

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING FEBRUARY 16, 2023**

**APPLICATIONS OF SILVERBACK OPERATING II, LLC,  
FOR HORIZONTAL SPACING UNITS AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

**Case No. 23315:**

**Krauss 22 #103H Well  
Krauss 22 #203H Well  
Krauss 22 #102H Well  
Krauss 22 #204H Well**

**Case No. 23316:**

**Krauss 22 #101H Well  
Krauss 22 #201H Well  
Krauss 22 #202H Well**

**Silverback Operating II, LLC**

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# TAB 1

Reference for Case No. 23315  
Application Case No. 23315:

**Krauss 22 #103H Well**  
**Krauss 22 #203H Well**  
**Krauss 22 #102H Well**  
**Krauss 22 #204H Well**

NMOCD Checklist Case No. 23315

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

APPLICATION OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case No. 23315

APPLICATION

Silverback Operating II, LLC, (“Silverback” or “Applicant”), OGRID No. 330968, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, seeking an order (1) establishing a standard 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying said unit.

In support of its Application, Silverback states the following:

1. Silverback is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Silverback proposes and dedicates to the HSU the **Krauss 22 #103H Well, Krauss 22 #203H Well, Krauss 22 #102H Well, and the Krauss 22 #204H Well**, as initial wells, to be drilled to a sufficient depth to test the Yeso formation.
3. Silverback proposes the **Krauss 22 #103H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

4. Silverback proposes the **Krauss 22 #203H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

5. Silverback proposes the **Krauss 22 #102H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

6. Silverback proposes the **Krauss 22 #204H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22.

7. The proposed 103H Well, 203H Well and 204H Well are orthodox in their locations, and the take points and completed intervals comply with setback requirements under the statewide rules.

8. However, the proposed 102H Well is unorthodox in its locations under applicable statewide rules. Consequently, Silverback will be applying to the Division for administrative approval of the nonstandard location.

9. Silverback's good faith review of the Division records and the subject lands did not reveal any overlapping units, and Silverback believes there are none; should an overlapping unit be discovered, the Applicant will provide notice to affected persons during the permitting process pursuant to Rule 19.15.15.12B(1).

10. Silverback has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or the commitment of their interests to the wells for their development within the proposed HSU.

11. The pooling of all interests in the Yeso formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

12. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Silverback requests that all uncommitted interests in this HSU be pooled and that Silverback be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Silverback requests that this Application be set for hearing on February 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Yeso formation underlying the proposed HSU;

C. Approving the **Krauss 22 #103H Well, Krauss 22 #203H Well, Krauss 22 #102H Well, and the Krauss 22 #204H Well** as the wells for the HSU;

D. Designating Silverback as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Silverback to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Silverback in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

*/s/ Darin C. Savage*

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Darin C. Savage

William E. Zimsky  
Andrew D. Schill  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
Telephone: 970.385.4401  
Facsimile: 970.385.4901  
darin@abadieschill.com  
bill@abadieschill.com  
andrew@abadieschill.com

**Attorneys for Silverback Operating II, LLC**



***Application of Silverback Operating II, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.*** Applicant in the above-styled cause seeks an order from the New Mexico Oil Conservation Division (“Division”): (1) N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying said unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Krauss 22 #103H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22; the **Krauss 22 #203H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22; the **Krauss 22 #102H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22; and the **Krauss 22 #204H Well**, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of same Section 22. The **Krauss 22 #103H, 203H and 204H Wells** will be orthodox in their locations, as the take points and completed interval will comply with the setback requirements under the statewide Rules; however, the **Krauss 22 #102H Well** will be unorthodox in its location, and Applicant will apply to the Division for administrative approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7.8 miles south, southeast, of Artesia, New Mexico.

