## McElvain Oil & Gas Properties, Inc.

409 ST. MICHAELS
P.O. BOX 2148
SANTA FE, NEW MEXICO 87504-2148

STEVE JORDAN, JD, CPL LAND MANAGER TELEPHONE 505/982-1935 EXT. 115 FAX 505/984-3027

May 12, 1999

Working Interest Owners (on attached list)

RE: ELK COM #10-8 - NEW WELL PROPOSAL N/2 SECTION 10, T25N, R2W RIO ARRIBA COUNTY, NEW MEXICO

Ladies and Gentlemen:

We propose to drill a well to a sufficient depth to test the Mesaverde formation, to be located at a legal location in the NE/4 of Section 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the N/2 of Section 10. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$597,280.00, representing the estimated cost to drill, complete and facilitate the proposed well.

Also enclosed is a Joint Operating Agreement covering operations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of said Section 10. The Exhibit "A" to the operating agreement sets out the working interest ownership as best as we can determine, subject to unrecorded purchase and sale and farmout agreements. Please check this ownership list and advise us if you believe your interest to be different than what is shown.

McElvain proposes to drill this well as soon as possible, so your immediate response to this proposal and request for Joint Operating Agreement is greatly appreciated. If you wish to participate in this well, please execute and return one copy of this letter (marked participate), one copy of the AFE, one copy of the well information sheet, and the extra JOA signature and acknowledgement pages. If you desire to go "non-consent" on this well, please execute and return one copy of this letter (marked non-consent) along with the extra JOA signature and acknowledgement pages.

Should you have any questions, please contact the undersigned at (505) 982-1935, ext. 115.

Steve Jordan
Enclosures

THE UNDERSIGNED HEREBY ELECTS TO PARTICIPATE IN, NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSE ELK COM #10-8 WELL.

SIGNED:

T.H. McElvain Oil & Gas Limited Partnership

COMPANY:

By: McElvain Ol & Gas Properties, Inc. General Partne

TITLE:

044 ... ...

DATE

1999

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico
Case No. 12224 Exhibit No. 3
Submitted by: McElvain Oil & Gas, Inc.

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COMPANY:	
TITLE:	
DATE: 5-14-99	

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
	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	74,000
Cement & ServicesCond, Surface,Intermediate	17,000	17,000
Cement & ServicesPlugging	6,000	17,000
Trucking & Labor	4,000	4,000
Overhead & Supervision	10,000	10,000
Misc Costs	12,000	12,000
Contingency	1	12,000
Total Drilling	234,700	228,700
Completion Intangibles		
Cement & ServicesProduction 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		
CasingSurface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
CasingIntermediate 4100' 7" @ \$7.21/ft. Casing Liner 2223' 4 1/2" @ 3.72/ft	29,560	29,560 8,270
Liner Hanger		9,400
Float Equipment	1,500	2,500
Tubing6400' 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
	<del></del>	
APPROVALS:	<b>\$271,160</b>	\$597,280
McElvain Oil & Gas Properties, Inc.	Date: _	1-26-99
Investor Approval:	Date: _	5-14-9
	:	
Company:		

Scorplete ferms 3, 4s, and 4b. Print your name and address on the reverse of this form so that we card to you. Affect his form to the horst of the malipiece, or on the back if species. Write "Return Receipt Requested" on the malipiece below the article was delivered a delivered. The Return Receipt will show to whom the article was delivered a delivered.  Article Addressed to:  J. Roger Friedway.  J. Roger Friedway.  J. Roger Friedway.  10022  5. Received By: (Print Name).  Signature: (Addressee or Agent)	4a. Article N 4b. Service  Register  Express  Return Re 7. Date of D	Type red [ Mail [ Colinter of Merchandles [ Delivery 517- se's Address (Only If o	(for an discourse of the control of	986	No Insurance C Do not use for it Sent to Street & Number Post Office, State, Postage Certified Fee Special Defivery Restricted Defivery Restricted Defivery Restricted Defivery Restricted Defivery	or Certified Mail Everage Provided. International Mail (See reverse)  Rev Fredman  Rank Aue  3 21P Code  5 75  500 40  600 100  6
X PS Form <b>3811</b> , December 1994	102595-98-B-0229	Domestic Return	n Receipt	悥	Whom & Date Dbj Return Receipt Show Date, & Addresser's A	No.
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Receipt for Certified Mail  No Insurance Coverage Provided.  Do not use for International Mail (See reverse)	DE	R: items 1 and/or 2 for add/to	fonel services			I also wish to receive the
Sent to George Lippman	iplete Fyorif Lto vo	items 3, 4s, and 4b. r name and address on the	e reverse of this form			following services (for an extra fee):
58 62 Crono Dr. Suite 199	ch thi iil.	is form to the front of the m	on the mailoisce belo	w the arti	de number.	Addressee's Address     Restricted Delivery
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ENDER: - 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 c	can return this	following services (for extra fee):  1.	ran Address 호	Re	Postal Service	Certified Mail
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Feld at line over top of envelope to

