

SPC RESOURCES, LLC

C/O SCHOEFFLER ENERGY GROUP 224 RUE DE JEAN, LAFAYETTE, LA 70508

PHONE: (337) 232-1122

March 13, 2020

Via: Certified Mail

Re: Final Election Letter

In the Matter of Application for Compulsory Pooling Submitted by SPC Resources, LLC

Case No. 20858 / Order No. R-21123

Proposed Wells: Barney 5-6 WCXY Well No. 4H / Barney 5-6 WCD Well No. 4H

Spacing Unit: T22S-R27E-Section 5: SW4 & Section 6: S2, Eddy County, NM

To Whom it May Concern:

The State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservation Division ("NMOCD") has issued the attached and captioned Order pursuant to the captioned Case. Per paragraphs 23 and 24 of the Order, SPC Resources, LLC ("SPC"), as Operator, hereby provides this Final Election Letter of its intent to drill the captioned proposed well(s) along with the Authorization for Expenditure ("AFE") for each well which is the "Estimated Well Costs". Please see Exhibit A of the Order for well(s) details.

If you wish to be compulsory pooled and treated as a "Non-Consenting Pooled Working Interest" pursuant to the order (see Order paragraphs 24 and 30), you need take no further action and any unleased mineral interest owner shall receive a 1/8 royalty interest (see Order paragraph 32).

If you desire to participate and pay for your share of Estimated Well(s) Costs, within thirty (30) days please return this letter executed in the space below along with the executed AFE(s) to the letterhead address. Please note that each enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well(s), you will be responsible for your proportionate share of all Actual Well Costs incurred. Should you elect to participate, SPC will send you an invoice for your share of Estimated Well Costs and the full payment shall be due within sixty (60) days of receipt of this letter (see Order paragraph 24). Should you fail to timely remit payment for your share of Estimated Well Costs, you will also be considered a "Non-Consenting Pooled Working Interest".

No matter your election pursuant to this letter, SPC Resources, LLC is interested in buying your minerals, leasing your minerals or purchasing your working interest. If this option is something you would consider, please call the Schoeffler Energy Group (agent for SPC) at (337) 232-1122.

Sincerely,
SPC Resources, LLC

The undersigned wishes to **PARTICIPATE** in the captioned Proposed Well(s):

Name (Print): _____ _____ _____	Address: _____ _____ _____
Signature: _____	Email: _____
Date: _____	Phone: _____

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
SPC RESOURCES, LLC**

**CASE NO. 20858
ORDER NO. R-21123**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 14, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. SPC Resources, LLC (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.
20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.

21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
23. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

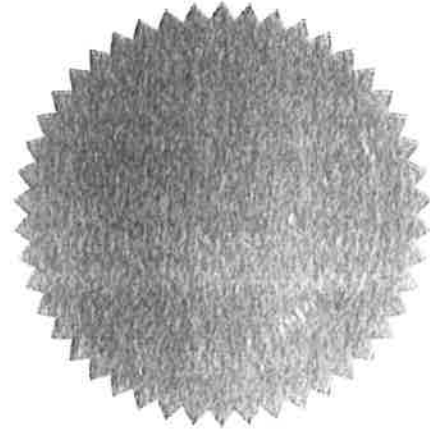
**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AS/jag

Date: February 17, 2020



CASE NO. 20858
ORDER NO. R-21123

Exhibit "A"

Applicant: SPC Resources, LLC
Operator: SPC Resources, LLC (OGRID 372262)

Spacing Unit: Horizontal Gas
Building Blocks: Quarter Section Equivalent
Spacing Unit Size: 473.59 acres (more or less)
Orientation of Unit: West/East

Spacing Unit Description:
SW/4 of irregular Section 5, and Lots 6-7, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

Pooling this Vertical Extent: Wolfcamp Formation
Depth Severance? (Yes/No): No

Pool: Purple Sage; Wolfcamp Gas (Pool code 98220)
Pool Spacing Unit Size: Quarter Sections
Governing Well Setbacks: Special Rules for the Purple Sage Gas Pool Apply
Pool Rules: Purple Sage and Horizontal Well Rules

Proximity Tracts: No

Monthly charge for supervision: While drilling: \$8000 While producing: \$800
As the charge for risk, 200 percent of reasonable well costs.

Proposed Wells:

Barney 5-6 WCXY Well No. 4H, API No. 30-015-Pending

SHL: 770 feet from the South line and 2515 feet from the West line,
(Unit N) of Section 5, Township 22 South, Range 27 East, NMPM.
BHL: 1000 feet from the South line and 100 feet from the West line,
(Lot 7) of Section 6, Township 22 South, Range 27 East, NMPM.

Completion Target: Wolfcamp A at approx. 8810 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard

Barney 5-6 WCD Well No. 4H, API No. 30-015-Pending

SHL: 750 feet from the South line and 2515 feet from the West line,
(Unit N) of Section 5, Township 22 South, Range 27 East, NMPM.
BHL: 660 feet from the South line and 100 feet from the West line,
(Lot 7) of Section 6, Township 22 South, Range 27 East, NMPM.

Completion Target: Wolfcamp D at approx. 9335 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard

AUTHORITY FOR EXPENDITURE

WELL :	Barney 5-6 WCXY 4H	SHL (X) :	2515' FWL 05-22S-27E	WELL TYPE :	Delineation	PROPERTY # :	TBD
PROSPECT :	Caveman	SHL (Y) :	770' FSL 05-22S-27E	WELL PROFILE :	Horizontal	AFE # :	00281
OPERATOR :	SPC Resources, LLC	BHL (X):	100' FWL 06-22S-27E	PROPOSED TVD :	8,810	AFE VERSION :	Revision 1
CNTY : ST :	Eddy NM	BHL (Y):	1000' FSL 06-22S-27E	PROPOSED MD :	16,900	VERSION DATE :	December 3, 2019
FIELD :	Wolfcamp Purple Sage	DATUM :	NM NAD 27	FORM @ TD :	Wolfcamp Y Sand	API #:	TBD
LOCATION :	Barney Pad						
PROPOSAL :	Drill and complete a horizontal Wolfcamp Y Sand well.						

