

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM 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-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

HOBBS OCD
NOV 28 2018
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SUBMIT IN TRIPLICATE - Other instructions on page 2

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 ENERGY INC		6. If Indian, Allottee or Tribe Name
3a. Address 511 16TH STREET SUITE 700 DENVER, CO 80202		7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) Ph: 303-893-0933 Ext: 331		8. Well Name and No. EDITH FEDERAL 03
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 25 T18S R33E SWNW 2130FNL 660FWL		9. API Well No. 30-025-29369-00-S1
Carlsbad Field Office OCD Hobbs		10. 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 Venting and/or Flaring
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<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 recomplete 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 recompletion 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

14. I hereby certify that the foregoing is true and correct. Electronic Submission #442826 verified by the BLM Well Information System For MCELVAIN ENERGY INC, sent to the Hobbs Committed to AFMSS for processing by PRISCILLA PEREZ on 11/07/2018 (19PP0328SE)	
Name (Printed/Typed) TONY G COOPER	Title SR EHS SPECIALIST
Signature (Electronic Submission)	Date 11/06/2018 /s/ Jonathon Shepard

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <u>JONATHON SHEPARD</u>	Title <u>PETROELUM ENGINEER</u>	Date <u>11/08/2018</u>
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		

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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 ****

MKB/OCD
11/29/2018

Additional data for EC transaction #442826 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.