



555 SEVENTEENTH STREET • SUITE 2400 • DENVER, COLORADO 80202 • 303 298-1000 • FAX 303 299-1518

May 6, 2015

T.H. McElvain Oil & Gas  
Attn: Mr. Rick Harris  
1050 17th Street, #2500  
Denver, CO 80265

**RECEIVED**

**MAY 07 2015**

McElvain Energy, Inc.  
Denver Office

Via Federal Express

Re: Ponderosa Well #1  
T24N-R2W, Section 24: All  
Rio Arriba County, NM

Dear Mr. Harris:

Anschutz Oil Company ("Anschutz") hereby proposes the drilling and completion of the above referenced well (the "Well") to an approximate total depth of approximately 8,408' to test the Mancos and Dakota Formations. To improve the economics of the well, Anschutz proposes to complete both the Mancos and Dakota Formations, and to comingle production from these horizons. The estimated completed well cost is \$3.426 million, as detailed within the attached Authority for Expenditure ("AFE"). The costs set forth in the attached AFE are estimates and actual costs may be higher or lower.

The spacing unit for this well is proposed to be 640 acres, comprised of all of Section 24, T24N-R2W. This proposed spacing unit is in the area of the Gavilan-Mancos Pool, which provides for 640 acre spacing, and in the area of the Greenhorn-Graneros-Dakota Pool and the West Lindrith Gallup-Dakota Pool, both of which provide for 320 acre spacing. To accommodate the proposed comingling of production, Anschutz plans to apply for a non-standard spacing unit for the Dakota, to conform the spacing for both the Mancos and Dakota Formations at 640 acres. With respect to parties who own different interests in the Mancos and Dakota Formations, Anschutz proposes that these parties should share in the drilling costs in on a 50-50 basis in the proportions that such parties own in each of the two formations, and that such parties should bear their proportional shares of the costs of completion in each formation, and that the comingled production shall be shared proportionately based upon production tests in the two formations after completion. According to our title information, T.H. McElvain Oil & Gas owns no working interest in the 640 acre spacing unit in the Mancos Formation and 25.00% working interest in the 640 acre spacing unit in the Dakota Formation. Therefore, we would propose that McElvain would pay 25.00% of 50% of the drilling and completion cost of this well.

**BEFORE THE OIL CONVERSATION  
DIVISION**

Santa Fe, New Mexico


**Exhibit No. 2**

Submitted by: T.H. McElvain Oil & Gas, LLLP  
Hearing Date: June 11, 2015

Please indicate your election to participate or not participate in the drilling of this well, by signing and dating the appropriate space below. In the event that you elect to participate in the drilling of the well, please provide us with your drilling and geologic reports requirements, along with the signed AFE, and we will provide you with a proposed JOA, on an 1989 AAPL form. In the event that you are not interested in participating in the drilling of this well, please contact the undersigned to discuss other options in connection with your interest in the spacing unit and well (i.e., farmout, term assignment, or entering into a JOA providing for a non-consent penalty). Anschutz is working under a tight deadline to drill this well, therefore, we will appreciate your prompt response to this notice. Please respond by June 1, 2015 if at all possible.

Please feel free to call me at 303-299-1478 if you should have any questions about this matter, or if I can be of assistance to you in any way.

Sincerely,

  
Deidre O'Callaghan  
Senior Landman

\_\_\_\_\_ T.H. McElvain Oil & Gas elects to participate in the drilling and completion of the Ponderosa Well #1, enclosed is the executed AFE and our geological requirements form.

\_\_\_\_\_ T.H. McElvain Oil & Gas elects not to participate in the drilling and completion of the Ponderosa Well #1. T.H. McElvain Oil & Gas would like to consider an option to farmout or enter into a term assignment or joint operating agreement in connection with its interest in the well and associated spacing unit.

**WI Owner:** T.H. McElvain Oil & Gas

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ANSCHUTZ Oil Company**  
**AUTHORITY FOR EXPENDITURE**  
**DRILLING, COMPLETION, EQUIPMENT**

BU/Job #: \_\_\_\_\_ BU/Job Name: Ponderosa #1

Parent BU#: 2967 Date: May 4, 2015

Description: Drill, complete and equip a 8,408' Vertical Dakota test.  
Ponderosa #1  
Rio Arriba, NM

**ANSCHUTZ OIL COMPANY EXPENDITURES**

	Previously Approved	Currently Requested	Total
Drilling	0	2,555,721	2,555,721
Completion	0	870,500	870,500
Total Costs	\$0	\$3,426,221	\$3,426,221