**COMPULSORY POOLING APPLICATION CHECKLIST**

<b>ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS</b>	
<b>Case: 23315</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date of hearing:</b>	<b>February 16, 2023</b>
Applicant	<b>Silverback Operating II, LLC</b>
Designated Operator & OGRID (affiliation if applicable)	<b>330968</b>
Applicant's Counsel:	Darin C. Savage - Abadie & Schill, PC
Case Title:	Application of Silverback Operating II, LLC, for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico
Entries of Appearance/Intervenors:	COG Operating LLC and Concho Oil & Gas LLC
Well Family	Krauss
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Yeso
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Ex. A, Para. 7, 8, 9, 10; 103H Well: TVD appr. 3000'; 203H Well: TVD appr. 3600'; 102H Well: TVD appr. 3000'; 204H Well: TVD appr. 3600'
Pool Name and Pool Code:	Yeso (Atoka; Glorieta-Yeso [Pool Code 3250])
Well Location Setback Rules:	NMAC Statewide Rules
Spacing Unit Size:	160.00 acres, more or less
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	160.00 acres, more or less
Building Blocks:	quarter-quarter sections (40 ac tracts)
Orientation:	East-West
Description: TRS/County	N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes, this is a standard horizontal spacing unit. No NSP request.
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	See Landman Exhibit A-2
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	
Well #1	Krauss 22 #103H Well, (API No. 30-015-53283), SHL: Unit I, 2146' FSL, 158' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit L, 2174' FSL, 100' FWL, Section 22, T18S-R26E, laydown, standard location
Horizontal Well First and Last Take Points	Krauss 22 #103H Well: FTP 2174' FSL, 100' FEL, Section 22; LTP 2174' FSL, 100' FWL, Section 22
Completion Target (Formation, TVD and MD)	Krauss 22 #103 Well: TVD approx. 3000', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
Well #2	Krauss 22 #203H Well, (API No. 30-015-53333), SHL: Unit P, 1145' FSL, 178' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit L, 1679' FSL, 100' FWL, Section 22, T18S-R26E, laydown, standard location
Horizontal Well First and Last Take Points	Krauss 22 #203H Well: FTP 1679' FSL, 100' FEL, Section 22; LTP 1679' FSL, 100' FWL, Section 22
Completion Target (Formation, TVD and MD)	Krauss 22 #203 Well: TVD approx. 3600', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
Well #3	Krauss 22 #102H Well, (API No. 30-015-53330), SHL: Unit P, 1125' FSL, 178' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit L, 1513' FSL, 100' FWL, Section 22, T18S-R26E, laydown, nonstandard location
Horizontal Well First and Last Take Points	Krauss 22 #102H Well: FTP 1513' FSL, 100' FEL, Section 22; LTP 1513' FSL, 100' FWL, Section 22

Completion Target (Formation, TVD and MD)	Krauss 22 #102 Well: TVD approx. 3000', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
Well #4	Krauss 22 #204H Well, (API No. 30-015-53284), SHL: Unit I, 2166' FSL, 158' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit L, 2298' FSL, 100' FWL, Section 22, T18S-R26E, laydown, standard location
Horizontal Well First and Last Take Points	Krauss 22 #204H Well: FTP 2303' FSL, 100' FEL, Section 22; LTP 2298 FSL, 100' FWL, Section 22
Completion Target (Formation, TVD and MD)	Krauss 22 #204 Well: TVD approx. 3600', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$8,000, Exhibit A
Production Supervision/Month \$	\$800, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%, Exhibit A
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit C, C-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, Para. 15
Ownership Depth Severance (including percentage above & below)	N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibits B-1, B-2, B-3
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-4, B-5
Well Orientation (with rationale)	Exhibits B, B-1, B-2
Target Formation	Exhibits B, B-3, B-4, B-5
HSU Cross Section	Exhibit B-3, B-4, B-5
Depth Severance Discussion	
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibits A-1, A-2, B-1
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibits A-1, B-1, B-4, B-5
Structure Contour Map - Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibits B-3, B-4, B-5
Cross Section (including Landing Zone)	Exhibit B-4, B-5
<b>Additional Information</b>	
Special Provisions/Stipulations	None
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
Printed Name (Attorney or Party Representative):	Darin C. Savage
Signed Name (Attorney or Party Representative):	/s/ Darin C. Savage
Date:	02.14.2023

## **TAB 2**

Case No. 23315

- Exhibit A: Self-Affirmed Statement of Brennan West, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letters and AFEs
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners

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

**APPLICATION OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 23315

**SELF-AFFIRMED STATEMENT OF BRENNAN WEST**

I, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Affidavit, which is based on my personal knowledge.

2. I am employed as a Landman with Silverback Operating II, LLC (“Silverback”), and I am familiar with the subject application and the lands involved.

3. I graduated in 2008 from the University of Oklahoma with a bachelor’s degree in Energy Management and Finance. I have worked at Silverback Exploration for approximately 0.5 years, and I have been working in New Mexico for 12 years as a landman for Williams Energy and WPX Energy. My credentials as a petroleum landman have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.

4. This affidavit is submitted in connection with the filing by Silverback of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).

