

OCD - HOBBS
06/26/2017
RECEIVED

**PECOS DISTRICT
SURFACE USE
CONDITIONS OF APPROVAL**

| | |
|-----------------------|-----------------------------------|
| OPERATOR'S NAME: | McElvain Energy Inc. |
| LEASE NO.: | NMNM0245247 |
| WELL NAME & NO.: | 1H - EK 31 BS2 Federal Com |
| SURFACE HOLE FOOTAGE: | 124'/N & 892'/E |
| BOTTOM HOLE FOOTAGE: | 230'/S & 660'/E; 31 |
| LOCATION: | Section 30 T.18 S., R.34 E., NMPM |
| COUNTY: | Lea County, New Mexico |

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

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I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Below Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

This authorization is subject to your Certificate of Participation and/or Certificate of Inclusion under the New Mexico Candidate Conservation Agreement. Because it involves surface disturbing activities covered under your Certificate, your Habitat Conservation Fund Account with the Center of Excellence for Hazardous Materials Management (CEHMM) will be debited according to Exhibit B Part 2 of the Certificate of Participation.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5909 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

The operator shall strip the top portion of the soil (root zone) from the entire well pad area and stockpile the topsoil along the edge of the well pad as depicted in the APD. The root zone is typically six (6) inches in depth. All the stockpiled topsoil will be redistributed over the interim reclamation areas. Topsoil shall not be used for berming the pad or facilities. For final reclamation, the topsoil shall be spread over the entire pad area for seeding preparation.

Other subsoil (below six inches) stockpiles must be completely segregated from the topsoil stockpile. Large rocks or subsoil clods (not evident in the surrounding terrain) must be buried within the approved area for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation. The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing

The operator will install and maintain exclosure fencing for all open well cellars to prevent access to public, livestock, and large forms of wildlife before and after drilling operations until the pit is free of fluids and the operator initiates backfilling. (For examples of exclosure fencing design, refer to BLM's Oil and Gas Gold Book, Exclosure Fence Illustrations, Figure 1, Page 18.)

G. ON LEASE ACCESS ROADS**Road Width**

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed twenty-five (25) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

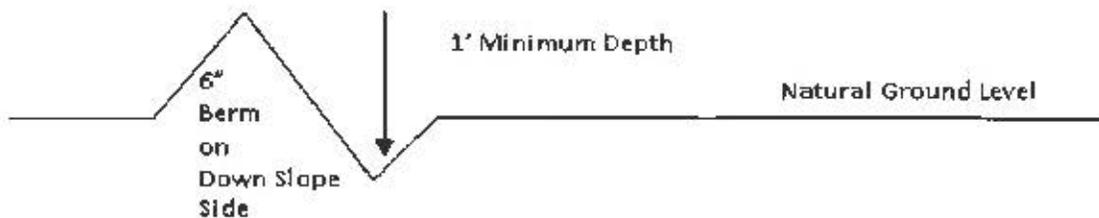
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill out-sloping and in-sloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Cattle guards

An appropriately sized cattle guard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattle guards on the access road route shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattle guards that are in place and are utilized during lease operations.

Fence Requirement

Where entry is granted across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting. The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fences.

