

T. H. McELVAIN OIL & GAS LIMITED PARTNERSHIP
McElvain Oil & Gas Properties, Inc., Sole General Partner
1050 – 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

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Certified Mail, Return Receipt Requested

July 20, 2001

Catanach
[Signature]

✓ State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St Francis Drive
Santa Fe, New Mexico 87505

CASE NO. 12633
Order No. R-11471-A

TO: Affected Owners in W/2 of Section 4, Township 25 North, Range 2 West, N.M.P.M.
(See attached list)

RE: Estimated Well Cost
Cougar Com 4-2A well
W/2 Section 4, T25N-R2W
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Under order from New Mexico Oil Conservation Commission R-11471-A for the compulsory pooling application and hearing, Case No. 12633, please find enclosed the McElvain Oil & Gas Properties, Inc. Authority for Expenditure, which details the estimated cost to drill and complete the Cougar Com #4-2A well located in the W/2 of Section 4, T25N, R2W, N.M.P.M., Rio Arriba County, New Mexico along with a copy of said NMOCD Order No. R-11471-A.

Please refer to Paragraph (7), et seq on Page 4 of said Order R-11471-A, 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. Those parties noted on the attached address list have not yet elected, in writing, to voluntarily commit their working interest to the proposed operation and are hereby noticed to be subject to the aforementioned provisions and 30 day response requirement. If you so elect, both the attached Election Page and the signature page to the Operating Agreement which has been previously furnished must be returned fully executed as directed within the prescribed 30-day period.

Additionally, we would like to advise you that we are preparing a filing to expand this order to incorporate the designated unit for the "Gavalin Mancos pool" encountered in the Cougar Com #4-

If you have any questions, please feel free to contact the undersigned.

Very truly yours,

Denise R Greer

Denise R. Greer
Consulting Landman

Attachment (Owner List)
Enclosures (AFE & Order)

2A well, which is the subject of this order. You will receive an additional separate notice if and when such application is filed.

If you have any questions, please feel free to contact the undersigned.

Very truly yours,

A handwritten signature in black ink that reads "Denise R Greer". The signature is written in a cursive style with a large, stylized 'D' and 'G'.

Denise R. Greer
Consulting Landman

Attachment (Owner List)
Enclosures (AFE & Order)

Working Interest Owners
Affected by NMOCD Order No. R-11471-A
Cougar Com #4-2A well
W/2 Section 4, T25N-R2W

Gavilan Dome Properties
1180 Cedarwood Drive
Moraga, CA 94556

Mesa Grande Resources, Inc.
1318 Philtower Building
Tulsa, OK 74103

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

ELECTION PAGE
Cougar Com #4-2A Well
July 20, 2001

_____ **YES**, I/we do hereby elect to participate in the proposed drilling of the Cougar Com #4-2A well located in the SW of Section 4, Township 25 South, Range 2 West, Rio Arriba County, New Mexico and submit herewith execution of the governing Operating Agreement by the undersigned.

_____ **NO**, the undersigned elects **NOT** to participate in the proposed drilling of the Cougar Com #4-2A well located in the SW of Section 4, Township 25 South, Range 2 West, Rio Arriba County, New Mexico.

OWNER NAME: _____

BY: _____

Printed Name, Title: _____

Date: _____

PLEASE RETURN THIS ELECTION WITHIN 30 DAYS OF RECEIPT TO:

Telefax (303) 893-0914
Attention: Mona L. Binion

Mail original to:

McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265
Attention: Mona L. Binion

McElvain Oil & Gas Properties
AUTHORITY for EXPENDITURE
January 5, 2001

| Cougar Com 4 #2A SW/4 4-25N-2W | DRY HOLE | COMPLETED WELL |
|--|------------------|-------------------|
| Drilling Intangibles | | |
| Staking, Permitting, Title Work & Survey | 16,000 | 16,000 |
| Location, Road, Damages | 27,500 | 27,500 |
| Footage 8400' @ \$22.00/ft | 184,800 | 184,800 |
| Daywork 4.5 days @ \$6800/day | 30,600 | 30,600 |
| Mud Logging | 15,000 | 15,000 |
| Water Hauling | 15,000 | 15,000 |
| Rental Equipment | 2,000 | 2,000 |
| Well Logging | 22,000 | 22,000 |
| Drilling Mud | 55,000 | 55,000 |
| Cement & Services..Surface, Intermediate | 8,500 | 8,500 |
| Cement & Services..Plugging | 20,000 | |
| Trucking & Labor | 2,500 | 2,500 |
| Overhead & Supervision | 15,000 | 15,000 |
| Misc Costs | 12,000 | 12,000 |
| Contingency | | |
| Total Drilling | 425,900 | 405,900 |
| Completion Intangibles | | |
| Cement & Services..Production Casing | | 55,000 |
| Completion Unit 24 days @ \$2,800/day | | 67,200 |
| Logging & Perforating | | 26,000 |
| Stimulation | | 185,000 |
| Tool & Tank Rental | | 18,000 |
| Supervision 25 days @ \$650/day | | 16,250 |
| Water | | 30,000 |
| Trucking | | 6,500 |
| Roustabouts/Labor 7 days @ \$2000/day | | 14,000 |
| Specialized Tools | | |
| 5% Contingency | | 20,900 |
| Total Completion | 0 | 438,850 |
| Total Intangibles | 425,900 | 844,750 |
| Tangibles | | |
| Casing..Surface 600' 9 5/8" @ \$13.40/ft. | 8,040 | 8,040 |
| Casing..Production 8400' 5 1/2" @ \$7.00/ft. | | 58,800 |
| Tubing..8500' 2 3/8" @ \$2.30/ft | | 19,550 |
| Float Equipment | 1,500 | 8,500 |
| Wellhead | 1,500 | 8,500 |
| Artificial Lift..Plunger | | 4,500 |
| Tanks & Pits | | 18,500 |
| Separator | | 17,500 |
| Line Pipe & Fittings | | 8,000 |
| Total Tangibles | 11,040 | 151,890 |
| Total Well Cost | \$436,940 | \$996,640 |

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date: 1/5/01

Approved by: _____ Title: _____

Company: _____