5. Silverback seeks an order pooling all uncommitted mineral interest in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), underlying a standard 160-acre, more or less, horizontal spacing and proration unit comprised of the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico.

6. Under Case No. 23315, Silverback seeks to dedicate to the HSU four initial oil wells, the **Krauss 22 #103H Well, Krauss 22 #203H Well, Krauss 22 #102H Well, and the Krauss 22 #204H Well.**

7. The **Krauss 22 #103H Well**, an oil well, API No. 30-015-53283, is to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) (2,146' FSL, 158' FEL) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) (2,174' FSL, 100' FWL) of Section 22; approximate TVD of 3,000'; approximate TMD of 8,600'; FTP in Section 22: 2,174' FSL, 100' FEL; LTP in Section 22: 2,174' FSL, 100' FWL.

8. The **Krauss 22 #203H Well**, an oil well, API No. 30-015-53333, is to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) (1,145' FSL, 178' FEL) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) (1,679' FSL, 100' FWL) of Section 22; approximate TVD of 3,600'; approximate TMD of 8,600'; FTP in Section 22: 1,679' FSL, 100' FEL; LTP in Section 22: 1,679' FSL, 100' FWL.

9. The **Krauss 22 #102H Well**, an oil well, API No. 30-015-53330, is to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) (1,125' FSL, 178' FEL) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) (1,513' FSL, 100' FWL) of Section 22; approximate TVD of 3,000'; approximate TMD of 8,600'; FTP in Section 22: 1,513' FSL, 100' FEL; LTP in Section 22: 1,513' FSL, 100' FWL.

10. The **Krauss 22 #204H Well**, an oil well, API No. 30-015-53284, is to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) (2,166' FSL, 158' FEL) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) (2,298' FSL, 100' FWL) of Section 22; approximate TVD of 3,600'; approximate TMD of 8,600'; FTP in Section 22: 2,303'

FSL, 100' FEL; LTP in Section 22: 2,298' FSL, 100' FWL.

11. The proposed C-102 for each well is attached as **Exhibit A-1**.

12. A general location plat and a plat outlining the units being pooled is attached hereto as **Exhibit A-2**, which show the location of the proposed well within the unit. The location of 103H Well, 203H Well and 204H Well are orthodox, and meet the Division's offset requirements. The 102H Well is unorthodox in its location under applicable statewide rules. Silverback will apply to the Division for administrative approval of the nonstandard location.

13. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owner.

14. There are no depth severances in the Yeso formation in this acreage, and there are no overlapping units.

15. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners shown on **Exhibit A-2**. In compiling these addresses, I conducted a diligent search of the public records in Eddy County, New Mexico, where the wells are located, and of phone directories and did computer searches to locate the contact information for parties entitled to notification. All overriding royalty interest and working interest owners were locatable and noticed. Silverback published notice in the Carlsbad Current Argus, a newspaper of general circulation in Eddy County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice. Notice by publication was timely.

16. Silverback has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the well for its development within the

proposed horizontal spacing unit. **Exhibit A-4** provides a chronology and history of contacts with the owners.

17. The interest owners being pooled have been contacted regarding the proposed wells but have failed or refused to voluntarily commit their interest in the wells. However, Silverback has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Silverback and another interest owner or owners, Silverback requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and protection of correlative rights.

18. The interest owners being pooled have been contacted regarding the proposed wells, and the working interest owners have voluntarily committed their interests in the wells. This pooling application has been submitted for approval in order to account for the overriding royalty interest owners.

19. **Exhibit A-3** is a sample proposal letter and the AFEs for each proposed well. The estimated cost of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

20. Silverback requests overhead and administrative rates of \$8,000/month for drilling each well and \$800/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico. Silverback requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.



21. Silverback requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners to the extent needed.

22. Silverback requests that it be designated operator of the units and wells.

23. The Exhibits to this Affidavit were prepared by me or compiled from Silverback's company business records under my direct supervision.

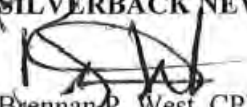
24. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

25. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Brennan West:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23315 and affirm that my testimony herein is true and correct, to the best of my knowledge, belief and intent, and made under penalty of perjury under the laws of the State of New Mexico.

