

McElvain Oil & Gas Properties, Inc.

1050 – 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

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Certified Mail, Return Receipt Requested

August 23, 2001

Brooks

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

CASE NO. 12691
Order No. R-11626

01 AUG 31 PM 1:57
OIL CONSERVATION DIV

TO: Affected Owners in S/2 of Section 32, Township 26 North, Range 2 West, N.M.P.M.
(See attached list)

RE: Estimated Well Cost
Cougar Com 32-2 well
S/2 Section 32, T26N-R2W
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Pursuant to New Mexico Oil Conservation Division Order No. R-11626 for compulsory pooling, please find enclosed the McElvain Oil & Gas Properties, Inc. Authority for Expenditure, which details the estimated cost to drill and complete the Cougar Com #32-2 well located in the S/2 of Section 32, T26N, R2W, N.M.P.M., Rio Arriba County, New Mexico along with a copy of said NMOCD Order No. R-11626.

Please refer to Paragraph (7), et seq on Page 4 of said Order R-11626, 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-11626
Cougar Com #32-2 well
S/2 Section 32, T26N-R2W

Gavilan Dome Properties

1180 Cedarwood Drive
Moraga, CA 94556

Mesa Grande Resources, Inc.

1318 Philtower Building
Tulsa, OK 74103

Johansen Energy Partnership

P. O. Box 1773
Whitefish, MT 59937

Neumann Family Trust

c/o Peter C. Neumann
136 Ridge Street
Reno, NV 89501-1938

Noseco Corporation

7400 Lakeside Drive
Reno, NV 89511

Williams Production Company¹

Attn: Mr. M. Vern Hansen
P.O. Box 3102
Tulsa, Oklahoma 74101

M. LVAIN OIL & GAS PROPERTIES, C.
AUTHORITY for EXPENDITURE
 April 17,2001

Cougar Com 32 #2 Mv/Dk SE/4 32-26N-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' @ \$25.00/ft	210,000	210,000
Daywork 4.5 days @ \$7300/day	32,850	32,850
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	453,350	433,350
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	453,350	872,200
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	\$464,390	\$1,024,090

APPROVALS:

McElvain Oil & Gas Properties, Inc.



Date: 4/17/01

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

AFE NUMBER:	
DATE:	4/19/2001
WELL NAME:	Cougar Com #32-2
LOCATION:	T26N-R2W SEC. 32 SE/4
COUNTY:	RIO ARRIBA COUNTY
STATE:	NEW MEXICO
PROPOSED DEPTH:	8400'
PURPOSE OF AFE:	Drill Mesaverde/Dakota test well

Intangible Drilling Costs:	\$433,350	
Tangible Drilling Costs	\$11,040	
SUB TOTAL TO CASING POINT		\$444,390
Plugging and abandonment cost	\$20,000.00	
TOTAL DRY HOLE COSTS	\$464,390.00	
Intangible Completion Costs:	\$438,850	
Tangible Completion Costs:	\$140,850	
TOTAL COMPLETION COSTS:		\$579,700
TOTAL COMPLETED WELL COSTS:		\$1,024,090
Facilities		
Land, Geological, Geophysical, Prospect		
TOTAL THIS AFE:		\$1,024,090

APPROVALS

COMPANY:	T. H. McElvian Oil & Gas Ltd.	WORKING INTEREST:	34.213877%
BY:	By: McElvain Oil & Gas Properties Inc., General Partner	DATE:	5/2/01
COMPANY:	Noseco Corporation	WORKING INTEREST:	12.688938%
COMPANY:	or T. H. McElvian Oil & Gas Ltd. by Farmout	DATE:	
BY:	By: McElvain Oil & Gas Properties Inc., General Partner	DATE:	5/2/01
COMPANY:	Neumann Family Trust	WORKING INTEREST:	10.047855%
COMPANY:	or T. H. McElvian Oil & Gas Ltd. by Farmout	DATE:	
BY:	By: McElvain Oil & Gas Properties Inc., General Partner	DATE:	5/2/01
COMPANY:	Pena Blanca Corp.	WORKING INTEREST:	2.631836%
BY:		DATE:	
COMPANY:	Cougar Capital LLC	WORKING INTEREST:	6.842776%
BY:		DATE:	
COMPANY:	James Raymond	WORKING INTEREST:	5.263674%
BY:		DATE:	
COMPANY:	Big Snowy Exploration Ltd.	WORKING INTEREST:	2.631836%
BY:		DATE:	
COMPANY:	Joe Elledge	WORKING INTEREST:	1.052735%
BY:		DATE:	
COMPANY:	Mesa Grande Resources, Inc.	WORKING INTEREST:	3.426522%
BY:		DATE:	
COMPANY:	Gavilan Dome Properties	WORKING INTEREST:	8.114013%
BY:		DATE:	
COMPANY:	Johansen Energy Partnership	WORKING INTEREST:	0.585938%
BY:		DATE:	
COMPANY:	Dugan Production Corporation	WORKING INTEREST:	12.500000%
BY:		DATE:	

100.0000000%