

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

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

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

June 14, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

D. J. Simmons Company Limited Partnership
P. O. Box 1469
Farmington, NM 87499

Re: Naomi #2 Well Proposal
Township 25 North, Range 3 West
Section 25: NW/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 the drilling of a Mesaverde test well to be at a legal location in the NW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico.

The estimated cost to drill and complete the well, as proposed, is \$698,840 which is detailed on the enclosed McElvain Authority for Expenditure.

An Operating Agreement prepared on AAPL Model form 610-1982 to govern operations across the designated spacing unit at depths from the base of the Pictured Cliffs formation to the base of the Mesaverde formation has been prepared and is also enclosed herewith for your review and execution.

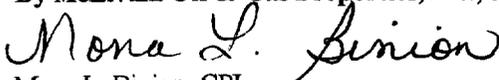
We request that you review all of the enclosed materials relative to this proposal and indicate your election regarding participation on the enclosed Election Page, executing both copies in the space provided and returning one to the undersigned. If your election is to participate, also please execute both copies of the enclosed Authorization for Expenditure and Operating Agreement and returning one executed copy of each to the undersigned along with a summary of your well reporting requirements.

Telefax copies of the executed documents will be accepted at **McElvain Oil & Gas Properties, Inc. - (303) 893-0914 - Attention: Mona L. Binion**, provided that original copies are delivered promptly thereafter.

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

Very truly yours,

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


Mona L. Binion, CPL
Land Manager

MLB/idi

Encls.

ELECTION PAGE

Naomi #2 Well

June 13, 2001

YES, I/We do hereby elect to participate in the drilling of the Naomi #2 Well as a Mesaverde test to be located in the NW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico.

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

NO, I/We do hereby elect **NOT** to participate in the drilling of the Naomi #2 Well as a Mesaverde test to be located in NW/4 of Section 25, Township 25 North, Range 3 West, Rio Arriba County, New Mexico.

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

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

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

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

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

Telefax executed documents to

Mona Binion

(303) 893-0914

Mail original executed documents to

Mona Binion

McElvain Oil & Gas Properties, Inc.

1050 17th Street, Suite 1800

Denver, CO 80265