

**BEFORE THE OIL CONSERVATION
DIVISION**

CASE NO. 15318 & 15319



McElvain Energy, Inc.



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

May 5, 2015

RECEIVED

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

MAY 06 2015
McElvain Energy, Inc.
Denver Office

Via Federal Express

Re: Schmitz Well #1
T24N-R2W, Section 1: 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 8,428' 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 \$3.35 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 1, 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 a working interest of approximately 35.441% in the 640 acre spacing unit in the Mancos Formation and 41.414% in the Dakota Formation.

**BEFORE THE OIL CONVERSION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 1
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 Schmitz 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 Schmitz 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: Schmitz #1

Parent BU#: 2967 Date: May 4, 2015

Description: Drill, complete and equip a 8,428' Vertical Dakota test.
Schmitz #1
Rio Arriba, NM

*No location
description for
well*

ANSCHUTZ OIL COMPANY EXPENDITURES

	Previously Approved	Currently Requested	Total
Drilling	0	2,483,389	2,483,389
Completion	0	870,500	870,500
Total Costs	\$0	\$3,353,889	\$3,353,889

REASON FOR RECOMMENDATION

AUTHORIZATION AND APPROVAL

Recommended by: Mark Amundson
Ashley Tolbert
Gregg Randall

Date: _____

Approved by: _____
Name: Galen Brenize, VP Ops & Eng
Date: _____

Approved by: _____
Name: Joseph DeDominic; President and COO
Date: _____

Approved by: _____
Name: Deidre O'Callaghan
Date: _____

Election	_____
Approved by:	_____
Print Name	_____
Title	_____
Company	_____
Date	_____

ANSCHUTZ Oil Company
AUTHORITY FOR EXPENDITURE
DRILLING AND COMPLETION

BU/Job #: _____ BU/Job Name: Schmitz #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		50,568	50,568
3530.00230	IDC- Casing Crews, Too		45,511	45,511
3530.00240	IDC- Cement, Cementing		101,044	101,044
3530.00250	IDC- Communications		1,854	1,854
3530.00260	IDC- Contract Drilling		315,603	315,603
3530.00270	IDC- Coring, Coreheads		-	-
3530.00280	IDC- Directional Drill		78,160	78,160
3530.00290	IDC- Drillstem Testing		-	-
3530.00300	IDC- Equipment Rental		218,467	218,467
3530.00310	IDC- Fuels, Lubricants		63,178	63,178
3530.00320	IDC- Inspect - Tubular		27,033	27,033
3530.00330	IDC- Insurance		-	-
3530.00340	IDC- Location, Road		125,000	125,000
3530.00350	IDC- Logging Downhole		282,000	282,000
3530.00360	IDC- Mobilization, Demobilization		200,000	200,000
3530.00370	IDC- Mud logging		73,471	73,471
3530.00380	IDC- Mud, Chemicals		263,730	263,730
3530.00390	IDC- Other Intangible		101,977	101,977
3530.00400	IDC- Outside Operated		-	-
3530.00410	IDC- Overhead		3,190	3,190
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		100,816	100,816
3530.00470	IDC- Transportation		60,487	60,487
3530.00480	IDC- Vehicle Charges		-	-
3530.00490	IDC- Water		8,849	8,849
3530.00500	IDC- Year End Well		-	-
Intangible Drilling Subtotal		\$100,000	\$2,120,938	\$2,220,938

ANSCHUTZ Oil Company
AUTHORITY FOR EXPENDITURE
DRILLING AND COMPLETION

BU/Job #: _____ BU/Job Name: Schmitz #1
 Parent BU#: _____ 2967 Date: May 4, 2015

DETAIL COSTS

ACCOUNT #	DESCRIPTION	PREVIOUSLY APPROVED	CURRENTLY REQUESTED	TOTAL
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, Prmts, 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

