McELVAIN OIL & GAS PROPERTIES, INC.

409 St. Michaels P.O. Box 2148 Santa Fe, New Mexico 87504-2148

STEVE JORDAN, CPL Land Manager TELEPHONE 505/982-1935 EXT. 115 Fax 505/984-3027

February 23, 2000

Working Interest Owners (see attached list)

RE: BEAR COM 29 #1 – REVISED NEW WELL PROPOSAL (DAKOTA TEST) SE/4 SECTION 29. T26N, R2W RIO ARRIBA COUNTY, NEW MEXICO

Ladies and Gentlemen:

This new proposal replaces our proposal dated January 13, 2000. We are replacing that proposal to test the Mesaverde formation with this proposal to test the Dakota formation. We hereby propose to drill a well to a sufficient depth to test the Dakota formation, to be located at a legal location in the SE/4 of Section 29, T26N, R2W, Rio Arriba County, New Mexico, with a spacing unit encompassing the S/2 of Section 29. Enclosed herewith, in duplicate, is McElvain's AFE in the amount of \$686,520.00, representing the estimated cost to drill and complete the proposed well.

The proposed operating agreement for this test well is the one mailed to you in our 1/13/00 proposal package. If you cannot locate the operating agreement and want another, please let us know. That agreement covers operations in the S/2 of Section 29, limited to depths below the base of the Pictured Cliffs formation. Please check Exhibit "A" of the operating agreement and advise us if you believe your interest to be different than what is shown.

McElvain hopes 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 page. 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 acknowledgment pages.

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

Very truly yours,

/SI Steve Jordan Enclosures

THE UNDERSIGNED HEREBY ELECTS TO _____ PARTICIPATE IN, ____ NON-CONSENT (UNDER TERMS OF OPERATING AGREEMENT) THE DRILLING OF THE PROPOSED BEAR COM 29 #1 WELL.

SIGNED:	
COMPANY: _	
TITLE:	
DATE:	
	BEFORE THE C

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. 12395 Exhibit No. 3 Submitted by: <u>McElvain Oil & Gas Properties</u> Hearing Date: <u>May 4, 2000</u>

M. /AIN OIL & GAS PROPERTIES AUTHORITY for EXPENDITURE FEBRUARY 18,2000

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CasingSurface 500' 9 5/8" @ \$11.60/ft. 5,800 5,800 CasingProduction 8480' 5 1/2" @ \$7.40/ft. 62,750 Casing Liner 1,500 11,000 Liner Hanger 1,500 11,000 Float Equipment 1,500 18,100 Wellhead 1,500 8,500 Tanks & Pits 1,500 14,500 Separator 17,500 8,000 Line Pipe & Fittings 8,800 146,150 APPROVALS: Total Well Cost \$374,370 \$686,520	Total Intangibles	365,570	540,370
CasingSurface 500' 9 5/8" @ \$11.60/ft. 5,800 5,800 CasingProduction 8480' 5 1/2" @ \$7.40/ft. 62,750 Casing Liner 62,750 Liner Hanger 1,500 11,000 Float Equipment 1,500 18,100 Tubing8500' 2 3/8" @ \$2.13/ft 18,100 18,100 Wellhead 1,500 8,500 Tanks & Pits 1,500 8,500 Separator 17,500 17,500 Line Pipe & Fittings 8,800 146,150 APPROVALS: Total Well Cost \$374,370 \$686,520	Tangihles		
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Liner Hanger Float Equipment 1,500 11,000 Tubing8500' 2 3/8" @ \$2.13/ft 18,100 Wellhead 1,500 8,500 Tanks & Pits 14,500 Separator 17,500 Line Pipe & Fittings 8,000 Total Tangibles 8,800 146,150 APPROVALS:	•		,
Tubing8500' 2 3/8" @ \$2.13/ft 18,100 Wellhead 1,500 8,500 Tanks & Pits 14,500 Separator 17,500 Line Pipe & Fittings 8,000 Total Tangibles 8,800 APPROVALS: Total Well Cost	Liner Hanger		
Wellhead 1,500 8,500 Tanks & Pits 14,500 Separator 17,500 Line Pipe & Fittings 8,000 Total Tangibles 8,800 APPROVALS: Total Well Cost	Float Equipment	1,500	11,000
Tanks & Pits 14,500 Separator 17,500 Line Pipe & Fittings 8,000 Total Tangibles 8,800 146,150 APPROVALS: Total Well Cost \$374,370 \$686,520	Tubing8500' 2 3/8" @ \$2.13/ft		18,100
Separator 17,500 Line Pipe & Fittings 8,000 Total Tangibles 8,800 Total Well Cost \$374,370 APPROVALS: \$686,520	Wellhead	1,500	8,500
Line Pipe & Fittings 8,000 Total Tangibles 8,800 146,150 Total Well Cost \$374,370 \$686,520	Tanks & Pits		14,500
Line Pipe & Fittings 8,000 Total Tangibles 8,800 146,150 Total Well Cost \$374,370 \$686,520	Separator		17,500
Total Tangibles 8,800 146,150 Total Well Cost \$374,370 \$686,520	Line Pipe & Fittings		8,000
APPROVALS:		8,800	146,150
	Total Well Cost	\$374,370	\$686,520
McElvain Oil & Gas Properties, Inc Can Kyan Date: 2-18-00	APPROVALS:		
	McElvain Oil & Gas Properties, Inc. Can Kyan	Date:	z-18-00
Investor Approval: Date:	Investor Approval:	Date:	
Approved by: Title:	Approved by: Title:		
Company:			

