

AUTHORITY FOR EXPENDITURE
 OPERATOR: Back Nine Properties, LLC
 LEASE: Bandon Dunes 2H
 LOCATION: Sec. 6, Twp. 10S, Rng. 28E
 COUNTY, STATE: CHAVES COUNTY, NEW MEXICO
 COMMENTS: By A.C. Hadaway
 Day Work Drilling Contract
 TVD 2,300
 MD 6,900
 ZONE: SAN ANDRES

DATE: 3/7/2017

DRLG. DAYS:
 COMPL. DAYS:
 TOTAL DAYS:

| INTANGIBLE | Days | \$/day | Days | TD | P&A | COMPL | Total |
|---|------|----------|--------|------------------|------------|------------------|--------------------|
| IT-1 Location, Road, Damages | | | | \$25,000 | | \$3,500 | \$28,500 |
| IT-2 Permits, Survey-----Bond, Unit, Archeology | | | | \$3,000 | | | \$3,000 |
| IT-3 Rig Move In/Out----- | | | | \$90,000 | | | \$90,000 |
| IT-4 Drilling | | | | | | | |
| IT-5 Day Work w/ DP: 14 \$14,000 0 | 14 | \$14,000 | 0 | \$196,000 | | \$0 | \$196,000 |
| IT-6 TOP DRIVE SYSTEM 0 \$0 0 | 0 | \$0 | 0 | \$0 | | \$0 | \$0 |
| IT-7 Directional Drilling: 5200 \$12.00 0 | 5200 | \$12.00 | 0 | \$62,400 | | \$0 | \$62,400 |
| IT-8 Drill RH & MH & Cmt Cond | | | | \$10,000 | | \$0 | \$10,000 |
| IT-9 W/O Rig: 0 \$3,500 5 | 0 | \$3,500 | 5 | \$0 | | \$17,500 | \$17,500 |
| IT-10 Bits & Stabilizers----- | | | | \$12,000 | | \$0 | \$12,000 |
| IT-11 Mud & Chemicals/Oil----- | | | | \$45,000 | | \$0 | \$45,000 |
| IT-12 Fresh Water----- | | | | \$5,000 | | \$0 | \$5,000 |
| IT-13 0 \$0 0 | 0 | \$0 | 0 | \$0 | | \$0 | \$0 |
| IT-14 FLOWBACK TANK 0 \$1,100 10 | 0 | \$1,100 | 10 | \$0 | | \$11,000 | \$11,000 |
| IT-15 Rental Surface:---- FORKLIFT/TRASH/HAULER/PORTA POTTY | | | | \$10,000 | | \$5,000 | \$15,000 |
| IT-16 Rental Downhole:---- SHOCK SUB / DRLG. JARS | | | | \$5,000 | | \$0 | \$5,000 |
| IT-17 Casing Crew & Tool 9-5/8" 5.5 | | | 5.5 | \$4,000 | | \$6,000 | \$10,000 |
| IT-18 Cement Surface Csg. | | | | \$15,000 | | \$0 | \$15,000 |
| IT-19 KICK OFF PLUG | | | | \$15,000 | | \$0 | \$15,000 |
| IT-20 Cement Long String Csg. | | | | \$0 | | \$25,000 | \$25,000 |
| IT-21 Packers Plus System | | | | \$0 | | \$0 | \$0 |
| IT-22 Mud Logger: 7 \$900 | 7 | \$900 | | \$6,300 | | \$0 | \$6,300 |
| IT-23 ROTARY CORE | | | | \$20,000 | | \$0 | \$20,000 |
| IT-24 Nu/Id/Test | | | | \$5,000 | | \$0 | \$5,000 |
| IT-25 Fuel----- 15 1250 \$2.25 | 15 | 1250 | \$2.25 | \$42,188 | | \$0 | \$42,188 |
| IT-26 Trucking----- | | | | \$5,500 | | \$0 | \$5,500 |
| IT-27 Contract Labor/Inspections----- | | | | \$15,000 | | \$0 | \$15,000 |
| IT-28 Welding----- | | | | \$1,600 | | \$2,000 | \$3,600 |
| IT-29 Engineering/Supervision: 15 \$1,200 10 | 15 | \$1,200 | 10 | \$18,000 | | \$12,000 | \$30,000 |
| IT-30 Geological:----- 2 \$750 0 | 2 | \$750 | 0 | \$1,500 | | \$0 | \$1,500 |
| IT-31 Insurance----- | | | | \$5,000 | | \$0 | \$5,000 |
| IT-32 Wireline services----- | | | | \$0 | | \$0 | \$0 |
| IT-33 Open Hole Logs----- | | | | \$5,000 | | \$0 | \$5,000 |
| IT-34 COIL TUBING DRILL OUT | | | | | | \$60,000 | \$60,000 |
| IT-35 Internal Professional Origination Fee - | | | | \$0 | | \$0 | \$0 |
| IT-36 | | | | \$0 | | \$0 | \$0 |
| IT-38 Stimulation 15 STAGE P&P----- | | | | 0 | | \$350,000 | \$350,000 |
| Contingency @ 10.00% | | | | \$62,249 | | \$49,200 | \$111,449 |
| TOTAL: | | | | \$684,736 | \$0 | \$541,200 | \$1,225,936 |