INTANGIBLES			DRILLING	COMPLETION	TOTALS
LOC - ACCESS, DAMAGES & RIGHT OF WAY			\$ 50,000	\$ 50,000	\$ 100,000
LOC - SURVEY, STAKE, BUILD, REPAIR & RECLAIM			\$ 164,000	\$ 250,000	\$ 414,000
LOCATION SUBTOTALS			\$ 214,000	\$ 300,000	\$ 514,000
RIG - MOBILIZATION			\$ 225,000	\$ -	\$ 225,000
RIG - DRILLING - DAYWORK	-	\$ 19,000.00 per day	\$ 570,000	\$ -	\$ 570,000
RIG - DRILLING - FOOTAGE	NA	\$ - per foot	\$ -	\$ -	\$ -
RIG - DRILLING - TURNKEY	NA	\$ - per foot	\$ -	\$ -	\$ -
RIG - COMPLETION		\$ 6,000.00 per day	\$ -	\$ 12,000	\$ 12,000
RIG - REVERSE UNIT, COILED TUBING UNIT			\$ -	\$ 75,000	\$ 75,000
RIG - FUEL & POWER		\$ 4,500.00 per gallon	\$ 225,000	\$ 45,000	\$ 270,000
RIGS SUBTOTALS			\$ 1,020,000	\$ 132,000	\$ 1,152,000
FLUID - WATER - FRESH & BRINE (INCLUDES TRUCKING, LINE RENTAL & PUMP RENTAL)			\$ 60,000	\$ 500,000	\$ 560,000
FLUID - MUD & CHEMICALS			\$ 240,000	\$ -	\$ 240,000
FLUID - DISPOSAL - WATER, MUD & CUTTINGS			\$ 115,000	\$ 30,000	\$ 145,000
FLUIDS SUBTOTALS			\$ 415,000	\$ 530,000	\$ 945,000
TOOLS - BITS & BOTTOM HOLE ASSEMBLY (INCLUDING NON-STEERABLE MOTORS)			\$ 140,000	\$ 10,000	\$ 150,000
TOOLS - DRILL STRING & TUBING WORK STRING - RENTAL			\$ 56,000	\$ 21,000	\$ 77,000
TOOLS - BLOW OUT PREVENTERS & CHOKES - RENTAL			\$ -	\$ 37,200	\$ 37,200
TOOLS - OTHER (TANKS, FISHING TOOLS, MUD EQUIPMENT, & CONSUMABLES)			\$ 234,000	\$ 148,000	\$ 382,000
TOOLS SUBTOTALS			\$ 430,000	\$ 216,200	\$ 646,200
CEMENT - CASING			\$ 150,000	\$ 70,000	\$ 220,000
CEMENT - FLOAT EQUIPMENT & OTHER CASING HARDWARE			\$ 11,000	\$ 25,000	\$ 36,000
CEMENT - REMEDIAL (SQUEEZING & PLUG BACK)			\$ -	\$ -	\$ -
CEMENTING SUBTOTALS			\$ 161,000	\$ 95,000	\$ 256,000
EVAL - MUD LOGGING			\$ 75,000	\$ -	\$ 75,000
EVAL - CORING (WHOLE CORE)			\$ -	\$ -	\$ -
EVAL - DRILL STEM TESTING			\$ -	\$ -	\$ -
EVAL - OPEN HOLE WIRELINE LOGGING & CORING			\$ -	\$ -	\$ -
EVAL - CASED HOLE WIRELINE LOGGING			\$ -	\$ -	\$ -
EVAL - PERFORATING			\$ -	\$ 160,000	\$ 160,000
EVAL - SLICKLINE SERVICES (BOTTOM HOLE PRESSURE, ETC)			\$ -	\$ -	\$ -
EVAL - SAMPLING, TESTING & ANALYSIS			\$ -	\$ -	\$ -
EVALUATION SUBTOTALS			\$ 75,000	\$ 160,000	\$ 235,000
STIM - ACIDIZING			\$ -	\$ 125,000	\$ 125,000
STIM - HYDRAULIC FRACTURING			\$ -	\$ 1,600,000	\$ 1,600,000
STIM - EQUIPMENT RENTAL (TREE PROTECTOR, TANKS, PACKER, RETRIEVABLE BRIDGE PLUG, ETC)			\$ -	\$ 200,000	\$ 200,000
STIMULATION SUBTOTALS			\$ -	\$ 1,925,000	\$ 1,925,000
CONTRACT - LEGAL & PERMITTING SERVICES			\$ -	\$ -	\$ -
CONTRACT - WELL SITE SUPERVISION			\$ 153,000	\$ 90,000	\$ 243,000
CONTRACT - WELL SITE SUPERVISION - HOUSING & COMMUNICATIONS			\$ 17,000	\$ 13,500	\$ 30,500
CONTRACT - DIRECTIONAL DRILLING TOOLS, SUPERVISION & SERVICES			\$ 225,000	\$ -	\$ 225,000
CONTRACT - CASING CREWS, TOOLS & TUBULAR INSPECTION			\$ 24,000	\$ 25,000	\$ 49,000
CONTRACT - SPECIAL SERVICES (ROUSTABOUTS, WELDERS, WELLHEAD REPAIR)			\$ 50,000	\$ 115,000	\$ 165,000
CONTRACT - TRUCKING & DELIVERY (WHEN SEPARATE FROM PRODUCT OR SERVICE COST)			\$ 50,000	\$ 195,000	\$ 245,000
CONTRACT - OTHER SERVICES (ENGINEERING, GEOLOGIST, HSE, ETC)			\$ 7,000	\$ 67,500	\$ 74,500
CONTRACT SERVICES SUBTOTALS			\$ 526,000	\$ 506,000	\$ 1,032,000
OPERATOR - OVERHEAD			\$ 10,000	\$ 10,000	\$ 20,000
OPERATOR - EXTRA EXPENSE INSURANCE			\$ -	\$ -	\$ -
OPERATOR - OTHER EXPENSES			\$ -	\$ -	\$ -
OPERATOR CHARGES SUBTOTALS			\$ 10,000	\$ 10,000	\$ 20,000
INTANGIBLE CONTINGENCIES	DRILLING : 3.00%	COMPLETION : 3.00%	\$ 85,530	\$ 116,226	\$ 201,756
TOTAL INTANGIBLES			\$ 2,936,530	\$ 3,990,426	\$ 6,926,956