BEAR COM 29 #1 RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 26 NORTH, RANGE 2 WEST, N.M.P.M. Section 29: S/2, below the base of the Pictured Cliffs formation

containing 320 acres, more or less

FEBRUARY 25, 2000

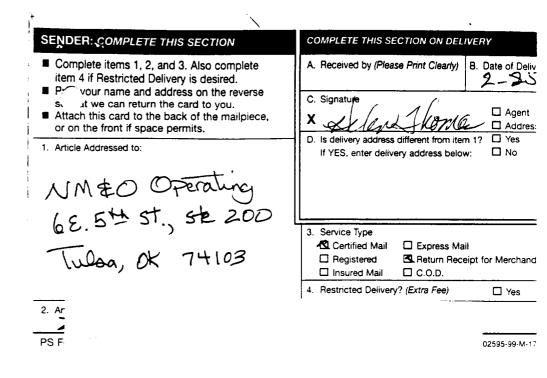
Working Interest Owners:

McElvain Oil & Gas Properties, Inc. P.O. Box 2148		OPERATOR	
Santa Fe, New Mexico 87504-2148		BPO	APO ¹
T.H. McElvain Oil &Gas Limited Partn P.O. Box 2148 Santa Fe, New Mexico 87501-2148	ership	50.000000%	50.000000%
Noseco Corporation, a Nevada corporat 7400 Lakeside Drive Reno, NV 89511	tion	16.918585%	15.332468%
Neumann Family Trust c/o Peter C. Neumann P.O. Box 1170 Reno, Nevada 89504		13.397140%	12.141158%
Gavilan Dome Properties, a California I 1180 Cedarwood Drive Moraga, CA 94556	Limited Partnership	10.818685%	9.804433%
Mesa Grande Resources, Inc., an Oklah 1200 Philtower Bldg. Tulsa, Oklahoma 74103	oma corporation	4.568695%	4.140380%
NM & O Operating Company 6 E. 5th Street, Suite 200 Tulsa, OK 74103		3.515645%	3.186053%
Johansen Energy Partnership P.O. Box 1773 Whitefish, MT 59937		0.781250%	0.708008%
Williams Production Company Attn: Mr. M. Vern Hansen P.O. Box 3102 Tulsa, Oklahoma 74101		0.000000%	4.687500%
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.

US Postal Service ceipt for Certified Mail Insurance Coverage Provided. Do not use for International Mail (See reverse) Sent to \overline{C} ent Street & Numbe 51 Post Office State & ZIF Code 74103 OK S Postage 71 Certified Fee 40 ۱. Special Delivery Fee Restricted Delivery Fee Return Receipt Showing to Whom & Date Delivered 25 Return Receipt Showing to Whom Date, & Addressee's Address TOTAL Postage & Fees Ŝ Postmark or Date S



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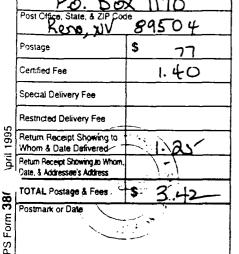
For РЗ

