Pumping Equipment - Surface				
	pumping unit				
504	Pumping Equipment - Downhole				
	rods, pump, etc				
505	Production Units		\$ 17,500.00	\$17,500.00	
	heater treater / separator				
506	Metering Equipment				
507	Wellsite Compression				
508	Buildings				
509	Miscellaneous		\$ 2,500.00	\$2,500.00	
Installation and Construction					
520	Contract Labor	\$ 10,000.00		\$10,000.00	
Production Equipment Total		\$ 10,000.00	\$ 31,250.00	\$ 41,250.00	

AFE Summary					
Cost Item Code	Description	Intangible	Tangible	Total	
	Dry Hole Cost	\$107,770.00	\$5,165.00	\$112,935.00	
	less P&A Cementing Cost	-\$2,550.00	\$0.00	-\$2,550.00	
	Completion Cost	\$260,150.00	\$49,921.23	\$310,071.23	
	Production Equipment Cost	\$ 10,000.00	\$ 31,250.00	\$ 41,250.00	
	Total Estimated Well Cost	\$375,370.00	\$86,336.23	\$461,706.23	
	excluding pipeline and pumping unit				

**BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT**

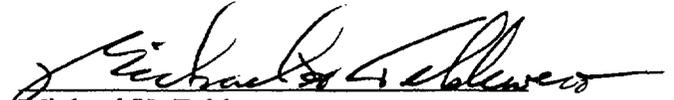
**APPLICATION OF MCELVAIN OIL & GAS
PROPERTIES, INC. FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO**

CASE NO. 12635

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of McElvain Oil & Gas Properties, Inc., the Applicant herein, being first duly sworn, upon oath, states that notice of the above-referenced Application was mailed to the addresses shown on Exhibit "A" attached hereto and that true and correct copies of the notice letter and status of receipt are attached hereto.


Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this 16th day of May, 2001.


Notary Public

My Commission Expires:

3/28/04

EXHIBIT A

Herbert Kai
Post Office Box 500
Rilliot, Arizona 85654

Forcenergy Onshore, Inc.
c/o Forest Oil Corp.
1600 Broadway, Suite 2200
Denver, Colorado 80202

D. J. Simmons Company Limited Partnership
1099 Ridgeway Place
Farmington, New Mexico 87401

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

SUITE 1
110 NORTH GUADALUPE
SANTA FE, NEW MEXICO 87501-6525
MAILING ADDRESS
P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
www.hollandhart.com

March 15, 2001

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED INTEREST OWNERS

Re: Application of McElvain Oil & Gas, Inc. for compulsory pooling, Rio Arriba County,
New Mexico.

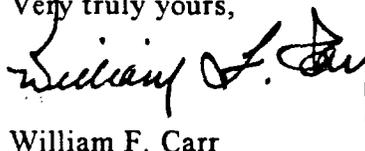
Ladies and Gentlemen:

This letter is to advise you that McElvain Oil & Gas Properties, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in certain spacing and proration units in the S/2 of Section 25, Township 25 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. McElvain proposes to dedicate the referenced pooled unit to its Naomi Well No. 1 (formerly the Wynona Well No. 1) in the SW/4 of said Section 25, which McElvain proposes to reenter and in the Mesaverde formation, Blanco-Mesaverde Pool at a previously approved unorthodox gas well location 1650 feet from the South line and 450 feet from the West line of said Section 25.

This application has been set for hearing before a Division Examiner on April 5, 2001. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr
Attorney for McElvain Oil & Gas Properties, Inc.

Enclosures

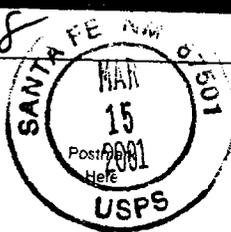
cc: Mona Binion, Land Manager
McElvain Oil & Gas Properties, Inc.

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

WFC 438

Postage	\$.55
Certified Fee	1.90
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.95



MAIL RETURNED
NOT DELIVERED

Herbert Kai
Post Office Box 500
Rilliot, AZ 85654

See back for Instructions

U.S. Postal Service CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

WFC 438

Postage	\$.55
Certified Fee	1.90
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.95



SENDER: COMPLETE THIS SECTION

- 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:

D.J. Simmons Company Limited Partnership
1099 Ridgeway Place
Farmington, NM 87401

2. Article Number (Copy from service label)

7000 0600 0024 3129 1432

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Nancy Walden 3/16/01

C. Signature

X *nwalden* Agent Addressee

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

U.S. Postal Service CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

WFC 438

Postage	\$.55
Certified Fee	1.90
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.95



SENDER: COMPLETE THIS SECTION

- 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:

