

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF ALPHA ENERGY
PARTNERS II, LLC, FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO**

CASE NO. 25496

**MOTION REGARDING ALPHA’S SATISFACTION OF NEGOTIATION
REQUIREMENTS UNDER THE OIL AND GAS ACT AND ITS RULES**

Alpha Energy Partners II, LLC, (“Alpha”), through its undersigned attorneys, submits to the Oil Conservation Division (“Division” or “OCD”) this Motion Regarding Alpha’s Satisfaction of Negotiation Requirements Under the Oil and Gas Act and its Rules (“Motion”) in the above-referenced case, respectfully requesting the Division to admit into the record and consider the following arguments and supporting evidence in the upcoming hearing scheduled for August 27, 2025, showing that Alpha satisfied in good faith the negotiation requirements under the New Mexico Oil and Gas Act (“OGA”) and OCD Rules with respect to its interactions with Warren and Lillie Anderson (“Anderson”), owners of 0.275482 net mineral acres in the Subject Lands. In support of its Motion, Alpha states the following:

1. Under the OGA, requesting the Division to use its police powers to force pool uncommitted interests in a unit is predicated on owners not being able to reach an agreement to pool the interests. *See* NMSA 1978 § 70-2-17.C. Thus, Division’s statewide rules require written evidence of attempts the applicant made to gain voluntary agreement with owners. *See* 19.15.4.12.A(1)(b)(vi) NMAC.

2. The Oil Conservation Commission (“Commission” or “OCC”) has ruled on what satisfies good-faith negotiations under 19.15.4.12.A(1)(b)(vi) NMAC as a condition for force pooling an owner’s interest. *See* OCC Order No. R-21679-C, at ¶¶ 102-106. To satisfy the

requirement, the applicant only needs to provide an owner with a well proposal in which it requests the owner to enter a voluntary agreement, which is the primary requirement, and after that is satisfied, a single follow-up email exchange responding to one question, satisfies the negotiation requirement under the OGA. *See id.* In New Mexico, there is no statutory or regulatory requirement to reach an agreement or to offer any particular value or amount for the uncommitted interest, including no requirement to offer or pay fair market value. Furthermore, Anderson owns 0.275482 net acres that is currently unleased, and the OGA provides only a 1/8 royalty to owners and no bonus when their unleased interest is force pooled. *See* § 70-2-17.C. This amount should indicate what the state legislature considers to be fair and reasonable.

3. On April 22, 2025, pursuant to 19.15.4.12.A(1)(a) NMAC, Alpha sent a well proposal to Bobby W. Anderson, the owner of record of the Subject Lands, and then when Alpha discovered that Warren and Lillie Anderson were the direct heirs of Bobby W. Anderson, Alpha sent Warren and Lillie Anderson the well proposal on June 23, 2025. *See* copies of the two well proposals attached hereto as Exhibit 1. Furthermore, after sending the well proposal, Alpha had approximately twenty-three (23) email exchanges with Anderson during its good-faith efforts to reach a voluntary agreement pursuant to 19.15.4.12.A(1)(b)(vi) NMAC. *See* a copy of the emails attached hereto as Exhibit 2. During negotiations, Alpha offered Anderson a 25% royalty to lease their acreage, which is twice as much as the amount provided by the pooling statute. In addition, Alpha offered Anderson a \$5000 signing bonus, which according to Alpha's estimation, is approximately \$850 more than fair market value. Anderson refused this offer which was their prerogative as a party to the negotiations, but an owner not liking an offer does not mean the offer or the negotiations leading to the offer were made or conducted in bad faith. Clearly, based on the facts provided herein, Alpha did not act in bad faith as a matter of law.

4. Thus, based on its well proposal, its numerous emails, and its generous offer, Alpha satisfied the negotiation requirements under the OGA and its rules and did so in good faith.

