

June 9<sup>th</sup>, 2016



**Via Certified Mail RRR and Email**

EOG Resources, Inc.  
Attn: Land Department  
P.O. Box 2267  
Midland, TX 79702

RE: Well Proposal  
RDX Federal Com 17-35H  
Section 17 T26S-R30E  
Eddy County, New Mexico

Gentlemen:

RKI Exploration & Production, LLC ("RKI"), as an owner of an interest in the oil and gas leasehold estate in and under Section 17 – T26S-R30E, Eddy County, New Mexico, hereby proposes the drilling of the following well:

Well Name:	RDX Federal Com 17-35H
SHL:	150' FNL 895' FWL
BHL:	230' FSL 330' FWL
Legal:	Section 17-T26S-R30E, Eddy County, New Mexico
TMD:	16,150'
TVD:	11,200'
Objective:	Drill a horizontal well to a depth sufficient to test the Wolfcamp Formation

A 320 acre Project Area consisting of the W/2 of Section 17 – T26S-R30E, Eddy County, New Mexico, limited to the Wolfcamp Formation, will be dedicated to this well. Please realize that minor discrepancies in the location of the bottom hole as outlined in this proposal are possible.

According to the title information now available for these sections, you own 100% WI in the NE/4 of the W/2 of Section 17 – T26S-R30E. As set forth in the attached AFE, the estimated dry hole cost for the RDX Federal Com 17-35H well is \$4,717,700.00 with an estimated completion cost of \$1,063,598.78. This results in an estimated completed well cost of \$5,781,298.78.

If you would like to participate in the drilling of the RDX Federal Com 17-35H well, please indicate your election in the space indicated below and return a copy of this letter to the undersigned. Please also confirm your election to participate by signing and returning the attached AFE. In the event that you elect to participate, I will forward an Operating Agreement covering the W/2 of Section 17 – T26S-R30E for your review and execution.

If you elect to not participate with your interest(s) in the proposed operations as outlined herein, please so indicate your election not to participate in the space provided below, and return a copy of this letter to the undersigned.

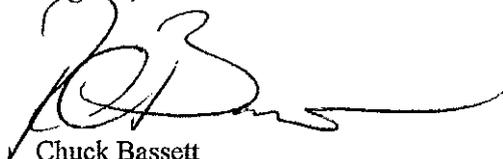
The RDX Federal Com 17-35H well currently has an anticipated spud date of September 1<sup>st</sup>, 2016. As such, your timeliest decision regarding participation is appreciated. Should you elect to

June 9<sup>th</sup>, 2016  
RDX Federal Com 17-35H Proposal

participate in the RDX Federal Com 17-35H well, and desire well information, please provide a well information data sheet along with a single email address.

RKI appreciates your cooperation in the development of this acreage. Should you have any questions regarding the above provided information, please do not hesitate to contact the undersigned by phone at (539) 573-6575, or by email at [chuck.bassett@wpenergy.com](mailto:chuck.bassett@wpenergy.com).

Regards,



Chuck Bassett  
Staff Landman

\_\_\_\_ EOG Resources, Inc. elects to participate in the drilling of the RDX Federal Com 17-35H well.

\_\_\_\_ EOG Resources, Inc. elects not to participate in the drilling of the RDX Federal Com 17-35H Well.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Email: \_\_\_\_\_

Phone: \_\_\_\_\_

**RRI Exploration and Production**

Lease :	<b>ROX FED 17-35H</b>	S/T/R	17-265-30E	API No:	
Field:	<b>Phantom</b>	QTR-QTR		District:	Permian
Description:	<b>Wolfcamp D</b>	Co/State	Eddy NM	MO Depth:	16,150
Location:	<b>150' FNL &amp; 895' FWL SEC 17</b>	Prelim AFE		TV Depth:	11,200
	<b>230' FSL &amp; 330' FWL SEC 17</b>	Well ID	<b>62428445</b>	GL:	3073

