

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

**APPLICATION OF STEWARD ENERGY II, LLC
TO POOL ADDITIONAL INTEREST OWNERS
UNDER ORDER NO. R-22051,
LEA COUNTY, NEW MEXICO**

**CASE NO. 22823
ORDER NO. R-22051 (Re-Open)**

EXHIBIT INDEX

| | |
|------------------|--|
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| A-1 | Application & Proposed Notice of Hearing |
| A-2 | Order No. R-22051 |
| A-3 | Plat of Tracts, Ownership Interests, Pooled Parties, Unit Recapitulation |
| A-4 | Sample Well Proposal Letter & AFE(s) |
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TO POOL ADDITIONAL INTEREST OWNERS
UNDER ORDER NO. R-22051,
LEA COUNTY, NEW MEXICO**

**CASE NO. 22823
ORDER NO. R-22051 (Re-Open)**

**SELF-AFFIRMED STATEMENT
OF TAYLOR WARREN**

1. I am the Vice President of Land at Steward Energy II, LLC (“Steward”). I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division (“Division”) and my qualifications as an expert in petroleum land matters were accepted and made a matter of record.

2. I am familiar with the land matters involved in the above-referenced case. Copies of the application and proposed hearing notice are attached as **Exhibit A-1**.

3. None of the parties proposed to be pooled in this case indicated opposition to this matter proceeding by affidavit, therefore I do not expect any opposition at hearing.

4. On February 23, 2022, the Division entered Order No. R-22051 (“Order”) in Case No. 22476, which pooled all uncommitted interests in the San Andres formation (Bronco; San Andres, South Pool, Code 7500) underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 of Section 15, Township 13 South, Range 38 East, Lea County, New Mexico (“Unit”). The Order further dedicated the Unit to the Huell Fee #5H well (“Well”) and designated Steward as operator of the Unit and Well. A copy of Order No. R-22051 is attached as **Exhibit A-2**.

Steward Energy II, LLC
Case No. 22823
Exhibit A

5. Since the Order was entered, Steward has identified additional interests in the Unit that have not been pooled under the terms of the Order.

6. **Exhibit A-3** provides a plat of the tracts included in the Unit, identifies the interests in each tract, and identifies the additional uncommitted interests to be pooled under the terms of Order No. R-22051, which are highlighted in yellow. The interest owners are locatable.

7. **Exhibit A-4** is a sample well proposal letter that I sent to the interest owners.

8. In my opinion, Steward has made a good-faith effort to reach voluntary joinder as indicated by the chronology of contact described in **Exhibit A-5**.

9. Steward requests the additional mineral interests be pooled under the terms of Order No. R-22051.

10. In my opinion, the granting of Steward's application would serve the interests of conservation and the prevention of waste.

11. The attached exhibits attached were either prepared by me or under my supervision or were compiled from company business records.

12. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 11 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.


TAYLOR WARREN

05/25/2022
Date

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

**APPLICATION OF STEWARD ENERGY II,
LLC FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NO. 22476

APPLICATION

Pursuant to NMSA § 70-2-17, Steward Energy II, LLC (“Applicant”) applies for an order pooling all uncommitted interests within the San Andres formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 of Section 15, Township 13 South, Range 38 East, Lea County, New Mexico (“Unit”). Applicant states the following in support of its application:

1. Applicant (OGRID No. 371682) is a working interest owner in the Unit and has the right to drill wells thereon.
2. The Unit will be dedicated to the **Huell Fee #5H** well (“Well”) to be horizontally drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the SW/4SW/4 (Unit M) of Section 15.
3. The completed interval of the Well will be within 330’ of the line separating the W/2W/2 and E/2W/2 of Section 15 to allow for the formation of a 320-acre standard horizontal spacing unit.
4. The completed interval of the Well will be orthodox.
5. Applicant has undertaken diligent, good-faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the Well but has been unable to obtain voluntary agreements from all the interest owners.

Steward Energy II, LLC
Case No. 22823
Exhibit A-1

6. The pooling of uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. In order to allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in the Unit should be pooled and Applicant should be designated the operator of the Well and Unit.