**REASON FOR RECOMMENDATION**

**AUTHORIZATION AND APPROVAL**

Recommended by:	<u>Mark Amundson</u>	Approved by:	_____
	<u>Ashley Tolbert</u>	Name:	<u>Galen Brenize, VP Ops &amp; Eng</u>
	<u>Gregg Randall</u>	Date:	_____
Date:	_____	Approved by:	_____
Election	_____	Name:	<u>Joseph DeDominic; President and COO</u>
Approved by:	_____	Date:	_____
Print Name	_____	Approved by:	_____
Title	_____	Name:	<u>Deidre O'Callaghan</u>
Company	_____	Date:	_____
Date	_____		

**ANSCHUTZ Oil Company**  
**AUTHORITY FOR EXPENDITURE**  
**DRILLING AND COMPLETION**

BU/Job #: \_\_\_\_\_ BU/Job Name: Ponderosa #1  
 Parent BU#: \_\_\_\_\_ 2967 Date: May 4, 2015

**DETAIL COSTS**

<u>ACCOUNT #</u>	<u>DESCRIPTION</u>	<u>PREVIOUSLY APPROVED</u>	<u>CURRENTLY REQUESTED</u>	<u>TOTAL</u>
Intangible Drilling Costs				
3530.00200	IDC- Allocated Labor		-	-
3530.00210	IDC- Alloc. Labor Burden		-	-
3530.00220	IDC- Drill Bits		50,448	50,448
3530.00230	IDC- Casing Crews, Too		45,403	45,403
3530.00240	IDC- Cement, Cementing		100,804	100,804
3530.00250	IDC- Communications		1,851	1,851
3530.00260	IDC- Contract Drilling		315,225	315,225
3530.00270	IDC- Coring, Coreheads		-	-
3530.00280	IDC- Directional Drill		78,049	78,049
3530.00290	IDC- Drillstem Testing		-	-
3530.00300	IDC- Equipment Rental		218,467	218,467
3530.00310	IDC- Fuels, Lubricants		63,095	63,095
3530.00320	IDC- Inspect - Tubular		26,969	26,969
3530.00330	IDC- Insurance		-	-
3530.00340	IDC- Location, Road		200,000	200,000
3530.00350	IDC- Logging Downhole		282,000	282,000
3530.00360	IDC- Mobilization, Demobilization		200,000	200,000
3530.00370	IDC- Mud logging		73,358	73,358
3530.00380	IDC- Mud, Chemicals		263,164	263,164
3530.00390	IDC- Other Intangible		101,794	101,794
3530.00400	IDC- Outside Operated		-	-
3530.00410	IDC- Overhead		3,183	3,183
3530.00420	IDC- Plug & Abandonment		-	-
3530.00430	IDC- Product, Test		-	-
3530.00440	IDC- Surv, Prmts, Surf DMG	100,000	-	100,000
3530.00450	IDC- Taxes		-	-
3530.00460	IDC- Third Party Supervision		100,684	100,684
3530.00470	IDC- Transportation		60,344	60,344
3530.00480	IDC- Vehicle Charges		-	-
3530.00490	IDC- Water		8,828	8,828
3530.00500	IDC- Year End Well		-	-
Intangible Drilling Subtotal		\$100,000	\$2,193,666	\$2,293,666

**ANSCHUTZ Oil Company**  
**AUTHORITY FOR EXPENDITURE**  
**DRILLING AND COMPLETION**

BU/Job #: \_\_\_\_\_ BU/Job Name: Ponderosa #1  
 Parent BU#: 2967 Date: May 4, 2015  
 Location: Ponderosa #1 County, State: Rio Arriba, NM

**DETAIL COSTS**

ACCOUNT #	DESCRIPTION	PREVIOUSLY APPROVED	CURRENTLY REQUESTED	TOTAL
Tangible Drilling Costs				
3540.00600	TDC- Surface Casing		31,942	31,942
3540.00610	TDC- Intermediate Casing		-	-
3540.00620	TDC- Well Head Equipment		25,600	25,600
3540.00630	TDC- Casing Head		-	-
3540.00640	TDC- Production Casing		204,513	204,513
3540.00650	TDC- Outside Operated LW		-	-
Tangible Drilling Subtotal		\$0	\$262,055	\$262,055
TOTAL		\$100,000	\$2,455,721	\$2,555,721

**STATUS**

Preliminary ☒ Revised ☐ Final ☐

**DIVISION OF INTEREST**

WORKING INTEREST OWNER(S)	BCP %	ACP%	Post comp %
Anschutz Oil Company	100.000000%		
TOTAL	100.000000%	0.000000%	0.000000%