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

2. Article Number (Copy from service label)

7000 0600 0024 3129 1418

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Jim Mansueti 3/21/01

C. Signature

X *JMansueti* Agent Addressee

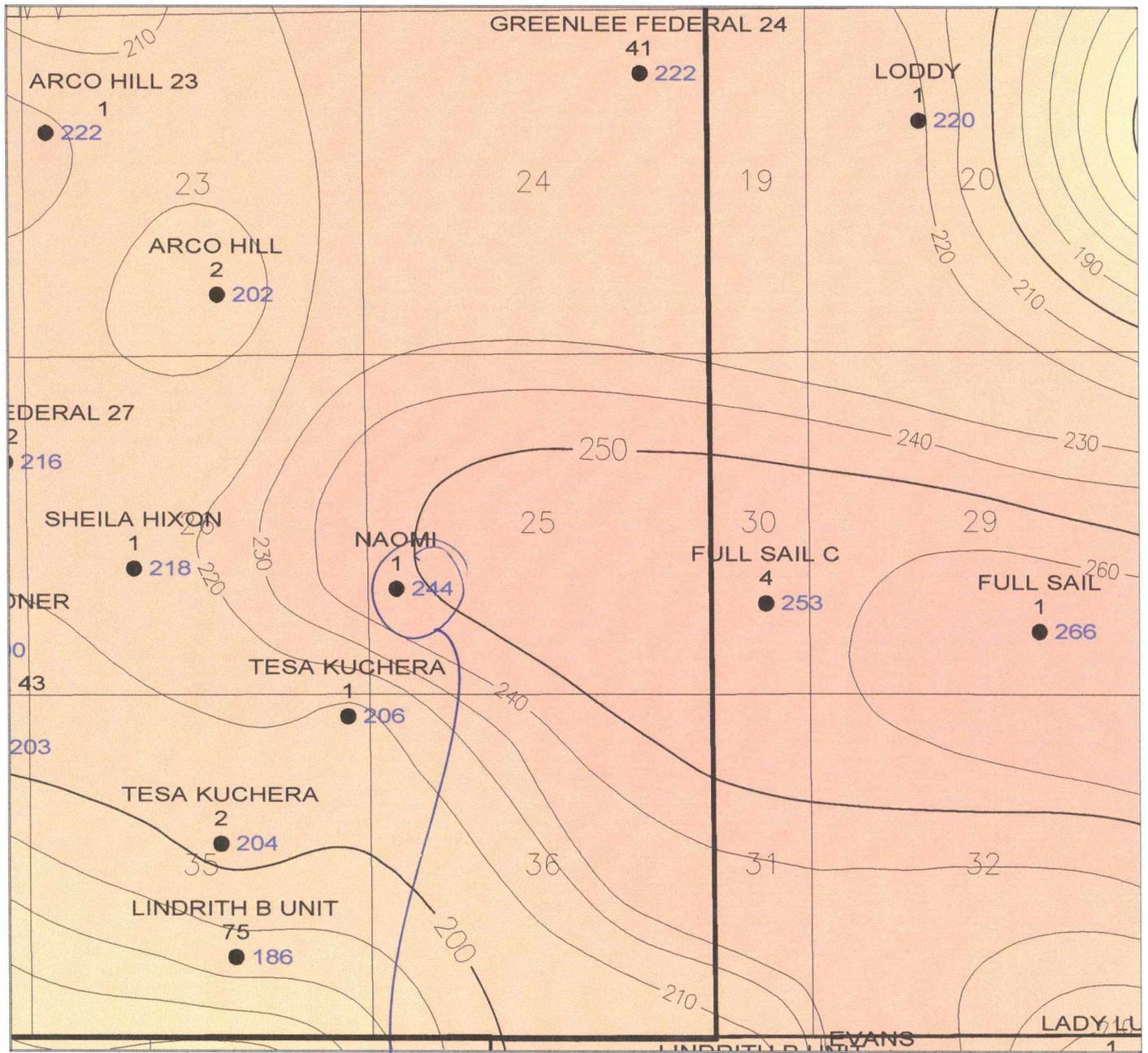
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