WHEREFORE, Applicant requests this application be set for hearing on February 3, 2022 and that after notice and hearing the Division enter an order:

- A. Pooling all uncommitted interests in the Unit;
- B. Approving the Well in the Unit;
- C. Designating Applicant as operator of the Unit and the Well to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the Well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by Applicant in drilling and completing the Well against any working interest owner who does not voluntarily participate in the drilling of the Well.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy
Dana S. Hardy
Michael Rodriguez
P.O. Box 2068
Santa Fe, NM 87504-2068
Phone: (505) 982-4554
Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com
mrodriguez@hinklelawfirm.com
Counsel for Steward Energy II, LLC

Application of Steward Energy II, LLC to Pool Additional Interest Owners Under Order No. R-22051, Lea County, New Mexico. Applicant seeks to pool additional mineral interest owners under the terms of Division Order No. R-22051. On February 23, 2022, the Division entered Order No. R-22051 (“Order”) in Case No. 22476, which pooled all uncommitted interests in the San Andres formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 of Section 15, Township 13 South, Range 38 East, Lea County, New Mexico (“Unit”). The Order further dedicated the Unit to the Huell Fee #5H well (“Well”) and designated Applicant as operator of the Unit and Well. Since entry of the Order, Applicant has identified additional mineral interest owners in the Unit who should be pooled under the terms of the Order. The Well is located approximately 13.5 miles southeast of Tatum, New Mexico.

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
STEWARD ENERGY II, LLC**

**CASE NO. 22476
ORDER NO. R-22051**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on February 3, 2022, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Steward Energy II, 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

Steward Energy II, LLC
Case No. 22823
Exhibit A-2

depth(s) and location(s) in the Unit described in Exhibit A.

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 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 in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. 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

CASE NO. 22476
ORDER NO. R-22051

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- 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."
24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to 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 an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
 25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, 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.
 26. 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."
 27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to 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 an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
 28. 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.
 29. 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.

30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to 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

AES/jag

Date: 2/23/2022

CASE NO. 22476
ORDER NO. R-22051

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Exhibit A

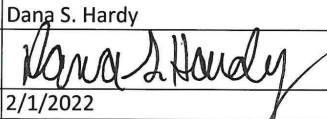
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| COMPULSORY POOLING APPLICATION CHECKLIST | |
|--|---|
| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case No.: | 22476 |
| Hearing Date: | 2/3/2022 |
| Applicant | Steward Energy II, LLC |
| Designated Operator & OGRID | OGRID # 371682 |
| Applicant's Counsel | Hinkle Shanor LLP |
| Case Title | Application of Steward Energy II, LLC for Compulsory Pooling, Lea County, New Mexico |
| Entries of Appearance/Intervenors | N/A |
| Well Family | Huell |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent | San Andres |
| Primary Product (Oil or Gas) | Oil |
| Pooling this vertical extent | San Andres |
| Pool Name and Pool Code | Bronco; San Andres, South Pool (Pool Code 7500) |
| Well Location Setback Rules | Statewide |
| Spacing Unit Size | 320-acre |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 320-acre |
| Building Blocks | quarter-quarter |
| Orientation | Laydown |
| Description: TRS/County | W/2 of Section 15, Township 13 South, Range 38 East, Lea County, New Mexico. |
| Standard Horizontal Well Spacing Unit (Y/N), If No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | N/A |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | Add wells as needed |
| Well #1 | Huell Fee #5H (API # pending) SHL: 381 FSL & 2479 FWL (Unit N) of Section 10, T13S-R38E BHL: 100 FNL & 1200 FWL (Unit D) of Section 10, T13S-R38E Completion Target: San Andres (Approximately 5500' TVD) Completion status: Standard |
| Horizontal Well First and Last Take Points | Exhibit A-2 |
| Completion Target (Formation, TVD and MD) | Exhibit A-4 |
| FE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | 7,000 |
| Production Supervision/Month \$ | 700 |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200% |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit A-1 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit A-6 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit A-7 |
| Ownership Determination | |