5. **Conclusion:** For the reasons stated above, Alpha respectfully requests that the Division grant this Motion and thereby admit into the record the arguments and supporting evidence presented herein for consideration pursuant to 19.15.4.17 NMAC which “affords full opportunity to the parties at an adjudicatory hearing” before the Division to present evidence. The legal arguments and evidence herein are relevant, material, and probative, and they directly rebut any and all claims that Alpha did not satisfy the negotiation requirements under the OGA or that Alpha did not negotiate in good faith.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ *Darin C. Savage*

Darin C. Savage

William E. Zimsky
Andrew D. Schill
214 McKenzie Street
Santa Fe, New Mexico 87501
Telephone: 970.385.4401
Facsimile: 970.385.4901
darin@abadieschill.com
bill@abadieschill.com
andrew@abadieschill.com

Attorneys for Alpha Energy Partners II, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record, or designated representative, via electronic mail on August 23, 2025:

Elizabeth Ryan – beth.ryan@conocophillips.com
Keri L. Hatley – keri.hatley@conocophillips.com
Attorneys for ConocoPhillips Company

Deana M. Bennett – deana.bennett@modrall.com
Earl E. DeBrine, Jr. – earl.debrine@modrall.com
Yarithza Pena – yarithza.pena@modrall.com
Attorneys for The City of Carlsbad
Attorneys for Magnum Hunter Production and
Coterra Energy, Inc.

Warren Anderson and Lillie Anderson – warzulu91@gmail.com
Self-Represented

/s/ Darin C. Savage
Darin C. Savage

ALPHA

P.O. Box 10701, Midland, Texas 79702

April 22, 2025

Bobby W. Anderson
1301 Forest Ave
Pasadena, CA 91103

Re: Hollywood Star Fee Well Proposals
Hollywood Star 17-18 Fee Com 503H
Hollywood Star 17-18 Fee Com 553H

S2N2 of Section 17 and Section 18 of Township 22 South, Range 27 East, Eddy County, New Mexico.

To Whom it May Concern,

Alpha Energy Partners II, LLC ("AEP II"), on behalf of Paloma Permian AssetCo ("Paloma"), as Operator, hereby proposes the drilling of the following wells located within Section 17, Township 22 South, Range 27 East and Section 18, Township 22 South, Range 27 East, to the Bone Spring Formations:

WELL NAME	SHL	BHL	FTP	LTP	TVD	TMD	FORMATION
Hollywood Star Fee 17-18 503H	2,432' FSL & 372' FWL of 16-22S-27E	1,980' FNL & 50' FWL of 18-22S-27E	1,980' FNL & 100' FEL of 17-22S-27E	1,980' FNL & 100' FWL 18-22S-27E	7,140'	17,400'	2 nd Bone Spring
Hollywood Star Fee 17-18 553H	2,394' FSL & 372' FWL of 16-22S- 27E	1,980' FNL & 50' FWL of 18-22S-27E	1,980' FNL & 100' FEL of 17-22S-27E	1,980' FNL & 100' FWL 18-22S-27E	7,860'	18,150'	3 rd Bone Spring

AEP II reserves the right to modify the locations and drilling plans described above in order to address topography, cultural or environmental concerns, among other reasons. AEP II will advise you of any such modifications.

AEP II is proposing to drill the Well under the terms of the modified 1989 AAPL form of Operating Agreement which will promptly be provided upon request. The Operating Agreement dated May 1, 2024, by and between Paloma Permian AssetCo, as Operator and covers Section 17 and Section 18 of Township 22 South, Range 27 East, Eddy County, New Mexico, and has the following general provisions: (JOA will be supplied upon request/participation)

- 100/300/300 Non-consenting penalty
- \$10,000/\$1,000 Drilling and Producing rate
- Paloma Permian AssetCo, LLC named as Operator

If you do not wish to participate in the Operation, AEP would like to discuss the Leasing or Purchase of your mineral interest to AEP under the following terms:

Lease:

- \$6,000/acre lease bonus;
- 1/4th royalty rate;
- 3 year primary term, with 2 year option to extend, Paid Up;

EXHIBIT
1

In the interest of time, if we do not reach an agreement within 30 days of the date of this letter, AEP II will apply to the New Mexico Oil Conservations Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

If you do not wish to lease or sell your mineral interest, please indicate your participation elections in the spaces provided below, sign, and return (1) copy of this letter along with a signed copy of the enclosed AFEs and a copy of your geologic requirements to my attention at the letterhead address or by email at john@alphapermian.com. Thank you for your time and consideration, feel free to reach out if you have any questions.

Respectfully,

John Coffman
Alpha Energy Partners II, LLC
Office: 508 W. Wall St., 12th Floor, Midland, Texas 79701
Mailing: P.O. Box 10701, Midland, Texas 79702
(O) 432-219-8853 (email) john@alphapermian.com

[Elections on page to follow]

____ I/We hereby elect to participate in **Hollywood Star 17-18 Fee 503H**
____ I/We hereby elect **not** to participate in **Hollywood Star 17-18 Fee 503H**

____ I/We hereby elect to participate in **Hollywood Star 17-18 Fee 553H**
____ I/We hereby elect **not** to participate in **Hollywood Star 17-18 Fee 553H**

Name/Company: _____

By: _____

Title: _____

Date: _____

ALPHA

P.O. Box 10701, Midland, Texas 79702

June 23, 2025

Lillie and Warren Anderson
1301 Forest Ave
Pasadena, CA 91103

Re: Hollywood Star Fee Well Proposals
Hollywood Star 17-18 Fee Com 503H
Hollywood Star 17-18 Fee Com 553H

S2N2 of Section 17 and Section 18 of Township 22 South, Range 27 East, Eddy County, New Mexico.

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- 100/300/300 Non-consenting penalty
- \$10,000/\$1,000 Drilling and Producing rate
- Paloma Permian AssetCo, LLC named as Operator

If you do not wish to participate in the Operation, AEP would like to discuss the Leasing or Purchase of your mineral interest to AEP under the following terms:

Lease:

- \$6,000/acre lease bonus;
- 1/4th royalty rate;
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In the interest of time, if we do not reach an agreement within 30 days of the date of this letter, AEP II will apply to the New Mexico Oil Conservations Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

If you do not wish to lease or sell your mineral interest, please indicate your participation elections in the spaces provided below, sign, and return (1) copy of this letter along with a signed copy of the enclosed AFEs and a copy of your geologic requirements to my attention at the letterhead address or by email at john@alphapermian.com. Thank you for your time and consideration, feel free to reach out if you have any questions.

Respectfully,

John Coffman
Alpha Energy Partners II, LLC
Office: 508 W. Wall St., 12th Floor, Midland, Texas 79701
Mailing: P.O. Box 10701, Midland, Texas 79702
(O) 432-219-8853 (email) john@alphapermian.com

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____ I/We hereby elect **not** to participate in **Hollywood Star 17-18 Fee 503H**

____ I/We hereby elect to participate in **Hollywood Star 17-18 Fee 553H**
____ I/We hereby elect **not** to participate in **Hollywood Star 17-18 Fee 553H**

Name/Company: _____

By: _____

Title: _____

Date: _____

From: John Coffman John@alphapermian.com
Subject: Re: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it'...
Date: August 5, 2025 at 3:26 PM
To: warzulu24 warzulu24@gmail.com

JC

Warren,

Just to follow up from our call. The tract we are discussing is located in the S2N2 which would be case 25496, cases 25495, 25497, and 25498 that you have filed objections to do not have any tracts that you own an interest in.

Thank you sir,

John Coffman

From: John Coffman <John@alphapermian.com>
Sent: Tuesday, August 5, 2025 1:29 PM
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it'...

Warren,

I see your objection to the Hollywood Star cases. Have you had a chance to look over my comments below?

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Monday, August 4, 2025 10:18 AM
To: John Coffman <John@alphapermian.com>
Subject: Re: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it'...

Mr. Coffman I'm still looking over the the agreement / Lease 🙏 thank you for your patience

Sent from my T-Mobile 5G Device

----- Original message -----

From: John Coffman <John@alphapermian.com>
Date: 8/1/25 9:32 AM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it'...

Yes sir take your time.

EXHIBIT
2

Get [Outlook for iOS](#)

From: warzulu24 <warzulu24@gmail.com>
Sent: Friday, August 1, 2025 11:31:16 AM
To: John Coffman <John@alphapermian.com>
Subject: Re: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it'...

Thank you Mr. John Coffman for your response.
Can I get back to you @ the end of today & I will answer your questions thank you in advance.

Sent from my T-Mobile 5G Device

----- Original message -----

From: John Coffman <John@alphapermian.com>
Date: 8/1/25 8:20 AM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it'...

Warren,

I have a few questions on this agreement.