TANGIBLES			DRILLING	COMPLETION	TOTALS
SURF - WELLHEAD - (FLANGES, CHOKES, VALVES, X-MAS TREE)			\$ 45,000	\$ 15,000	\$ 60,000
SURF - ARTIFICIAL LIFT EQUIPMENT	ESP		\$ -	\$ 50,000	\$ 50,000
SURF - OTHER EQUIPMENT			\$ -	\$ -	\$ -
SURFACE WELL EQUIPMENT SUBTOTALS			\$ 45,000	\$ 65,000	\$ 110,000
SUB - CASING - CONDUCTOR	20" Conductor set and cemented at 80 ft	\$ - per foot	\$ 20,000	\$ -	\$ 20,000
SUB - CASING - SURFACE	16" 75# J-55 STC	\$ 65.72 per foot	\$ 26,288	\$ -	\$ 26,288
SUB - CASING - INTERMEDIATE	10-3/4" 40.5# J-55 & 7-5/8" 29.7# P-110	\$ 25.00 per foot	\$ 251,250	\$ -	\$ 251,250
SUB - CASING - PRODUCTION	5-1/2", 20 #/FT, HCP-110, Modified DQX	\$ 16.50 per foot	\$ -	\$ 270,600	\$ 270,600
SUB - TUBING - PRODUCTION	2-7/8", 6.5 #/FT, N-80, EUE	\$ 6.00 per foot	\$ -	\$ 52,800	\$ 52,800
SUB - SUCKER RODS	NA NA	per foot	\$ -	\$ -	\$ -
SUB - ARTIFICIAL LIFT EQUIPMENT			\$ -	\$ 35,000	\$ 35,000
SUB - OTHER CONTROLLABLE EQUIPMENT			\$ -	\$ 10,000	\$ 10,000
SUB - OTHER NON-CONTROLLABLE EQUIPMENT			\$ -	\$ -	\$ -
SUBSURFACE WELL EQUIPMENT SUBTOTALS			\$ 297,538	\$ 368,400	\$ 665,938
LSE - TANKS			\$ -	\$ 150,000	\$ 150,000
LSE - SEPARATION EQUIPMENT	Separator and Equipment		\$ -	\$ 100,000	\$ 100,000
LSE - SALES METERS			\$ -	\$ -	\$ -
LSE - FLOWLINES		\$ - per foot	\$ -	\$ 150,000	\$ 150,000
LSE - COMPRESSORS			\$ -	\$ 250,000	\$ 250,000
LSE - ELECTRICAL SYSTEMS			\$ -	\$ 100,000	\$ 100,000
LSE - SURFACE PUMPS (TRANSFER & CIRCULATING)			\$ -	\$ 30,000	\$ 30,000
LSE - OTHER CONTROLLABLE EQUIPMENT			\$ -	\$ 100,000	\$ 100,000
LSE - OTHER NON-CONTROLLABLE EQUIPMENT (CONNECTIONS, VALVES)			\$ -	\$ 100,000	\$ 100,000
LSE - TRUCKING & CONSTRUCTION			\$ -	\$ -	\$ -
LEASE & BATTERY EQUIPMENT SUBTOTALS			\$ -	\$ 980,000	\$ 980,000
TANGIBLE CONTINGENCIES	DRILLING 3.00%	COMPLETION 3.00%	\$ 10,276	\$ 42,402	\$ 52,678
TOTAL TANGIBLES			\$ 352,814	\$ 1,455,802	\$ 1,808,616

AFE GRAND TOTALS	DRILLING	COMPLETION	TOTAL
	\$ 3,289,344	\$ 5,446,228	\$ 8,735,572

AUTHORITY FOR EXPENDITURE

WELL :	Barney 5-6 WCXY 4H	SHL (X) :	2515' FWL 05-22S-27E	WELL TYPE :	Delineation	PROPERTY # :	TBD
PROSPECT :	Caveman	SHL (Y) :	770' FSL 05-22S-27E	WELL PROFILE :	Horizontal	AFE # :	00281
OPERATOR :	SPC Resources, LLC	BHL (X) :	100' FWL 06-22S-27E	PROPOSED TVD :	8,810	AFE VERSION :	Revision 1
CNTY : ST :	Eddy NM	BHL (Y) :	1000' FSL 06-22S-27E	PROPOSED MD :	16,900	VERSION DATE :	December 3, 2019
FIELD :	Wolfcamp Purple Sage	DATUM :	NM NAD 27	FORM @ TD :	Wolfcamp Y Sand	API #:	TBD
LOCATION :	Barney Pad						
PROPOSAL :	Drill and complete a horizontal Wolfcamp Y Sand well.						

AFE GRAND TOTALS				DRILLING	COMPLETION	TOTAL
				\$ 3,289,344	\$ 5,446,228	\$ 8,735,572

OPERATOR APPROVAL		
PREPARED BY :	Lelan J Anders	TITLE : Operations Engineer
DATE :	12/3/2019	
APPROVED BY :	Hanson Yates	TITLE : President
DATE :	12/3/2019	
APPROVED BY :	-	TITLE : -
DATE :	-	

NOTICE
<p><i>This Authority For Expenditure (AFE) includes estimates of anticipated costs at the time this AFE was prepared. The actual individual item costs and actual total costs are not guaranteed and may be more or less than the estimates in this AFE. By signing below you agree to pay your pro-rata share of any and all costs incurred which are related to the execution of the operation proposed by this AFE.</i></p>
<p><i>If any owner chooses to opt out of the Operator's Extra Expense (OEE) insurance coverage, then that owner must notify the operator in writing of such election prior to the spudding of the subject well. Such notification must include proof of acceptable insurance coverage under the owner's own policy. Failure to notify the operator in a timely manor will result in the owner being included under and charged for the operator's OEE coverage.</i></p>

WORKING INTEREST OWNER APPROVAL		
COMPANY :		WI :
APPROVED BY :	NAME / TITLE :	DATE :

