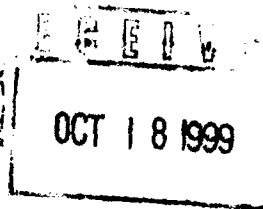


McELVAIN OIL & GAS PROPERTIES, INC.

409 ST. MICHAELS

P.O. BOX 2148

SANTA FE, NEW MEXICO 87504-2148



CONSERVATION DIVISION
TELEPHONE 505/982-1935 EXT. 115
FAX 505/984-3027

STEVE JORDAN, CPL
LAND MANAGER

VIA CERTIFIED MAIL

October 14, 1999

CASES NO. 12172 & 12251
Orders No. R-11182 & R11182-A

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

TO: AFFECTED WORKING INTEREST OWNERS IN SECTION 4: LOTS 1 & 2, S/2NE/4, SE/4 (E/2 EQUIVALENT), TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M. (see attached list)

RE: ESTIMATED WELL COSTS: COUGAR COM 4 #1 (FORMERLY ELK COM 4-7)
NM-039-000107-MIS
E/2 4-25N-2W
RIO ARRIBA COUNTY, NEW MEXICO

Ladies and Gentlemen:

Pertaining to the orders from the New Mexico Oil Conservation Commission R-11182 and R-11182-A for the compulsory pooling application and hearing, Cases No. 12172 and 12251, please find enclosed a list of estimated well costs for the Cougar Com 4 #1 well (formerly Elk Com #4-7), located in the E/2 of Section 4, T25N, R2W, N.M.P.M., Rio Arriba County, New Mexico, along with copies of orders R-11182 and R11182-A.

Please refer to paragraph 4 of said order R-11182, 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. The estimated well costs for the Cougar Com 4 #1 well are **\$597,280.00**.

Please direct any questions in these regards to the undersigned at (505) 982-1935, ext. 115.

Very truly yours,


Steve Jordan

Attachment (Owner List)
Enclosures (AFE & Orders)

COUGAR COM 4 #1
RIO ARriba COUNTY, NEW MEXICO

TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M.

Section 4: LOTS 1, 2, S/2NE/4, SE/4 (E/2), below the base of the Pictured Cliffs formation
containing 320.73 acres, more or less

OCTOBER 13, 1999

Working Interest Owners:

	<u>BPO</u>	<u>AP0</u> ¹
T.H. McElvain Oil & Gas Limited Partnership P.O. Box 2148 Santa Fe, New Mexico 87501-2148	23.384154%	23.384155%
Dennis Hopper c/o Grove Burnett, Attorney at Law P.O. Box 368 Taos, New Mexico 87571	24.943098%	24.943098%
Noseco Corporation, a Nevada corporation 7400 Lakeside Drive Reno, NV 89511	16.957093%	15.367365%
Neumann Family Trust c/o Peter C. Neumann P.O. Box 1170 Reno, NV 89504	13.427633%	12.168792%
Gavilan Dome Properties 1180 Cedarwood Drive Moraga, CA 94556	10.843309%	9.826749%
Mesa Grande Resources, Inc. 1200 Philtower Bldg. Tulsa, Oklahoma 74103	4.579094%	4.149804%
NM & O Operating Company 6 E. 5th Street, Suite 200 Tulsa, OK 74103	3.523647%	3.193305%
Huntington T. Walker, et ux. 2961 S. Fillmore Way Denver, CO 80210	1.558944%	1.558944%
Johansen Energy Partnership P.O. Box 1773 Whitefish, MT 59937	0.783028%	0.709619%
Williams Production Company Attn: Mr. M. Vern Hansen P.O. Box 3102 Tulsa, Oklahoma 74101	00.000000%	4.698169%
Dugan Production Corporation P.O. Box 420 Farmington, NM 87499-0420	0.000000%	0.000000% ²
Totals:	100.000000%	100.000000%

¹ Payout is defined in that certain Agreement for Purchase and Sale dated August 1, 1986, between Northwest Pipeline Corporation and Mesa Grande Resources, Inc..

² Under Assignment of Oil and Gas Lease from Dugan Production Corporation to Mesa Grande Resources, Inc., dated March 3, 1988, recorded BK 122, PG 5, Dugan reserved a 2.125% of 8/8ths ORRI, 0.5% of which *may* be converted to a 12.5% WI upon payout as defined in that certain Farmout Agreement dated December 31, 1987. The interests of Mesa Grande Resources, Inc., and its assigns, acquired from Dugan Production Corporation are subject to a reassignment provision in favor of Dugan under the terms of said farmout agreement.

January 20, 1999

COUGAR COM 4 #1

NE/4 Section 4 T25N R2W	DRY HOLE	COMPLETED WELL
Drilling Intangibles		
Title Work & Survey	3,500	3,500
Location, Road, Damages	15,000	15,000
Footage 6400' @ \$21.00/ft	134,400	134,400
Fuel	6,000	6,000
Air Compressors 4 days @ \$2500/day	10,000	10,000
Water Hauling	1,000	1,000
Rental Equipment	1,800	1,800
Well Logging	14,000	14,000
Cement & Services..Cond, Surface, Intermediate	17,000	17,000
Cement & Services..Plugging	6,000	
Trucking & Labor	4,000	4,000
Overhead & Supervision	10,000	10,000
Misc Costs	12,000	12,000
Contingency		
Total Drilling	234,700	228,700

Completion Intangibles		
Cement & Services..Production Casing		9,300
Completion Unit 10 days @ \$2,500/day		25,000
Logging & Perforating		21,000
Stimulation		125,000
Tool & Tank Rental		26,000
Supervision 13 days @ \$650/day		8,450
Water		21,000
Trucking		7,200
Roustabouts/Labor 5 days @ \$2000/day		10,000
Specialized Tools		4,500
5% Contingency		12,900
Total Completion	0	270,350

Total Intangibles 234,700 499,050

Tangibles		
Casing..Surface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
Casing..Intermediate 4100' 7" @ \$7.21/ft.	29,560	29,560
Casing..Liner 2223' 4 1/2" @ 3.72/ft		8,270
Liner Hanger		9,400
Float Equipment	1,500	2,500
Tubing..6400' 2 3/8" @ \$2.00/ft		12,800
Wellhead	1,500	9,500
Tanks & Pits		7,500
Separator & Dehydrator		9,800
Line Pipe & Fittings		5,000
Total Tangibles	36,460	98,230

Total Well Cost \$271,160 \$597,280

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date: 1-26-99

Investor Approval:

Date:

Approved by:

Title:

Company: