

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OM B No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

DEC 02 2010

2. Name of Operator McElvain Oil & Gas Properties, Inc.

Farmington Field Office

Bureau of Land Management

3a. Address
1050 17th St., Suite 2500, Denver, CO 802653b. Phone No. (include area code)
303-893-0933

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

12-1 Sec 12 T29N R 13W

12-2 Sec 12 T29N R 13W

7-1 Sec 7 T29N R 12W

F

5. Lease Serial No.

NM070935/ SF078931

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

NMNM-92456/ 92457/ 92372/ 89403

8. Well Name and No.

ROPCO #12-1/ #12-2/ #7-1

9. API Well No.

30-045-29096/-29198/-28818

10. Field and Pool, or Exploratory Area

Fruitland Coal & Pictured Cliffs

11. County or Parish, State

San Juan County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>SURFACE</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Commencing</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SEE ATTACHED

RCVD DEC 29 '10
OIL CONS. DIV.
DIST. 3SEE ATTACHED FOR
CONDITIONS OF APPROVAL

MUST file for OCD SURFACE COMMENCING Approval

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

John D Steuble

Title Vice President Engineering

Signature

John D Steuble

Date

10/25/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

John D Steuble

Title

Petr. Eng.

Date

12/22/10

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

NMOCD

Discussion

McElvain Oil and Gas Properties, Inc. is requesting an amendment of the allocation method and off lease use of production and measurement for the attached wells, leases and communitization agreements. An allocation method was approved on June 15, 1995 for Richardson Operating Company. In June 1995, an electric compressor was utilized at the central delivery point in Section 7. In July 2000 the electric compressor was replaced with a natural gas powered compressor by a previous operator. McElvain believes the 1995 allocation method needs to be amended since that method did not consider the possibility of natural gas driven equipment between the allocation meters and the sales meter and the need for allocation of fuel gas. Since obtaining operations of these wells and associated equipment in July 2006 McElvain has allocated and reported fuel gas utilized by the compressor to the individual wells benefiting from the central compression.

Well & System Description

Listed below are the wells that tie into the system with a brief description of the equipment utilized for each well. Also attached is a graphical depiction of the system.

Ropco Federal 12 Com #1:

The well is equipped with a natural gas driven pumping unit which pumps water to a storage tank on the location. The gas is produced thru an unheated separator on location and transported via pipeline to the Ropco Fee 7 #1 location. The gas is measured thru an allocation meter at the Ropco Fee 7 #1 location.

Ropco Federal 12 #2:

The well is equipped with an electric driven pumping unit which pumps water thru a water pipeline to a storage tank on the Ropco Fee 7 #1 location. The gas is produced to a gas pipeline which extends from the well to an unheated separator located on the Ropco Fee 7 #1 location. The gas is then measured thru an allocation meter at the Ropco Fee 7 #1 location.

Ropco Fee 7 #1:

The well is equipped with an electric driven pumping unit which pumps water to a storage tank on the location. The gas is produced thru a heated separator on location and then measured thru an allocation meter at the Ropco Fee 7 #1 location.

Once the gas is produced thru the allocation meters it is commingled into a single line to the suction of the Ropco CDP Compressor. The Ropco CDP Compressor then discharges into a line connected to the Enterprise sales meter.

Lease & CA Description

See attached tabular and graphical exhibits.

Allocation Method

McElvain requests the following allocation method.

Base Data:

AM=Gas Volume (Mcf) from allocation meters at individual wells during allocation period.

CDP= Gas Volume (Mcf) from CDP Sales Meter during allocation period.

WBTU= Individual well BTU content.

SBTU= BTU's from CDP Sales Meter during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells

1. Individual Well Gas Production= A+B+C+D+E

A = Allocated Sales Volume (Mcf)= $[AM/SUM(AM)] \times (CDP)$
(Individual Well Volume divided by Sum of all well volumes Multiplied by the CDP Volume)

B = On lease fuel usage (MCF): Determined by equipment and conditions on lease.