- Is the \$18,000 payment per acre or a flat fee for the 0.275482 net mineral acres?
- We are agreeable to a 25% royalty however, does the \$10 per barrel minimum price mean that our marketing of the crude needs to be above \$10 per barrel or are you requesting that we pay you \$10 per barrel under the agreement? Is this proportionately reduced or would this be a flat \$10 per barrel for every barrel produced from the lands?

I can discuss with our team paying a flat fee of \$5,000 for your interest which would come out to be \$18,150 per acre. This figure is above market price.

The way that I read your letter is that the total consideration for your interest would be:

- \$18,000 per year for 3 years
- \$1,000 per month for a total of 36 months
- 25% royalty
- \$10 per barrel

Total cash consideration being \$90,000 (\$326,700 per acre)

Please let me know if I am misinterpreting any of the above.

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>

FROM: waizoid24 <waizoid24@gmail.com>

Sent: Wednesday, July 30, 2025 1:02 PM

To: John Coffman <John@alphapermian.com>

Subject: Lease that was sent out in late June or early July of 2025 for Lillie Anderson & Warren Anderson. This is what we would like Alpha Energy Partners II LLC to take a look at. This Lessor lease that was created for Alpha Energy Partners II LLC & it's As...

Sent from my T-Mobile 5G Device

From: John Coffman John@alphapermian.com
Subject: Re: Re:
Date: August 20, 2025 at 8:55 AM
To: warzulu24 warzulu24@gmail.com

JC

Warren,

If we take your interest specifically and we assume for this example that the 2 wells will pay out 300% (which means it produces enough oil to pay for the cost of drilling three times over throughout the life of the well). That means that for your share, if you were to participate, the revenue from the well would pay back \$63,052 minus your original investment of \$15,763 would leave you with \$47,289 of profit. The current amount you are looking for would be close to double that amount, meaning that the wells would have to pay out 600%, which in this current price environment, is not possible and I have yet to see a well pay out to that extent.

In the scenario we lease you, Alpha would be taking on that \$15,763 investment in the 2 wells. Using the same example that the wells pay out 300%, you would receive 25% royalty of the 300% which comes out to be \$15,763 worth of royalties paid to you over the life of the 2 wells as well as the \$5,000 flat bonus for the lease.

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Tuesday, August 19, 2025 3:39 PM
To: John Coffman <John@alphapermian.com>
Subject: Re: Re:

John how is that a feasible agreement for both parties

Sent from my T-Mobile 5G Device

----- Original message -----
From: John Coffman <John@alphapermian.com>
Date: 8/19/25 12:47 PM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Re:

That would be the initial estimate costs due by you, for your proportionate share of the Drilling and Completion of the well. You would be a partner in those 2 wells and receive your share of the revenue when they are producing but you would also be liable for the costs of any workovers (usually minimal payments after the Drilling and Completion costs) in the future.

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Tuesday, August 19, 2025 2:43 PM
To: John Coffman <John@alphapermian.com>
Subject: Re: Re:

John would that 15,763.00 be a monthly payment from us or a one time payment asking us to put up that amount to participate or would we be receiving that 15,763.00 on monthly or quarterly payment arrangement

Sent from my T-Mobile 5G Device

----- Original message -----
From: John Coffman <John@alphapermian.com>
Date: 8/19/25 11:55 AM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Re:

Thank you Warren, I'm not sure on the engineering side if these wells will make 540,000 barrels but an \$8 per barrel payment is somewhere in the neighborhood of \$8,640,000 (\$4,320,000 for the 2 wells you own in). Is that correct?

I think even at \$15,000 per year, \$900 per month for the first 3 years, and the \$8 per barrel figure, we are still too far off on value. And just to clarify, you are more than able to participate in these wells and receive your proportionate share of the production, those figures are below.

.275482 net acres/ 316.92 contract area = .000869247 Working interest and Net Revenue Interest.

.000869247 x (\$8,998,611 (being the 503H AFE cost) + \$9,135,664 (being the 553H AFE cost) = **\$15,763.16** would be the estimated cost to participate in the 503H and 553H wells you own in.

Thank you sir,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Tuesday, August 19, 2025 1:37 PM
To: John Coffman <John@alphapermian.com>; warzulu24@gmail.com <warzulu24@gmail.com>
Subject: Re: Re:

Sent from my T-Mobile 5G Device

----- Original message -----

From: John Coffman <John@alphapermian.com>
Date: 8/19/25 10:54 AM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Re:

Thank you Warren, is that separate from the monthly \$1,000? Essentially \$30,000 per year for 3 years?

