

**McElvain Oil & Gas Properties, Inc., Sole General Partner**  
1050 – 17<sup>TH</sup> STREET, SUITE 1800  
DENVER, COLORADO 80265

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***Certified Mail, Return Receipt Requested***

October 11, 2001

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

OIL CONSERVATION  
DIVISION  
OCT 15 2001  
**RECEIVED**  
CASE NO. 126901  
Order No. R-11657

TO: Affected Owners in W/2 of Section 11, Township 25 North, Range 2 West, N.M.P.M.  
(See attached list)

RE: Estimated Well Cost  
Badger 11 #1 well  
N/2 Section 32, T26N-R2W  
Rio Arriba County, New Mexico

Ladies and Gentlemen:

Pursuant to New Mexico Oil Conservation Division Order No. R-11657 for compulsory pooling, please find enclosed McElvain Oil & Gas Properties, Inc.'s Authority for Expenditures, which details the estimated cost to drill and complete the Badger 11 #1 well, located in the W/2 of Section 11, T25N, R2W, N.M.P.M., Rio Arriba County, New Mexico, along with a copy of NMOCD Order No. R-11657.

Please refer to Paragraph (7), et seq on Page 4 of said Order R-11657, 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.

Very truly yours,  
**McELVAIN OIL & GAS PROPERTIES, INC.**

*Denise R Greer*

Denise R. Greer  
Consulting Landman

Attachment (Owner List)  
Enclosures (AFE & Order)

Working Interest Owners  
Affected by NMOCD Order No. R-11657  
Badger 11 #1 well  
W/2 Section 11, T25N-R2W

**HELMERICH & PAYNE, INC.**

1579 East 21<sup>st</sup> Street  
Tulsa, OK 74114

**MC ELVAIN OIL AND GAS, PROPERTIES, INC. - AUTHORITY FOR EXPENDITURE**  
**SUMMARY FOR EXPENDITURES**  
**EXPLORATION & DEVELOPMENT**

<b>A/E NUMBER:</b>	
<b>DATE:</b>	4/2/2001
<b>WELL NAME:</b>	Badger Com 11#1
<b>LOCATION:</b>	T25N-R2W SEC.11: SW/4
<b>COUNTY</b>	RIO ARriba COUNTY
<b>STATE</b>	NEW MEXICO
<b>PROPOSED DEPTH:</b>	8400'
<b>PURPOSE OF A/E:</b>	Drill dual Mesaverde/Dakota test well

Intangible Drilling Costs:	\$405,900
Tangible Drilling Costs	\$11,040
<b>SUB TOTAL TO CASING POINT</b>	<b>\$416,940</b>
Plugging and abandonment cost	\$20,000.00
<b>TOTAL DRY HOLE COSTS</b>	<b>\$436,940.00</b>
Intangible Completion Costs:	\$438,850
Tangible Completion Costs:	\$140,850
<b>TOTAL COMPLETION COSTS:</b>	<b>\$579,700</b>
<b>TOTAL COMPLETED WELL COSTS:</b>	<b>\$996,640</b>
Facilities	
Land, Geological, Geophysical, Prospect	
<b>TOTAL THIS A/E:</b>	<b>\$996,640</b>

**APPROVALS**

<b>COMPANY:</b>	T. H. McElvian Oil & Gas Ltd.	<b>WORKING INTEREST:</b>	25.000000%
<b>BY:</b>	By: McElvian Oil & Gas Properties Inc., General Partner	<b>DATE:</b>	5/18/01
<b>COMPANY:</b>	Michael A. Gold, et us	<b>WORKING INTEREST:</b>	25.000000%
		<b>DATE:</b>	
<b>COMPANY:</b>	Lewis C. Beach	<b>WORKING INTEREST:</b>	4.166665%
		<b>DATE:</b>	
<b>COMPANY:</b>	Helmerich & Payne, Inc.	<b>WORKING INTEREST:</b>	2.500000%
<b>BY:</b>		<b>DATE:</b>	
<b>COMPANY:</b>	Petroleum International, Inc.	<b>WORKING INTEREST:</b>	0.833335%
<b>BY:</b>		<b>DATE:</b>	
<b>COMPANY:</b>	Floyd Oil Company	<b>WORKING INTEREST:</b>	35.062500%
<b>BY:</b>		<b>DATE:</b>	
<b>COMPANY:</b>	Cheyenne Partners V, Ltd.	<b>WORKING INTEREST:</b>	7.437500%
<b>BY:</b>		<b>DATE:</b>	
			1.00000000

**M IN OIL & GAS PROPERTIES, 3**  
**AUTHORITY for EXPENDITURE**  
**April 2, 2001**

Badger Com 11 #1 SW/4 11-25N-2W	DRY HOLE	COMPLETED WELL
<b>Drilling Intangibles</b>		
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		
<b>Total Drilling</b>	<b>425,900</b>	<b>405,900</b>

<b>Completion Intangibles</b>		
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
<b>Total Completion</b>	<b>0</b>	<b>438,850</b>

**Total Intangibles      425,900      844,750**

<b>Tangibles</b>		
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
<b>Total Tangibles</b>	<b>11,040</b>	<b>151,890</b>

**Total Well Cost      \$436,940      \$996,640**

APPROVALS:

McElvain Oil & Gas Properties, Inc.

Date:

4-2-01