C = Purged and/or Vented gas from well and/or lease equipment (MCF).

D = Allocated fuel from gathering system equipment (MCF).
(Total fuel usage multiplied by allocation well factor [AM/SUM(AM)])

E = Allocated volume of gas lost and/or vented from the gathering system and/or equipment (MCF).
(Total volume lost multiplied by allocation well factor [AM/SUM(AM)])

2. Allocated Individual Well BTU's = {AM x WBTU/[SUM(AM x WBTU)]} x SBTU
{(Individual Well BTU's divided by the sum of the individual well BTU's) multiplied by the BTU's at the CDP}

Estimated Monthly Production

Well	MCFM	BTU Content	Specific Gravity
Ropco Fee 7 #1	1275	1039	0.605
Ropco 12 Com #1	3150	983	0.589
Ropco Federal 12 #2	4250	1055	0.606

Economic & Ecosystem Considerations

Justification for this commingling request is three fold. First this commingling has been previously approved and all of the well equipment, gathering lines, compression and metering are in place and operating. To be required remove, replace or abandon the current infrastructure would severely affect the well economics and ultimately reduce the reserves recovered. Second the sales line pressure in this area is approximately 225 psig. Given this condition, all three wells would require a separate compressor in order to sell gas. If required to place individual compression on each location the operating cost for each well would increase and reduce the recoverable reserves. The final justification for the commingling is the area in which the wells are located. Each well is located near residential developments. By utilizing central compression and a CDP the impacts of the daily operations are reduced to the inhabitants around the locations. Issues such as noise abatement, truck traffic and safety concerns are more easily controlled and rectified.