Tangible Development					
WPX Cost Code	RKI Cost Code	Cost Name	QTY	Cost / Per Item	Gross Cost
8500.8918	174100.189	TDC - CASING HEAD	1	\$40,000.00	\$40,000.00
8500.8889	174100.190	TDC - SURFACE CASING 13 3/8"	1020	\$17.31	\$17,656.20
8500.8810	174100.191	TDC - Intermediate Casing - 9 5/8"	3498	\$26.48	\$103,171.04
8500.8810	174100.191	TDC - Intermediate Casing - 7"	10828	\$14.98	\$162,203.44
8600.8716	174100.268	TCC - DOWNHOLE PUMP	1	\$100,000.00	\$100,000.00
8600.8724	174100.277	TCC - PRODUCTION CASING - HEW 4 5"	5220	\$8.84	\$46,144.80
8600.8902	174100.279	TCC - PRODUCTION TUBING - HEW	10970	\$3.89	\$42,673.30
8600.8902	174100.291	TCC - TUBING HEAD & VALVES FOR TREE	1	\$19,000.00	\$19,000.00
8500.8739		TCC - Lifer Hanger	1	\$45,000.00	\$45,000.00
8650.8856	174100.5010	TCC Fac - Building	1	\$1,500.00	\$1,500.00
8650.8856	174100.6020	TCC Fac - Circulating/Transfer Pumps	1	\$12,000.00	\$12,000.00
8650.8856	174100.6030	TCC Fac - Chemical tanks / Pumps	1	\$5,800.00	\$5,800.00
8650.8856	174100.6040	TCC Fac - Combustor/Flare	1	\$38,000.00	\$38,000.00
8650.8782	174100.6042	TCC Fac - Flowlines	1	\$10,000.00	\$10,000.00
8650.8312	174100.6050	TCC Fac - Containment / Tanks pads	1	\$25,000.00	\$25,000.00
8650.8856	174100.6080	TCC Fac - I&E Material	1	\$70,000.00	\$70,000.00
8650.8211	176100.6130	TCC Fac - Pipe/Valves/Fittings	1	\$25,000.00	\$25,000.00
8650.8893	174100.6180	TCC Fac - Tanks/Walkways	1	\$65,000.00	\$65,000.00
8650.8856	174100.6190	TCC FAC - Vessels	1	\$12,000.00	\$12,000.00
8650.8216	174100.6200	TCC Fac - Misc. Supplies	1	\$4,000.00	\$4,000.00
8650.8917	174100.6210	TCC Fac - Supervision	1	\$6,500.00	\$6,500.00
8650.8856	174100.6220	TCC Fac - IHS Skid Package	1	\$136,000.00	\$136,000.00
8650.8856	174100.6240	TCC Fac - Electrical/Automation	1	\$25,000.00	\$25,000.00
8650.8774	174100.6270	TCC Fac - Roostabouls	1	\$30,000.00	\$30,000.00
8650.8312	174100.6280	TCC Fac - Tank Strapping	1	\$2,000.00	\$2,000.00
8650.8742	174100.6290	TCC Fac - Trucking	1	\$5,000.00	\$5,000.00
8650.8774	174100.6300	TCC Fac - Welders	1	\$5,000.00	\$5,000.00
8650.8774	174100.6310	TCC Fac - Misc. Labor	1	\$10,000.00	\$10,000.00
				<b>Total Tangible Cost:</b>	<b>\$1,063,598.78</b>