AUTHORITY FOR EXPENDITURE

WELL :	Barney 5-6 WCD 4H	SHL (X) :	2515' FWL 05-22S-27E	WELL TYPE :	Delineation	PROPERTY # :	TBD
PROSPECT :	Caveman	SHL (Y) :	750' FSL 05-22S-27E	WELL PROFILE :	Horizontal	AFE # :	00282
OPERATOR :	SPC Resources, LLC	BHL (X):	100' FWL 06-22S-27E	PROPOSED TVD :	9,335	AFE VERSION :	Revision 0
CNTY : ST :	Eddy NM	BHL (Y):	660' FSL 06-22S-27E	PROPOSED MD :	17,500	VERSION DATE :	September 13, 2019
FIELD :	Wolfcamp Purple Sage	DATUM :	NM NAD 27	FORM @ TD :	Wolfcamp D	API #:	TBD
LOCATION :	Barney Pad						
PROPOSAL :	Test the Wolfcamp D						

INTANGIBLES			DRILLING	COMPLETION	TOTALS
LOC - ACCESS, DAMAGES & RIGHT OF WAY			\$ 25,000	\$ 20,000	\$ 45,000
LOC - SURVEY, STAKE, BUILD, REPAIR & RECLAIM			\$ 39,000	\$ -	\$ 39,000
LOCATION SUBTOTALS			\$ 64,000	\$ 20,000	\$ 84,000
RIG - MOBILIZATION			\$ 150,000	\$ -	\$ 150,000
RIG - DRILLING - DAYWORK	-	\$ 22,000.00 per day	\$ 616,000	\$ -	\$ 616,000
RIG - DRILLING - FOOTAGE	-	\$ - per foot	\$ -	\$ -	\$ -
RIG - DRILLING - TURNKEY	-	\$ - per foot	\$ -	\$ -	\$ -
RIG - COMPLETION		\$ 6,000.00 per day	\$ -	\$ 60,000	\$ 60,000
RIG - REVERSE UNIT, COILED TUBING UNIT			\$ -	\$ 196,000	\$ 196,000
RIG - FUEL & POWER		\$ 4,590.00 per gallon	\$ 128,520	\$ 45,900	\$ 174,420
RIGS SUBTOTALS			\$ 894,520	\$ 301,900	\$ 1,196,420
FLUID - WATER - FRESH & BRINE (INCLUDES TRUCKING, LINE RENTAL & PUMP RENTAL)			\$ 45,000	\$ 450,000	\$ 495,000
FLUID - MUD & CHEMICALS			\$ 180,000	\$ -	\$ 180,000
FLUID - DISPOSAL - WATER, MUD & CUTTINGS			\$ -	\$ -	\$ -
FLUIDS SUBTOTALS			\$ 225,000	\$ 450,000	\$ 675,000
TOOLS - BITS & BOTTOM HOLE ASSEMBLY (INCLUDING NON-STEERABLE MOTORS)			\$ 86,000	\$ 9,000	\$ 95,000
TOOLS - DRILL STRING & TUBING WORK STRING - RENTAL			\$ -	\$ 25,000	\$ 25,000
TOOLS - BLOW OUT PREVENTERS & CHOKES - RENTAL			\$ 54,000	\$ 9,500	\$ 63,500
TOOLS - OTHER (TANKS, FISHING TOOLS, MUD EQUIPMENT, & CONSUMABLES)			\$ 190,400	\$ 113,000	\$ 303,400
TOOLS SUBTOTALS			\$ 330,400	\$ 156,500	\$ 486,900
CEMENT - CASING			\$ 110,000	\$ 31,000	\$ 141,000
CEMENT - FLOAT EQUIPMENT & OTHER CASING HARDWARE			\$ 6,000	\$ 5,500	\$ 11,500
CEMENT - REMEDIAL (SQUEEZING & PLUG BACK)			\$ -	\$ -	\$ -
CEMENTING SUBTOTALS			\$ 116,000	\$ 36,500	\$ 152,500
EVAL - MUD LOGGING			\$ 20,700	\$ -	\$ 20,700
EVAL - CORING (WHOLE CORE)			\$ -	\$ -	\$ -
EVAL - DRILL STEM TESTING			\$ -	\$ -	\$ -
EVAL - OPEN HOLE WIRELINE LOGGING & CORING			\$ 30,000	\$ -	\$ 30,000
EVAL - CASED HOLE WIRELINE LOGGING			\$ 5,000	\$ -	\$ 5,000
EVAL - PERFORATING			\$ -	\$ 95,000	\$ 95,000
EVAL - SLICKLINE SERVICES (BOTTOM HOLE PRESSURE, ETC)			\$ -	\$ -	\$ -
EVAL - SAMPLING, TESTING & ANALYSIS			\$ -	\$ -	\$ -
EVALUATION SUBTOTALS			\$ 55,700	\$ 95,000	\$ 150,700
STIM - ACIDIZING			\$ -	\$ 20,000	\$ 20,000
STIM - HYDRAULIC FRACTURING			\$ -	\$ 3,325,000	\$ 3,325,000
STIM - EQUIPMENT RENTAL (TREE PROTECTOR, TANKS, PACKER, RETRIEVABLE BRIDGE PLUG, ETC)			\$ -	\$ -	\$ -
STIMULATION SUBTOTALS			\$ -	\$ 3,345,000	\$ 3,345,000
CONTRACT - LEGAL & PERMITTING SERVICES			\$ -	\$ -	\$ -
CONTRACT - WELL SITE SUPERVISION			\$ 84,000	\$ 30,000	\$ 114,000
CONTRACT - WELL SITE SUPERVISION - HOUSING & COMMUNICATIONS			\$ 12,600	\$ 4,500	\$ 17,100
CONTRACT - DIRECTIONAL DRILLING TOOLS, SUPERVISION & SERVICES			\$ 264,500	\$ -	\$ 264,500
CONTRACT - CASING CREWS, TOOLS & TUBULAR INSPECTION			\$ 30,000	\$ 18,000	\$ 48,000
CONTRACT - SPECIAL SERVICES (ROUSTABOUTS, WELDERS, WELLHEAD REPAIR)			\$ 50,000	\$ 8,500	\$ 58,500
CONTRACT - TRUCKING & DELIVERY (WHEN SEPARATE FROM PRODUCT OR SERVICE COST)			\$ 40,000	\$ 75,000	\$ 115,000
CONTRACT - OTHER SERVICES (ENGINEERING, GEOLOGIST, HSE, ETC)			\$ 7,000	\$ -	\$ 7,000
CONTRACT SERVICES SUBTOTALS			\$ 488,100	\$ 136,000	\$ 624,100
OPERATOR - OVERHEAD			\$ 10,000	\$ 20,000	\$ 30,000
OPERATOR - EXTRA EXPENSE INSURANCE			\$ -	\$ -	\$ -
OPERATOR - OTHER EXPENSES			\$ -	\$ -	\$ -
OPERATOR CHARGES SUBTOTALS			\$ 10,000	\$ 20,000	\$ 30,000
INTANGIBLE CONTINGENCIES	DRILLING : 3.00%	COMPLETION : 3.00%	\$ 65,512	\$ 136,827	\$ 202,339
TOTAL INTANGIBLES			\$ 2,249,232	\$ 4,697,727	\$ 6,946,959