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

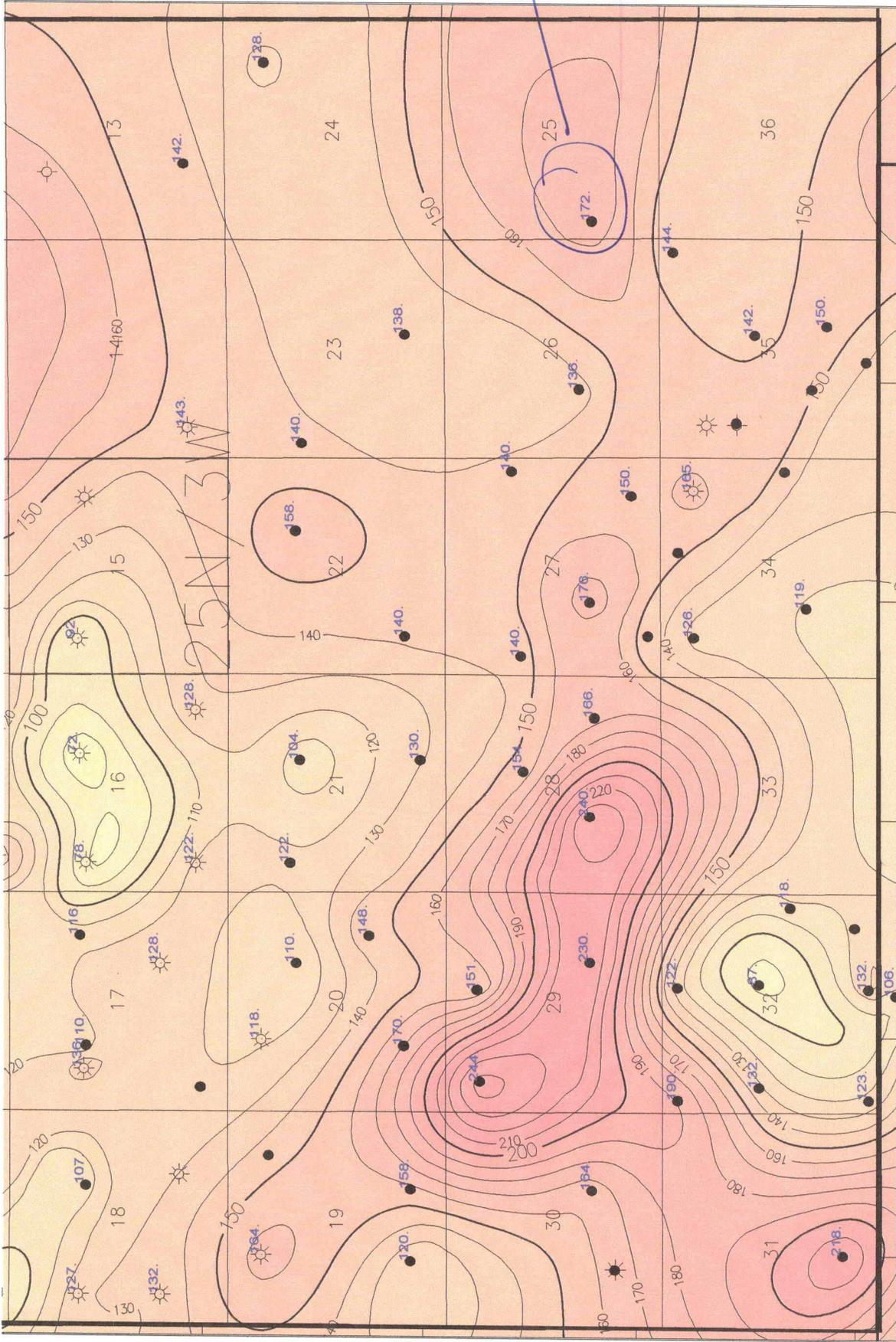


Blue numbers represent net sand values

Deep Sand ↑
N

Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12635 *de novo*, 12705 Exhibit No. 16
 McElvain Oil & Gas Properties, Inc.
 Hearing Date: November 6, 2001

McElvain Oil & Gas		
Naomi #1 Total Mesaverde Interval Net Sand > 8%		
	C.I. = 5'	
Jane Estes-Jackson		naomi/hrngkmv.gpf

