

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD Hobbs

FORM APPROVED  
OMB NO. 1004-0135  
Expires: July 31, 2010**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 <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM0245247
2. Name of Operator MCELVAIN OIL & GAS PROP INC		6. If Indian, Allottee or Tribe Name
3a. Address 1050 17TH STREET SUITE 1800 DENVER, CO 80265-1801		7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) Ph: 303-893-0933 Ext: 331 Fax: 303-893-0914		8. Well Name and No. MCELVAIN 04
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 25 T18S R33E SWSE 660FSL 1980FEL		9. API Well No. 30-025-28997-00-S2
		10. Field and Pool, or Exploratory EK
		11. County or Parish, and State LEA COUNTY, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Venting and/or Flaring
	<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.)

McElvain Energy Inc. (MEI) respectfully requests permission to install enclosed combustors at 3 well pads in Lea County, NM. This request is necessary because the gas transporter, Frontier Field Services, has denied McElvain access to the pipeline on six wells (McElvain #2, #5, #6, #7, #8, & #9) due to high nitrogen levels (> 4%) in the gas stream. Since that time, MEI has been working with Frontier on a solution so gas sales can be resumed. However, no workable solution has been identified at this time.

See Attached Continuation Sheet

**SEE ATTACHED FOR  
CONDITIONS OF APPROVAL**

14. I hereby certify that the foregoing is true and correct. <b>Electronic Submission #350798 verified by the BLM Well Information System For MCELVAIN OIL &amp; GAS PROP INC, sent to the Hobbs Committed to AFMSS for processing by DEBORAH MCKINNEY on 09/15/2016 (16DLM0999SE)</b>	
Name (Printed/Typed) CHRIS CAPLIS	Title VP DRILLING AND COMPLETION
Signature (Electronic Submission)	Date 09/12/2016

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved By CHARLES NIMMER	Title PETROLEUM ENGINEER	Date 10/18/2016
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 Hobbs

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.

**\*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\***

MSB/ocd 10/24/2016



McElvain Energy Inc. (MEI) respectfully requests permission to install enclosed combustors at 3 well pads in Lea County, NM. This request is necessary because the gas transporter, Frontier Field Services, has denied McElvain access to the pipeline on six wells (McElvain #2, #5, #6, #7, #8, & #9) due to high nitrogen levels (> 4%) in the gas stream. Since that time, MEI has been working with Frontier on a solution so gas sales can be resumed. However, no workable solution has been identified at this time.

MEI has researched the possibility of installing N2 rejection skids at the individual facilities to reduce N2 levels to < 4%. However, with an estimated purchase price of \$100,000 each, or an estimated \$25,000 per month rental fee, and combined production levels of ~80 Bopd & ~210 Mcfd, this solution proves to be uneconomic at current natural gas prices. The total cost of installing and operating the N2 rejection equipment necessary to make the gas marketable greatly exceeds the value of the gas over the remaining life of the facility.

Due to the low volume of gas produced from the wells, McElvain would like permission to transport the gas from the McElvain #5, McElvain #6, McElvain #9, & McElvain #7 to a centrally located enclosed combustor at the McElvain #4. The gas will be transported above ground via 3580' of 2" - SDR 7, and 3126' of 3" SDR 7 HDPE poly pipe rated for natural gas service. At the McElvain #8 and the McElvain #2 well pads smaller, lower volume, enclosed combustors will be installed to service each individual well.

The gas volumes sent to each combustor will be:

McElvain #5, McElvain #6, McElvain #7, & McElvain #9 gas gathered and routed to the McElvain #4 (Combustor) ~153 Mcfd (25 18S 33E)

McElvain #8, (Combustor) ~25 Mcfd (30 18S 34E)

McElvain #2, (Combustor) ~27 Mcfd (29 18S 34E)

McElvain wells #5, #6, #7, & #9 are all associated with lease # NM-245247, so crossing lease boundaries with the above ground gas lines will not be necessary. The gathering lines for the McElvain #4 combustor will consist of ~ 3580' of 2" SDR 7 HDPE and ~ 3126' of 3" will be SDR 7 HDPE. The gathering lines will carry < 30 psi.

The combustors and gathering lines will be inspected by a McElvain Field Representative each day. The combustors will be equipped with auto-ignition controllers to ensure the units stay lit. Since the combustors are enclosed and the additional safety monitoring equipment is being installed, the 24/7 human surveillance requirements often associated with open candle style flares becomes unnecessary.

Therefore, MEI is requesting permission to combust a volume of approximately 210 Mcfd from six vertical wells in Section 25 T18S R33E (4), 30 T18 R34E (1), and 29 T18 R34E (1) until which time Frontier can resume transportation, or MEI can find a different transporter, whichever happens first.

MEI understands that the following conditions may apply:

MEI may be required to provide volume verification to the Authorized Officer upon request.

MEI will be required to comply with NTL-4A requirements.

~~Since the volume being combusted is less than 50 MCF per well per day, the gas is considered "unavoidably lost"; therefore, no royalty obligation shall be accrued and will not be required to be reported.~~

Approval does not authorize any additional surface disturbance.

Subject to approval from NMOCD.

Attached are the following:

An area diagram of the wells, and the proposed gas line routes to the combustor at the McElvain #4.







BUREAU OF LAND MANAGEMENT  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad, New Mexico 88220  
575-234-5972

McElvain Energy Inc.  
McElvain 4 Combuster  
NMNM0245247

10/18/2016

This field office has evaluated the attached Notice of Intent as a request for flaring/venting beyond NTL-4A allowable thresholds (reasons, timeframes and volumes), and has determined the following Conditions of Approval apply.

### **Condition of Approval to Flare Gas**

1. Comply with NTL-4A requirements
2. Subject to like approval from NMOCD
3. **Flared volumes are considered "unavoidably lost" and will not require payment of royalties due to Economic Justifications.**
4. This approval does not authorize any additional surface disturbance.
5. An updated facility diagram is required within 60 days of modifications to existing facilities per Onshore Order #3.
6. Approval not to exceed 12 months, (from 10/18/16 to 10/17/17), if flaring is still required past 12 months submit new request for approval.

**Definition:** As per NTL-4A II. A. "Avoidably lost" production shall mean the venting or flaring of produced gas without the prior authorization, approval, ratification, or acceptance of the Supervisor and the loss of produced oil or gas when the Supervisor determines that such loss occurred as a result of (1) negligence on the part of the lessee or operator, or (2) the failure of the lessee or operator to take all reasonable measures to prevent and/or to control the loss, or (3) the failure of the lessee or operator to comply fully with the applicable lease terms and regulations, appropriate provisions of the approved operating plan, or the prior written orders of the Supervisor, or (4) and combination of the foregoing.

**43CFR3162.7-1 (a)** The operator shall put into marketable condition, if economically feasible, all oil, other hydrocarbons, gas and sulphur produced from the leased land.

**43CFR3162.1 (a)** The operating rights owner or operator, as appropriate, shall comply with applicable laws and regulations; with the lease terms, Onshore Oil and Gas Orders, NTL's; and with other orders and instructions of the authorized officer. These include, but are not limited to, conducting all operations in a manner which ensures the proper handling, measurement, disposition, and site security of leasehold production; which protects other natural resources and environmental quality; which protects life and property; and which results in maximum ultimate economic recovery of oil and gas with minimum waste and with minimum adverse effect on ultimate recovery of other mineral resources.