TANGIBLES			DRILLING	COMPLETION	TOTALS
SURF - WELLHEAD - (FLANGES, CHOKES, VALVES, X-MAS TREE)			\$ 40,000	\$ 15,000	\$ 55,000
SURF - ARTIFICIAL LIFT EQUIPMENT	Compressor		\$ -	\$ 20,000	\$ 20,000
SURF - OTHER EQUIPMENT			\$ -	\$ 17,000	\$ 17,000
SURFACE WELL EQUIPMENT SUBTOTALS			\$ 40,000	\$ 52,000	\$ 92,000
SUB - CASING - CONDUCTOR	NA	\$ - per foot	\$ -	\$ -	\$ -
SUB - CASING - SURFACE	13 3/8" 54.5# J-55 STC	\$ 43.00 per foot	\$ 19,350	\$ -	\$ 19,350
SUB - CASING - INTERMEDIATE	9 5/8" 40# N-80, 7" 29# HCP-110	\$ 31.00 per foot	\$ 362,700	\$ -	\$ 362,700
SUB - CASING - PRODUCTION	4-1/2", 13.5 #/FT, HCP-110, BPN	\$ 15.00 per foot	\$ -	\$ 120,000	\$ 120,000
SUB - TUBING - PRODUCTION	2-7/8", 6.5 #/FT, N-80, EUE	\$ 6.00 per foot	\$ -	\$ 52,800	\$ 52,800
SUB - SUCKER RODS	-	per foot	\$ -	\$ -	\$ -
SUB - ARTIFICIAL LIFT EQUIPMENT			\$ -	\$ 22,000	\$ 22,000
SUB - OTHER CONTROLLABLE EQUIPMENT			\$ -	\$ 90,000	\$ 90,000
SUB - OTHER NON-CONTROLLABLE EQUIPMENT			\$ -	\$ -	\$ -
SUBSURFACE WELL EQUIPMENT SUBTOTALS			\$ 382,050	\$ 284,800	\$ 666,850
LSE - TANKS			\$ -	\$ 70,000	\$ 70,000
LSE - SEPARATION EQUIPMENT	Separator and Equipment		\$ -	\$ 90,000	\$ 90,000
LSE - SALES METERS			\$ -	\$ -	\$ -
LSE - FLOWLINES		\$ - per foot	\$ -	\$ 175,000	\$ 175,000
LSE - COMPRESSORS			\$ -	\$ -	\$ -
LSE - ELECTRICAL SYSTEMS			\$ -	\$ 50,000	\$ 50,000
LSE - SURFACE PUMPS (TRANSFER & CIRCULATING)			\$ -	\$ 30,000	\$ 30,000
LSE - OTHER CONTROLLABLE EQUIPMENT			\$ -	\$ -	\$ -
LSE - OTHER NON-CONTROLLABLE EQUIPMENT (CONNECTIONS, VALVES)			\$ -	\$ 40,000	\$ 40,000
LSE - TRUCKING & CONSTRUCTION			\$ -	\$ -	\$ -
LEASE & BATTERY EQUIPMENT SUBTOTALS			\$ -	\$ 455,000	\$ 455,000
TANGIBLE CONTINGENCIES	DRILLING 3.00%	COMPLETION 3.00%	\$ 12,662	\$ 23,754	\$ 36,416
TOTAL TANGIBLES			\$ 434,712	\$ 815,554	\$ 1,250,266

AFE GRAND TOTALS	DRILLING	COMPLETION	TOTAL
	\$ 2,683,943	\$ 5,513,281	\$ 8,197,224

AUTHORITY FOR EXPENDITURE

WELL :	Barney 5-6 WCD 4H	SHL (X) :	2515' FWL 05-22S-27E	WELL TYPE :	Delineation	PROPERTY # :	TBD
PROSPECT :	Caveman	SHL (Y) :	750' FSL 05-22S-27E	WELL PROFILE :	Horizontal	AFE # :	00282
OPERATOR :	SPC Resources, LLC	BHL (X):	100' FWL 06-22S-27E	PROPOSED TVD :	9,335	AFE VERSION :	Revision 0
CNTY : ST :	Eddy NM	BHL (Y):	660' FSL 06-22S-27E	PROPOSED MD :	17,500	VERSION DATE :	September 13, 2019
FIELD :	Wolfcamp Purple Sage	DATUM :	NM NAD 27	FORM @ TD :	Wolfcamp D	API #:	TBD
LOCATION :	Barney Pad						
PROPOSAL :	Test the Wolfcamp D						

AFE GRAND TOTALS	DRILLING	COMPLETION	TOTAL
	\$ 2,683,943	\$ 5,513,281	\$ 8,197,224

OPERATOR APPROVAL			
PREPARED BY :	Jocelyn Compton	TITLE :	Reservoir Engineer
DATE :	9/13/2019		
APPROVED BY :	Hanson Yates	TITLE :	President
DATE :	9/13/2019		
APPROVED BY :	-	TITLE :	-
DATE :	-		

NOTICE
<p><i>This Authority For Expenditure (AFE) includes estimates of anticipated costs at the time this AFE was prepared. The actual individual item costs and actual total costs are not guaranteed and may be more or less than the estimates in this AFE. By signing below you agree to pay your pro-rata share of any and all costs incurred which are related to the execution of the operation proposed by this AFE.</i></p>
<p><i>If any owner chooses to opt out of the Operator's Extra Expense (OEE) insurance coverage, then that owner must notify the operator in writing of such election prior to the spudding of the subject well. Such notification must include proof of acceptable insurance coverage under the owner's own policy. Failure to notify the operator in a timely manor will result in the owner being included under and charged for the operator's OEE coverage.</i></p>

