

MC ELVAIN ENERGY, INC.

1050 17TH STREET, SUITE 2500
DENVER, COLORADO 80265-2080

RICK HARRIS
LAND MANAGER

TELEPHONE 303-962-6487
FAX 855-613-9139
E-MAIL: RICK.HARRIS@MC ELVAIN.COM

October 6, 2017

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

RE: Case No. 15743, Order No. R-14455
EK 31 BS2 Federal Com #1H
Township 18 South, Range 34 East, N.M.P.M.
Section 31: E2E2 (Pooled Unit)
SHL: SESE of Section 30-18S-34E, 124' FSL; 892' FEL
BHL: SESE of Section 31-18S-34E, 230' FSL, 926' FEL
Lea County, New Mexico

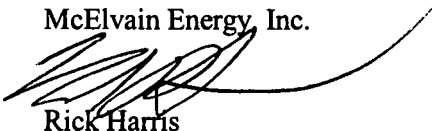
Dear Sir or Madam:

Pursuant to order number R-14455, enclosed please find copies of the itemized schedule of estimate costs of drilling, completing, and equipping the captioned well that were sent to the Pooled Working Interest Owners.

If you have any questions or need additional information please do not hesitate to contact the undersigned.

Very truly yours,

McElvain Energy, Inc.



Rick Harris
Land Manager

Enclosures



AUTHORIZATION FOR EXPENDITURE COST ESTIMATE

Owner: 50

T H MCELVAIN OIL & GAS LLLP

PARTNERSHIP

1050 17TH STREET, SUITE 2500

DENVER CO 80265

AFE: DONM17000459

EK 31 BS2 FED COM 1H

DRILL TO 14,825' MD

Property Code

Property Name

FBS Type Name

NM0026-47.01

EK 31 BS2 FEDERAL COM #1H

Zone

AFE Budget

Type	4000	Description	IDC	OTHER	DRLNG	COMPL	Total
4004		STAKING, PERMIT & LEGAL FEES		0.00	25,000.00	0.00	25,000.00
4011		SURFACE DAMAGES, RIGHT OF WAY		0.00	15,000.00	0.00	15,000.00
4015		LOCATION/ROAD		0.00	75,000.00	0.00	75,000.00
4111		DRILLING, DAYWORK		0.00	437,500.00	0.00	437,500.00
4116		MOB/DEMOB		0.00	75,000.00	0.00	75,000.00
4118		RIG FUEL		0.00	93,750.00	0.00	93,750.00
4119		DRILL PIPE INSPECTION		0.00	75,000.00	0.00	75,000.00
4120		DRILLING WATER		0.00	60,000.00	0.00	60,000.00
4125		DRILLING MUD & ADDITIVES		0.00	100,000.00	0.00	100,000.00
4135		BITS		0.00	75,000.00	0.00	75,000.00
4204		MUD LOGS		0.00	50,000.00	0.00	50,000.00
4216		DIRECTIONAL TOOLS & SERVICES		0.00	180,000.00	0.00	180,000.00
4220		OPEN HOLE LOGS		0.00	20,000.00	0.00	20,000.00
4225		CEMENT, CEMENTING TOOLS & SERV		0.00	75,000.00	0.00	75,000.00
4250		TOOL & EQUIPMENT RENTAL		0.00	235,000.00	0.00	235,000.00
4408		CASING CREW		0.00	15,000.00	0.00	15,000.00
4480		TRUCKING & TRANSPORTATION		0.00	40,000.00	0.00	40,000.00
4515		ROUSTABOUT SVC & CONTRACT LABOR		0.00	100,000.00	0.00	100,000.00
4611		CLOSED LOOP SYSTEM COSTS		0.00	225,000.00	0.00	225,000.00
4615		FIELD SUPERVISION		0.00	105,000.00	0.00	105,000.00
4620		DRILLING OVERHEAD		0.00	15,000.00	0.00	15,000.00
4715		OTHER INT DRILLING COSTS		0.00	25,000.00	0.00	25,000.00
Total:				0.00	2,116,250.00	0.00	2,116,250.00