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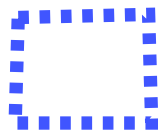
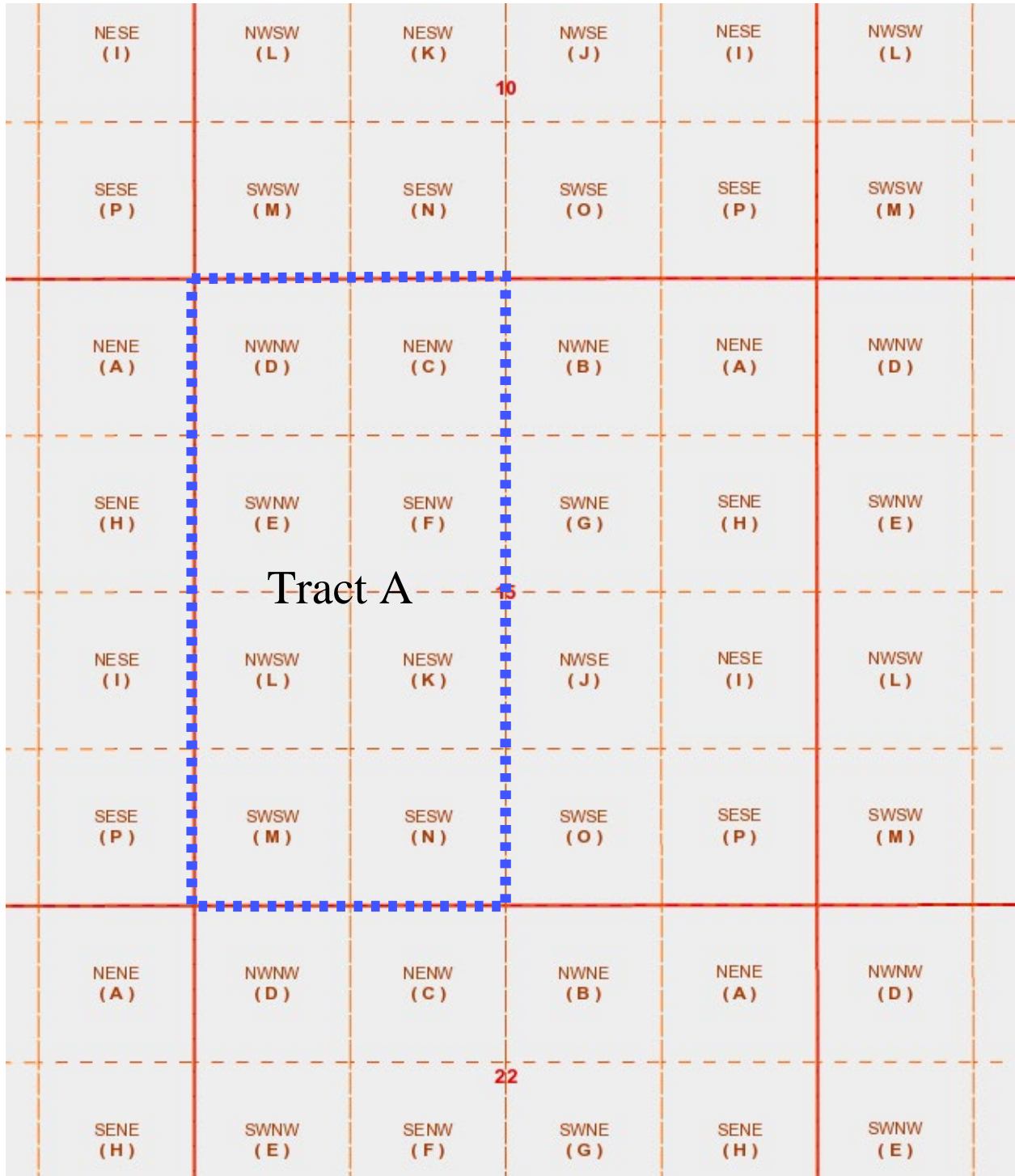
| | |
|---|--|
| Tract List (including lease numbers & owners) | Exhibit A-3 |
| Pooled Parties (including ownership type) | Exhibit A-3 |
| Unlocatable Parties to be Pooled | Exhibit A-3 |
| Ownership Depth Severance | N/A |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-4 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-3 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-5 |
| Overhead Rates In Proposal Letter | N/A |
| Cost Estimate to Drill and Complete | Exhibit A-4 |
| Cost Estimate to Equip Well | Exhibit A-4 |
| Cost Estimate for Production Facilities | Exhibit A-4 |
| Geology | |
| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit B-1 |
| Gunbarrel/Lateral Trajectory Schematic | N/A |
| Well Orientation (with rationale) | Exhibit B |
| Target Formation | Exhibit B |
| HSU Cross Section | Exhibit B-2 |
| Depth Severance Discussion | N/A |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-2 |
| Tracts | Exhibit A-3 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-3 |
| General Location Map (including basin) | Exhibit B-1 |
| Well Bore Location Map | Exhibit B-1 |
| Structure Contour Map - Subsea Depth | Exhibit B-1 |
| Cross Section Location Map (including wells) | Exhibit B-1 |
| Cross Section (including Landing Zone) | Exhibit B-2 |
| Additional Information | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Dana S. Hardy |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 2/1/2022 |