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Construction Steps

1. Salvage topsoil
2. Construct road

3. Redistribute topsoil
4. Revegetate slopes

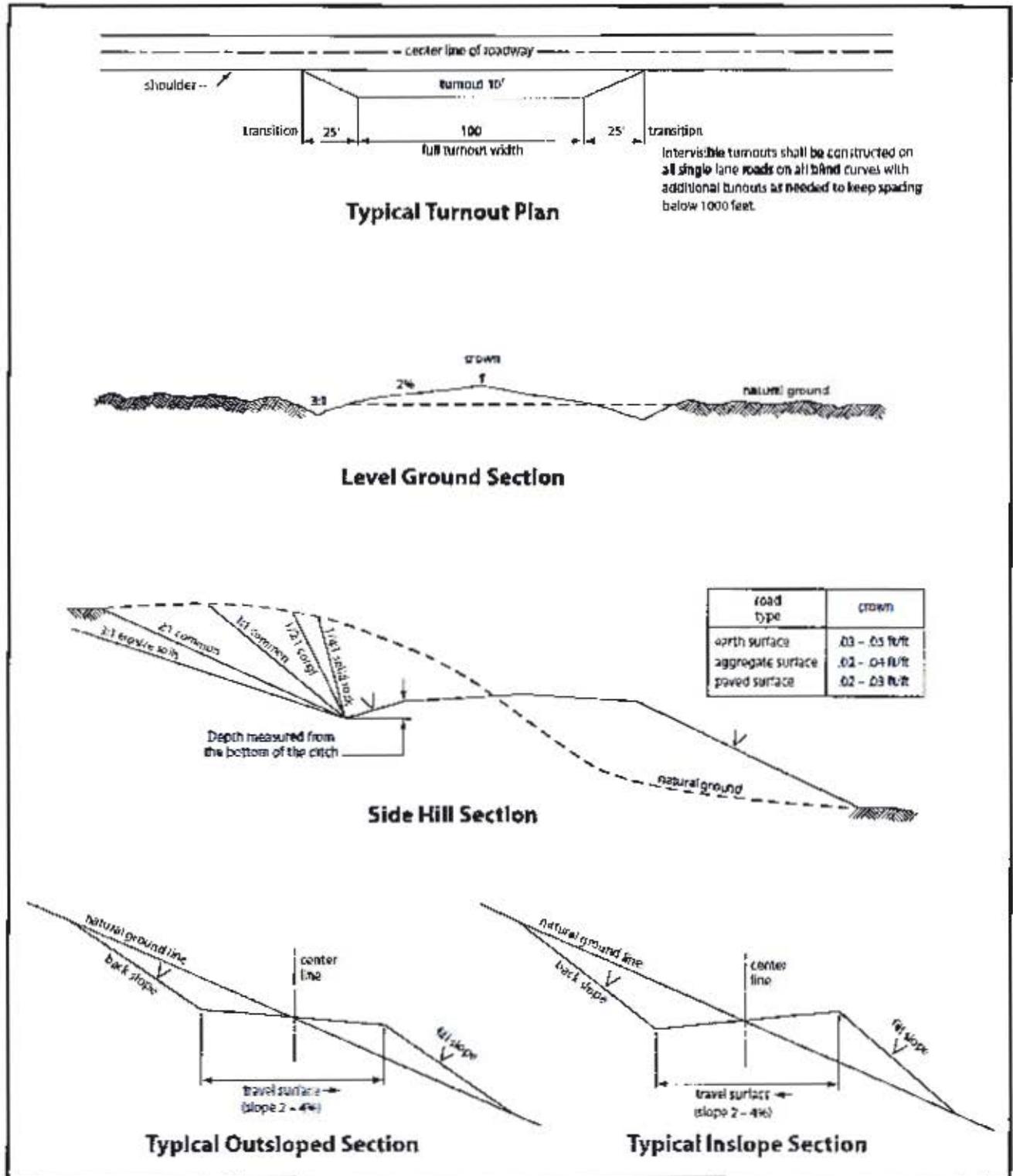


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

VII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Exclosure Netting (Open-top Tanks)

Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock. Use a maximum netting mesh size of 1 ½ inches. The netting must not be in contact with fluids and must not have holes or gaps.