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409 St. Michaels
P.O. Box 2148
SANTA FE, NEW MEXICO 87504-2148

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COMPANY:
TITLE:
DATE:

# MCEL /AIN OIL & GAS PROPERTIES, II. J. AUTHORITY for EXPENDITURE January 20,1999

ELK COM #10-8	DRY	COMPLETED
SE/NE Section 10 T25N R2W	HOLE	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
		3,000
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 & ServicesCond, Surface,Intermediate	17,000	17,000
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	1	<del></del>
Total Intangibles	234,700	499,050
Tangibles	2 000	2.002
Casing. Surface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
CasingIntermediate 4100' 7" @ \$7.21/ft. Casing Liner 2223' 4 1/2" @ 3.72/ft	29,560	29,560 8,270
Liner Hanger		9,400
Float Equipment	1,500	2,500
Tubing6400' 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
i Otal Tanuibies		
	\$271 160	\$597.280
Total Vell Cost APPROVALS:	\$271,160	\$597,280

Investor Approval:\_\_

Approved by: \_

10

\_\_\_ Date: \_\_\_\_\_

\_\_\_\_ Title: \_\_\_

# McEL-AIN OIL & GAS PROPERTIES, INC. AUTHORITY for EXPENDITURE January 20,1999

ELK COM #10-8 SE/NE Section 10 T25N R2W		DRY	COMPLETED
Drilling Intangibles		HOLE	VVELL
Title Work & Survey		2.500	2.50
Location,Road,Damages		3,500 15,000	3,50 15,00
Footage 6400' @ \$21.00/ft		1	1
Fuel		134,400	134,40
r dei		6,000	6,00
Air Compressors 4 days @ \$2500/day		10,000	10,00
Water Hauling		1,000	1,00
Rental Equipment		1,800	1,80
Well Logging		14,000	14,00
Cement & ServicesCond, Surface,Intermediate		17,000	17,00
Cement & ServicesPlugging		6,000	, :
Trucking & Labor	•	4,000	4,00
Overhead & Supervision		10,000	10,00
Misc Costs		12,000	12,00
Contingency			
Total Drilling		234,700	228,70
Completion Intangibles			
Cement & ServicesProduction Casing			9,30
Completion Unit 10 days @ \$2,500/day			25,00
Logging & Perforating		1	21,00
Stimulation			125,00
Tool & Tank Rental			26,00
Supervision 13 days @ \$650/day			8,45
Water			21,00
Trucking			7,20
Roustabouts/Labor 5 days @ \$2000/day			10,000
Specialized Tools			4,50
5% Contingency			12,90
Total Completion		0	270,350
т	otal Intangibles	234,700	499,050
Tangibles	····		·
CasingSurface 300' 9 5/8" @ \$12.98/ft.		3,900	3,90
CasingIntermediate 4100' 7" @ \$7.21/ft.		29,560	29,56
Casing Liner 2223' 4 1/2" @ 3.72/ft		]	8,27
Liner Hanger			9,40
Float Equipment		1,500	2,50
Tubing6400' 2 3/8" @ \$2.00/ft			12,80
Wellhead		1,500	9,50
Fanks & Pits		1	7,50
Separator & Dehydrator			9,80
Line Pipe & Fittings			5,00
Total Tangibles		36,460	98,230
	Total Well Cost	\$271,160	\$597,280
APPROVALS:	1/2//	Dete	1-76-9
McElvain Oil & Gas Properties, Inc.	myan	Date:	<u> </u>

