

**T. H. McElvain Oil & Gas Limited Partnership**  
**McElvain Oil & Gas Properties, Inc., sole General Partner**  
1050 17<sup>TH</sup> STREET, SUITE 1800  
DENVER, COLORADO 80265

MONA L. BINION, CPL  
LAND MANAGER  
e-mail [monab@mcelvainoilandgas.com](mailto:monab@mcelvainoilandgas.com)

TELEPHONE 303-893-0933 EXT.306  
FAX 303-893-0914  
Cellular 303-809-2058

**VIA TELEFAX ON JULY 9, 2001**

**FOLLOWED BY ORIGINAL VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

July 9, 2001

TO WORKING INTEREST OWNERS  
(See Attached Addressee List)

Re: Bear Com #29-2 Well Proposal  
Revised Depth and Cost Estimate  
Township 26 North, Range 2 West  
Section 29: NE/4  
Rio Arriba County, New Mexico

Gentlemen:

By letter dated May 3, 2001, McElvain Oil & Gas Properties, Inc. ("McElvain") proposed the drilling of the Bear Com #29-2 well as a Dakota/Mesaverde test to be at a legal location in the NE/4 of Section 29, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

After reviewing the results of completion attempts in the Dakota formation under certain offset wells recently drilled by McElvain, and after discussions with certain of the affected leasehold owners, McElvain is revising the objective depth and formation for the subject well to be *Mesaverde test only* rather than a dual Mesaverde / Dakota test. As a result of this change, the the estimated cost to drill and complete the well, as a Mesaverde test only, is reduced to **\$814,450** which is detailed on the enclosed McElvain Authority for Expenditure dated July 9, 2001. This revision does not affect or change the ownership of the parties as represented on the original May 3 proposal.

Once all elections of the parties are received, you will be provided revised pages for the Operating Agreement that was submitted with the original May 3 transmittal which will change the depths covered to be only down to Mesaverde formation rather than Dakota.

If you have previously furnished McElvain with your election regarding participation, no further action is necessary.

If you have not already forwarded to McElvain your election regarding participation, we respectfully request that you review all of the enclosed and previously forwarded materials relative to this proposal and proceed as follows:

- Indicate your election regarding participation on the enclosed Election Page, execute both copies in the space provided and return one to the undersigned;

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12692 Exhibit No. 4  
Submitted by:  
McElvain Oil & Gas Properties, Inc.  
Hearing Date: July 12, 2001

To Working Interest Owners  
Bear Com #29-2 Well - Revised  
July 9, 2001  
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- If your election is to participate, also execute both copies of the enclosed Authorization for Expenditure and return one copy to the undersigned along with a summary of your well reporting requirements;
- Execute the Operating Agreement and extra signature page thereto previously furnished, returning the extra signature page fully executed to the undersigned

Telefax copies of the executed documents will be accepted at:

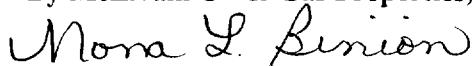
**McElvain Oil & Gas Properties, Inc.**  
**(303) 893-0914**  
**Attention: Mona L. Binion**

provided that original copies are delivered promptly thereafter.

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

Very truly yours,

**T. H. McElvain Oil & Gas Limited Partnership**  
**By McElvain Oil & Gas Properties, Inc., sole General Partner**



Mona L. Binion, CPL  
Land Manager

MLB/idi

Encls.

**ELECTION PAGE**  
**Bear Com #29-2 Well**  
**REVISED TO BE SINGLE MESAVERDE TEST**  
**July 9, 2001**

\_\_\_\_\_ YES, I/We do hereby elect to participate in the drilling of the Bear Com #29-2 Well as a Mesaverde test to be located in the NE/4 of Section 29, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

- *execute and return the Operating Agreement signature page*
- *execute and return the Authority for Expenditure*
- *complete and return the well reporting summary or submit your firm's summary*

\_\_\_\_\_ NO, I/We do hereby elect NOT to participate in the drilling of the Bear Com #29-2 Well as a Mesaverde test to be located in the NE/4 of Section 29, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

As an alternative to participation, I/We hereby offer support to McElvain and the participating parties hereunder the following:

*(Please select one of the following if your election is NOT to participate)*

\_\_\_\_\_ I/We hereby offer to farmout my/our working interest in the proposed well on mutually acceptable terms to be negotiated among the parties and, therefore, request a proposal of terms from McElvain; OR,

\_\_\_\_\_ I/We hereby offer to sell my/our interest in the proposed well as an alternative to participation and hereby request a proposal of sale terms from McElvain; OR,

\_\_\_\_\_ I/We hereby offer to execute a mutually acceptable Operating Agreement which shall reflect and election against my/our working interest as a non-participating, non-drilling party subject to the penalty provisions contained therein.

**Telefax executed documents to**

**Mona Binion**  
**(303) 893-0914**

**Mail original executed documents to**

**Mona Binion**  
**McElvain Oil & Gas Properties, Inc.**  
**1050 17<sup>th</sup> Street, Suite 1800**  
**Denver, CO 80265**

**WORKING INTEREST OWNERS**  
**Bear Com #29-2 Well**

T.H. McElvain Oil & Gas Ltd Ptshp  
1050 17<sup>th</sup> Street, Suite 1800  
Denver, CO 80265

Lindrith Capital, LLC  
200 East Sunset, Suite E  
El Paso, Texas 79922  
*Telefax: (915) 581-1282*  
*Attention: George Lippman*

Joe Elledge  
P. O. Box 111  
Farmington, NM 87401  
*Telefax: (505) 327-2564*

Rio Chama Petroleum, Inc.  
P. O. Box 3027  
Pagosa Springs, Colorado 81147  
*Telefax: (970) 264-0171*  
*Attention: Craig Creel*

