



Ameredev II, LLC

Lea County, New Mexico

SHL: Sec. 5 25S-36E 233' FNL & 230' FWL

BHL: Sec. 8 25S-36E 50' FSL & 200' FWL

Pine Straw Fed Com 25-36-08 101H

AFE # 2018-039

Capital Expenditure

March 22, 2019

Case 16395
R-20384

5707 Southwest Parkway

Ameredev Operating, LLC
Building I, Suite 275

Austin, Texas 78735

AMEREDEV

Ameredev & LLC

Company Entity

Ameredev Operating, LLC

Date Prepared

March 22, 2019

AFE Type	Project	Well No.	Field Name	Cost Center	AFE No.
Capital	Pine Straw Fed Com 25-36-08	101H	Delaware	40251	2018-039

Location	County	State	Well Type
SHL: Sec. 5 25S-36E 233' FNL & 230' FWL BHL: Sec. 8 25S-36E 50' FSL & 200' FWL	Lea	NM	Oil Gas Expl Prod

Estimate Type	Start Date	Completion Date	Formation	MD
Original	June 10, 2019	August 15, 2019	Wolfcamp	21,947'
Revised				TVD
Supplemental				11,595'

Project Description

Drill and Complete 2 Mile Wolfcamp Lateral and Pilot Hole and Build Central Tank Battery.

Total Cost

\$15,532,347.71

Comments on Associated Costs

Water disposal not included.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory, and well costs under term of the joint operating agreement, regulatory order, or other applicable agreement covering this well.

Well Control Insurance

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$250,000 (100% W.I.) retention.

Marketing Election

Ameredev sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Ameredev, you will be subject to all of the terms of such contracts. Upon written request to Ameredev, we will share with you the terms and conditions pursuant to which gas will be sold.

☐ I elect to take my gas in kind.☐ I elect to market my gas with Ameredev pursuant to the terms and conditions of its contracts.**Joint Interest Approval**

