

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.*

5. Lease Serial No.  
NMNM0245247

6. If Indian, Allottee or Tribe Name

**SUBMIT IN TRIPLICATE - Other instructions on page 2**

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

1. Type of Well  
 Oil Well  Gas Well  Other

**HOBBS OCD**

8. Well Name and No.  
EDITH FEDERAL 03

2. Name of Operator  
MCELVAIN ENERGY INC

Contact: SAMANTHA HIGBEE  
E-Mail: samantha.higbee@mcelvain.com

JUL 03 2019

9. API Well No.  
30-025-29369-00-S1

3a. Address  
511 16TH STREET SUITE 700  
DENVER, CO 80202

3b. Phone No. (include area code)  
Ph: 303-893-0989

RECEIVED

10. Field and Pool or Exploratory Area  
EK

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
Sec 25 T18S R33E SWNW 2130FNL 660FWL

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. 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.

Cost vs. Revenue Analysis

McElvain estimates a minimum of \$6,900 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 "CostRevenueEF3" attached for a cost

**Carlsbad Field Office**  
**OCD Hobbs**

**APPROVAL NOT TO EXCEED 180 DAYS FROM SUBMISSION**

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

Electronic Submission #467190 verified by the BLM Well Information System  
For MCELVAIN ENERGY INC, sent to the Hobbs  
Committed to AFMSS for processing by PRISCILLA PEREZ on 06/03/2019 (19PP2066SE)

Name (Printed/Typed) JOE H KELLOFF

Title VP, PRODUCTION & BUS DEVELOP

Signature (Electronic Submission)

Date 05/31/2019

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved By JEREMY PORTER

Title PETROLEUM ENGINEER

Date 06/24/2019

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 Hobbs

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 \*\***

TRR

## **Additional data for EC transaction #467190 that would not fit on the form**

### **32. Additional remarks, continued**

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 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 Analysis Edith Fed #3\_2019 May30').

**Revisions to Operator-Submitted EC Data for Sundry Notice #467190**

	<b>Operator Submitted</b>	<b>BLM Revised (AFMSS)</b>
Sundry Type:	FLARE NOI	FLARE NOI
Lease:	NMNM0245247	NMNM0245247
Agreement:		
Operator:	MCELVAIN ENERGY, INC. 511 16TH STREET STE 700 DENVER, CO 80202 Ph: 303-893-0933	MCELVAIN ENERGY INC 511 16TH STREET SUITE 700 DENVER, CO 80202
Admin Contact:	SAMANTHA HIGBEE SR ENGINEERING TECHNICIAN E-Mail: samantha.higbee@mcelvain.com  Ph: 303-893-0933	SAMANTHA HIGBEE SR ENGINEERING TECHNICIAN E-Mail: samantha.higbee@mcelvain.com  Ph: 303-893-0933
Tech Contact:	JOE H KELLOFF VP, PRODUCTION & BUS DEVELOP E-Mail: joe.kelloff@mcelvain.com  Ph: 303-962-6481	JOE H KELLOFF VP, PRODUCTION & BUS DEVELOP E-Mail: joe.kelloff@mcelvain.com  Ph: 303-962-6481
Location:		
State:	NM	NM
County:	LEA	LEA
Field/Pool:	EK DELAWARE	EK
Well/Facility:	EDITH FEDERAL 3 Sec 25 T18S R33E Mer NMP SWNW 2130FNL 660FWL	EDITH FEDERAL 03 Sec 25 T18S R33E SWNW 2130FNL 660FWL

**Atchafalaya Measurement, Inc.**

416 East Main Street Artesia, NM 88210      575-746-3481

**Inficon Micro GC Fusion F08904 R03RR2**

Sample Information	
Sample Name	McElvain__Dorothy Federal 2__GC1-43019-22
Station Number	N/A
Lease Name	Dorothy Federal 2
Analysis For	McElvain Energy
Producer	McElvain Energy
Field Name	N/A
County/State	Lea,NM
Frequency/Spot Sample	Spot
Sampling Method	Fill Empty
Sample Deg F	N/A
Atmos Deg F	63
Flow Rate	N/A
Line PSIG	20
Date/Time Sampled	4-30-19
Cylinder Number	N/A
Cylinder Clean Date	N/A
Sampled By	Irvin Rangel
Analysis By	Pat Silvas
Verified/Calibration Date	4-29-19
Report Date	2019-04-30 14:29:56

**Component Results**

Component Name	Ret. Time	Peak Area	Norm%	PPMV	GPM (Dry) (Gal. / 1000 cu.ft.)
Nitrogen	22.540	62213.8	12.66669	126666.900	0.000
H2S	46.000	0.0	0.00259	25.900	0.000
Methane	23.420	239629.6	62.73420	627342.000	0.000
Carbon Dioxide	27.460	161.0	0.02746	274.600	0.000
Ethane	36.820	67171.8	10.51619	105161.900	2.823
Propane	77.680	65987.5	7.69614	76961.400	2.128
i-butane	28.780	70068.7	1.06241	10624.100	0.349
n-Butane	30.340	169462.1	2.47566	24756.600	0.783
i-pentane	35.420	62639.2	0.77632	7763.200	0.285
n-Pentane	37.500	58007.1	0.69976	6997.600	0.255
Hexanes Plus	120.000	113555.0	1.34258	13425.800	0.585
Total:			100.00000	1000000.000	7.209

**Results Summary**

Result	Dry	Sat. (Base)
Total Raw Mole% (Dry)	96.67361	
Pressure Base (psia)	14.730	
Temperature Base	60.00	
Gross Heating Value (BTU / Ideal cu.ft.)	1259.6	1237.6
Gross Heating Value (BTU / Real cu.ft.)	1264.7	1243.3
Relative Density (G), Ideal	0.8477	0.8438
Relative Density (G), Real	0.8509	0.8473
Compressibility (Z) Factor	0.9959	0.9955

	BOPM	Flared Gas/MCFM	Gas Revenue /Mth (if sold)	N2 Reject Cost /Mth (est)	Differance	Comment
DOROTHY FEDERAL #2	396	569	\$1,707	\$8,600	-\$6,893	
<b>Totals</b>	<b>396</b>	<b>569</b>	<b>\$1,707</b>	<b>\$8,600</b>	<b>-\$6,893</b>	

Net Gas price = \$2.5 /mcf

78668  
Contract No. 30015

**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

SECRET  
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