Hooper, Kimball & Williams  
5550 South Lewis, Suite 301  
Tulsa, OK 74105  
*Telefax: (918) 743-4084*  
*Attention: Greg Owens*

Dugan Production Corporation  
709 East Murray Drive  
Farmington, NM 87499  
*Telefax: (505) 327-4613*  
*Attention: David Poage*

Ibex Partnership  
c/o Breck Operating Corp.  
Box 911  
Breckenridge, TX 76424-0911  
*Telefax: (254) 559-3220*  
*Attention: Lorie Hill*

States, Inc. / Petco, Inc.  
Box 911  
Breckenridge, TX 76424-0911  
*Telefax: (254) 559-3220*  
*Attention: Lorie Hill*

Clark & Oatman, a Texas general ptshp  
Drawer 310  
Bastrop, TX 78602  
*Telefax: (512) 303-2968*  
*Attention: Carolyn Oatman*

# MCELVAIN OIL AND GAS, PROPERTIES, INC.

## AUTHORITY FOR EXPENDITURE SUMMARY FOR EXPENDITURES EXPLORATION & DEVELOPMENT

REVISED JULY 9, 2001

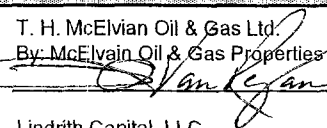
### WELL INFORMATION

DATE: \_\_\_\_\_  
WELL NAME: Bear Com #29-2 Well  
LOCATION: NE/4 Section 29, T26N-R2W  
COUNTY: Rio Arriba  
STATE: New Mexico  
PROPOSED DEPTH: 6,100' (Revised)  
PURPOSE OF AFE: To Drill and Complete a single Mesaverde Test Well (Revised)

### COST ESTIMATES

Intangible Drilling Costs:	\$344,800
Tangible Drilling Costs	\$38,250
<b>SUB TOTAL TO CASING POINT</b>	<b>\$383,050</b>
Plugging and Abandonment Costs	\$15,000
<b>TOTAL DRY HOLE COSTS:</b>	<b>\$398,050</b>
Intangible Completion Costs:	\$350,700
Tangible Completion Costs:	\$80,700
<b>TOTAL COMPLETION COSTS:</b>	<b>\$431,400</b>
<b>TOTAL COMPLETED WELL COSTS:</b>	<b>\$814,450</b>
Facilities Land, Geological, Geophysical, Prospect	
<b>TOTAL THIS AFE:</b>	<b>\$814,450</b>

### APPROVALS

COMPANY: T. H. McElvian Oil & Gas Ltd.  
By: McElvian Oil & Gas Properties Inc., General Partner  
BY:  DATE: 7/9/01

COMPANY: Lindrith Capital, LLC  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: Joe Elledge  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: Rio Chama Petroleum, Inc.  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: Clark & Oatman  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: Ibex Partnership  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: States, Inc. for Petco, Inc.  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: Hooper, Kimball & Williams, Inc.  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

COMPANY: Dugan Production Corporation  
BY: \_\_\_\_\_ DATE: \_\_\_\_\_

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

AUTHORITY for EXPENDITURE

July 9, 2001

Bear Com 29 #2 Mv NE/4 Sec. 29 T26N R2W	DRY HOLE	COMPLETED WELL
<b>Drilling Intangibles</b>		
Staking, Permitting, Title Work & Survey	16,000	16,000
Location, Road, Damages	25,000	25,000
Footage 6100' @ \$26.00/ft	158,600	158,600
Daywork 2.0 days @ \$8100/day	16,200	16,200
Air Compressors	26,000	26,000
Water Hauling	5,500	5,500
Rental Equipment	2,000	2,000
Well Logging	18,000	18,000
Drilling Mud	15,000	15,000
Cement & Services..Surface, Intermediate	21,000	21,000
Cement & Services..Plugging	15,000	
Trucking & Labor	9,500	9,500
Overhead & Supervision	22,000	22,000
Misc Costs	10,000	10,000
Contingency		
<b>Total Drilling</b>	<b>359,800</b>	<b>344,800</b>
<b>Completion Intangibles</b>		
Cement & Services..Production Casing		12,500
Completion Unit 15 days @ \$2,800/day		42,000
Logging & Perforating		26,000
Stimulation		175,000
Tool & Tank Rental		24,000
Supervision 20 days @ \$650/day		13,000
Water		18,000
Trucking		9,500
Roustabouts/Labor 7 days @ \$2000/day		14,000
Specialized Tools		
5% Contingency		16,700
<b>Total Completion</b>	<b>0</b>	<b>350,700</b>
<b>Total Intangibles</b>	<b>359,800</b>	<b>695,500</b>
<b>Tangibles</b>		
Casing..Surface 300' 9 5/8" @ \$12.80/ft.	3,850	3,850
Casing..Intermediate 3800' 7" @ \$7.20/ft.	27,400	27,400
Liner..2500' 4 1/2" @ \$3.80/ft.		9,500
Tubing..6100' 2 3/8" @ \$2.13/ft		13,000
Float Equipment/Centralizers/Liner Hanger	2,500	12,200
Wellhead	4,500	4,500
Artificial Lift..Plunger		4,500
Tanks & Pits		18,500
Separator		17,500
Line Pipe & Fittings		8,000
<b>Total Tangibles</b>	<b>38,250</b>	<b>118,950</b>
<b>Total Well Cost</b>	<b>\$398,050</b>	<b>\$814,450</b>

APPROVALS:

McElvain Oil & Gas Properties, Inc. \_\_\_\_\_

Date: 7/9/01