# McL. AIN OIL & GAS PROPERTIES, ..... AUTHORITY for EXPENDITURE January 20,1999

ELK COM #10-8	DRY	COMPLETED
SE/NE Section 10 T25N R2W	HOLE	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 & ServicesCond, Surface,Intermediate	17,000	17,000
Cement & ServicesPlugging	6,000	
Trucking & Labor	4,000	4,000
Overhead & Supervision	10,000	10,000
Misc Costs	12,000	12,000
Contingency	1 .5,555	, ,,,,,,,
Total Drilling	234,700	228,700
Completion Intangibles		
Cement & ServicesProduction Casing		9,300
Completion Unit 10 days @ \$2,500/day		25,000
Logging & Perforating	1	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 Intangible	s 234,700	499,050
Tangible <b>s</b>		<del></del>
CasingSurface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
CasingIntermediate 4100' 7" @ \$7.21/ft.	29,560	29,560
Casing Liner 2223' 4 1/2" @ 3.72/ft		8,270 9,400
Liner Hanger	1,500	2,500
Float Equipment	1,500	12,800
Tubing6400' 2 3/8" @ \$2.00/ft		
Wellhead	1,500	9,500
Tanks & Pits		7,500
Separator & Dehydrator	1	9,800
Line Pipe & Fittings		5,000
Total Tangibles	36,460	98,230
Total Well Cos	t \$271,160	\$597,280
APPROVALS:	_	1-26-99

Title: \_\_

Approved by:

### McElvain Oil & Gas Properties, Inc.

409 ST. MICHAELS
P.O. BOX 2148
SANTA FE, NEW MEXICO 87504-2148

STEVE JORDAN, JD, CPL LAND MANAGER TELEPHONE 505/982-1935 EXT. 115 FAX 505/984-3027

May 12, 1999

Working Interest Owners (on attached list)

RE: ELK COM #10-8 - NEW WELL PROPOSAL N/2 SECTION 10, T25N, R2W RIO ARRIBA COUNTY, NEW MEXICO

Ladies and Gentlemen:

We propose to drill a well to a sufficient depth to test the Mesaverde formation, to be located at a legal location in the NE/4 of Section 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the N/2 of Section 10. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$597,280.00, representing the estimated cost to drill, complete and facilitate the proposed well.

Also enclosed is a Joint Operating Agreement covering operations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of said Section 10. The Exhibit "A" to the operating agreement sets out the working interest ownership as best as we can determine, subject to unrecorded purchase and sale and farmout agreements. Please check this ownership list and advise us if you believe your interest to be different than what is shown.

McElvain proposes to drill this well as soon as possible, so your immediate response to this proposal and request for Joint Operating Agreement is greatly appreciated. If you wish to participate in this well, please execute and return one copy of this letter (marked participate), one copy of the AFE, one copy of the well information sheet, and the extra JOA signature and acknowledgement pages. If you desire to go "non-consent" on this well, please execute and return one copy of this letter (marked non-consent) along with the extra JOA signature and acknowledgement pages.

Should you have any questions, please contact the undersigned at (505) 982-1935, ext. 115.

Very traly yours,  Steve Jordan Enclosures		
THE UNDERSIGNED HE AGREEMENT) THE DRIL	REBY ELECTS TO X PARTICIPATE IN, NON-CONSENT (UNILLING OF THE PROPOSED ELK COM #10-8 WELL.  SIGNED:     Marticipate   Marticipate   Non-consent (Unit of the proposed elk com #10-8 WELL.)	DER TERMS OF OPERATING
	COMPANY:	
	TITLE:	
	DATE:	

# McElvain Oil & Gas Properties, Inc.

409 ST. MICHAELS P.O. Box 2148 SANTA FE, NEW MEXICO 87504-2148

STEVE JORDAN, JD, CPL LAND MANAGER

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

May 12, 1999

Working Interest Owners (on attached list)

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1 . 1 . (505) 000 1035

Should you have any ques	tions, please contact the undersigned at (505) 982-1935, ext. 115.
Very truly yours, Steve Jordan Enclosures	L.
AGREEMENT) THE DRILL	EBY ELECTS TO X PARTICIPATE IN, NON-CONSENT (UNDER TERMS OF OPERATING LING OF THE PROPOSED ELK COM #10-8 WELL.  SIGNED:
	COMPANY:
	TITLE:
	DATE:
AGREEMENT) THE DRILL	SIGNED: Topic of the Proposed ELK COM #10-8 WELL.  SIGNED: The Receive of the Rec

### McElvain Oil & Gas Properties, Inc.

409 St. Michaels P.O. Box 2148 SANTA FE, NEW MEXICO 87504-2148

STEVE JORDAN, JD, CPL LAND MANAGER TELEPHONE 505/982-1935 EXT. 115 FAX 505/984-3027

May 12, 1999

Working Interest Owners (on attached list)

RE: ELK COM #10-8 - NEW WELL PROPOSAL N/2 SECTION 10, T25N, R2W RIO ARRIBA COUNTY, NEW MEXICO

Ladies and Gentlemen:

We propose to drill a well to a sufficient depth to test the Mesaverde formation, to be located at a legal location in the NE/4 of Section 10, T25N, R2W, Rio Arriba County, New Mexico, with the proration unit encompassing the N/2 of Section 10. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$597,280.00, representing the estimated cost to drill, complete and facilitate the proposed well.