AUTHORITY FOR EXPENDITURE

| LEASE: Bandon Dunes 2H | | | | TD | P&A | Compl | Total |
|------------------------------------|--------|-------|---------|------------------|-----|------------------|--------------------|
| TANGIBLE | In. OD | feet | @ \$/ft | | | | |
| T-1 CASING | | | | | | | |
| Conductor: 20" | | 0 | \$40.00 | \$0 | | | \$0 |
| Surface: 13-3/8" | | 0 | \$28.00 | \$0 | | | \$0 |
| Intermediate 1: 8-5/8" | | 1,700 | \$15.00 | \$25,500 | | | \$25,500 |
| Intermediate 2: 7" | | 0 | \$30.00 | \$0 | | | \$0 |
| Production: 5.5 6,900 \$12.00 | 5.5 | 6,900 | \$12.00 | | | \$82,800 | \$82,800 |
| Liner: 0 \$9.75 | | 0 | \$9.75 | | | | \$0 |
| Tubing: 2.875 2,300 \$3.00 | | 2,300 | \$3.00 | | | \$6,900 | \$6,900 |
| T-8 Packers Plus System | | | | | | \$0 | \$0 |
| T-9 Wellhead: | | | | \$6,500 | | \$10,000 | \$16,500 |
| T-10 Float Equipment - DV Tool: | | | | \$2,500 | | \$6,000 | \$8,500 |
| T-11 Contingency @ 10.00% | | | | \$3,450 | | \$10,570 | \$14,020 |
| Total Tangible: | | | | \$37,950 | | \$116,270 | \$154,220 |
| Total Drill & Complete: | | | | \$722,686 | | \$657,470 | \$1,380,156 |

ARTIFICIAL LIFT

| | | | | | | | |
|-------------------------------|--|---|--|--|--|-----------------|-----------------|
| T-12 ESP PUMP | | | | | | \$60,000 | \$60,000 |
| Rods: 0 | | 0 | | | | \$0 | \$0 |
| T-13 MISC FOR ESP PUMP | | | | | | \$5,000 | \$5,000 |
| T-14 Installation----- | | | | | | \$5,000 | \$5,000 |
| T-15 Electrical----- | | | | | | \$10,000 | \$10,000 |
| T-16 Contingency @ 10.00% | | | | | | \$8,000 | \$8,000 |
| Total Artificial Lift: | | | | | | \$88,000 | \$88,000 |

TANK BATTERY

| | | | | | | | |
|-----------------------------------|--|--|--|--|--|------------------|------------------|
| T-17 Gas/Water Lines, Meters----- | | | | | | \$5,000 | \$5,000 |
| T-18 Valves & Connection----- | | | | | | \$20,000 | \$20,000 |
| T-19 SEP/HT/Etc----- | | | | | | \$20,000 | \$20,000 |
| T-20 Oil Tank----- | | | | | | \$80,000 | \$80,000 |
| T-21 SW Tank----- | | | | | | \$0 | \$0 |
| T-22 Labor----- | | | | | | \$15,000 | \$15,000 |
| T-23 Miscellaneous----- | | | | | | \$10,000 | \$10,000 |
| T-24 Contingency @ 10.00% | | | | | | \$16,000 | \$16,000 |
| Total Tank Battery: | | | | | | \$176,000 | \$176,000 |

| | | | |
|---|------------------|------------------|--------------------|
| Total D&C, Art Lift & SE: | \$722,686 | \$921,470 | \$1,644,156 |
| WI = 100 % Drilling & Completion | \$722,686 | \$921,470 | \$1,644,156 |

Grand Total:
 This AFE is based on present day prices. Final costs could be higher or lower than those shown in this AFE, due to fluctuations in prices during the time of drilling and completion or unanticipated problems.

APPROVED BY: _____ DATE: _____
 COMPANY: _____

OCD Case No. 15714
BACK NINE PROPERTIES
 Bandon Dunes #2H
Exhibit #7