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EXHIBIT A-3

HUELL FEE
W/2 of Section 15, T13S-R38E, N.M.P.M
Lea Co., NM



Proposed Horizontal Spacing Unit

Steward Energy II, LLC
Case No. 22823
Exhibit A-3

EXHIBIT A-3**Tract A**

(W/2 of Section 15, T13S-R38E, being 320.00 Acres)

Committed

| <u>Owner</u> | <u>Type</u> | <u>Ownership</u> | <u>Status</u> |
|---|--------------------|-------------------------|---------------------------|
| Steward Energy II, LLC | WI | 56.621094% | Committed JOA executed |
| G.O. Basic Energy I LLC | WI | 30.488281% | Committed JOA executed |
| Occidental Permian Ltd., a Texas Partnership | Mineral Interest | 9.375000% | Committed AFE executed |
| | | Total: | 96.484375% |

Uncommitted

| <u>Owner</u> | <u>Type</u> | <u>Ownership</u> | <u>Status</u> |
|---------------------|--------------------|-------------------------|----------------------|
| Suzanne Davis, LP | Mineral Interest | 3.515625% | Uncommitted |
| | | Total: | 3.515625% |
| | | Grand Total: | 100.00000% |

Recapitulation

Committed

| <u>Owner</u> | <u>Type</u> | <u>Ownership</u> |
|---|------------------|-------------------|
| Steward Energy II, LLC | WI | 56.621094% |
| G.O. Basic Energy I LLC | WI | 30.488281% |
| Occidental Permian Ltd., a Texas Partnership | Mineral Interest | 9.375000% |
| | | Total: 96.484375% |

Uncommitted

| <u>Owner</u> | <u>Type</u> | <u>Ownership</u> |
|-------------------|------------------|------------------|
| Suzanne Davis, LP | Mineral Interest | 3.515625% |
| | | Total: 3.515625% |

Grand Total: 100.000000% WI



*****VIA CERTIFIED U.S.P.S. MAIL #7021 2720 0001 5582 0188*****

April 27, 2022

**Re: Steward Energy II, LLC
Well Proposal – Huell Fee #5H
W/2 Section 15, Township 13 South, Range 38 East, N.M.P.M.
Lea County, New Mexico**

Suzanne Davis, LP
% Glen Webb, P.C.
3300 South 14th, Suite 206
Abilene, TX 79605

Dear Mineral Owner,

This letter will serve as notice regarding the plans of Steward Energy II, LLC (“Steward”) to drill the Huell Fee #5H (“Well”) as a horizontal well, targeting the San Andres Formation with an approximate total depth drilled of 10,880 feet. The Well’s surface hole will be located approximately 170 feet from the west boundary line and 350 feet from the south boundary line of Section 10, Township 13 South, Range 38 East, N.M.P.M. and is subject to change based on final determination. The producing intervals of the Well will be located within a standard horizontal spacing unit described as being the West Half (W/2) of Section 15, Township 13 South, Range 38 East, N.M.P.M. (“Spacing Unit”). The Well’s first take point will be located approximately 100 feet from the north boundary line and 1,320 feet from the west boundary line of the Spacing Unit. The Well’s last take point will be located approximately 100 feet from the south boundary line and 1,320 feet from the west boundary line of the Spacing Unit.

Steward’s ownership records indicate that you own an unleased mineral interest located within the Spacing Unit, and as an unleased mineral owner you are offered participation in the Well based upon your proportionate mineral interest in the Spacing Unit. Your proportionate interest and share of cost in the Well are noted at the bottom of the attached Authorization for Expenditure (“AFE”). The itemized cost of the Well is listed on the AFE, and the total cost for drilling is \$ \$1,187,010.00, with an additional \$ \$3,005,006.00 to complete the well (total of \$4,192,016.00). *This AFE is an estimate only and an unleased mineral owner, by execution of same, commits to pay its proportionate share of actual cost incurred.*

Please indicate your election as to your participation in the Well by checking the appropriate box in the space provided below and returning the second page of this letter to Steward using the enclosed envelope. In the event you elect to participate in the well, please also sign the bottom of the attached AFE, and include it within the envelope as well.

Steward Energy II, LLC
Case No. 22823
Exhibit A-4

Well Proposal
Huell Fee #5H
April 27, 2022

Please be advised that Steward has requested a risk penalty in accordance with New Mexico law. In the event you elect NOT to participate, but do desire to lease your mineral interest, please contact Steward's Land Department and request to speak with a Landman regarding your unleased interest.

Your election must be received by Steward within 30 days of the date this proposal was received by you. Failure to respond within 30 days shall be deemed an election NOT to participate. Please send your election to:

Steward Energy II, LLC
Land Department
2600 N. Dallas Parkway, Suite 400
Frisco, Texas 75094

For questions regarding this well proposal please contact the Land Department via email land@stewardenergy.net or call (214) 297-0500.