WORKING INTEREST OWNER APPROVAL			
COMPANY :		WI :	
APPROVED BY :		NAME / TITLE :	
DATE :			

SPC RESOURCES, LLC

C/O SCHOEFFLER ENERGY GROUP 224 RUE DE JEAN, LAFAYETTE, LA 70508

PHONE: (337) 232-1122

March 13, 2020

Via: Certified Mail

Re: Final Election Letter

In the Matter of Application for Compulsory Pooling Submitted by SPC Resources, LLC

Case No. 20860 / Order No. R-21104

Proposed Wells: Barney 5-6 B3 Well No. 3H

Spacing Unit: T22S-R27E-Section 5: SW4 & Section 6: S2, Eddy County, NM

To Whom it May Concern:

The State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservation Division ("NMOCD") has issued the attached and captioned Order pursuant to the captioned Case. Per paragraphs 23 and 24 of the Order, SPC Resources, LLC ("SPC"), as Operator, hereby provides this Final Election Letter of its intent to drill the captioned proposed well(s) along with the Authorization for Expenditure ("AFE") for each well which is the "Estimated Well Costs". Please see Exhibit A of the Order for well(s) details.

If you wish to be compulsory pooled and treated as a "Non-Consenting Pooled Working Interest" pursuant to the order (see Order paragraphs 24 and 30), you need take no further action and any unleased mineral interest owner shall receive a 1/8 royalty interest (see Order paragraph 32).

If you desire to participate and pay for your share of Estimated Well(s) Costs, within thirty (30) days please return this letter executed in the space below along with the executed AFE(s) to the letterhead address. Please note that each enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well(s), you will be responsible for your proportionate share of all Actual Well Costs incurred. Should you elect to participate, SPC will send you an invoice for your share of Estimated Well Costs and the full payment shall be due within sixty (60) days of receipt of this letter (see Order paragraph 24). Should you fail to timely remit payment for your share of Estimated Well Costs, you will also be considered a "Non-Consenting Pooled Working Interest".

No matter your election pursuant to this letter, SPC Resources, LLC is interested in buying your minerals, leasing your minerals or purchasing your working interest. If this option is something you would consider, please call the Schoeffler Energy Group (agent for SPC) at (337) 232-1122.

Sincerely,
SPC Resources, LLC

The undersigned wishes to **PARTICIPATE** in the captioned Proposed Well(s):

Name (Print): _____ _____ _____	Address: _____ _____ _____
Signature: _____	Email: _____
Date: _____	Phone: _____

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
SPC RESOURCES, LLC**

**CASE NO. 20860
ORDER NO. R-21104**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 14, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. SPC Resources, LLC (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.
20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.

CASE NO. 20860
ORDER NO. R-21104

21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
23. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
24. No later than thirty (30) days after Operator submits the Estimated Well Costs , the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

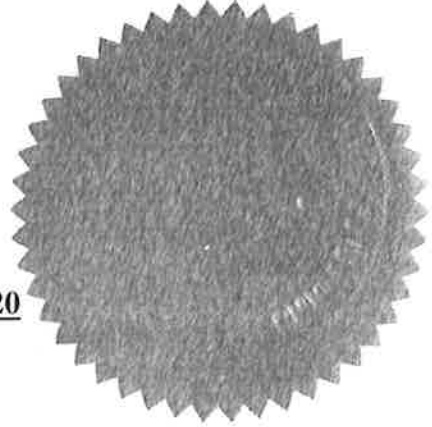
**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AS/jag

Date: February 13, 2020



CASE NO. 20860
ORDER NO. R-21104

Exhibit "A"

Applicant: SPC Resources, LLC
Operator: SPC Resources, LLC (OGRID 372262)

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter section equivalents
Spacing Unit Size: 473.59 acres (more or less)
Orientation of Unit: East/West

Spacing Unit Description:

SW/4 of irregular Section 5, and Lots 6-7, the E/2 SW/4, and the SE/4 (S/2 equivalent) of irregular Section 6, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

Pooling this Vertical Extent: Bone Spring Formation
Depth Severance? (Yes/No): No

Pool: Esperanza; Bone Spring (Pool code 97755)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: Yes
Proximity Defining Well: Well No. 3H is to be drilled closer than 330 feet from the Proximity Tracts and therefore defines the Horizontal Spacing Unit.

Monthly charge for supervision: While drilling: \$8000 While producing: \$800
As the charge for risk, 200 percent of reasonable well costs.

Proposed Wells:

Barney 5-6 B3 Well No. 3H, API No. 30-015-Pending

SHL: 790 feet from the South line and 2265 feet from the West line,
(Unit N) of Section 5, Township 22 South, Range 27 East, NMPM.
BHL: 1640 feet from the South line and 50 feet from the West line,
(Lot 6) of Section 6, Township 22 South, Range 27 East, NMPM.

Completion Target: 3rd Bone Spring Sand at approx. 8540 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard

Barney 5-6 B3 Well No. 4H, API No. 30-015-Pending

SHL: 750 feet from the South line and 2265 feet from the West line,
(Unit N) of Section 5, Township 22 South, Range 27 East, NMPM.
BHL: 330 feet from the South line and 50 feet from the West line,

CASE NO. 20860
ORDER NO. R-21104

(Lot 7) of Section 6, Township 22 South, Range 27 East, NMPM.

Completion Target: 3rd Bone Spring Sand at approx. 8540 feet TVD.