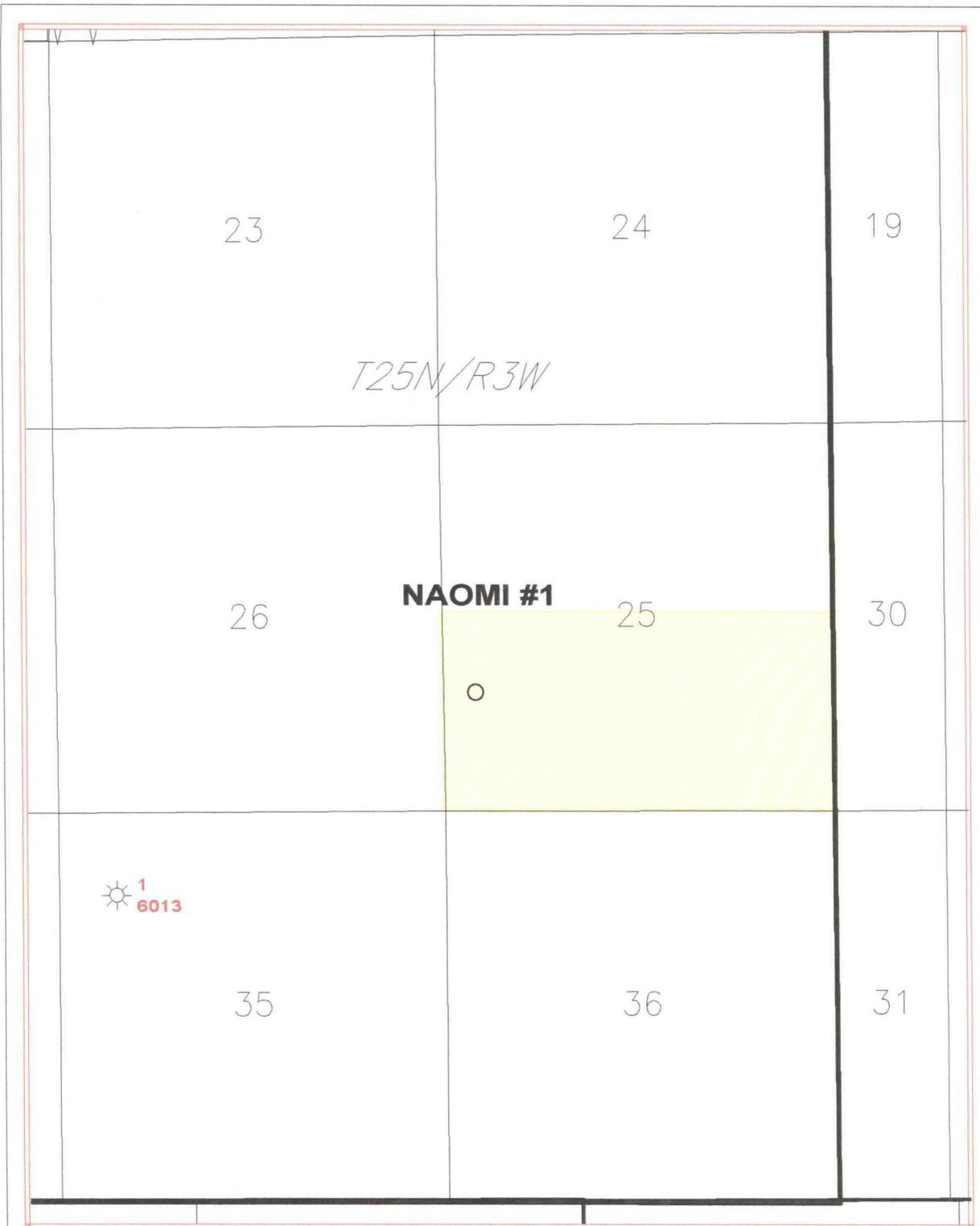


feet of sand less than

Blue numbers represent net sand values

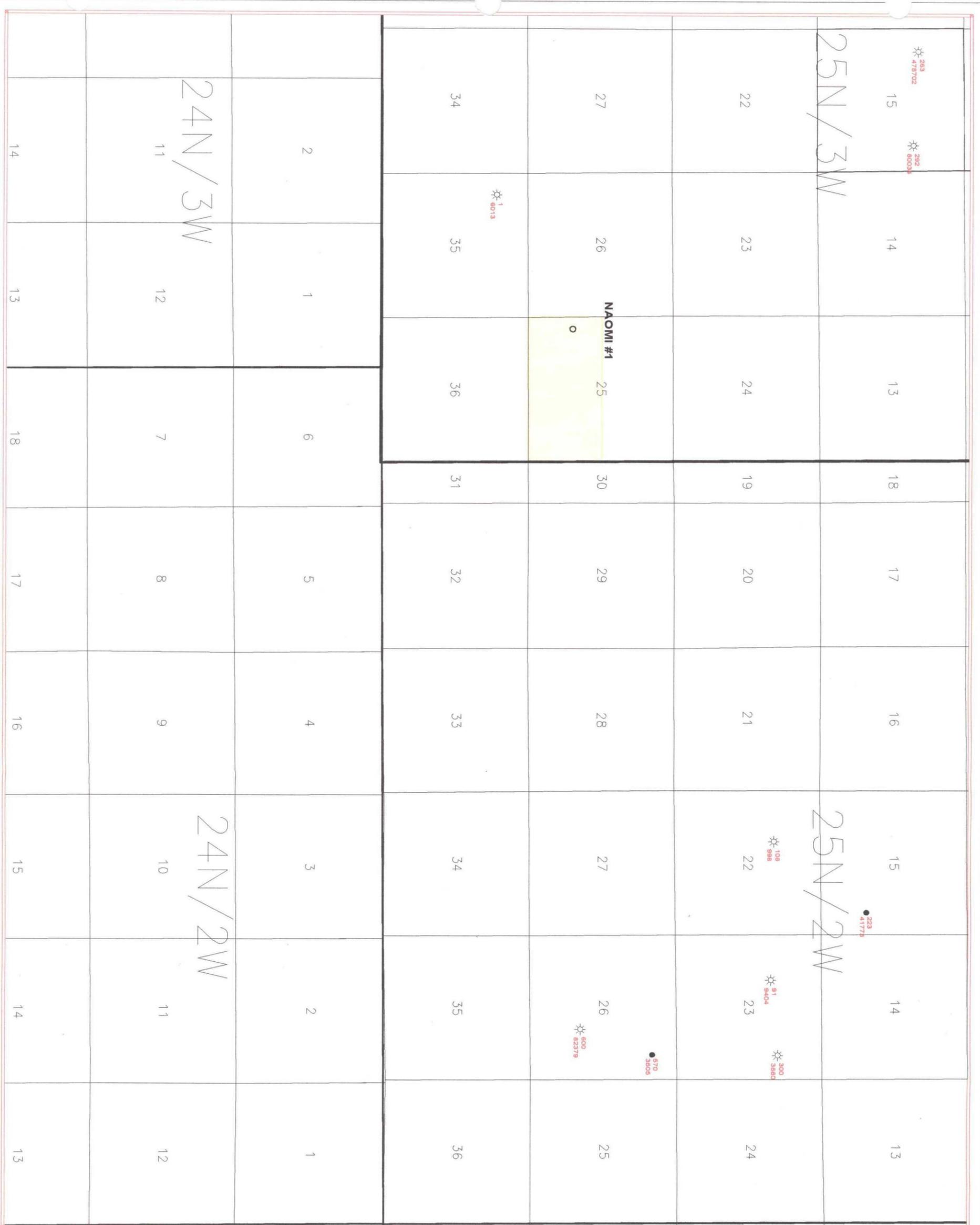
McElvain Oil & Gas	
Naomi Area	
Menefee and Pt. Lookout	
Net Sand > 8%	
Jane Estes-Jackson	updated 10/29/2001 naomi/menfeo.grf
C.I. = 10'	Scale 1:42514:29

Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12635 *de novo*, 12705 Exhibit No. 17
 McElvain Oil & Gas Properties, Inc.
 Hearing Date: November 6, 2001



