

**McELVAIN OIL & GAS PROPERTIES, INC.**

409 ST. MICHAELS

P.O. BOX 2148

SANTA FE, NEW MEXICO 87504-2148

TELEPHONE 505/982-1935 EXT. 115

FAX 505/984-3027

STEVE JORDAN, CPL  
LAND MANAGER

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,

151

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

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

<b>SE/4 COM 29 #1    Dakota</b> <b>SE/4 Sec. 29 T26N R2W</b>	<b>DRY HOLE</b>	<b>COMPLETED WELL</b>
<b>Drilling Intangibles</b>		
Title Work & Survey	3,500	3,500
Location,Road,Damages	30,000	30,000
Footage 8480' @ \$19.00/ft	161,120	161,120
Daywork 1.5 days @ \$6100/day	9,150	9,150
Mud Logging	15,000	15,000
Water Hauling	15,000	15,000
Rental Equipment	1,800	1,800
Well Logging	22,000	22,000
Drilling Mud	55,000	55,000
Cement & Services..Surface,Intermediate	8,500	8,500
Cement & Services..Plugging	10,000	
Trucking & Labor	7,500	7,500
Overhead & Supervision	15,000	15,000
Misc Costs	12,000	12,000
Contingency		
<b>Total Drilling</b>	<b>365,570</b>	<b>355,570</b>

<b>Completion Intangibles</b>		
Cement & Services..Production Casing		45,000
Completion Unit 7 days @ \$2,500/day		17,500
Logging & Perforating		10,500
Stimulation		50,000
Tool & Tank Rental		14,000
Supervision 10 days @ \$650/day		6,500
Water		6,500
Trucking		12,000
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		
5% Contingency		8,800
<b>Total Completion</b>	<b>0</b>	<b>184,800</b>

**Total Intangibles      365,570      540,370**

<b>Tangibles</b>		
Casing..Surface 500' 9 5/8" @ \$11.60/ft.	5,800	5,800
Casing..Production 8480' 5 1/2" @ \$7.40/ft.		62,750
Casing.. Liner		
Liner Hanger		
Float Equipment	1,500	11,000
Tubing..8500' 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
<b>Total Tangibles</b>	<b>8,800</b>	<b>146,150</b>

**Total Well Cost      \$374,370      \$686,520**

APPROVALS:

McElvain Oil & Gas Properties, Inc.  Date: 2-18-00

Investor Approval: \_\_\_\_\_ Date: \_\_\_\_\_

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 Santa Fe, New Mexico 87504-2148	OPERATOR  <u>BPO</u>	<u>APO</u> <sup>1</sup>
T.H. McElvain Oil & Gas Limited Partnership P.O. Box 2148 Santa Fe, New Mexico 87501-2148	50.000000%	50.000000%
Noseco Corporation, a Nevada corporation 7400 Lakeside Drive Reno, NV 89511	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 Limited Partnership 1180 Cedarwood Drive Moraga, CA 94556	10.818685%	9.804433%
Mesa Grande Resources, Inc., an Oklahoma corporation 1200 Philtower Bldg. Tulsa, Oklahoma 74103	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% <sup>2</sup>
Totals:	100.000000%	100.000000%

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

<sup>2</sup> 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.

Z 461 508 515

US Postal Service

# Receipt for Certified Mail

Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	
NM & O Operating	
Street & Number	
6 E. 5th ST, Ste 200	
Post Office, State, & ZIP Code	
Tulsa, OK 74103	
Postage	\$ .77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.25
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.42
Postmark or Date	

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

NM & O Operating  
6 E. 5th ST., Ste 200  
Tulsa, OK 74103

2. Article

PS Form

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)	B. Date of Delivery
	2-25
C. Signature	
X [Signature]	
<input type="checkbox"/> Agent <input type="checkbox"/> Address	
D. Is delivery address different from item 1?	
If YES, enter delivery address below: <input type="checkbox"/> Yes <input type="checkbox"/> No	

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☒ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

02595-99-M-17

Z 461 508 516

US Postal Service

# Receipt for Certified Mail

Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	
Johansen Energy	
Street & Number	
Box 1773	
Post Office, State, & ZIP Code	
Whitefish, MT 59937	
Postage	\$ .77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.25
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.42
Postmark or Date	