Type	5000	Description	INTANGIBLE COMPLETION				
5004		STAKING, PERMIT & LEGAL FEES		0.00	0.00	10,000.00	10,000.00
5011		SURFACE DAMAGES, RIGHT OF WAY		0.00	0.00	15,000.00	15,000.00
5015		LOCATION, ROAD		0.00	0.00	50,000.00	50,000.00
5111		DRILLING, DAYWORK		0.00	0.00	150,000.00	150,000.00
5112		PULLING UNIT-COMPLETION UNIT		0.00	0.00	16,000.00	16,000.00
5121		COMPLETION WATER		0.00	0.00	150,000.00	150,000.00
5126		FLUID DISPOSAL		0.00	0.00	81,000.00	81,000.00
5127		WATER TRUCK SVCS - OTHER		0.00	0.00	5,000.00	5,000.00
5220		CASED HOLES, LOGS & PERFORATING		0.00	0.00	125,000.00	125,000.00
5225		CEMENT, CEMENTING TOOLS & SERV		0.00	0.00	75,000.00	75,000.00
5250		TOOL & EQUIPMENT RENTAL		0.00	0.00	75,000.00	75,000.00
5408		CASING CREW		0.00	0.00	20,000.00	20,000.00
5480		TRUCKING & TRANSPORTATION		0.00	0.00	30,000.00	30,000.00
5515		ROUSTABOUT SERVICE & CONTRACT LABOR		0.00	0.00	150,000.00	150,000.00
5520		STIMULATION: FRAC, ACID, ETC.		0.00	0.00	1,200,000.00	1,200,000.00
5550		SLICKLINE SERVICES		0.00	0.00	25,000.00	25,000.00
5560		HOT OIL SERVICE		0.00	0.00	10,000.00	10,000.00
5580		MISC. MATERIALS & SUPPLIES		0.00	0.00	5,000.00	5,000.00
5609		ELECTRICAL INSTALLATION		0.00	0.00	50,000.00	50,000.00
5610		REGULATORY COMPLIANCE		0.00	0.00	5,000.00	5,000.00
5615		FIELD SUPERVISION		0.00	0.00	53,500.00	53,500.00
5620		COMPLETION OVERHEAD		0.00	0.00	4,000.00	4,000.00



AUTHORIZATION FOR EXPENDITURE COST ESTIMATE

5715	OTHER COMPLETION COSTS	0.00	0.00	25,000.00	25,000.00
Total:		0.00	0.00	2,329,500.00	2,329,500.00
Type	8000 Description	TANGIBLES			
8005	SURFACE CASING	0.00	0.00	64,000.00	64,000.00
8010	INTERMEDIATE CASING	0.00	0.00	119,000.00	119,000.00
8015	PRODUCTION CASING/LINER	255,731.00	0.00	0.00	255,731.00
8025	TUBING	49,200.00	0.00	0.00	49,200.00
8026	TUBING EQUIPMENT & ACCESSORIES	7,500.00	0.00	0.00	7,500.00
8205	CHRISTMAS TREE AND WELLHEAD	30,000.00	0.00	0.00	30,000.00
8220	SEPARATION EQUIPMENT	110,000.00	0.00	0.00	110,000.00
8230	STORAGE FACILITIES-TANKS	100,000.00	0.00	0.00	100,000.00
8250	LINE PIPE & FITTINGS	175,000.00	0.00	0.00	175,000.00
8303	GAS ENGINES	125,000.00	0.00	0.00	125,000.00
8410	METERING EQUIPMENT	90,000.00	0.00	0.00	90,000.00
8505	TRUCKING & CONSTRUCTION COSTS	100,000.00	0.00	0.00	100,000.00
8506	TRUCKING SURF EQUIPT INSTALL	25,000.00	0.00	0.00	25,000.00
8705	NON-CONTROLLABLE EQUIP	60,000.00	0.00	0.00	60,000.00
Total:		1,127,431.00	0.00	183,000.00	1,310,431.00
Total:		1,127,431.00	2,116,250.00	2,512,500.00	5,756,181.00

MCELVAIN ENERGY INC

T H MCELVAIN OIL & GAS LLLP

OTHER 0.05625000 63,417.99

DRLNG 0.05625000 119,039.06

COMPL 0.05625000 141,328.13

Approved By: _____

Approved By: _____

Date: _____

Date: _____

This AFE is an estimate of the proposed expenditure and by the WIO's execution of the AFE he acknowledges that this is an estimate only and agrees to reimburse operator for the actual cost.