Well Orientation: East to West

Completion Location expected to be: standard

CASE NO. 20860
ORDER NO. R-21104

AUTHORITY FOR EXPENDITURE

WELL :	Barney 5-6 B3 3H	SHL (X) :	2265' FWL 05-22S-27E	WELL TYPE :	Delineation	PROPERTY # :	TBD
PROSPECT :	Caveman	SHL (Y) :	790' FSL 05-22S-27E	WELL PROFILE :	Horizontal	AFE # :	00284
OPERATOR :	SPC Resources, LLC	BHL (X) :	50' FWL 06-22S-27E	PROPOSED TVD :	8,540	AFE VERSION :	Revision 0
CNTY : ST :	Eddy NM	BHL (Y) :	1640' FSL 06-22S-27E	PROPOSED MD :	16,600	VERSION DATE :	September 18, 2019
FIELD :	TBD	DATUM :	NM NAD 27	FORM @ TD :	3rd Bone Spring Sand	API # :	TBD
LOCATION :	Barney Pad						
PROPOSAL :	Test the 3rd Bone Spring						

INTANGIBLES			DRILLING	COMPLETION	TOTALS
LOC - ACCESS, DAMAGES & RIGHT OF WAY			\$ 25,000	\$ -	\$ 25,000
LOC - SURVEY, STAKE, BUILD, REPAIR & RECLAIM			\$ 49,000	\$ -	\$ 49,000
LOCATION SUBTOTALS			\$ 74,000	\$ -	\$ 74,000
RIG - MOBILIZATION			\$ 225,000	\$ -	\$ 225,000
RIG - DRILLING - DAYWORK	-	\$ 22,000.00 per day	\$ 616,000	\$ -	\$ 616,000
RIG - DRILLING - FOOTAGE	-	\$ - per foot	\$ -	\$ -	\$ -
RIG - DRILLING - TURNKEY	-	\$ - per foot	\$ -	\$ -	\$ -
RIG - COMPLETION		\$ 6,000.00 per day	\$ -	\$ 60,000	\$ 60,000
RIG - REVERSE UNIT, COILED TUBING UNIT			\$ -	\$ 196,000	\$ 196,000
RIG - FUEL & POWER		\$ 4,590.00 per gallon	\$ 128,520	\$ 45,900	\$ 174,420
RIGS SUBTOTALS			\$ 969,520	\$ 301,900	\$ 1,271,420
FLUID - WATER - FRESH & BRINE (INCLUDES TRUCKING, LINE RENTAL & PUMP RENTAL)			\$ 45,000	\$ 450,000	\$ 495,000
FLUID - MUD & CHEMICALS			\$ 180,000	\$ -	\$ 180,000
FLUID - DISPOSAL - WATER, MUD & CUTTINGS			\$ -	\$ -	\$ -
FLUIDS SUBTOTALS			\$ 225,000	\$ 450,000	\$ 675,000
TOOLS - BITS & BOTTOM HOLE ASSEMBLY (INCLUDING NON-STEERABLE MOTORS)			\$ 86,000	\$ 9,000	\$ 95,000
TOOLS - DRILL STRING & TUBING WORK STRING - RENTAL			\$ -	\$ 25,000	\$ 25,000
TOOLS - BLOW OUT PREVENTERS & CHOKES - RENTAL			\$ 54,000	\$ 9,500	\$ 63,500
TOOLS - OTHER (TANKS, FISHING TOOLS, MUD EQUIPMENT, & CONSUMABLES)			\$ 190,400	\$ 113,000	\$ 303,400
TOOLS SUBTOTALS			\$ 330,400	\$ 156,500	\$ 486,900
CEMENT - CASING			\$ 115,000	\$ 31,000	\$ 146,000
CEMENT - FLOAT EQUIPMENT & OTHER CASING HARDWARE			\$ 15,000	\$ 5,500	\$ 20,500
CEMENT - REMEDIAL (SQUEEZING & PLUG BACK)	-		\$ -	\$ -	\$ -
CEMENTING SUBTOTALS			\$ 130,000	\$ 36,500	\$ 166,500
EVAL - MUD LOGGING			\$ 20,700	\$ -	\$ 20,700
EVAL - CORING (WHOLE CORE)			\$ -	\$ -	\$ -
EVAL - DRILL STEM TESTING			\$ -	\$ -	\$ -
EVAL - OPEN HOLE WIRELINE LOGGING & CORING			\$ 30,000	\$ -	\$ 30,000
EVAL - CASED HOLE WIRELINE LOGGING			\$ 5,000	\$ -	\$ 5,000
EVAL - PERFORATING			\$ -	\$ 95,000	\$ 95,000
EVAL - SLICKLINE SERVICES (BOTTOM HOLE PRESSURE, ETC)			\$ -	\$ -	\$ -
EVAL - SAMPLING, TESTING & ANALYSIS	-		\$ -	\$ -	\$ -
EVALUATION SUBTOTALS			\$ 55,700	\$ 95,000	\$ 150,700
STIM - ACIDIZING			\$ -	\$ 20,000	\$ 20,000
STIM - HYDRAULIC FRACTURING			\$ -	\$ 3,325,000	\$ 3,325,000
STIM - EQUIPMENT RENTAL (TREE PROTECTOR, TANKS, PACKER, RETRIEVABLE BRIDGE PLUG, ETC)			\$ -	\$ -	\$ -
STIMULATION SUBTOTALS			\$ -	\$ 3,345,000	\$ 3,345,000
CONTRACT - LEGAL & PERMITTING SERVICES			\$ -	\$ -	\$ -
CONTRACT - WELL SITE SUPERVISION			\$ 84,000	\$ 30,000	\$ 114,000
CONTRACT - WELL SITE SUPERVISION - HOUSING & COMMUNICATIONS			\$ 12,600	\$ 4,500	\$ 17,100
CONTRACT - DIRECTIONAL DRILLING TOOLS, SUPERVISION & SERVICES			\$ 264,500	\$ -	\$ 264,500
CONTRACT - CASING CREWS, TOOLS & TUBULAR INSPECTION			\$ 30,000	\$ 18,000	\$ 48,000
CONTRACT - SPECIAL SERVICES (ROUSTABOUTS, WELDERS, WELLHEAD REPAIR)			\$ 50,000	\$ 8,500	\$ 58,500
CONTRACT - TRUCKING & DELIVERY (WHEN SEPARATE FROM PRODUCT OR SERVICE COST)			\$ 40,000	\$ 75,000	\$ 115,000
CONTRACT - OTHER SERVICES (ENGINEERING, GEOLOGIST, HSE, ETC)			\$ 7,000	\$ -	\$ 7,000
CONTRACT SERVICES SUBTOTALS			\$ 488,100	\$ 136,000	\$ 624,100
OPERATOR - OVERHEAD			\$ 10,000	\$ 20,000	\$ 30,000
OPERATOR - EXTRA EXPENSE INSURANCE			\$ -	\$ -	\$ -
OPERATOR - OTHER EXPENSES			\$ -	\$ -	\$ -
OPERATOR CHARGES SUBTOTALS			\$ 10,000	\$ 20,000	\$ 30,000
INTANGIBLE CONTINGENCIES	DRILLING : 3.00%	COMPLETION : 3.00%	\$ 68,482	\$ 136,227	\$ 204,709
TOTAL INTANGIBLES			\$ 2,351,202	\$ 4,677,127	\$ 7,028,329