McElvain Oil & Gas Properties		
RIO ARRIBA COUNTY NAOMI #1 MESAVERDE IPs & CUM PROD		
cum as of 4/30/01		
	Scale 1:25094.12	nmk

Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12635 *de novo*, 12705 Exhibit No. 18
 McElvain Oil & Gas Properties, Inc.
 Hearing Date: November 6, 2001



Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12635 *de novo*, 12705 Exhibit No. 19
 McElvain Oil & Gas Properties, Inc.
 Hearing Date: November 6, 2001

McElvain Oil & Gas Properties

RIO ARRIBA COUNTY
 NAOMI #1
 MESAVERDE IPs & CUM PROD

cum as of 4/30/01	Scale 1:42000	mmk
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF MCELVAIN
OIL & GAS PROPERTIES INC.
FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 12452

APPLICATION OF NM&O OPERATING
COMPANY FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 12467

ORDER NO. R-11182-B

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for hearing at 8:15 a.m. on July 13, 2000, and August 10, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 12th day of September, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) McElvain Oil & Gas Properties, Inc. ("McElvain"), in Case No. 12452, seeks an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying Lots 1 and 2, S/2 NE/4, and SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320.73-acre gas spacing and proration unit for any formation or pool spaced on 320 acres within that vertical extent, which presently includes the Blanco-Mesaverde Gas Pool.

(3) McElvain requested that this unit be dedicated to the proposed Cougar Com "4"

Well No. 1A (API No. 30-039-24079), formerly known as the Dewey Bartlett Well No. 1, to be re-entered, drilled and recompleted at a standard gas well location 1700 feet from the South line and 800 feet from the East line (Unit I) of Section 4. The subject well is the first optional infill well pursuant to Division Order No. R-10987, as amended, issued in Case No. 11705 and dated May 7, 1999. The initial well, McElvain's Cougar Com Well No. 4, was drilled at a standard gas well location 1825 feet from the North line and 1330 feet from the East line (Unit G) of Section 4 under Division Order No. R-11182, as amended, issued in Case No. 12172 and dated May 13, 1999.

(4) McElvain is a working interest owner within the 320.73-acre unit and therefore has the right to drill for and develop the minerals underlying this unit.

(5) McElvain requested that it be designated the operator of the subject well and unit.

(6) If McElvain's application is granted, it will re-enter the Cougar Com "4" Well No. 1A to initially complete in the Mesaverde formation, and subsequently test and complete in the Dakota formation after pooling Dakota interests.

(7) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(8) Dennis Hopper and NM&O Operating Company ("NM&O") appeared at the hearing through legal counsel. Counsel for Dennis Hopper did not present any evidence or testimony in support of or in opposition to the application.

(9) Counsel for NM&O stated that an application to pool the same acreage, the E/2 of Section 4, Township 25 North, Range 2 West, and re-enter the same well was filed on the day of the July 13, 2000 hearing and requested Case No. 12452 be continued.

(10) On August 8, 2000, Dennis Hopper, through legal counsel, notified the Division in writing of his intent to enter into a lease agreement with McElvain for the E/2 of Section 4.

(11) On August 8, 2000, James M. Raymond and Cougar Capital, LLC, interest owners in the subject unit who have already entered into a lease agreement with McElvain for the E/2 of Section 4, objected in writing to NM&O's application.

(12) Case No. 12452 was continued to August 10, 2000, at which time NM&O presented Case No. 12467 seeking an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying Lots 1 and 2, S/2

NE/4, and SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320.73-acre gas spacing and proration unit for any formation or pool spaced on 320 acres within that vertical extent, which presently includes the Blanco-Mesaverde Gas Pool and Basin-Dakota Gas Pool.

(13) NM&O requested this unit be dedicated to the Dewey Bartlett Well No. 1, to be re-entered, drilled and recompleted at a standard gas well location 1700 feet from the South line and 800 feet from the East line (Unit I) of Section 4.

(14) NM&O is a working interest owner within the 320.73-acre unit and therefore has the right to drill for and develop the minerals underlying this unit.

(15) NM&O requested it should be designated the operator of the subject well and unit.

(16) If NM&O's application is granted, it will re-enter the Dewey Bartlett Well No. 1 for the sole purpose of testing and completing in the Dakota formation. If the Dakota completion proves to be non-commercial, or in the alternative if it is commercial but reaches a predetermined minimum rate of production, then NM&O will turn over operations to McElvain for re-completion in the Mesaverde formation.

(17) At the time of the August 10, 2000 hearing, Cases No. 12452 and 12467 were consolidated for the purposes of testimony.

(18) No other interested or affected party appeared at the hearings.

(19) NM&O presented the following evidence in support of its application:

(a) the well logs on the subject well indicate the potential for hydrocarbon production exists in the Dakota formation. The Dakota formation has approximately 20 feet of net pay with a porosity of over 6 percent;

(b) the Mesaverde formation has approximately 15 feet of net pay with a porosity of over 13 percent;

(c) the amount of reserves within the Dakota formation do not justify drilling a stand-alone Dakota well, but the reserves do justify the re-entry of the subject well as a Dakota completion;

(d) the Jicarilla Apache A 118 Well No. 14, located in the NW/4 of Section 36, Township 26 North, Range 3 West, NMPM, has produced approximately 2.2 bcf, with an average of 442 mcfpd from the Dakota formation of the Northeast Ojito Gallup-Dakota Pool;

(e) the Howard Federal 15 Well No. 43, located in the SE/4 of Section 15, Township 25 North, Range 2 West, NMPM, has produced approximately 1.2 bcf, with an average of 1,800 mcfpd from the Dakota formation of the Gavilan Greenhorn-Graneros-Dakota Pool; and

(f) completing in the Mesaverde formation first might preclude a completion in the Dakota formation due to downhole mechanical complications and, if so, any reserves associated with the Dakota formation would be lost.