Respectfully,

Cooper Newlan
Landman

Attachment

Proportionate Interest: 3.515625%

The undersigned elects **to** **not to** participate in the Huell Fee #5H well with their proportionate interest.

Suzanne Davis, LP

By: _____ Date: _____



AUTHORIZATION FOR EXPENDITURE

| | | | |
|-----------------------------|---|---------------------|--------------------------------|
| Well Name: | Huell Fee #5H (202501.047) | | |
| Operator: | Steward Energy II, LLC | AFE Number: | 2204009DR |
| Well Type: | Horizontal Oil | AFE Type: | New Drill |
| Legal Description: | W/2 of Section 15, Township 13 South, Range 38 East, N.M.P.M. | Prop. Depth: | Approx. 5,500' TVD; 10,880' MD |
| | | Field: | Bronco, San Andres, South |
| AFE Date: | 12/2/2021 | | |
| County, State: | Lea County, NM | | |
| Prep. By: | Tim Hilton | | |
| First Take Point: | 100' FNL and 1,320' FWL (Section 15, Township 13 South, Range 38 East, N.M.P.M.) | | |
| Last Take Point: | 100' FSL and 1,320' FWL (Section 15, Township 13 South, Range 38 East, N.M.P.M.) | | |
| Project Description: | The drilling and completion of a 1 mile San Andres horizontal with a pilot hole and tank battery. | | |

| Account # | Cost Breakdown | Drilling | Dry Hole | Completion Cost | Workover | Total |
|------------------------|---|--------------------|----------|------------------|----------|--------------------|
| 8200.100 | Land, Surveying & Legal | \$20,000 | | | | \$20,000 |
| 8200.101 | Abstract, Title & Permit | \$80,000 | | | | \$80,000 |
| 8200.102 | ROW & Surface Damages | \$20,000 | | | | \$20,000 |
| 8200.103 | Road, Pad Location & Pit Building | \$58,500 | | | | \$58,500 |
| 8200.104 | Environ, Reg & Safety | \$5,950 | | | | \$5,950 |
| 8200.105 | Well Insurance | \$2,200 | | | | \$2,200 |
| 8200.113 | Contract Labor | \$5,850 | | | | \$5,850 |
| 8200.114 | Consulting Services & Contract Supervision | \$55,500 | | | | \$55,500 |
| 8200.120 | Vacuum & Pump Truck | \$3,500 | | | | \$3,500 |
| 8200.122 | Material Transportation | \$10,400 | | | | \$10,400 |
| 8200.126 | Fuel | \$40,600 | | | | \$40,600 |
| 8200.131 | Chemical-Downhole Treating | \$2,160 | | | | \$2,160 |
| 8200.132 | Mud & Additives | \$35,000 | | | | \$35,000 |
| 8200.140 | Mob/Demob | \$65,000 | | | | \$65,000 |
| 8200.141 | Mud Disposal/Pit Closure | \$150,000 | | | | \$150,000 |
| 8200.142 | Trailer Rental, Camp & Catering | \$28,700 | | | | \$28,700 |
| 8200.144 | Drilling Rig - Daywork or Footage | \$196,000 | | | | \$196,000 |
| 8200.149 | Bits, Mills & Reamers | \$34,500 | | | | \$34,500 |
| 8200.151 | Directional Services | \$95,000 | | | | \$95,000 |
| 8200.154 | Open Hole Logs | \$40,000 | | | | \$40,000 |
| 8200.160 | Casing Crews & Services | \$8,700 | | | | \$8,700 |
| 8200.161 | Cementing Services | \$93,000 | | | | \$93,000 |
| 8200.169 | Water Transfer | \$4,000 | | | | \$4,000 |
| 8200.170 | Water Purchase | \$24,000 | | | | \$24,000 |
| 8200.175 | Surface Equipment Rental & Services | \$73,800 | | | | \$73,800 |
| 8200.193 | Downhole Inspection/Testing - Casing, Tubing & Rods | \$24,650 | | | | \$24,650 |
| 8200.301 | Overhead | \$10,000 | | | | \$10,000 |
| IDC Total: | | \$1,187,010 | | | | \$1,187,010 |
| Drilling Total: | | | | | | \$1,187,010 |
| 8250.200 | Conductor/Drive Pipe | | | \$15,600 | | \$15,600 |
| 8250.201 | Surface Casing | | | \$99,696 | | \$99,696 |
| 8250.203 | Production Casing | | | \$354,530 | | \$354,530 |
| 8250.205 | Wellhead Equipment, Flow Tee & Meter Run | | | \$14,880 | | \$14,880 |
| 8250.214 | Other Downhole Equipment | | | \$32,800 | | \$32,800 |
| TDC Total: | | | | \$517,506 | | \$517,506 |
| 8300.114 | Consulting Services & Contract Supervision | | | \$61,000 | | \$61,000 |
| 8300.120 | Vacuum & Pump Truck | | | \$6,000 | | \$6,000 |
| 8300.122 | Material Transportation | | | \$13,000 | | \$13,000 |
| 8300.126 | Fuel | | | \$3,000 | | \$3,000 |