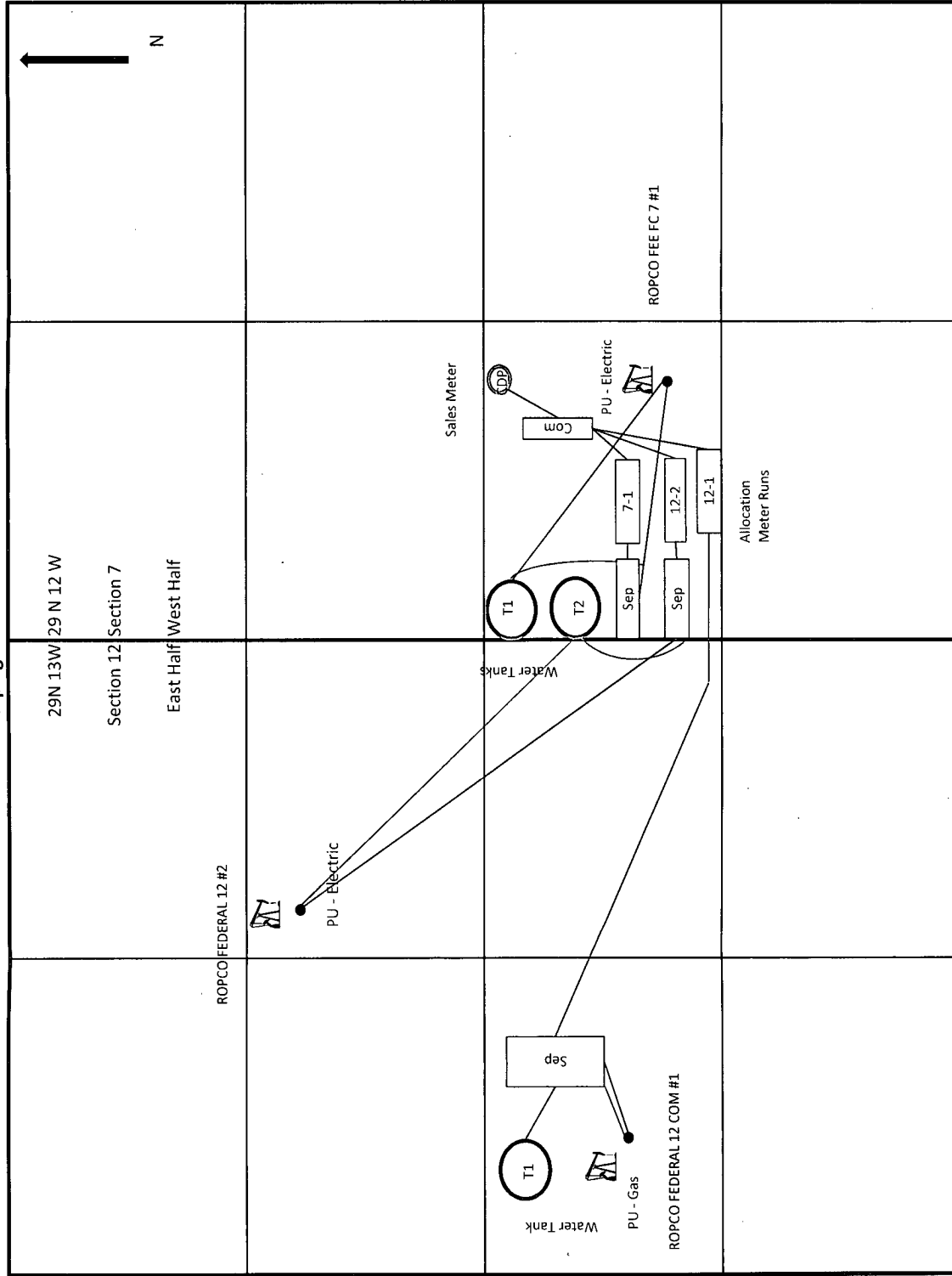
Meter Calibration Schedule

Due to the well's decline in production and in order to reduce operating costs McElvain requests that the calibration interval for the allocation meters be on a biannual basis.

Effective Date

McElvain requests this application be approved retroactively from the date of taking over operations, September 1, 2006.