(20) Division records indicate that the production associated with Jicarilla Apache A 118 Well No. 14 and the Howard Federal 15 Well No. 43 is from the commingled Northeast Ojito Gallup-Dakota Pool and Gavilan Greenhorn-Graneros-Dakota Pool respectively; therefore, the production numbers do not strictly reflect Dakota production alone.

(21) McElvain presented the following evidence in support of its application:

(a) completing the deeper Dakota formation first would put the Mesaverde formation at just as much risk of downhole mechanical complications as the Dakota formation if the Mesaverde formation were completed first;

(b) the Mesaverde formation in the subject well has approximately 123 feet of net pay with a porosity of over 8 percent. The Dakota formation has less than 20 feet of net pay;

(c) the Elk Com Well No. 1A, a recently completed offset well, located in the SW/4 of Section 3, Township 25 North, Range 2 West, NMPM, is currently producing 1,300 mcfpd from the Mesaverde formation;

(d) the Elk Com Well No. 1 located in the NW/4 of Section 3 has produced approximately 307,000 mcf, with a current average of 310 mcfpd from the Mesaverde formation;

- (e) cumulative production from the Elk Com Well No. 1 for the first 117 days of production was approximately 119,000 mcf;
- (f) the Cougar Com 4 Well No. 1 located in the NE/4 of Section 4 has produced approximately 36,000 mcf, with a current average of 500 mcfpd from the Point Lookout member of the Mesaverde formation;
- (g) the Elk Com 10 Well No. 1 located in the NE/4 of Section 10 has produced approximately 32,000 mcf, and is currently producing approximately 1,000 mcfpd from the Mesaverde formation;
- (h) the Cougar Com 33 Well No. 1, which is completed in the Dakota formation, located in the SE/4 of Section 33, Township 26 North, Range 2 West, NMPM, currently produces approximately 200 mcfpd from the Dakota formation, and its cumulative production for the first 113 days of production was approximately 36,000 mcf;
- (i) the Elk Com Well No. 34 located in the SW/4 of Section 34 has produced approximately 62,000 mcf, with an average of 105 mcfpd from the Mesaverde formation; and
- (j) based on current production data from these wells, the amount of reserves at risk in the Dakota formation is less than the amount of reserves at risk in the Mesaverde formation.

(22) McElvain and NM&O both testified that an inherent risk of downhole mechanical complications that could render the wellbore useless always exists when re-entering a wellbore for recompletion purposes. Therefore, in these cases, the amount of mechanical risk associated with recompleting the subject well appears to be the same regardless of which zone is completed first.

(23) However, based on the data presented at the hearings, NM&O's application will put a larger amount of reserves in the Mesaverde formation at risk of being lost due to downhole mechanical complications than in the Dakota formation. The application of NM&O should therefore be denied.

(24) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste, and afford each interest owner in the unit the opportunity to recover or receive without unnecessary expense its just and fair share of the production underlying the unit, the

application of McElvain should be approved by pooling all mineral interests, whatever they may be, within the unit.

(25) McElvain should be designated the operator of the subject well and unit.

(26) Any non-consenting working interest owner should be afforded the opportunity to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production.

(27) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(28) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(29) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(30) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,455.00 per month while drilling and \$ 545.00 per month while producing, provided that this rate should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(31) All proceeds from production from the well that are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(32) If the operator of the pooled unit fails to commence drilling the well to which the units are dedicated on or before December 15, 2000, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

(33) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of McElvain Oil & Gas Properties, Inc. in Case No. 12452, all mineral interests from the base of the Pictured Cliffs formation to the base of the Mesaverde formation underlying Lots 1, 2, S/2 NE/4, SE/4 (E/2 equivalent), of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled thereby forming a standard 320.73-acre gas spacing and proration unit for any formation or pool spaced on 320 acres within that vertical extent, which presently includes the Blanco-Mesaverde Gas Pool.

(2) This unit is to be dedicated to the applicant's proposed Cougar Com "4" Well No. 1A (API No. 30-039-24079), formerly known as the Dewey Bartlett Well No. 1, to be re-entered, drilled and recompleted at a standard gas well location 1700 feet from the South line and 800 feet from the East line (Unit I) of Section 4. The subject well is the first optional infill well pursuant to Division Order No. R-10987, as amended, issued in Case No. 11705 and dated May 7, 1999. The initial well, McElvain's Cougar Com Well No. 4, was drilled at a standard gas well location 1825 feet from the North line and 1330 feet from the East line (Unit G) of Section 4 under Division Order No. R-11182, as amended, issued in Case No. 12172 and dated May 13, 1999.