Chemical and Fuel Secondary Containment and Exclosure Screening

The operator will prevent all hazardous, poisonous, flammable, and toxic substances from coming into contact with soil and water. At a minimum, the operator will install and maintain an impervious secondary containment system for any tank or barrel containing hazardous, poisonous, flammable, or toxic substances sufficient to contain the contents of the tank or barrel and any drips, leaks, and anticipated precipitation. The operator will dispose of fluids within the containment system that do not meet applicable state or U. S. Environmental Protection Agency livestock water standards in accordance with state law; the operator must not drain the fluids to the soil or ground. The operator will design, construct, and maintain all secondary containment systems to prevent wildlife and livestock exposure to harmful substances. At a minimum, the operator will install effective wildlife and livestock exclosure systems such as fencing, netting, expanded metal mesh, lids, and grate covers. Use a maximum netting mesh size of 1 ½ inches.

Open-Vent Exhaust Stack Exclosures

The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures

Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, **Shale Green** from the BLM Standard Environmental Color Chart (CC-001: June 2008).

VIII. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

IX. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Below Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

Seed Mixture for LPC Sand/Shinnery Sites

Holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed shall be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed shall be either certified or registered seed. The seed container shall be tagged in accordance with State law(s) and available for inspection by the Authorized Officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). Holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. Seeding shall be repeated until a satisfactory stand is established as determined by the Authorized Officer. Evaluation of growth may not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

| <u>Species</u> | <u>lb/acre</u> |
|---------------------|----------------|
| Plains Bristlegrass | 5lbs/A |
| Sand Bluestem | 5lbs/A |
| Little Bluestem | 3lbs/A |
| Big Bluestem | 6lbs/A |
| Plains Coreopsis | 2lbs/A |
| Sand Dropseed | 1lbs/A |

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed



U.S. Department of the Interior
BUREAU OF LAND MANAGEMENT

Operator Certification Data Report

06/22/2017

30-025-43887

Operator Certification

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

NAME: Natalie Stallsworth

Title: Regulatory Technician/Permitting Agent

Street Address: PO Box 99

City: Eastlake

State: CO

Phone: (303)857-9999

Email address: natalie@permitco-usa.com

Signed on: 02/03/2017

**OCD - HOBBS
06/26/2017
RECEIVED**

Zip: 80614

Field Representative

Representative Name:

Street Address:

City:

State:

Zip:

Phone:

Email address:



APD ID: 10400009753

Submission Date: 02/03/2017

Operator Name: MCELVAIN ENERGY INC

Well Name: EK 31 BS2 FEDERAL COM

Well Number: 1H

Well Type: OIL WELL

Well Work Type: Drill

Section 1 - General

APD ID: 10400009753

Tie to previous NOS?

Submission Date: 02/03/2017

BLM Office: CARLSBAD

User: Natalie Stallsworth

Title: Regulatory

Federal/Indian APD: FED

Is the first lease penetrated for production Federal or Indian? FED

Technician/Permitting Agent

Lease number: NMNM0245247

Lease Acres: 1111.44

Surface access agreement in place?

Allotted?

Reservation:

Agreement in place? NO

Federal or Indian agreement:

Agreement number:

Agreement name:

Keep application confidential? YES

Permitting Agent? YES

APD Operator: MCELVAIN ENERGY INC

Operator letter of designation:

Agent Letter signed_01-06-2017.PDF

Keep application confidential? YES

Operator Info

Operator Organization Name: MCELVAIN ENERGY INC

Operator Address: 1050 17th St #2500

Zip: 80265

Operator PO Box:

Operator City: Denver

State: CO

Operator Phone: (303)893-0933

Operator Internet Address: chris.caplis@mcelvain.com

Section 2 - Well Information

Well in Master Development Plan? NO

Master Development Plan name:

Well in Master SUPO? EXISTING

Master SUPO name: EK 30 and 31 Multi-pad

Well in Master Drilling Plan? NO

Master Drilling Plan name:

Well Name: EK 31 BS2 FEDERAL COM

Well Number: 1H

Well API Number:

Field/Pool or Exploratory? Field and Pool

Field Name: BONESPRING

Pool Name:

Operator Name: MCELVAIN ENERGY INC

Well Name: EK 31 BS2 FEDERAL COM

Well Number: 1H

Is the proposed well in an area containing other mineral resources? USEABLE WATER

Describe other minerals:

Is the proposed well in a Helium production area? N **Use Existing Well Pad?** NO **New surface disturbance?**

Type of Well Pad: MULTIPLE WELL

Multiple Well Pad Name: EK 31 **Number:** 1H

BS2 FEDERAL COM

Well Class: HORIZONTAL

Number of Legs:

Well Work Type: Drill

Well Type: OIL WELL

Describe Well Type:

Well sub-Type: EXPLORATORY (WILDCAT)

Describe sub-type:

Distance to town: 28 Miles

Distance to nearest well: 30 FT

Distance to lease line: 124 FT

Reservoir well spacing assigned acres Measurement: 160 Acres

Well plat: EK 31 BS2 Federal COM 1H plat_02-01-2017.pdf

Well work start Date: 09/03/2017

Duration: 35 DAYS

Section 3 - Well Location Table

Survey Type: RECTANGULAR

Describe Survey Type:

Datum: NAD83

Vertical Datum: NAVD88

Survey number:

STATE: NEW MEXICO

Meridian: NEW MEXICO PRINCIPAL **County:** LEA

Latitude: 32.7118028

Longitude: -103.5939472

SHL

Elevation: 3894

MD: 0

TVD: 0

Leg #: 1

Lease Type: FEDERAL

Lease #: NMNM0245247

NS-Foot: 124

NS Indicator: FSL

EW-Foot: 892

EW Indicator: FEL

Twsp: 18S

Range: 34E

Section: 30

Aliquot: SESE

Lot:

Tract:

Operator Name: MCELVAIN ENERGY INC

Well Name: EK 31 BS2 FEDERAL COM

Well Number: 1H

| | | | |
|-----------------|-----------------------------|---------------------------------------|--------------------|
| KOP Leg #: 1 | STATE: NEW MEXICO | Meridian: NEW MEXICO PRINCIPAL | County: LEA |
| | Latitude: 32.7115167 | Longitude: -103.5940333 | |
| | Elevation: -5608 | MD: 9525 | TVD: 9502 |
| | Lease Type: FEDERAL | Lease #: NMNM0245247 | |
| | NS-Foot: 10 | NS Indicator: FSL | |
| | EW-Foot: 900 | EW Indicator: FEL | |
| | Twsp: 18S | Range: 34E | Section: 30 |
| | Aliquot: SESE | Lot: | Tract: |
| PPP Leg #: 1 | STATE: NEW MEXICO | Meridian: NEW MEXICO PRINCIPAL | County: LEA |
| | Latitude: 32.7005722 | Longitude: -103.5940222 | |
| | Elevation: -6191 | MD: 13700 | TVD: 10085 |
| | Lease Type: FEDERAL | Lease #: NMNM107396 | |
| | NS-Foot: 1320 | NS Indicator: FSL | |
| | EW-Foot: 926 | EW Indicator: FEL | |
| | Twsp: 18S | Range: 34E | Section: 31 |
| | Aliquot: SESE | Lot: | Tract: |
| PPP Leg #: 1 | STATE: NEW MEXICO | Meridian: NEW MEXICO PRINCIPAL | County: LEA |
| | Latitude: 32.7042 | Longitude: -103.5940361 | |
| | Elevation: -6156 | MD: 12500 | TVD: 10050 |
| | Lease Type: FEDERAL | Lease #: NMNM92780 | |
| | NS-Foot: 2641 | NS Indicator: FSL | |
| | EW-Foot: 926 | EW Indicator: FEL | |
| | Twsp: 18S | Range: 34E | Section: 31 |
| | Aliquot: NESE | Lot: | Tract: |
| PPP Leg #: 1 | STATE: NEW MEXICO | Meridian: NEW MEXICO PRINCIPAL | County: LEA |
| | Latitude: 32.7105528 | Longitude: -103.5931611 | |
| | Elevation: -6087 | MD: 10200 | TVD: 9981 |
| | Lease Type: FEDERAL | Lease #: NMNM0245247 | |
| | NS-Foot: 420 | NS Indicator: FNL | |
| | EW-Foot: 649 | EW Indicator: FEL | |
| | | | |
| | | | |