Piping Schematic



Note: Drawing not to scale

Water Line
Gas Line

Compressor
Separator

Com
Sep

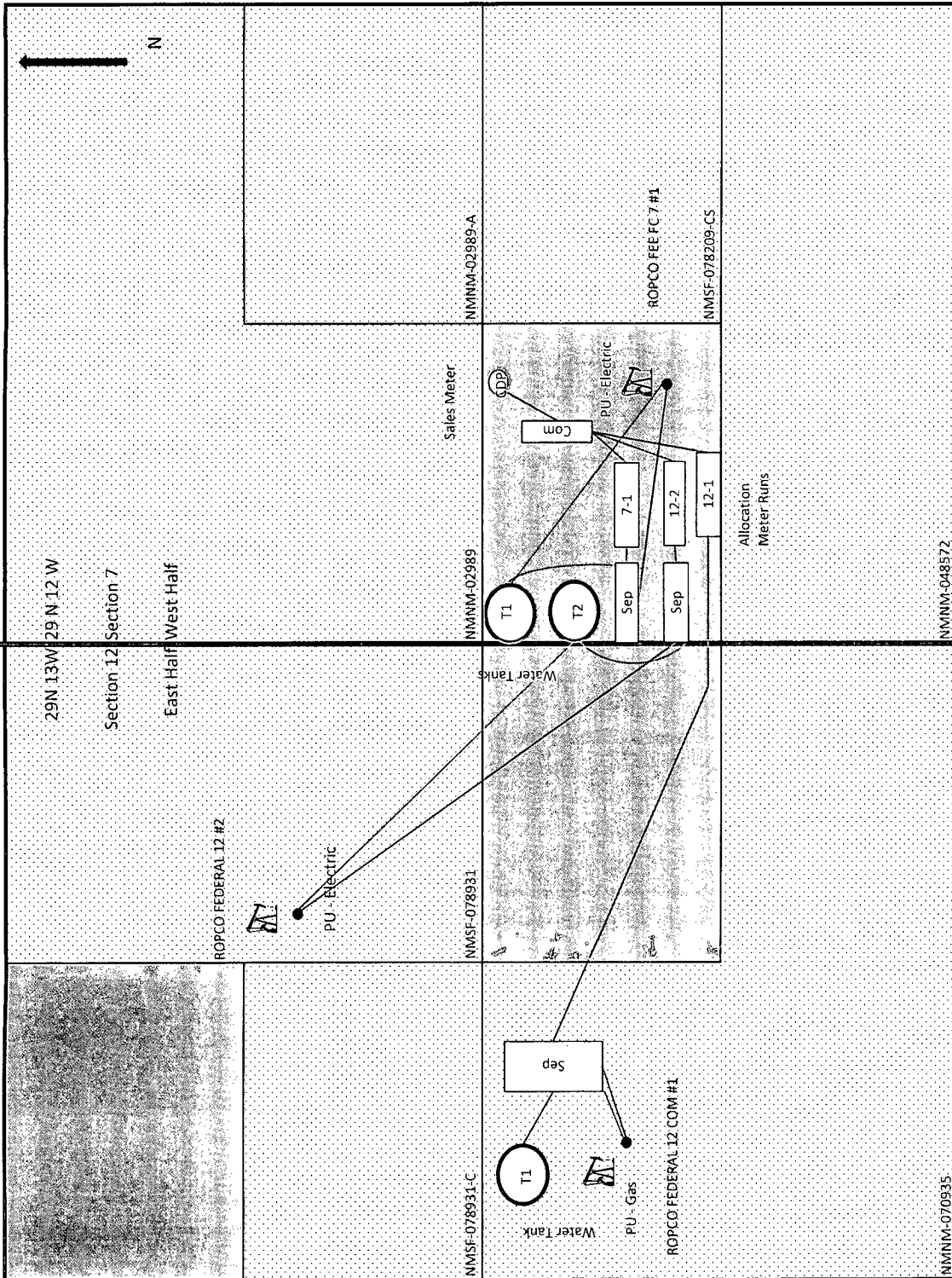
Wells

Federal Lease
Fee Lease

Fruitland Coal Communitized Agreement Boundaries

CA: NMNM-92456

CA: NMNM-89403



Note: Drawing not to scale

Water Line
Gas Line

Compressor
Separator

Wells

Federal Lease
Fee Lease

Site map showing the location of the proposed gas pipeline and related infrastructure. The map includes a north arrow, a scale bar, and various labels for infrastructure elements like water tanks, gas pipelines, and electrical systems. The map is divided into sections by a grid, with labels for each section. The map also includes a legend for the symbols used.

Labels on the map include:

- Section 12 Section 7
- East Half West Half
- ROPFC FEDERAL 12 #2
- ROPFC FEDERAL 12 COM #1
- Water Tank
- PU - Gas
- PU - Electric
- Sep
- T1
- T2
- Com
- Allocation Meter Runs
- Sales Meter
- ROPFC FEE FC 7 #1

Grid labels:

- 29N 13W 29 N 12 W
- NMNM-02989-A
- NMNM-02989
- NMNM-02989-B
- NMNM-048572
- NMNM-078931-C
- NMNM-078931
- NMNM-078931-D
- NMNM-078931-E
- NMNM-078931-F
- NMNM-078931-G
- NMNM-078931-H
- NMNM-078931-I
- NMNM-078931-J
- NMNM-078931-K
- NMNM-078931-L
- NMNM-078931-M
- NMNM-078931-N
- NMNM-078931-O
- NMNM-078931-P
- NMNM-078931-Q
- NMNM-078931-R
- NMNM-078931-S
- NMNM-078931-T
- NMNM-078931-U
- NMNM-078931-V
- NMNM-078931-W
- NMNM-078931-X
- NMNM-078931-Y
- NMNM-078931-Z

Legend:

- Water Tank
- PU - Gas
- PU - Electric
- Sep
- T1
- T2
- Com
- Allocation Meter Runs
- Sales Meter
- ROPFC FEE FC 7 #1