(3) The application of NM&O Operating in Case No. 12467, seeking an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying Lots 1 and 2, S/2 NE/4, and SE/4 (E/2 equivalent) of Section 4, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320.73-acre gas spacing and proration unit for any formation or pool spaced on 320 acres within that vertical extent, which presently includes the Blanco-Mesaverde Gas Pool and Basin-Dakota Gas Pool, is hereby denied.

(4) The operator of the unit shall commence drilling the well on or before December 15, 2000, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Mesaverde formation.

(5) In the event the operator does not commence drilling the well on or before December 15, 2000, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause shown.

(6) Should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(7) McElvain Oil & Gas Properties, Inc. is hereby designated the operator of the subject well and unit.

(8) After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(10) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be the reasonable well costs; provided, however, that if there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and

(b) as a charge for the risk involved in drilling the well,
200 percent of the above costs.

(13) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.

(14) Reasonable charges for supervision (combined fixed rates) shall be fixed at \$5,455.00 per month while drilling and \$ 545.00 per month while producing, provided that this rate shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order.

(16) Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(17) All proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(18) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(19) The operator of the well and unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

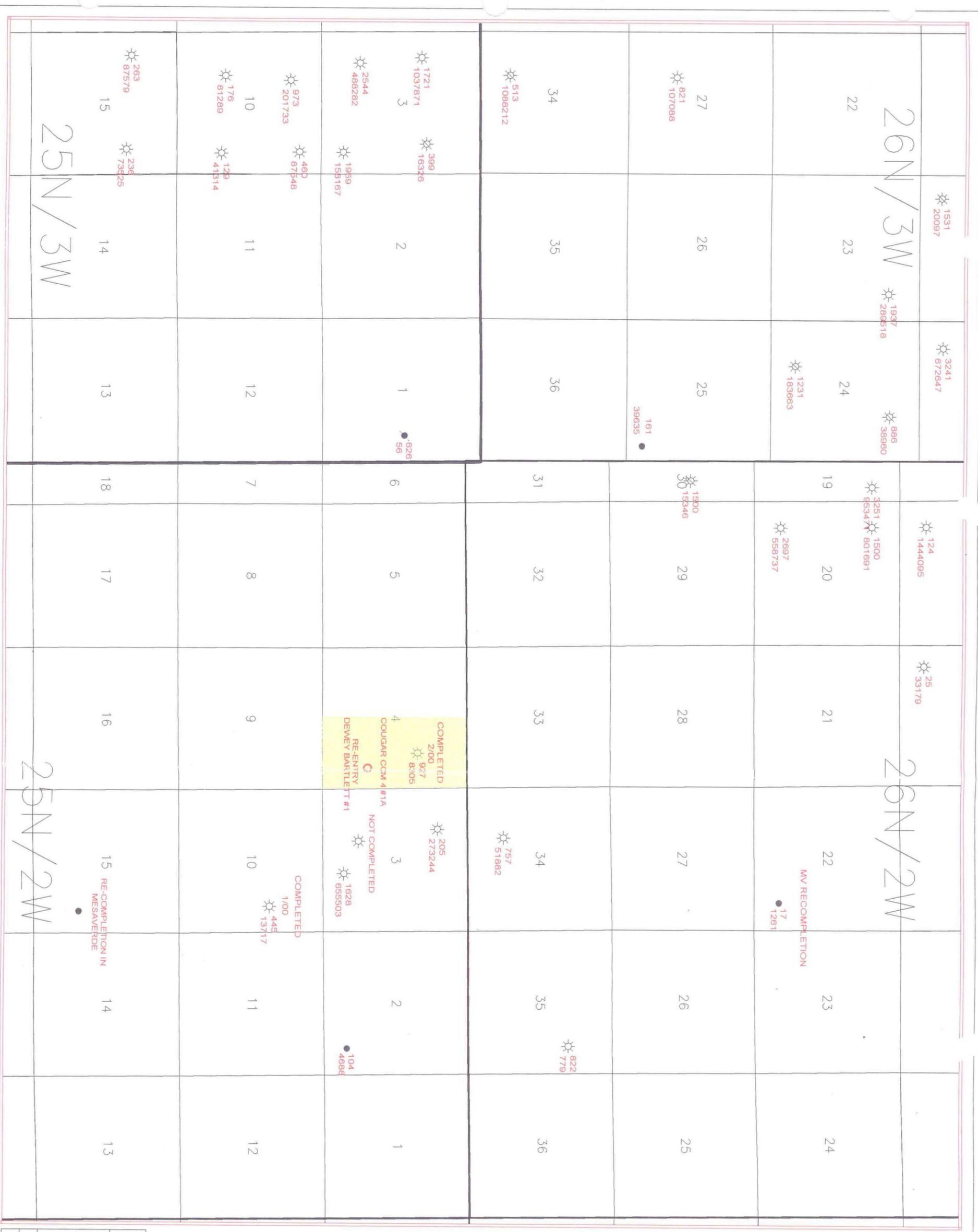
Cases No. 12452 and 12467
Order No. R-11182-B
Page 10

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

SEAL



Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12635 *de novo*, 12705 Exhibit No. 21
 McElvain Oil & Gas Properties, Inc.
 Hearing Date: November 6, 2001