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Johansen Energy  
P.O. Box 1773  
Whitefish, MT 59937

Article Number (Copy from service label)

Z 461 508 516

S Form 3811, July 1999

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)	B. Date of Delivery
	3/8/02
C. Signature	
X [Signature]	
<input type="checkbox"/> Agent <input type="checkbox"/> Address	
D. Is delivery address different from item 1?	
If YES, enter delivery address below: <input type="checkbox"/> Yes <input type="checkbox"/> No	

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☒ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

102595-99-M-17

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Neumann Family Trust  
P.O. Box 1170  
Reno, NV 89504

2. Article Number (Copy from service label)

2461 508 512

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-178

## COMPLETE THIS SECTION ON DELIVERY

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

CONNIE SHERNO

C. Signature

☒ Agent  
☒ Addressee

 D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

## COMPLETE THIS SECTION ON DELIVERY

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

C. Signature

☒ Agent  
☒ Addressee

 D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Gailan Dome  
80 Cedarwood Dr.  
Moraga, CA 94556

2. Article Number (Copy from service label)

2461 508 513

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

## COMPLETE THIS SECTION ON DELIVERY

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

C. Signature

☐ Agent  
☒ Addressee

 D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Article Number (Copy from service label)

2461 508 514

Form 3811, July 1999

Domestic Return Receipt

102595-99-M-178

US Postal Service  
Receipt for Certified Mail  
No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to: Mesa Grande  
1200 Philtower Bldg  
Tulsa, OK 74103

Post Office, State, & ZIP Code

Postage: \$ 1.40

Certified Fee: 1.40

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered: 1-25

Return Receipt Showing to Whom, Date, & Addressee's Address

PS Form 3811, July 1999

2461 508 514

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mesa Grande  
1200 Philtower Bldg.  
Tulsa, OK 74103

Article Number (Copy from service label)

2461 508 514

Form 3811, July 1999

Domestic Return Receipt

102595-99-M-178

Z 461 508 517

US Postal Service

**Receipt for Certified Mail**

Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	Williams Production
Street & Number	Box 3102
Post Office, State, & ZIP Code	Tulsa, OK 74101
Postage	\$ .77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.25
Return Receipt Showing to Whom, Date, & Addressee's Address	
<b>TOTAL Postage &amp; Fees</b>	<b>\$ 3.42</b>
Mark or Date	

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Williams Production  
Attn: Vern Hansen  
P.O. Box 3102  
Tulsa, OK 74101

2. Article Number (Copy from service label)

Z 461 508 517

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly)	B. Date of Delivery
Stan A. [Signature]	FEB 28 28
C. Signature	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
X [Signature]	
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input type="checkbox"/> No

3. Service Type

- ☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dugan Production  
Box 420  
Farmington, NM 87449

2. Article Number (Copy from service label)

Z 461 508 438

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly)	B. Date of Delivery
Stan A. [Signature]	2-24
C. Signature	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
X [Signature]	
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input type="checkbox"/> No

3. Service Type

- ☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

US Postal Service

**Receipt for Certified Mail**

Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	Dugan Prod.
Street & Number	Box 420
Post Office, State, & ZIP Code	Farmington, NM 87449
Postage	\$ .77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.25
Return Receipt Showing to Whom, Date, & Addressee's Address	
<b>TOTAL Postage &amp; Fees</b>	<b>\$ 3.42</b>
Mark or Date	

PS Form 3800, April 1995

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Noseco Corp.  
20 Lakeside Dr.  
Farmington, NV 89511

2. Article Number (Copy from service label)

Z 461 508 511

A. Received by (Please Print Clearly)	B. Date of Delivery
Stan A. [Signature]	2-25-CC
C. Signature	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
X [Signature]	
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input type="checkbox"/> No

3. Service Type

- ☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

10, April 1995

Sent to	Noseco Corp.
Street & Number	20 Lakeside Dr.
Post Office, State, & ZIP Code	Farmington, NV 89511
Postage	\$ .77
Certified Fee	1.40
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.25
Return Receipt Showing to Whom, Date, & Addressee's Address	

US Postal Service  
**Receipt for Certified Mail**  
 Insurance Coverage Provided.  
 Do not use for International Mail (See reverse)