

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-work an
abandoned well. Use form 3160-3 (APD) for such proposals.5. Lease Serial No.
NMNM0245247

6. If Indian, Allottee or Tribe Name

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

SUBMIT IN TRIPLICATE - Other instructions on page 2

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
MCELVAIN ENERGY INCContact: TONY G COOPER
E-Mail: tony.cooper@mcelvain.com3a. Address
511 16TH STREET SUITE 700
DENVER, CO 802023b. Phone No. (include area code)
Ph: 303-893-0933 Ext: 331

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

Sec 25 T18S R33E NESW 1980FSL 1975FWL

8. Well Name and No.
EDITH FEDERAL 049. API Well No.
30-025-36058-00-S110. Field and Pool or Exploratory Area
EK

11. County or Parish, State

LEA COUNTY, NM

12. CHECK THE 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"/> Hydraulic Fracturing	<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 must 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 must be filed once testing has been completed. Final Abandonment Notices must 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 is respectfully requesting a ?royalty free? determination along with a 180 day flaring extension for this well. McElvain is asking that the ?royalty free? determination be made retroactive back to May 31, 2018 when the BLM determined this gas to be royalty bearing. The regulatory basis for this request can found at 43 CFR 3179.201c(1).

This well has a nitrogen level in the gas that is over the gas contract specs and Frontier Field Services (FFS) has ceased purchasing the gas. McElvain is currently producing the wells and flaring the associated gas (under current BLM CFO approval) in an effort to continue to develop the oil resources.

Cost vs. Revenue Analysis

McElvain estimates a minimum of \$8,600 per month to lease a small nitrogen rejection skid and place

APPROVED FOR 180 DAYS

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #444383 verified by the BLM Well Information System
For MCELVAIN ENERGY INC, sent to the Hobbs
Committed to AFMSS for processing by PRISCILLA PEREZ on 11/30/2018 (19PP0450SE)

Name (Printed/Typed) TONY G COOPER

Title SR EHS SPECIALIST

Signature (Electronic Submission)

Date 11/16/2018

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By /s/ Jonathon Shepard

Title

Petroleum Engineer
Carlsbad Field Office

DEC 11 2018

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.

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)

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

KZ

Additional data for EC transaction #444383 that would not fit on the form

32. Additional remarks, continued

at this site. This is assuming we can even get the N2 rejection equipment procured. Systems this small are not readily available on the open market. Please see attached costvsrevenueEF1 file for a breakdown on the project economics. The cost analysis shows that the cost of leasing the system, electric service, O&M costs, etc. will be cost prohibitive.

A nitrogen rejection system would be most cost effective at the FFS central processing plant than at individual well sites throughout the field. FFS has been approached by McElvain about this situation but McElvain has received no indication from FFS that they are interested in pursuing this option.

Beneficial Use of Flared Gas

All of the flared gas that can be used (fuel gas for heater treaters ~3 mcf/d) on lease is already currently being used. We currently have no propane being used on the leases that we could be substituted for flared gas. All of the pumping unit prime movers are electric.

I have attached the file ?GasContract2? which includes this well and the stated nitrogen specs. I have also attached the most recent gas analysis for this well.

GAS PURCHASE CONTRACT 2

Between

CHESAPEAKE PERMIAN LP

"Seller"

and

FRONTIER FIELD SERVICES, LLC

"Buyer"

Date: JANUARY 1, 2004

4. QUALITY.

- 4.1 Unless otherwise specified in the Base Contract, Gas delivered hereunder will be commercially free of dust, gum, gum forming constituents, treating chemicals and solid matter that might adversely affect the gathering thereof and will conform to the following specifications:

(a)	Carbon Dioxide	Not more than 2 mole percent (2%)
(b)	Free Water	None
(c)	Hydrogen Sulfide	Not more than 1/4 grain per 100 Cubic Feet
(d)	Mercaptan Sulfur	Not more than 1/10 grain per 100 Cubic Feet
(e)	Total Sulfur	Not more than 0.5 grains per 100 Cubic Feet
(f)	Oxygen	Not more than 0.001 mole percent (0.001%)
→ (g)	Total Inerts	Not more than 3 mole percent (3%), including Nitrogen
(h)	Heating Value	Not less than 1050 Btu per Cubic Foot
(i)	Temperature	Not more than 120 degrees Fahrenheit

- 4.2 The acceptance of Gas which does not meet the specifications of this Section 4 will not be deemed a waiver of the right to require future deliveries to conform to said specifications.

5. ALLOCATION PROCEDURES.

- 5.1 Buyer is capable of selectively recovering certain Products from time to time. In Buyer's sole judgment, Buyer may decide to recover some or none of the Products from a particular well or wells delivering Gas to the Plant(s).
- 5.2 If Buyer decides to recover less than the total Products recoverable from any well or wells, then it will determine on a well-by-well basis the total theoretical gallons that it wishes to recover. Products will be allocated to the wells from which Buyer elected to recover on a pro-rata basis including Allocated Fuel, Allocated Flare, System Use, and shrinkage, based on the available data concerning the well(s).
- 5.3 The Residue Gas will be allocated on a pro-rata basis to all well(s) based upon the total Btus from each well, as determined from available data, and the total Btus of Residue Gas sold, and taking into account on a well-by-well basis the shrinkage attributable to such well, if any, and the fuel needed to operate the Plant.
- 5.4 All allocations of Products and Residue Gas will be based on measurements and tests attributable to the Dedicated Gas. Seller agrees that this information is sufficient to make the allocations described herein.