Also enclosed is a Joint Operating Agreement covering operations from the base of the Pictured Cliffs formation to the base of the Mesaverde formation in the N/2 of said Section 10. The Exhibit "A" to the operating agreement sets out the working interest ownership as best as we can determine, subject to unrecorded purchase and sale and farmout agreements. Please check this ownership list and advise us if you believe your interest to be different than what is shown.

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Should you have any questions, please contact the undersigned at (505) 982-1935, ext. 115.

ð

Should you have any questions, please contact the undersigned at (505) 762-1755, ext. 115.	
Very truly yours, Steve Jordan Enclosures	
THE UNDERSIGNED HEREBY ELECTS TO $X$ PARTICIPATE IN, NON-CONSENT (UNDER TERMS OF OR AGREEMENT) THE DRILLING OF THE PROPOSED ELK COM #10-8 WELL.	PERATING
SIGNED: John L. Brown, p.	
COMPANY:	
TITLE:	
DATE: May 7.6 1999	

# MCL. AIN OIL & GAS PROPERTIES, I... . AUTHORITY for EXPENDITURE January 20,1999

ELK COM #10-8	DRY	COMPLETED
SE/NE Section 10 T25N R2W	HOLE	WELL
Drilling Intangibles	11022	***************************************
Title Work & Survey	3.500	3,500
Location,Road,Damages	15,000	15,000
Footage 6400' @ \$21.00/ft		1
Fuel	134,400	134,400
irue:	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
Compat & Society Cond Surface Intermediate	47.000	47.000
Cement & ServicesCond, 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 & ServicesProduction Casing		9.300
Completion Unit 10 days @ \$2,500/day		25,000
		•
Logging & Perforating		21,000
Stimulation		125,000
Tool & Tank Rental	1	26,000
Supervision 13 days @ \$650/day	Ì	8,450
Water		21,000
Trucking		7,200
Roustabouts/Labor 5 days @ \$2000/day		10,000
Specialized Tools	1	4,500
5% Contingency		12,900
Total Completion	0	270,350
Total Intangibles	234,700	499,050
Tangibles		
CasingSurface 300' 9 5/8" @ \$12.98/ft.	3,900	3,900
CasingIntermediate 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
Tubing6400' 2 3/8" @ \$2.00/ft		12,800
Weilhead	1,500	9,500
Tanks & Pits	ļ	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.	Data:	1-26-99

Investor Approval: John J. Brown . J.

Approved by:

\_\_\_ Date: <u>05/26/59</u>

\_\_\_\_ Title: \_

# MCL\_ AIN OIL & GAS PROPERTIES, II. ... AUTHORITY for EXPENDITURE January 20,1999

ELK COM #10-8	DRY	COMPLETED
SE/NE Section 10 T25N R2W	HOLE	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 & ServicesCond, Surface,Intermediate	17,000	17,000
Cement & ServicesPlugging	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	229 700
	234,700	228,700
Completion Intangibles Cement & ServicesProduction Casing		
		9,300
Completion Unit 10 days @ \$2,500/day	ĺ	25,000
Logging & Perforating		21,000
Stimulation		125,000
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Separator & Dehydrator		9,800
Line Pipe & Fittings		5,000
Total Tangibles	36,460	98,230
Total Well Cost	\$271,160	\$597,280
APPROVALS:		- 1 - 0
McElvain Oil & Gas Properties, Inc.	Date:	1-26-99

Approved by: \_\_

# McL\_ JAIN OIL & GAS PROPERTIES, II. J. AUTHORITY for EXPENDITURE January 20,1999

ELK COM #10-8	DRY	COMPLETED
SE/NE Section 10 T25N R2W	HOLE	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 & ServicesCond, Surface,Intermediate	17,000	17,000
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Stimulation		125,000
Tool & Tank Rental		26,000
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Liner Hanger	[ [	9,400
Float Equipment	1,500	2,500
Tubing6400' 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 fic. I'm	Date:	1-26-90

Title: \_

Investor Approval:

Approved by: \_