| Received by OCD: 5/31/2022 8:38:07 AM | | Drilling | Dry Hole | Completion Cost | Workover | Total |
|---------------------------------------|--|------------------|----------|------------------------|---|--------------------|
| 8300.131 | Chemicals - Downhole Treating | | | \$3,500 | | \$3,500 |
| 8300.142 | Trailer Rental, Camp & Catering | | | \$3,000 | | \$3,000 |
| 8300.143 | Well Control - BOP, Isolation Assy | | | \$65,000 | | \$65,000 |
| 8300.146 | Completion/Workover Rig | | | \$25,450 | | \$25,450 |
| 8300.148 | Reverse Unit | | | \$15,000 | | \$15,000 |
| 8300.149 | Bits, Mills & Reamers | | | \$3,500 | | \$3,500 |
| 8300.164 | Wireline & Perforating | | | \$62,000 | | \$62,000 |
| 8300.169 | Water Transfer | | | \$30,000 | | \$30,000 |
| 8300.170 | Water Purchase | | | \$102,250 | | \$102,250 |
| 8300.171 | Stimulation - Frac, Acid, Gravel Pack | | | \$800,000 | | \$800,000 |
| 8300.175 | Surface Equipment Rental & Services | | | \$35,000 | | \$35,000 |
| 8300.176 | Downhole Equipment Rental & Services | | | \$21,000 | | \$21,000 |
| 8300.179 | Elect & Generator R&M | | | \$235,000 | | \$235,000 |
| ICC Total: | | | | \$1,483,700 | | \$1,483,700 |
| 8350.205 | Wellhead Equipment, Flow Tee & Meter Run | | | \$13,000 | | \$13,000 |
| 8350.206 | Tubing | | | \$42,000 | | \$42,000 |
| 8350.211 | Electric Submersible Pumps | | | \$245,500 | | \$245,500 |
| 8350.213 | Frac Plugs, Bridge Plus, Packers, Tubing Anchors | | | \$19,000 | | \$19,000 |
| 8350.221 | Surface VSD, Transformer, POC & Associated Equipment | | | \$25,000 | | \$25,000 |
| 8350.234 | Surface Pump & LACT's | | | \$2,500 | | \$2,500 |
| TCC Total: | | | | \$347,000 | | \$347,000 |
| 8600.100 | Land, Surveying, & Legal | | | \$1,000 | | \$1,000 |
| 8600.102 | ROW & Surface Damages | | | \$10,000 | | \$10,000 |
| 8600.111 | Company Supervision | | | \$10,500 | | \$10,500 |
| 8600.120 | Vaccum & Pump Truck | | | \$1,500 | | \$1,500 |
| 8600.122 | Material Transportation | | | \$3,800 | | \$3,800 |
| 8600.175 | Surface Equipment Rental & Services | | | \$3,500 | | \$3,500 |
| IFC Total: | | | | \$30,300 | | \$30,300 |
| 8650.222 | Instrumentation & Meters | | | \$22,000 | | \$22,000 |
| 8650.223 | SCADA & Communications | | | \$32,000 | | \$32,000 |
| 8650.224 | Electrial Installation & Power Generation | | | \$96,000 | | \$96,000 |
| 8650.229 | Prod & SWD Facility Inst. | | | \$64,000 | | \$64,000 |
| 8650.230 | Compressor, Dehy, Line Heater | | | \$25,000 | | \$25,000 |
| 8650.231 | Separator, Heater Treater, FWKO | | | \$79,000 | | \$79,000 |
| 8650.232 | Tanks, Walkways & Stairs | | | \$166,000 | | \$166,000 |
| 8650.233 | Flowline & Gethering Lines | | | \$5,000 | | \$5,000 |
| 8650.234 | Surface Pump & LACTs | | | \$12,500 | | \$12,500 |
| 8650.235 | Miscellaneous Non-Controllable - Pipe, Valves & Fittings | | | \$125,000 | | \$125,000 |
| TFC Total: | | | | \$626,500 | | \$626,500 |
| | | | | | Completion Total: | \$3,005,006 |
| | | | | | Drilling & Completion Total: | \$4,192,016 |
| Owner %: | | 3.515625% | | Owner Net Cost: | | \$147,376 |
| Approved by: | | Signature | | | | |

Suzanne Davis, LP:

Date:

This AFE is an estimate only and non-operator, by execution of same, commits to pay its proportionate share of actual cost incurred.