US Postal Service COMPLETE THIS SECTION ON DELIVERY NDER: COMPLETE THIS SECTION Receipt for Certified Mail insurance Coverage Provided. A. Received by (Please Print Clearly) Complete items 1, 2, and 3. Also complete uo not use for International Mail (See reverse) tem 4 if Restricted Delivery is desired. Print your name and address on the reverse C. Signature Energy ser at we can return the card to you. Ξ A.....h this card to the back of the mailpiece, X 773 Thenser or on the front if space permits. Post Offic D. Is delivery address different from item 1? **D**de 5993 Article Addressed to: If YES, enter delivery address below: Ŝ Johnson Energy P.O. Box 1973 Certified Fee 40 Special Delivery Fee Service Type 3. whitefish, MT 59937 Restricted Delivery Fee Certified Mail Express Mail C Return Receipt for Merchanc Registered Return Receipt Showing to Whom & Date Delivered as C.O.D. Insured Mail Return Receipt Showing to Whom Date, & Addressee's Address 4. Restricted Delivery? (Extra Fee) Article Number (Copy from service label) TOTAL Postage & Fees \$ 2 .42 516 stmark or Date S Form 3811, July 1999 Domestic Return Receipt



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Do not use for International Mail (See reverse) Sent to eumann tamily Tr Street &





1. Article Addressed to: 🗖 No If YES, address Neumann Family Trust P.O. Box (170 3. Service Typ Rero. NV 89504 🗷 Certified Mail Express Mail Return Receipt for Merchandis Registered C.O.D. Insured Mail 4. Restricted Delivery? (Extra Fee) C Yes Uservice label) 2. Article Number (Copy from serv Z461 50 Domestic Return Receipt 102595-99-M-178 PS Form 3811, July 1999 pril 1995 DER: COMPLETE THIS SECTION COMPLETE THIS SECTION ON DELIVERY No Insurance Coverage Provided eceipt for Certified Main Special Delivery Fee Return Receipt ğ Sentified Fee Return Receipt Showing to Whom Restricted Delivery Fee Postal Service lä A. Received by (Please Print Clearly) B. Date of Delivery 5 omplete items 1, 2, and 3. Also complete use for International Mail (See reverse) ' if Restricted Delivery is desired. いろく н 1 1 Addressee 5 your name and address on the reverse C. Signátúre > that we can return the card to you. e Delivered Agent С tach this card to the back of the mailpiece, X & ZIP Code 22 Addressee Address ii L L on the front if space permits. D. Is delivery address different from item 1? ☐ Yes (Marwood ticle Addressed to: 5 If YES, enter delivery address below: D No ÷A Lome vilan Dome Properties 2 S þ 94556 . 5

SENDER: COMPLETE THIS SECTION

Pri

Complete items 1, 2, and 3. Also complete

Attach this card to the back of the mailpiece,

.ur name and address on the reverse

iter- hif Restricted Delivery is desired.

so that we can return the card to you.

or on the front if space permits.

80 Cedarwood Dr. Service Type Norma, CA 94556 3 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D. 4. Restricted Delivery? (Extra Fee)

cle Number (Copy from service label) 461 508 513 n 3811, July 1999 **Domestic Return Receipt** 102595-99-M-1789 COMPLETE THIS SECTION ON DELIVERY Complete items 1, 2, and 3. Also complete A. Received by (Please Print Clearly) B. Date of Deliv item 4 if Restricted Delivery is desired. ЯA 2000 Print your name and address on the reverse ~1 1995 C. Signature it we can return the card to you. sr eceipt for Certified Mai Postage nni io i this card to the back of the mailpiece, Special Delivery Fee Centified Fee Postal Service I A. C Agent Return Receipt Showing to Whom & Dale Delivered Restricted Delivery Fee or on the front if space permits. surance Coverage Provided Addres: use for International Mail (See reverse) D. Is delivery address different from item 1? ---□ Yes Article Addressed to: с Г If YES, enter delivery address below: ß Nesa Grande Ph. JP Code 0 1200 Philtower Bldg. Gran 514 G nowor 9X QX Tulsa, OK 74103 3. Service Type S Certified Mail Express Mail 1 t U Registered Return Receipt for Merchandi R ー 2 Insured Mail 50141 C.O.D. Ø 4. Restricted Delivery? (Extra Fee) □ Yes Article Number (Copy from service label) 461 514 508 Form 3811, July 1999