TANGIBLES			DRILLING	COMPLETION	TOTALS
SURF - WELLHEAD - (FLANGES, CHOKES, VALVES, X-MAS TREE)			\$ 40,000	\$ 15,000	\$ 55,000
SURF - ARTIFICIAL LIFT EQUIPMENT	Compressor		\$ -	\$ 20,000	\$ 20,000
SURF - OTHER EQUIPMENT			\$ -	\$ 17,000	\$ 17,000
SURFACE WELL EQUIPMENT SUBTOTALS			\$ 40,000	\$ 52,000	\$ 92,000
SUB - CASING - CONDUCTOR	20"	\$ 180.00 per foot	\$ 18,000	\$ -	\$ 18,000
SUB - CASING - SURFACE	13 3/8" 54.5# J-55 STC	\$ 35.00 per foot	\$ 15,750	\$ -	\$ 15,750
SUB - CASING - INTERMEDIATE	9 5/8" 40# N-80, 7" 29# HCP-110	\$ 31.00 per foot	\$ 322,400	\$ -	\$ 322,400
SUB - CASING - PRODUCTION	4-1/2", 13.5 #/FT, HCP-110, BPN	\$ 15.00 per foot	\$ -	\$ 120,000	\$ 120,000
SUB - TUBING - PRODUCTION	2-7/8", 6.5 #/FT, N-80, EUE	\$ 6.00 per foot	\$ -	\$ 52,800	\$ 52,800
SUB - SUCKER RODS	-	- per foot	\$ -	\$ -	\$ -
SUB - ARTIFICIAL LIFT EQUIPMENT			\$ -	\$ 22,000	\$ 22,000
SUB - OTHER CONTROLLABLE EQUIPMENT			\$ -	\$ 90,000	\$ 90,000
SUB - OTHER NON-CONTROLLABLE EQUIPMENT			\$ -	\$ -	\$ -
SUBSURFACE WELL EQUIPMENT SUBTOTALS			\$ 356,150	\$ 284,800	\$ 640,950
LSE - TANKS			\$ -	\$ 70,000	\$ 70,000
LSE - SEPARATION EQUIPMENT	Separator and Equipment		\$ -	\$ 90,000	\$ 90,000
LSE - SALES METERS			\$ -	\$ -	\$ -
LSE - FLOWLINES		\$ - per foot	\$ -	\$ 100,000	\$ 100,000
LSE - COMPRESSORS			\$ -	\$ -	\$ -
LSE - ELECTRICAL SYSTEMS			\$ -	\$ 50,000	\$ 50,000
LSE - SURFACE PUMPS (TRANSFER & CIRCULATING)			\$ -	\$ 30,000	\$ 30,000
LSE - OTHER CONTROLLABLE EQUIPMENT			\$ -	\$ -	\$ -
LSE - OTHER NON-CONTROLLABLE EQUIPMENT (CONNECTIONS, VALVES)			\$ -	\$ 40,000	\$ 40,000
LSE - TRUCKING & CONSTRUCTION			\$ -	\$ -	\$ -
LEASE & BATTERY EQUIPMENT SUBTOTALS			\$ -	\$ 380,000	\$ 380,000
TANGIBLE CONTINGENCIES	DRILLING 3.00%	COMPLETION 3.00%	\$ 11,885	\$ 21,504	\$ 33,389
TOTAL TANGIBLES			\$ 408,035	\$ 738,304	\$ 1,146,339

AFE GRAND TOTALS		DRILLING	COMPLETION	TOTAL
		\$ 2,759,236	\$ 5,415,431	\$ 8,174,667

AUTHORITY FOR EXPENDITURE

WELL :	Barney 5-6 B3 3H	SHL (X) :	2265' FWL 05-22S-27E	WELL TYPE :	Delineation	PROPERTY # :	TBD
PROSPECT :	Caveman	SHL (Y) :	790' FSL 05-22S-27E	WELL PROFILE :	Horizontal	AFE # :	00284
OPERATOR :	SPC Resources, LLC	BHL (X) :	50' FWL 06-22S-27E	PROPOSED TVD :	8,540	AFE VERSION :	Revision 0
CNTY : ST :	Eddy NM	BHL (Y) :	1640' FSL 06-22S-27E	PROPOSED MD :	16,600	VERSION DATE :	September 18, 2019
FIELD :	TBD	DATUM :	NM NAD 27	FORM @ TD :	3rd Bone Spring Sand	API #:	TBD
LOCATION :	Barney Pad						
PROPOSAL :	Test the 3rd Bone Spring						

AFE GRAND TOTALS				DRILLING	COMPLETION	TOTAL
				\$ 2,759,236	\$ 5,415,431	\$ 8,174,667

OPERATOR APPROVAL		
PREPARED BY :	Jocelyn Compton	TITLE : Reservoir Engineer
DATE :	9/18/2019	
APPROVED BY :	Hanson Yates	TITLE : President
DATE :	9/18/2019	
APPROVED BY :	-	TITLE : -
DATE :	-	

NOTICE
<p><i>This Authority For Expenditure (AFE) includes estimates of anticipated costs at the time this AFE was prepared. The actual individual item costs and actual total costs are not guaranteed and may be more or less than the estimates in this AFE. By signing below you agree to pay your pro-rata share of any and all costs incurred which are related to the execution of the operation proposed by this AFE.</i></p>
<p><i>If any owner chooses to opt out of the Operator's Extra Expense (OEE) insurance coverage, then that owner must notify the operator in writing of such election prior to the spudding of the subject well. Such notification must include proof of acceptable insurance coverage under the owner's own policy. Failure to notify the operator in a timely manor will result in the owner being included under and charged for the operator's OEE coverage.</i></p>

WORKING INTEREST OWNER APPROVAL		
COMPANY :		WI :
APPROVED BY :	NAME / TITLE :	DATE :