Also, is the \$10 per barrel proportionately reduced or is that a flat \$10 per barrel from both wells per barrel?

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Tuesday, August 19, 2025 12:46 PM
To: John Coffman <John@alphapermian.com>
Subject: Re: Re:

Good morning John the 18,000.00 thousand is a flat one time payment per year that's it , it's not per acre
Thank for asking

Sent from my T-Mobile 5G Device

----- Original message -----

From: John Coffman <John@alphapermian.com>
Date: 8/18/25 7:47 AM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Re:

Good Morning Warren,

Just wanted to follow up and see if you had time to look at the questions below.

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Monday, August 11, 2025 3:04 PM
To: John Coffman <John@alphapermian.com>
Subject: Re: Re:

Ok John let me get back to you in a couple of days thank you for your response

Sent from my T-Mobile 5G Device

----- Original message -----

From: John Coffman <John@alphapermian.com>
Date: 8/11/25 12:28 PM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Re:

Yes sir that would be great just the following would be helpful:

res on that would be great, just the following would be helpful.

-Is the \$18,000 payment per acre or a flat fee for the 0.275482 net mineral acres?
 -We are agreeable to a 25% royalty however, does the \$10 per barrel minimum price mean that our marketing of the crude needs to be above \$10 per barrel or are you requesting that we pay you \$10 per barrel under the agreement? Is this proportionately reduced or would this be a flat \$10 per barrel for every barrel produced from the lands?

The way that I read your letter is that the total consideration for your interest would be:

- \$18,000 per year for 3 years
- \$1,000 per month for a total of 36 months
- 25% royalty
- \$10 per barrel

Total cash consideration being \$90,000 (\$326,700 per acre)?

If we cannot come to an agreement you are always welcome to participate in the project with your interest. That cost breakdown is below:

.275482 net acres/ 316.92 contract area = .000869247 Working interest and Net Revenue Interest.

.000869247 x (\$8,998,611 (being the 503H AFE cost) + \$9,135,664 (being the 553H AFE cost) = **\$15,763.16** would be the estimated cost to participate in the 503H and 553H wells you own in.

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Monday, August 11, 2025 2:18 PM
To: John Coffman <John@alphapermian.com>
Subject: Re: Re:

John Coffman the attachment is the answers to your previous questions from last week before the OCD hearing .
 If you need a break down I will send a break down

Sent from my T-Mobile 5G Device

----- Original message -----
From: John Coffman <John@alphapermian.com>
Date: 8/11/25 12:05 PM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re: Re:

Warren,

I just received the attachment only, did you mean to send a response in the email as well?

Thank you sir,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Monday, August 11, 2025 2:04 PM
To: John Coffman <John@alphapermian.com>
Subject: Re:

Good afternoon Mr Coffman

Hopefully I answered your questions

Sent from my T-Mobile 5G Device

----- Original message -----
From: John Coffman <John@alphapermian.com>
Date: 8/11/25 11:45 AM (GMT-08:00)
To: warzulu24 <warzulu24@gmail.com>
Subject: Re:

Good Afternoon Warren,

Do you mind breaking down the changes from the first agreement and this agreement? All of the terms look the same.

Thank you sir,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Monday, August 11, 2025 1:36 PM
To: John Coffman <John@alphapermian.com>
Subject:

Sent from my T-Mobile 5G Device

From: John Coffman John@alphapermian.com
Subject: Re: Lease
Date: August 21, 2025 at 8:38 AM
To: warzulu24 warzulu24@gmail.com

JC

Thank you Warren.

\$1.50 per barrel is still \$1,620,000 for both of the wells. In addition to the monthly and yearly rental being a total of \$74,400. We are still a ways off on the value of the acreage.

\$1,694,400 in total compensation for your comes out to \$6,150,674.09/per acre.

Thank you,

John Coffman

From: warzulu24 <warzulu24@gmail.com>
Sent: Thursday, August 21, 2025 9:28 AM
To: John Coffman <John@alphapermian.com>
Subject: Lease

Sent from my T-Mobile 5G Device