6. MEASUREMENT AND TESTING.

- 6.1 The volume of Gas delivered to the Delivery Point(s) will be computed in accordance with the methods prescribed in Gas Measurement Committee Report No. 3 and/or Report No. 7, Natural Gas Department, American Gas Association, including the Appendix and any amendments or supplements thereto. The measurement and tests for quantity and quality of Gas will be made at the Delivery Point(s).
- 6.2 Buyer will install and maintain at no cost to Seller a natural gas measuring station properly equipped with an orifice meter and either an electronic flow recorder or a mechanical chart integrator of standard design and manufacture. The measurements of this measuring station will fix the total quantity of gas delivery at the Delivery Point(s) and will be deemed the exclusive method of measuring gas delivered to Buyer.
- 6.3 Seller will have access to the metering equipment at reasonable times upon request, but only Buyer will do adjustments and calibration. Buyer will keep the measuring equipment accurate and in repair and will test the orifice meter in service semi-annually or more often at Buyer's option. Buyer will also test the measuring equipment upon request of Seller, but if the results of a test requested by Seller are within two percent (2%) by volume high or low of the most recent previous test, Seller will pay for such test.
- 6.4 The meter found on test to register nor more than two (2%) percent by volume high or low will be deemed to be correct as to past measurements but will be corrected to record accurately. If the meter upon test proves to be more than two percent (2%) by volume high or low, adjustment will be made for the gas delivered during the period such meter was registering inaccurately; provided that such period will not exceed half of the time since the last test, and no retroactive adjustments will be made for volume discrepancies less than 100 Mcf. If Buyer's meter is not registering accurately, the registration of Seller's check meter, if accurately indicating within the tolerances provided above, will be used to determine the volume of gas delivered to Buyer until such time as Buyer's meter is adjusted, repaired, or replaced. If Seller has not installed a check meter, or if such check meter has been installed and fails to record accurately, then the volume of gas delivered during the period Buyer's meter was inoperative will be determined upon the basis of the best data available, either by correcting the error if the percentage of error is

EXHIBIT B
DEDICATED INTERESTS

<u>WELL NAME</u>	<u>LEGAL DESCRIPTION</u>	<u>COUNTY/STATE</u>
Archie Fed. #1	Sec. 26-18S-33E	Lea County, NM
State 32 #1	Sec. 32, T16S, R33E	Lea County, NM
Edith Federal #1 ✓	600' FSL, 2310' FWL of Sec. 25, T18S, R33E	Lea County, NM
Edith Federal #2 /	2130' FNL, 1980' FEL of Sec. 25, T18S, R33E	Lea County, NM
Edith Federal #3 /	2130' FNL, 660' FWL of Sec. 25, T18S, R33E	Lea County, NM
Dorothy #1 ✓	Sec. 25, T18S, R33E	Lea County, NM
1 Airstrip Northwest Deep Unit	All of Sec. 20, T18S, R34E	Lea County, NM

Sample Information

	Sample Information
Sample Name	McElvin__Edith Federal 4__GC2-72618-02
Station Number	Wellhead
Lease Name	Edith Federal 4
Analysis For	McElvin Energy
Producer	McElvin Energy
Field Name	529
County	Lea
State	NM
Frequency	Spot
Sample Deg F	60
Atmos Deg F	102
Flow Rate	N/A
Line PSIG	100
Date Sampled	7-19-18
Sampled By	Mike West
Analysis By	Pat Silvas
Report Date	2018-07-26 10:08:06

Component Results

Component Name	Ret. Time	Peak Area	Norm%	PPMV	GPM (Dry) (Gal. / 1000 cu.ft.)
Nitrogen	22.760	192873.1	14.51546	145154.600	0.000
H2S	0.000	0.0	0.00249	24.900	0.000
Methane	23.620	694290.5	68.22638	682263.800	0.000
Carbon Dioxide	27.480	605.7	0.03859	385.900	0.000
Ethane	37.360	151607.3	9.04685	90468.500	2.413
Propane	78.200	107754.6	4.88337	48833.700	1.342
i-butane	28.700	40746.6	0.53638	5363.800	0.175
n-Butane	30.200	98962.4	1.24728	12472.800	0.392
i-pentane	34.760	30240.9	0.31866	3186.600	0.116
n-Pentane	36.480	30170.0	0.30753	3075.300	0.111
Hexanes Plus	120.000	93812.0	0.87701	8770.100	0.380
Total:			100.00000	1000000.000	4.929

Results Summary

Result	Dry	Sat. (Base)
Total Raw Mole% (Dry)	100.25077	
Pressure Base (psia)	14.650	
Temperature Base	60.00	
Gross Heating Value (BTU / Ideal cu.ft.)	1096.8	1077.6
Gross Heating Value (BTU / Real cu.ft.)	1100.1	1081.3
Relative Density (G), Ideal	0.7668	0.7642
Relative Density (G), Real	0.7688	0.7665
Compressibility (Z) Factor	0.9970	0.9966

	BOPM	Flared Gas/MCFM	Gas Revenue /Mth (if sold)	N2 Reject Cost /Mth (est)	Difference	Comment
EDITH FEDERAL #4	6	10	\$30	\$8,600	-\$8,570	
Totals	6	10	\$30	\$8,600	-\$8,570	

Net Gas price =\$2.5 /mcfd