**AUTHORIZATION AND APPROVAL**

Recommended by:	<u>Mark Amundson</u>	Approved by:	<u>Galen Brenize, VP Ops &amp; Eng</u>
	<u>Ashley Tolbert</u>	Name:	
	<u>Gregg Randall</u>	Date:	
Date:		Approved by:	<u>Joseph DeDominic, President and COO</u>
		Name:	
		Date:	
Election		Approved by:	<u>Deidre O'callaghan</u>
Approved by:		Name:	
Print Name		Date:	
Title			
Company			
Date			

**ANSCHUTZ Oil Company**  
**AUTHORITY FOR EXPENDITURE**  
**DRILLING AND COMPLETION**

BU/Job #: \_\_\_\_\_ BU/Job Name: Ponderosa #1  
 Parent BU#: \_\_\_\_\_ 2967 Date: May 4, 2015

**DETAIL COSTS**

<u>ACCOUNT #</u>	<u>DESCRIPTION</u>	<u>PREVIOUSLY APPROVED</u>	<u>CURRENTLY REQUESTED</u>	<u>TOTAL</u>
Intangible Completion Costs				
3550.00700	Allocated Labor	-	-	-
3550.00710	Allocated Labor Burden	-	-	-
3550.00720	Bits & Reamers	-	15,000	15,000
3550.00730	Casing Crews, Tools	-	-	-
3550.00740	Cement, Cementing	-	-	-
3550.00750	Communications	-	-	-
3550.00760	Contract Drilling	-	45,000	45,000
3550.00770	Drillstem Testing	-	-	-
3550.00780	Equipment Rental	-	94,500	94,500
3550.00790	Fuels, Lubricants	-	5,000	5,000
3550.00800	Inspect - Tubular	-	-	-
3550.00810	Insurance	-	-	-
3550.00820	Locations, Road	-	25,000	25,000
3550.00830	Logging, Downhole	-	16,500	16,500
3550.00840	Mobilization, Demobilization	-	16,000	16,000
3550.00850	Mud, Chemicals	-	-	-
3550.00860	Other Intangible	-	15,000	15,000
3550.00870	Outside Operated	-	-	-
3550.00880	Overhead	-	-	-
3550.00890	Plug & Abandonment	-	-	-
3550.00900	Production Test, Pressure Survey	-	71,000	71,000
3550.00910	Stimulation	-	65,000	65,000
3550.00920	Surv, Pmts, Surf DMG	-	-	-
3550.00930	Taxes	-	-	-
3550.00940	Third Party Supervision	-	93,000	93,000
3550.00950	Transportation	-	10,000	10,000
3550.00960	Vehicle Charges	-	-	-
3550.00970	Water	-	25,000	25,000
Intangible Completion Subtotal		\$0	\$496,000	\$496,000

BU/Job #:	_____	BU/Job Name:	<u>Ponderosa #1</u>
Parent BU#:	_____2967	Date:	<u>May 4, 2015</u>
Location:	<u>Ponderosa #1</u>	County, State:	<u>Rio Arriba, NM</u>

ACCOUNT #	DESCRIPTION	PREVIOUSLY APPROVED	CURRENTLY REQUESTED	TOTAL
Tangible Completion Costs				
3560.01100	Artificial lift Equipment		15,000	15,000
3560.01110	Battery & Production		55,000	55,000
3560.01120	Buildings		-	-
3560.01130	Flowlines, Fittings		65,000	65,000
3560.01140	Gas Sales Facility & Comp.		150,000	150,000
3560.01150	Install, Trans of Lease		25,000	25,000
3560.01160	Miscellaneous Equipment		-	-
3560.01170	Outside Operated Comp.		-	-
3560.01180	Pipelines		-	-
3560.01190	Production Casing		-	-
3560.01200	Tubing, Subsurface Prod.		57,000	57,000
3560.01210	Wellhead Equipment		7,500	7,500
Tangible Completion Subtotal		\$0	\$374,500	\$374,500
TOTAL		\$0	\$870,500	\$870,500

Preliminary ☒ Revised ☐ Final ☐

<u>WORKING INTEREST OWNER(S)</u>	<u>BCP %</u>	<u>ACP%</u>	<u>Post comp %</u>
Anschutz Oil Company	100.000000%	100.000000%	100.000000%
TOTAL			
TOTAL	100.000000%	100.000000%	100.000000%

Recommended by:	Mark Amundson	Approved by:	
	Ashley Tolbert	Name:	Galen Brenize, VP Ops & Eng
	Gregg Randall	Date:	
Date:		Approved by:	
		Name:	Joseph DeDominic, President and COO
		Date:	
		Approved by:	
		Name:	Deidre O'callaghan
		Date:	