Operator Name: MCELVAIN ENERGY INC

Well Name: EK 31 BS2 FEDERAL COM

Well Number: 1H

Twsp: 18S Range: 34E Section: 31

Aliquot: NENE Lot: Tract:

STATE: NEW MEXICO Meridian: NEW MEXICO PRINCIPAL County: LEA

Latitude: 32.69785 Longitude: -103.5926611

Elevation: -6223 MD: 14732 TVD: 10117

EXIT

Leg #: 1

Lease Type: FEDERAL Lease #: NMNM107396

NS-Foot: 330 NS Indicator: FSL

EW-Foot: 660 EW Indicator: FEL

Twsp: 18S Range: 34E Section: 31

Aliquot: SESE Lot: Tract:

STATE: NEW MEXICO Meridian: NEW MEXICO PRINCIPAL County: LEA

Latitude: 32.697575 Longitude: -103.5931472

Elevation: -6225 MD: 14832 TVD: 10119

BHL

Leg #: 1

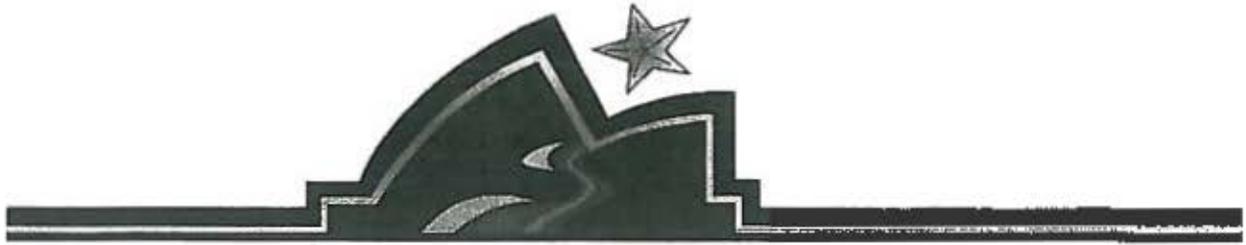
Lease Type: FEDERAL Lease #: NMNM107396

NS-Foot: 230 NS Indicator: FSL

EW-Foot: 660 EW Indicator: FEL

Twsp: 18S Range: 34E Section: 31

Aliquot: SESE Lot: Tract:



**MCELVAIN ENERGY, INC.
1050 17TH STREET, SUITE 2500
DENVER, COLORADO 80265**

**CHRIS CAPLIS
VICE PRESIDENT OF DRILLING AND COMPLETION**

**OFFICE: 303-962-6475 FAX: 303-893-0914
E-MAIL: CHRIS.CAPLIS@MCELVAIN.COM**

Bureau of Land Management
Carlsbad Field Office
620 E. Greene St.
Carlsbad, NM 88220

Attn: Minerals Division

Re: All McElvain Energy Inc. wells in New Mexico

Gentlemen:

This letter is to inform you that Permitco Inc. is authorized to act as Agent and to sign documents on behalf of McElvain Energy Inc. when necessary for filing county, state and federal permits including Onshore Order No. 1, Right of Way applications, etc., for the above mentioned well.

It should be understood that Permitco is acting as Agent only in those matters stated above and is not responsible for drilling, completion, production or compliance with regulations.

McElvain Energy Inc. agrees to accept full responsibility for operations conducted in order to drill, complete and produce the above-mentioned well.

Sincerely,

Chris Caplis
MCELVAIN ENERGY, INC.
1050 17TH STREET, SUITE 2500
DENVER, COLORADO 80265