Form 3160-5
(June 2015)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
OCD Hobbs

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.

SUBMIT IN TRIPLICATE - Other instructions on page 2

1. Type of Well ☒ Oil Well ☐ Gas Well ☐ Other	Lease Serial No. NMNM 0245247 6. If Indian, Allottee or Tribe Name 7. If Unit or CA/Agreement, Name and/or No. 8. Well Name and No. MCELVAIN 07
2. Name of Operator MCELVAIN OIL & GAS PROP INC Contact: SAMANTHA M HIGBEE E-Mail: samantha.higbee@mcelvain.com	9. API Well No. 30-025-38040-00-S1
3a. Address 1050 17TH STREET SUITE 1800 DENVER, CO 80265-1801 3b. Phone No. (include area code) Ph: 303-[illegible]	10. Field and Pool or Exploratory Area EK-BONE SPRING
4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)* Sec 25 T18S R33E NWSE 1980FSL 1980FEL	11. County or Parish, State LEA COUNTY, NM

HOBBS OCD
JUN 10 2019
RECEIVED

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Venting and/or Flaring
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ 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. 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 Durango Midstream LLC (DML), formerly Frontier Field Services 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.

RR

Cost vs. Revenue Analysis
McElvain estimates a minimum of $8,600 per month to lease a small nitrogen rejection skid and place 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 "CostvsRevenueMc7" attached for a

APPROVED TILL 11/01/2019

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

Electronic Submission #463539 verified by the BLM Well Information System
For MCELVAIN OIL & GAS PROP INC, sent to the Hobbs
Committed to AFMSS for processing by PRISCILLA PEREZ on 04/30/2019 (19PP1703SE)

Name *(Printed/Typed)* JOE K KELLOFF — Title VP, PRODUCTION & BUS DEVELOP

Signature (Electronic Submission) — Date 04/30/2019

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By /s/ Jonathon Shepard — Title Petroleum Engineer — Date APR 30 2019

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 Carlsbad Field Office

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 ****

Additional data for EC transaction #463539 that would not fit on the form

32. Additional remarks, continued

cost analysis. The cost analysis shows that the associated costs of leasing the system, would be prohibitive.

A nitrogen rejection system would be most cost effective at the DML central processing plant than at individual well sites throughout the field. DML has been approached by McElvain about this situation but McElvain has received no indication from DML 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 mcfd) 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 ?GasContract1_5679? which includes this well and the stated nitrogen specs. I have also attached the most recent gas analysis for this well ('GAS_ANALYSIS_McElvain Federal 7_GC2-41119-27_2019-04-11').

	BOPM	Flared Gas/MCFM	Gas Revenue /Mth (if sold)	N2 Reject Cost /Mth (est)	Diffferance
McElvain #7 (DL)	**399**	852	$2,556	$8,600	-$6,044
30-025-38040					
NMNM245247					
NW SE J-25-T18S-R33E					
Totals	**399**	**852**	**$2,556**	**$8,600**	**-$6,044**

Net Gas price =$2.5 /mcfd

Comment

Contract No. 30144

GAS PURCHASE CONTRACT 1

Between

T. H. McELVAIN OIL & GAS LLLP

"Seller"

and

FRONTIER FIELD SERVICES, LLC

"Buyer"

Date: January 1, 2015

For McElvain 5, 6, 7, 9

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L00317

11/21/2014

CONTRACT SUMMARY - Frontier Field Services, LLC

Contract	Gas Purchase Contract
Contracting Party	Frontier Field Services, LLC
Contract Date	January 1, 2015
Amendments:	No
Contract No.	McElvain L00317, Frontier 30144
Contacts	Jeff Hull 918-388-8420
Area	Permian Basin (Lea County, NM)
Contract Type:	Gas and NGL purchase
Firm/IT service	Firm
Primary Term	January 1, 2015 to January 1, 2020
Termination Date:	January 1, 2020
Evergreen	year to year
Termination Notice:	60 days advance written notice
Services:	gas and ngl purchase
Maximum Daily Quantity	NA
Dedication	Yes, all production from the wells listed below
Receipt Points	wellhead
Purchase Point	Frontier's Maljamar plant outlet
Purchase Price	80/80 POP
Natural Gas	80% of the net residue gas revenues attributable to the wells listed below
NGL's	80% of the net product revenues attributable to the wells listed below
Volumes	all production from the wells listed below
Minimum Delivery Charge	$200/mo on all meters with a monthly volume less than 300 Mcf
Minimum Delivery Obligation	NA
Delivery Pressure	Gas shall be delivered at volume sufficient to enter Frontier's gathering system. Frontier shall endeavor to operate its system at no more than 50 psig.
Payment Due Date	last day of the month
Amendments:	No
Date/Description	
Wells	McElvain 2,3,4,5,6,7,8,9

3. TRANSPORTATION.

3.1 Seller will have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer will have the sole responsibility for transporting the Gas from the Delivery Point(s).

