

CASE NO. 12467

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

Re: Objection to Application
Compulsory Pooling
T25N-R2W, Section 4: E/2
Rio Arriba County, New Mexico

Dear Director:

Cougar Capital LLC is the owner of a leasehold working interest in the lands and geologic formations covered by that certain Application For Compulsory Pooling filed with your office by NM&O Operating Company. As a party to be directly affected by the actions taken by you regarding this application, I hereby express, in writing, my formal objection to the subject application and request that you deny same as presented.

The concerns and justification for this objection and request for denial are as follows:

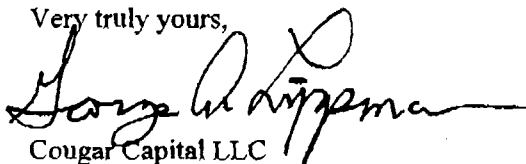
1. The E/2 of Section 4 has previously been "pooled" and the parties who have voluntarily committed their interests to the drilling and completion of the Cougar Com #4-1 well have named and supported McElvain Oil & Gas Properties, Inc. as the operator of the "pool" for the drilling and development of the Mesaverde formation and all other formations below the base of the Pictured Cliffs formation (JOA), which includes the re-entry and recompletion of the Mesaverde in the Dewey Bartlett #1 well. After receipt of NM&O's proposal, McElvain addressed their plans to include the Dakota formation as part of their overall development of this area which confirms for all of the affected that no rights will be lost and all zones can be effectively tested under McElvain's plan.
2. McElvain Oil & Gas Properties have drilled and completed one Mesaverde well in the "pooled" area (without support from NM&O since compulsory pooling was required for that well also) which was accomplished over a year ago. McElvain has shown their ability to operate in this area and have performed all their duties as operator. They now are requesting to complete the Mesaverde formation in the Dewey Bartlett #1 well which was proposed in April of 2000. NM&O's proposal does not take into account the rights of the owners to complete and produce the Mesaverde formation. Since NM&O does not support Mesaverde operations, as is evident by their continuous non-participation in any proposed Mesaverde locations, Cougar Capital LLC has great concern that if they are allowed use of this wellbore

for re-entry purposes, that the Mesaverde zone will be blocked and not available for development by the drillsite owners.

3. The agreement submitted by NM&O covers the same interest, same lands and depths as does the operating agreement which we (and other owners) are currently subject to naming McElvain Oil & Gas Properties, Inc. as operator. We are not able to commit the same interest to more than one operating agreement without all parties currently committed agreeing to do the same. NM&O Operating has been offered the same participation with us in the existing arrangement which would afford them the right to propose a Dakota completion. An election not to participate in the Mesaverde completion would not preclude them from joining in a Dakota proposal. McElvain is planning to complete the Dakota formation, as the second completion. I agree with McElvain's analysis that the Mesaverde formation offers the economic formation to develop first leaving the Dakota formation as the second completion option.

In summary, for all of the above reasons, we oppose the conflicting application of NM&O to operate the Dewy Bartlett re-entry and continue to support McElvain to operate the development of all formations in this re-entry and the "pooled" lands. It would be my hope that both parties could work together for the orderly economic development of this drillsite. Cougar Capital LLC request that the Commission deny the application of NM&O as referenced herein and allow McElvain to continue to orderly explore this acreage.

Very truly yours,



Cougar Capital LLC
George A. Lippman, Manager

cc: ALL WORKING INTEREST OWNERS