Intangible Development					
WPX Cost Code	RKI Cost Code	Cost Name	QTY	Cost / Per Item	Gross Cost
8300.8988	176100.102	JDC - CEMENT & EQUIPMENT	1	\$150,000.00	\$150,000.00
8300.8862	176100.106	JDC - DRILLING CONDUCTOR & RATHOLE	1	\$28,000.00	\$28,000.00
8300.8758	176100.107	JDC - DRILLING MUD/CHEMICALS	1	\$165,000.00	\$165,000.00
8300.8760	176100.110	JDC - DRILLING RIG - DAYWORK	25	\$16,500.00	\$412,500.00
8300.8730	176100.114	JDC - ROAD/LOCATION	1	\$95,000.00	\$95,000.00
8300.8216	176100.118	JDC - MISCELLANEOUS	25	\$8,000.00	\$200,000.00
8300.8757	176100.119	JDC - Directional Costs	25	\$10,000.00	\$250,000.00
8300.8868	176100.120	JDC - BOTTOM HOLE ASSEMBLY	25	\$2,200.00	\$55,000.00
8300.8212	176100.122	JDC - FUEL/POWER	25	\$3,400.00	\$85,000.00
8300.8842	176100.124	JDC - OPEN HOLE LOGGING	1	\$25,000.00	\$25,000.00
8300.8742	176100.125	JDC - LABOR/TRANSPORTATION	1	\$150,000.00	\$150,000.00
8300.8886	176100.129	JDC - INSPECTION/RECURS/REPLACE	1	\$30,000.00	\$30,000.00
8300.8869	176100.134	JDC - EQUIPMENT RENTAL	25	\$6,500.00	\$162,500.00
8300.8917	176100.135	JDC - Supervision	25	\$3,400.00	\$85,000.00
8300.8837	176100.136	JDC - Mud logging	25	\$2,100.00	\$52,500.00
8300.8734	176100.137	JDC - Casing Crews	1	\$25,000.00	\$25,000.00
8300.8732	176100.143	JDC - Bits/Reamers/Stabilizers	7	\$11,000.00	\$77,000.00
8300.8783	176100.151	JDC - WATER/DRILLING MUD DISPOSAL	1	\$115,000.00	\$115,000.00
8300.8791	176100.152	JDC - REGULATORY	1	\$7,000.00	\$7,000.00
8300.8913	176100.159	JDC - WELDING	1	\$25,000.00	\$25,000.00
8300.8959	176100.164	JDC - SURFACE DAMAGES	1	\$10,000.00	\$10,000.00
8300.8791	176100.167	JDC - SURVEY & PERMITS	1	\$7,000.00	\$7,000.00
8300.8742	176100.170	JDC - TRUCKING	1	\$35,000.00	\$35,000.00
8300.8910	176100.173	JDC - WATER	1	\$120,000.00	\$120,000.00
8400.8733	176100.203	JCC - CASED HOLE LOGS	1	\$5,000.00	\$5,000.00
8400.8734	176100.204	JCC - CASING CREW-PRODUCTION CASING	1	\$25,000.00	\$25,000.00
8400.8700	176100.205	JCC - CEMENT & CEMENT SERVICES	1	\$95,000.00	\$95,000.00
8400.8869	176100.209	JCC - FRAC TANK RENTAL	1	\$10,000.00	\$10,000.00
8400.8299	176100.214	JCC - FRAC WATER TRANSFER	1	\$60,000.00	\$60,000.00
8400.8403	176100.215	JCC - FRAC WATER	1	\$150,000.00	\$150,000.00
8400.8760	176100.217	JCC - DRILLING RIG - DAYWORK	1	\$16,500.00	\$16,500.00
8400.8730	176100.222	JCC - PITS/ROAD/LOCATION/DOZER	1	\$20,000.00	\$20,000.00
8400.8732	176100.231	JCC - BITS/STABILIZERS/HILLS	1	\$3,000.00	\$3,000.00
8400.8728	176100.232	JCC - COIL TUBING	1	\$90,000.00	\$90,000.00
8400.8738	176100.236	JCC - PERFORATING	1	\$100,000.00	\$100,000.00
8400.8869	176100.237	JCC - BOP Rotating Head ETC.	1	\$6,000.00	\$6,000.00
8400.8742	176100.238	JCC - Pump Truck	1	\$15,000.00	\$15,000.00
8400.8869	176100.239	JCC - RENTAL OF EQUIPMENT	1	\$110,000.00	\$110,000.00
8400.8708	176100.243	JCC - TREATMENT (FRACTURING)	1	\$1,300,000.00	\$1,300,000.00
8400.8742	176100.244	JCC - TRUCKING	1	\$15,000.00	\$15,000.00
8400.8843	176100.245	JCC - Flowback Equipment	1	\$95,000.00	\$95,000.00
8400.8774	176100.247	JCC - ROUSTABOUTS	1	\$35,000.00	\$35,000.00
8400.8917	176100.251	JCC - Supervision	1	\$60,000.00	\$60,000.00
8400.8783	176100.252	JCC - Water/Drilling Mud Disposal	1	\$60,000.00	\$60,000.00
8400.8735	176100.253	JCC - COMPLETION RIG	1	\$15,000.00	\$15,000.00
8400.8774	176100.259	JCC - WELDING &/OR CONTRACT LABOR	1	\$22,000.00	\$22,000.00
8400.8216	176100.263	JCC - MISCELLANEOUS EXPENSE	1	\$10,000.00	\$10,000.00
8650.8730	176100.6120	JDC FAC - Location/Pads/Roads	1	\$7,000.00	\$7,000.00
8650.8869	176100.6140	JDC Fac - Rental Location	1	\$8,200.00	\$8,200.00
8650.8877	176100.6150	JDC Fac - ROW/Pad Damages	1	\$3,300.00	\$3,300.00
8650.8869	176100.6220	JDC Fac - Backhoe	1	\$7,500.00	\$7,500.00
8650.8696	176100.6230	JDC Fac - Crane	1	\$7,500.00	\$7,500.00
8650.8791	176100.6250	JDC Fac - GPS as built	1	\$ 2,000.00	\$ 2,000.00
				<b>Total Intangible Costs:</b>	<b>\$4,717,700.00</b>

DATE: 6/7/2016

**AFE Total: \$5,781,298.78**