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 and/or liquids	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 1100 Btu per Cubic Foot
(i)	Temperature	Not more than 120 degrees Fahrenheit

In the event the quality specifications of the Transporter receiving Residue Gas from Buyer contain additional or more restrictive quality specifications, Gas delivered hereunder shall also conform to such additional or more restrictive specifications.

4.2 Buyer shall not be required to receive Gas hereunder which does not meet the specifications of Section 4.1 above. The acceptance of Gas which does not meet the specifications of Section 4.1 will not be deemed a waiver of the right to require future deliveries to conform to said specifications. In any event, Seller shall indemnify, defend and hold Buyer harmless from and against any and all claims, demands, losses, damages, liability, costs and expenses (including, without limitation, attorneys fees and costs) arising out of or relating to delivery of Gas hereunder at the Delivery Points which does not meet the specifications of Section 4.1 above.

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 delivery point or points (including a particular Delivery Point or Points) delivering Gas to the Plant(s).

5.2 If Buyer decides to recover less than the total Products recoverable from any delivery point or points (including any Delivery Point or Points), then it will determine on a delivery point by delivery point basis the total theoretical gallons that it wishes to recover. In any event, Products will be allocated to the delivery points from which Buyer elected to recover on a pro-rata basis (as determined by Buyer), based on the available data concerning the delivery point(s).

5.3 The Residue Gas will be allocated on a pro-rata basis (as determined by Buyer) to all delivery point(s) (including the Delivery Points) based upon the total Btus from each delivery point, as determined from available data, and the total Btus of Residue Gas sold, and taking into account on a delivery point by delivery point basis the Product shrinkage attributable to such delivery point, if any, and the Allocated Fuel, Allocated Flare and System Use attributable to such delivery point (as determined by Buyer).

5.4 All allocations of Products and Residue Gas hereunder 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 at the Delivery Point(s) 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.

EXHIBIT B

DEDICATED WELLS

All located in Lea County, New Mexico

DEDICATED WELLS	LEGAL DESCRIPTION AND API#
MCELVAIN #2	NWSW of Section 29-T18S-R34E, API #30-025-27543
MCELVAIN #3	SWSW of Section 30-T18S-R34E, API #30-025-28557
MCELVAIN #4	SWSE of Section 25-T18S-R33E, API #30-025-28997
MCELVAIN #5	SWSW of Section 25-T18S-R33E, API #30-025-29051
MCELVAIN #6	NWSW of Section 25-T18S-R33E, API #30-025-37948
MCELVAIN #7	NWSE of Section 25-T18S-R33E, API #30-025-38040
MCELVAIN #8	NWSW of Section 30-T18S-R34E, API #30-025-38012
MCELVAIN #9	SENW of Section 25-T18S-R34E, API #30-025-38481
MCELVAIN #10	NWSW of Section 31-T18S-R34E, API #30-025-39520

Atchafalaya Measurement, Inc.
416 East Main Street Artesia, NM 88210 575-746-3481

Inficon Micro GC Fusion F08904 R03RR2

	Sample Information
Sample Name	McElvain__McElvain Federal 7__GC2-41119-27
Station Number	Wellhead
Lease Name	McElvain Federal 7
Analysis For	McElvain Energy
Producer	McElvain Energy
Field Name	529
County/State	Lea,NM
Frequency/Spot Sample	Spot
Sampling Method	Fill Empty
Sample Deg F	60
Atmos Deg F	73
Flow Rate	N/A
Line PSIG	33.5
Date/Time Sampled	4-10-19
Cylinder Number	N/A
Cylinder Clean Date	N/A
Sampled By	Cameron Rivera
Analysis By	Pat Silvas
Verified/Calibration Date	4-8-19
Report Date	2019-04-11 15:51:21

Component Results

Component Name	Ret. Time	Peak Area	Norm%	PPMV	GPM (Dry) (Gal. / 1000 cu.ft.)
Nitrogen	22.940	147913.9	11.09264	110926.400	0.000
H2S	0.000	0.0	0.00000	0.000	0.000
Methane	23.820	609340.4	59.66754	596675.400	0.000
Carbon Dioxide	27.760	1325.0	0.08411	841.100	0.000
Ethane	36.960	221339.7	13.16144	131614.400	3.535
Propane	76.840	214483.8	9.68603	96860.300	2.680
i-butane	28.580	91991.5	1.20668	12066.800	0.397
n-Butane	30.040	209571.4	2.63204	26320.400	0.833
i-pentane	34.640	72507.7	0.76136	7613.600	0.280
n-Pentane	36.380	62029.5	0.63005	6300.500	0.229
Hexanes Plus	120.000	115732.0	1.07811	10781.100	0.470
Total:			100.00000	1000000.000	8.423

Results Summary

Result	Dry	Sat. (Base)
Total Raw Mole% (Dry)	100.60527	
Pressure Base (psia)	14.730	
Temperature Base	60.00	
Gross Heating Value (BTU / Ideal cu.ft.)	1318.4	1295.5
Gross Heating Value (BTU / Real cu.ft.)	1324.4	1301.9
Relative Density (G), Ideal	0.8696	0.8653
Relative Density (G), Real	0.8731	0.8692
Compressibility (Z) Factor	0.9955	0.9951