Company	Approved By	Date

Intangibles	Code	Dry Hole Cost	After Casing Point Cost	Total Cost
MISC PREPARATION COSTS	0.004	\$ 20,000.00	\$ -	\$ 20,000.00
EASEMENT, ROW, AND ACQUISITION	0.006	\$ 100,000.00	\$ 5,000.00	\$ 105,000.00
ROAD / LOCATION PREP / RESTORATION	0.008	\$ 100,000.00	\$ 287,000.00	\$ 387,000.00
DRILLING RIG	0.010	\$ 1,100,003.52	\$ 90,200.00	\$ 1,190,203.52
COIL TUBING	0.012	\$ -	\$ 130,000.00	\$ 130,000.00
FUEL	0.016	\$ 255,000.00	\$ 2,500.00	\$ 257,500.00
TRAILER, CAMP, AND CATERING	0.018	\$ 42,460.00	\$ 19,305.00	\$ 61,765.00
WATER & SEPTIC	0.020	\$ 81,000.00	\$ -	\$ 81,000.00
SURFACE RENTALS	0.024	\$ 101,740.00	\$ 82,420.00	\$ 183,660.00
DRILL BITS	0.028	\$ 96,500.00	\$ 3,500.00	\$ 100,000.00
DOWNHOLE RENTALS	0.030	\$ 20,775.00	\$ 81,700.00	\$ 102,475.00
DIRECTIONAL DRILLING	0.032	\$ 715,160.00	\$ -	\$ 715,160.00
COMPOSITE PLUGS	0.034	\$ -	\$ 63,000.00	\$ 63,000.00
TUBING & BHA INSPECT & REPAIR	0.042	\$ 10,803.50	\$ -	\$ 10,803.50
RENTAL TUBING	0.046	\$ -	\$ 32,500.00	\$ 32,500.00
WELL CONTROL EQUIP / SERVICES	0.048	\$ 102,349.60	\$ 216,048.00	\$ 318,397.60
PUMP TRUCK / PRESSURE TESTING	0.054	\$ -	\$ 1,000.00	\$ 1,000.00
MUD, ADDITIVES, AND CHEMICALS	0.060	\$ 304,880.00	\$ 312,400.00	\$ 617,280.00
FRAC PUMPING CHARGES	0.061	\$ -	\$ 3,500,000.00	\$ 3,500,000.00
WATER RIGHTS / TRANSFER / STORAGE	0.062	\$ 43,600.00	\$ 724,500.00	\$ 768,100.00
SOLIDS CONTROL EQUIP / SERVICES	0.066	\$ 115,872.00	\$ -	\$ 115,872.00
MUD / FLUIDS DISPOSAL CHARGES	0.068	\$ 108,000.00	\$ 28,430.00	\$ 136,430.00
CASING CREWS	0.070	\$ 51,000.00	\$ -	\$ 51,000.00
CEMENTING	0.072	\$ 320,000.00	\$ -	\$ 320,000.00
CASING / LINER / FLOAT EQUIPMENT	0.074	\$ 41,500.00	\$ -	\$ 41,500.00
MOBILIZE & DEMOBILIZE	0.086	\$ 235,000.24	\$ 3,000.00	\$ 238,000.24
SUPERVISION / CONTRACT	0.094	\$ 230,400.00	\$ 141,750.00	\$ 372,150.00
CONTRACT ROUSTABOUT	0.103	\$ -	\$ 150,000.00	\$ 150,000.00
CONTRACT LANDWORK / SURVEY	0.114	\$ -	\$ 10,000.00	\$ 10,000.00
REGULTRY / ENVIRON CONSULTANT	0.122	\$ 10,050.00	\$ 5,000.00	\$ 15,050.00
WELDING & MATERIALS	0.138	\$ -	\$ 5,000.00	\$ 5,000.00
GEOLOGY	0.186	\$ 10,000.00	\$ -	\$ 10,000.00
FLOW TESTING / EQUIP	0.194	\$ -	\$ 109,125.00	\$ 109,125.00
MUD LOGGING	0.198	\$ 125,000.00	\$ -	\$ 125,000.00
WIRELINE / PERF / PUMPDOWN COSTS	0.200	\$ 185,000.00	\$ 545,050.00	\$ 730,050.00
FISHING & SIDETRACK SERVICES	0.203	\$ 136,000.00	\$ -	\$ 136,000.00
SECONDARY CONTAINMENT	0.254	\$ -	\$ 140,400.00	\$ 140,400.00
FACILITY ELECTRIC & AUTOMATION	0.258	\$ -	\$ 170,000.00	\$ 170,000.00
SWD CONNECTION	0.262	\$ -	\$ 8,000.00	\$ 8,000.00
CRANE FOR CONSTRUCTION	0.278	\$ -	\$ 3,000.00	\$ 3,000.00
ELECTRICAL	0.296	\$ -	\$ 1,500.00	\$ 1,500.00
OIL TREATING	0.356	\$ -	\$ 88,000.00	\$ 88,000.00
Tangibles - Well Equipment				
PIPELINE MECH MATERIALS / EQUIP	0.134	\$ -	\$ -	\$ -
FACILITY MECH MATERIALS / EQUIP	0.136	\$ -	\$ -	\$ -
DRIVE PIPE	0.204	\$ -	\$ -	\$ -
CONDUCTOR PIPE	0.206	\$ 8,400.00	\$ -	\$ 8,400.00
WATER STRING	0.208	\$ -	\$ -	\$ -
SURFACE CASING	0.210	\$ 74,400.00	\$ -	\$ 74,400.00
INTERMEDIATE CASING	0.212	\$ 386,500.00	\$ -	\$ 386,500.00
REMEDIAL CASING	0.213	\$ -	\$ -	\$ -
DRILLING LINER	0.214	\$ -	\$ -	\$ -
PRODUCTION CASING	0.216	\$ 486,500.00	\$ -	\$ 486,500.00
TUBING	0.217	\$ -	\$ 69,000.00	\$ 69,000.00
WELLHEAD / TREE / CHOKES	0.218	\$ 65,173.00	\$ 95,000.00	\$ 160,173.00
DRILLING LINER HANGER	0.220	\$ -	\$ -	\$ -
ISOLATION PACKER	0.222	\$ -	\$ 12,000.00	\$ 12,000.00
PUMPING UNIT, ENGINE	0.232	\$ -	\$ -	\$ -
SURFACE LIFT EQUIP	0.233	\$ -	\$ -	\$ -
DOWNHOLE LIFT EQUIPMENT	0.234	\$ -	\$ 10,000.00	\$ 10,000.00
TANK BATT / PROCESS EQUIP / MAINT	0.236	\$ -	\$ 18,250.00	\$ 18,250.00
Tangibles - Lease Equipment				
LINE PIPE	0.238	\$ -	\$ -	\$ -
POWERLINES & SUBSTATION	0.242	\$ -	\$ -	\$ -
TANKS, TANKS STEPS, STAIRS	0.244	\$ -	\$ 438,000.00	\$ 438,000.00
BATTERY (HEATER TREATERS)	0.246	\$ -	\$ 30,000.00	\$ 30,000.00
BATTERY (SEPARATOR)	0.248	\$ -	\$ 24,800.00	\$ 24,800.00
BATTERY (GAS TREATING EQUIP)	0.250	\$ -	\$ 20,000.00	\$ 20,000.00
BATTERY (MISC EQUIP)	0.252	\$ -	\$ -	\$ -
FLOW LINE (PIPE WH TO FACILITY)	0.266	\$ -	\$ 80,000.00	\$ 80,000.00
PIPELINE TO SALES	0.270	\$ -	\$ -	\$ -
METERS AND METERING EQUIPMENT	0.274	\$ -	\$ 100,000.00	\$ 100,000.00
VALVES, FITTINGS, PROD INSTRUM	0.282	\$ -	\$ 300,000.00	\$ 300,000.00
BUILDINGS	0.310	\$ -	\$ -	\$ -
Contingency	5.00%	\$ 51,048.65	\$ 59,852.50	\$ 110,901.15
Tax	6.25%	\$ 63,810.81	\$ 74,815.63	\$ 138,626.44
Total Tangible Cost		\$ 1,135,832.46	\$ 1,331,718.13	\$ 2,467,550.59
TOTAL		\$ 6,326,167.68	\$ 9,206,180.03	\$ 15,532,347.71