McElvain Oil & Gas Properties
RIO ARRIBA COUNTY
COUGAR CCM 4#1A
MESAVERDE IPs & CUM PROD

cum as of 2/28/00
 Scale 1:42000
 nmk

Economic Summary

SE/4 Section 25 - T25NR03W

New Drill Gallup Dakota

\$ 500,000 Investment, 388 MMCF & 14.2 MBO Gross

22.1 % ROR

334.4 M\$ NPV @ 10%

New Drill Gallup Dakota & Mesaverde

\$ 550,000 Investment, 454 MMCF & 23.8 MBO Gross

25.3 % ROR

478.0 M\$ NPV @ 10%

Incremental Mesaverde, 66 MMCF & 9.6 MBO

\$ 50,000 Investment

> 40.0 % ROR

143.6 M\$ NPV @ 10%

PV Date 09/2001
100% WI

~~82.5% NRI~~

\$ 4.50 / MCF

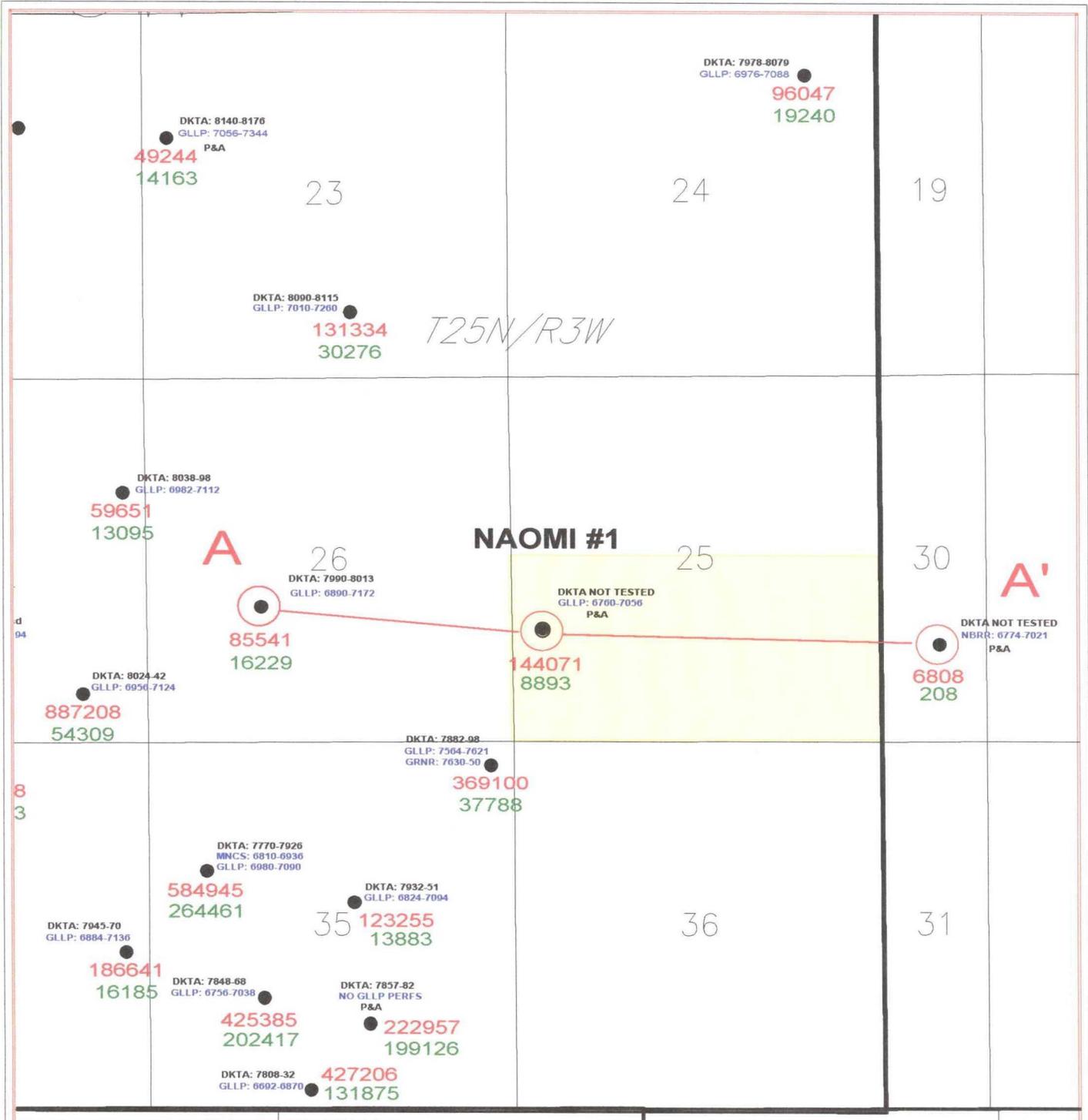
\$ 26.90 / Bbl

\$ 0.50 / MCF transport

\$ 545 / Mo Overhead

\$ 600 / Mo Direct

DJ Simmons



○
CUM GAS
 ○
CUM OIL

McElvain Oil & Gas Properties

RIO ARRIBA COUNTY
 NAOMI #1
 GALLUP CUM PROD

cum as of 4/30/01		
microslp.gpf	Scale 1:25411.76	mmk

Before the Oil Conservation Commission
 Santa Fe, New Mexico
 Case Nos. 12635 *de novo*, 12705 Exhibit No. 23
 McElvain Oil & Gas Properties, Inc.
 Hearing Date: November 6, 2001