— Water Line
— Gas Line

Com
Sep

Federal Lease
Fee Lease

Well	Communitization Agreement	Lease Numbers	Legal Description	Sources
Ropco 7-1 FC	NMNM89403		Section 7 NW/4NW/4 Lot 1 (39.13 acres) SW/4NW/4 Lot 2 (39.19 acres), NE/4NW/4 (40 acres) containing 118.32 acres of T29N R12W San Juan County, New Mexico	Communitization Agreement dated March 11, 1993
		NMNM02989	Section 7 SE/4NW/4 containing 40.00 acres of T29N R12W San Juan County New Mexico	Communitization Agreement dated March 11, 1993
		NMNM02989A	Section 7 SE/4SW/4 Lot 10 (39.86 acres) SW/4SW/4 Lot 11 (38.95 acres), containing 78.81 acres of T29N R12W San Juan County, New Mexico	Communitization Agreement dated March 11, 1993
		NMNM048572	Section 7 NE/4SW/4 containing 40.00 acres of T29N R12W San Juan County New Mexico	Communitization Agreement dated March 11, 1993
		NMSF078209CS		Communitization Agreement dated March 11, 1993
		Fee Minerals	Section 7 NW/4SW/4 Lot 3 (39.23 acres) of T29N R12W San Juan County, New Mexico	
Ropco 12-1 PC	NMNM92372	NMNM070935	Section 12 S/2SE/4 NW/4SE/4 T29N, R13W containing 120 acres, in San Juan County, New Mexico.	Communitization Agreement dated March 1, 1994
		Fee Minerals	Section 12 NE/4SE/4 T29N, R13W containing 40 acres, in San Juan County, New Mexico	Communitization Agreement dated March 1, 1994
Ropco 12-2 PC _o	NMNM92457		Section 12 E/2NE/4 T29N, R13W containing 80 acres, in San Juan County, New Mexico.	Communitization Agreement dated October 15, 1994
		NMSF078931	Section 12 SW/4NE/4 T29N, R13W containing 40 acres in San Juan County, New Mexico.	Communitization Agreement dated October 15, 1994
		NMSF078931C	Section 12 NW/4NE/4 T29N, R13W containing 40 acres, in San Juan County, New Mexico	Communitization Agreement dated October 15, 1994
		Fee Minerals		

Well	Communitization Agreement	Lease Numbers	Legal Description	Sources
Ropco 12-1 FC & Ropco 12-2 FC	NMNM92456	NMNM070935	Section 12 S/2SE/4, NW/4SE/4 T29N, R13W containing 120 acres, in San Juan County, New Mexico	Communitization Agreement dated October 15, 1994
		NMSF078931	Section 12 E/2NE/4 T29N, R13W containing 80 acres, in San Juan County, New Mexico.	Communitization Agreement dated October 15, 1994
		NMSF078931C	Section 12 SW/4NE/4 T29N, R13W containing 40 acres, in San Juan County, New Mexico.	Communitization Agreement dated October 15, 1994
		Fee Minerals	Section 12 NW/4NE/4 T29N, R13W containing 40 acres, and Section 12 NE/4SE/4 T29N, R13W containing 40 acres, San Juan County, New Mexico.	Communitization Agreement dated October 15, 1994



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

CONDITIONS OF APPROVAL FOR OFF-LEASE MEASUREMENT AND SURFACE COMMINGLING OF OIL AND GAS

- Liquid hydrocarbons produced at the CDP must be allocated back to each well in proportion to the well's allocated gas production. Fuel used at the CDP must also be allocated back to each contributing well in proportion to each well's allocated gas production.
- Allocation must be made on an MMBTU basis. BTU measurements must be taken from each well prior to commingling gas production.
- Measurement of gas at the CDP must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site security, Onshore Order No. 4, Oil Measurement, Onshore Order No. 5, Gas Measurement and NM NTL 2008-01, Standards for the Use of Electronic Flow Computers.
- In Order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- No other wells can be added to this system of measurement and sales without the prior approval of this office.
- Contact this office in the event of any lost hydrocarbons between the wells and the CDP.