EXHIBIT A-5

Chronology of contact with locatable uncommitted interest

- November 2017 – Steward Energy II, LLC acquired title to 14 oil and gas leases, from PPC Operating Company LLC, effective 11/1/2017, and begins to acquire oil and gas leases from the remaining unleased mineral owners. There are 42 original mineral owners located in Tracts A.
- December 2, 2021 – Steward Energy II, LLC sends the Huell Fee #5H well proposals to the uncommitted owners via certified U.S. Mail.
- December 12, 2021 – Suzanne Davis, LP oil and gas lease expires.
- December 24, 2021 – Steward Energy II, LLC has received 1 executed election letter from uncommitted owners who chose to participate in the drilling and completion of the Huell Fee #5H.
- February 23, 2022 – Steward Energy II, LLC received Pooling Order for the Huell Fee #5H from the State of New Mexico Energy, Minerals and Natural Resources Department – Oil Conservation Commission.
- May 1, 2022 – Steward Energy II, LLC has attempted to reach an oil and gas lease agreement with Suzanne Davis, LP since the expiration of the oil and gas lease on December 12, 2021.

Steward Energy II, LLC
Case No. 22823
Exhibit A-5

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

**APPLICATION OF STEWARD ENERGY II, LLC
TO POOL ADDITIONAL INTEREST OWNERS
UNDER ORDER NO. R-22051,
LEA COUNTY, NEW MEXICO**

**CASE NO. 22823
ORDER NO. R-22051 (Re-Open)**

**SELF-AFFIRMED STATEMENT
OF DANA S. HARDY**

1. I am attorney in fact and authorized representative of Steward Energy II, LLC, the Applicant herein.

2. I am familiar with the Notice Letter attached as Exhibit B-1.

3. The above-referenced Application was provided, along with the Notice Letter, to the recipients listed in Exhibit B-2. Exhibit B-2 also provides the date each Notice Letter was sent and the date each return was received and includes copies of the certified mail green cards and white slips as supporting documentation for proof of mailing.

4. On May 10, 2022, I caused a notice to be published to all interested parties in the Hobbs News-Sun. An Affidavit of Publication from the Legal Clerk of the Hobbs News-Sun, along with a copy of the notice publication, is attached as Exhibit B-3.

5. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 4 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

/s/ Dana S. Hardy
Dana S. Hardy

May 26, 2022
Date

Steward Energy II, LLC
Case No. 22823
Exhibit B



HINKLE SHANOR LLP
 ATTORNEYS AT LAW
 PO BOX 2068
 SANTA FE, NEW MEXICO 87504
 505-982-4554 (FAX) 505-982-8623

WRITER:
 Dana S. Hardy, Partner
 dhardy@hinklelawfirm.com

May 5, 2022

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL INTERESTED PARTIES SUBJECT TO NOTICE

Re: Case No. 22823 - Application of Steward Energy II, LLC to Pool Additional Interest Owners Under Order No. R-22051, Lea County, New Mexico.

To whom it may concern:

This letter is to advise you that the enclosed application was filed with the New Mexico Oil Conservation Division. The hearing will be conducted on **June 2, 2022** beginning at 8:15 a.m.

During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Pursuant to Division Rule 19.15.4.13.B, a party who intends to present evidence at the hearing shall file a pre-hearing statement and serve copies on other parties, or the attorneys of parties who are represented by counsel, at least four business days in advance of a scheduled hearing, but in no event later than 5:00 p.m. mountain time, on the Thursday preceding the scheduled hearing date. The statement must be filed at the Division's Santa Fe office or submitted through the OCD E-Permitting system (<https://wwwapps.emnrd.state.nm.us/ocd/ocdpermitting/>) and should include: the names of the parties and their attorneys, a concise statement of the case, the names of all witnesses the party will call to testify at the hearing, the approximate time the party will need to present its case, and identification of any procedural matters that are to be resolved prior to the hearing.

