

McElvain Oil & Gas Properties, Inc., Sole General Partner
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DENVER, COLORADO 80265

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Certified Mail, Return Receipt Requested

October 11, 2001

✓ State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87505

OIL CONSERVATION
DIVISION
OCT 15 2001
RECEIVED
CASE NO. 126901
Order No. R-11657

TO: Affected Owners in W/2 of Section 11, Township 25 North, Range 2 West, N.M.P.M.
(See attached list)

RE: Estimated Well Cost
Badger 11 #1 well
N/2 Section 32, T26N-R2W
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Pursuant to New Mexico Oil Conservation Division Order No. R-11657 for compulsory pooling, please find enclosed McElvain Oil & Gas Properties, Inc.'s Authority for Expenditures, which details the estimated cost to drill and complete the Badger 11 #1 well, located in the W/2 of Section 11, T25N, R2W, N.M.P.M., Rio Arriba County, New Mexico, along with a copy of NMOCD Order No. R-11657.

Please refer to Paragraph (7), et seq on Page 4 of said Order R-11657, pertaining to the rights of a working interest owner to pay its share of estimated well costs within 30 days hereof, in lieu of paying its share of reasonable well costs and risk charges out of production.

Very truly yours,
McELVAIN OIL & GAS PROPERTIES, INC.

Denise R Greer

Denise R. Greer
Consulting Landman

Attachment (Owner List)
Enclosures (AFE & Order)

Working Interest Owners
Affected by NMOCD Order No. R-11657
Badger 11 #1 well
W/2 Section 11, T25N-R2W

HELMERICH & PAYNE, INC.
1579 East 21st Street
Tulsa, OK 74114

**MCELVAIN OIL AND GAS PROPERTIES, INC. - AUTHORITY FOR EXPENDITURE
SUMMARY FOR EXPENDITURES
EXPLORATION & DEVELOPMENT**

AFE NUMBER:	
DATE:	4/2/2001
WELL NAME:	Badger Com 11#1
LOCATION:	T25N-R2W SEC.11: SW/4
COUNTY	RIO ARRIBA COUNTY
STATE	NEW MEXICO
PROPOSED DEPTH:	8400'
PURPOSE OF AFE:	Drill dual Mesaverde/Dakota test well

Intangible Drilling Costs:	\$405,900	
Tangible Drilling Costs	\$11,040	
SUB TOTAL TO CASING POINT		\$416,940
Plugging and abandonment cost	\$20,000.00	
TOTAL DRY HOLE COSTS	\$436,940.00	
Intangible Completion Costs:	\$438,850	
Tangible Completion Costs:	\$140,850	
TOTAL COMPLETION COSTS:		\$579,700
TOTAL COMPLETED WELL COSTS:		\$996,640
Facilities		
Land, Geological, Geophysical, Prospect		
TOTAL THIS AFE:		\$996,640

APPROVALS			
COMPANY:	T. H. McElvian Oil & Gas Ltd. <i>7</i>	WORKING INTEREST:	25.000000%
BY:	By: McElvain Oil & Gas Properties Inc., General Partner	DATE:	<i>5/18/01</i>
COMPANY:	Michael A. Gold, et us <i>[Signature]</i>	WORKING INTEREST:	25.000000%
COMPANY:	Lewis C. Beach	WORKING INTEREST:	4.166665%
COMPANY:	Helmerich & Payne, Inc.	WORKING INTEREST:	2.500000%
COMPANY:	Petroleum International, Inc.	WORKING INTEREST:	0.833335%
COMPANY:	Floyd Oil Company	WORKING INTEREST:	35.062500%
COMPANY:	Cheyenne Partners V, Ltd.	WORKING INTEREST:	7.437500%
			1.00000000

M IN OIL & GAS PROPERTIES, 3
AUTHORITY for EXPENDITURE
 April 2, 2001

Badger Com 11 #1 SW/4 11-25N-2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Staking, Permitting, Title Work & Survey	16,000	16,000
Location, Road, Damages	27,500	27,500
Footage 8400' @ \$22.00/ft	184,800	184,800
Daywork 4.5 days @ \$6800/day	30,600	30,600
Mud Logging	15,000	15,000
Water Hauling	15,000	15,000
Rental Equipment	2,000	2,000
Well Logging	22,000	22,000
Drilling Mud	55,000	55,000
Cement & Services.. Surface, Intermediate	8,500	8,500
Cement & Services.. Plugging	20,000	
Trucking & Labor	2,500	2,500
Overhead & Supervision	15,000	15,000
Misc Costs	12,000	12,000
Contingency		
Total Drilling	425,900	405,900

Completion Intangibles		
Cement & Services.. Production Casing		55,000
Completion Unit 24 days @ \$2,800/day		67,200
Logging & Perforating		26,000
Stimulation		185,000
Tool & Tank Rental		18,000
Supervision 25 days @ \$650/day		16,250
Water		30,000
Trucking		6,500
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		
5% Contingency		20,900
Total Completion	0	438,850

Total Intangibles 425,900 844,750

Tangibles		
Casing.. Surface 600' 9 5/8" @ \$13.40/ft.	8,040	8,040
Casing.. Production 8400' 5 1/2" @ \$7.00/ft.		58,800
Tubing.. 8500' 2 3/8" @ \$2.30/ft		19,550
Float Equipment	1,500	8,500
Wellhead	1,500	8,500
Artificial Lift.. Plunger		4,500
Tanks & Pits		18,500
Separator		17,500
Line Pipe & Fittings		8,000
Total Tangibles	11,040	151,890

Total Well Cost \$436,940 \$996,640

APPROVALS:

McElvain Oil & Gas Properties, Inc.



Date: 4-2-01