□ Yes

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

ONNIE

C. Signature

D. Is delivery add

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A Received by (Please Print Clearly) B. Date of Deliver

Agent

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Addresse

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COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION Z 461 508 517 B. Date of Delive A. Received by (Please Print Clearly) Complete items 1, 2, and 3. Also complete FEB 2 8 2 **US Postal Service** item 4 if Restricted Delivery is desired. Print your name and address on the reverse Peceipt for Certified Mail C. Signature at we can return the card to you. Insurance Coverage Provided C Agent a this card to the back of the mailpiece, Х ۲ Do not use for International Mail (See reverse) Address or on the front if space permits. D. Is delivery address different from item 1? Sent to □ Yes Froduction ama 1. Article Addressed to: If YES, enter delivery address below: Street & Nu 3102 Williams Production Attn: Vern Hansen IP Code Post Office. Ď, 74101 OK S Postage 3. Service Type P.O. Box 3102 1.40 Certified Fee Certified Mail Express Mail Registered 2 Return Receipt for Merchand Special Delivery Fee Tulsa, OK 7410/ 🗅 C.O.D. Insured Mail Restricted Delivery Fee 4. Restricted Delivery? (Extra Fee) □ Yes 995 Return Receipt Showing to 2. Article Number (Copy from service label) Z 46 508 517 1. as Whom & Date Delivered April Return Receipt Showing to Whom Date, & Addressee's Address 102595-99-M-17 PS Form 3811, July 1999 **Domestic Return Receipt** 1800 3.42 TOTAL Postage & Fees S stmark or Date Form Z 461 508 438 ပ္ပ **US Postal Service Receipt for Certified Mail** COMPLETE THIS SECTION ON DELIVERY **SENDER:** COMPLETE THIS SECTION Insurance Coverage Provided. Somplete items 1, 2, and 3. Also complete Received by (Please Print Clearly) B. Date of Delivery Do not use for International Mail (See reverse) item 4 if Restricted Delivery is desired. HEIM DICA rod Print your name and address on the reverse C. Signature Street & Number ('t we can return the card to you. 420 in this card to the back of the mailpiece, Agent Agent Δ. Addressee Post Office, State, & ZIP Code or on the front if space permits. <u>NM 87499</u> D. Is delivery address different from item 1? armination □ Yes 1. Article Addressed to: If YES, enter delivery address below: D No S Postage 77 Certified Fee 40 Dugan Production Box 420 Special Delivery Fee Restricted Delivery Fee 3. Service Type 1995 E Certified Mail Express Mail Return Receipt Showing to Farmington, xm 87499 1.25 Whom & Date Delivered Registered Return Receipt for Merchandise Return Receipt Showing to Whom Insured Mail C.O.D. Date, & Addressee's Address 4. Restricted Delivery? (Extra Fee) □ Yes 3800 TOTAL Postage & Fees 3. 42 S 2. Article Number (Copy from service label) 508 438 mark or Date 461 Form PS Form 3811, July 1999 Domestic Return Receipt 102595-99-M-1789 ß SENDER: COMPLETE THIS SECTION B. Date of Deliver A. Received by (Please Print Clearly) te items 1, 2, and 3. Also complete -25-cc. Restricted Delivery is desired. ur name and address on the reverse **30**, April 1995 C. Signature Agent we can return the card to you. Return JS Postal Service Receipt for Certified Mai TOTAL Return Receipt Showing te-Whom & Date Defiverent Special Delivery Insurance Coverage Provided. Addresse Restricted Delivery Fee his card to the back of the mailpiece, Centilied Fee 'ostage X T Yes D. Is delivery address different from item 1? le front if space permits. Receipt Addressee's Address Ν No If YES, enter delivery address below: ddressed to: Showing to Whomi Ľ Fee oseco 95e.co Corp. 20 Lakeside Dr. arreside \$ > 3. Service Type СП Express Mail Certified Mail no, NV 89511 ľ Return Receipt for Merchandi 508 C Registered 40 2 C.O.D. Insured Mail 🗋 Yes 4. Restricted Delivery? (Extra Fee)

Number (Copy from service label)