Please do not hesitate to contact me if you have any questions about this matter.

Sincerely,

/s/ Dana S. Hardy

Dana S. Hardy

Enclosure

Steward Energy II, LLC
 Case No. 22823
 Exhibit B-1

PO BOX 10
 ROSWELL, NEW MEXICO 88202
 575-622-6510
 (FAX) 575-623-9332

PO BOX 2068
 SANTA FE, NEW MEXICO 87504
 505-982-4554
 (FAX) 505-982-8623

7601 JEFFERSON ST NE · SUITE 180
 ALBUQUERQUE, NEW MEXICO 87109
 505-858-8320
 (FAX) 505-858-8321

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

APPLICATION OF STEWARD ENERGY
II, LLC TO POOL ADDITIONAL
INTEREST OWNERS UNDER
ORDER NO. R-22051,
LEA COUNTY, NEW MEXICO

Case No. 22823

NOTICE LETTERS

| PARTY | NOTICE LETTER SENT | RETURN RECEIVED |
|---|--------------------|-----------------|
| Suzanne Davis, LP % Glen Webb, P.C. 3300 South 14th, Suite 206 Abilene, TX 79605 | 05/04/22 | Undated |

Steward Energy II, LLC
Case No. 22823
Exhibit B-2

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

OFFICIAL USE

7021 0950 0002 0364 9561


| | |
|--|----|
| Certified Mail Fee | \$ |
| Extra Services & Fees (check box, add fee as appropriate) | |
| <input type="checkbox"/> Return Receipt (hardcopy) | \$ |
| <input type="checkbox"/> Return Receipt (electronic) | \$ |
| <input type="checkbox"/> Certified Mail Restricted Delivery | \$ |
| <input type="checkbox"/> Adult Signature Required | \$ |
| <input type="checkbox"/> Adult Signature Restricted Delivery | \$ |
| Postage | \$ |
| Total Postage and Fees | \$ |

Postmark Here
MAY 05 2022

USPS

Sent To: Suzanne Davis, LP
 Street and: % Glen Webb, P.C.
 3300 South 14th, Suite 206
 City, State: Abilene, TX 79605
 Steward Huell—22823

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
|---|---|
| <ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. | <p>A. Signature <input checked="" type="checkbox"/> <i>Manissa Davis</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery <i>Manissa Davis</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">Suzanne Davis, LP % Glen Webb, P.C. 3300 South 14th, Suite 206 Abilene, TX 79605 Steward Huell—22823</p> <div style="text-align: center;">  9590 9402 6746 1074 3855 62 </div> | <p>3. Service Type <input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500) </p> |
| <p>2. Article Number (Transfer from service label)</p> <p style="font-size: 1.2em;">7021 0950 0002 0364 9561</p> | |

PS Form 3811, July 2020 PSN 7530-02-000-9053 Domestic Return Receipt

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
May 10, 2022
and ending with the issue dated
May 10, 2022.



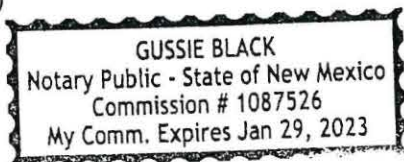
Publisher

Sworn and subscribed to before me this
10th day of May 2022.



Business Manager

My commission expires
January 29, 2023
(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

| | |
|--|--------------|
| LEGAL | LEGAL |
| LEGAL NOTICE May 10, 2022 | |
| <p>This is to notify all interested parties, including Suzanne Davis, LP c/o Glen Webb, P.C.; and their successors and assigns, that the New Mexico Oil Conservation Division will conduct a hearing on an application submitted by Steward Energy, LLC (Case No. 22823). During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on June 2, 2022, beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website for that date: http://www.emnrd.state.nm.us/OCD/hearings.html. Applicant seeks to pool additional mineral interest owners under the terms of Division Order No. R-22051. The Division entered Order No. R-22051 in Case No. 22476, which pooled all uncommitted interests in the San Andres formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the W/2 of Section 15, Township 13 South, Range 38 East, Lea County, New Mexico. The Order further dedicated the Unit to the Huell Fee #5H well and designated Applicant as operator of the Unit and Well. Since entry of the Order, Applicant has identified additional mineral interest owners in the Unit who should be pooled under the terms of the Order. The Well is located approximately 13.5 miles southeast of Tatum, New Mexico. #37636</p> | |

02107475

00266658

GILBERT
HINKLE, SHANOR LLP
PO BOX 2068
SANTA FE, NM 87504

Steward Energy II, LLC
Case No. 22823
Exhibit B-3