Sincerely,  
**SILVERBACK NEW MEXICO, LLC**  
  
Brennan P. West, CPL  
Senior Landman

Date Signed: 2/13/2023

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office  
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-		<sup>2</sup> Pool Code 3250		<sup>3</sup> Pool Name ATOKA, GLORIETA-YESO	
<sup>4</sup> Property Code		<sup>5</sup> Property Name KRAUSS 22			<sup>6</sup> Well Number 103H
<sup>7</sup> OGRID No. 330968		<sup>8</sup> Operator Name SILVERBACK OPERATING II, LLC			<sup>9</sup> Elevation 3,316'

<sup>10</sup> Surface Location

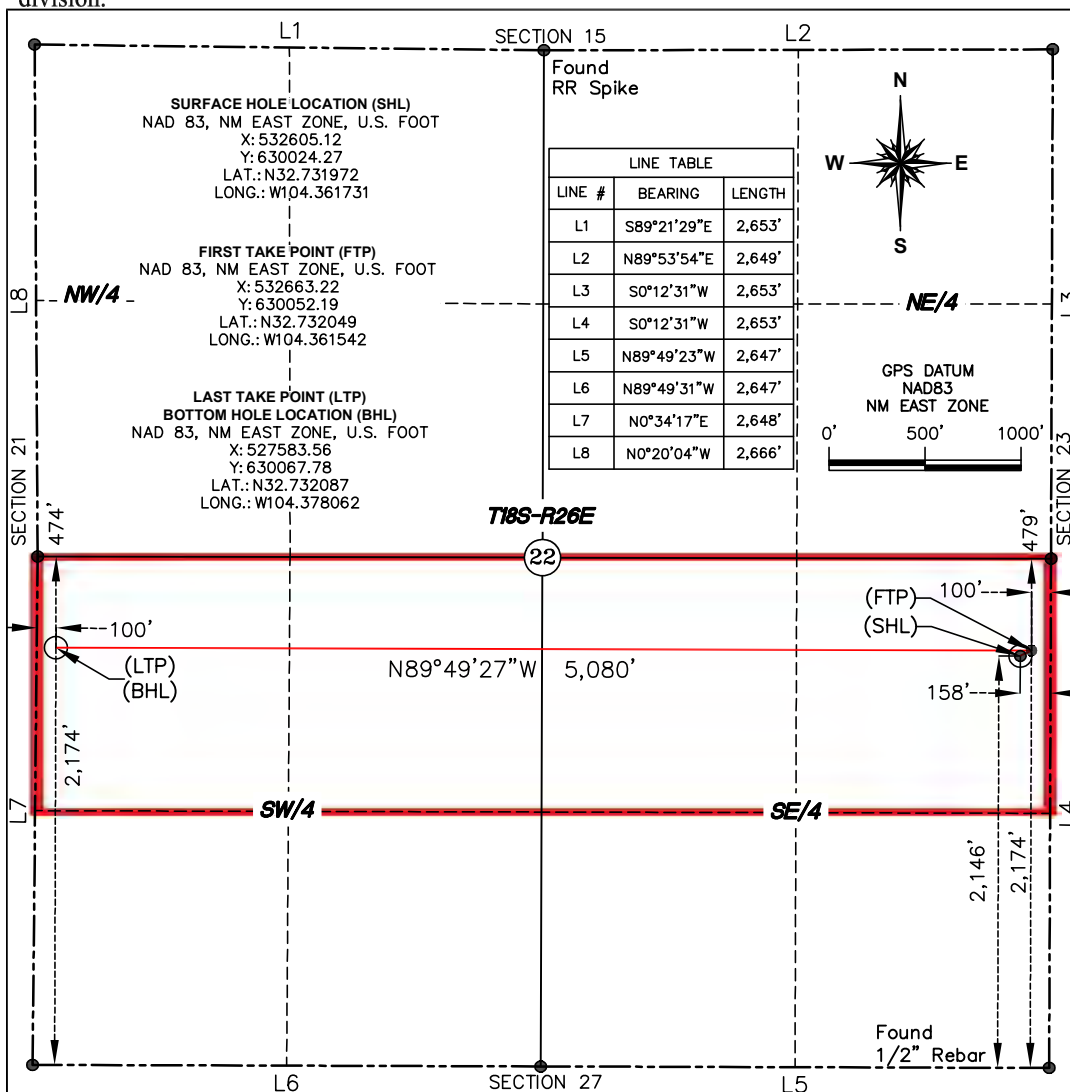
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	22	18-S	26-E		2,146'	SOUTH	158'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	22	18-S	26-E		2,174'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



<sup>17</sup> OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

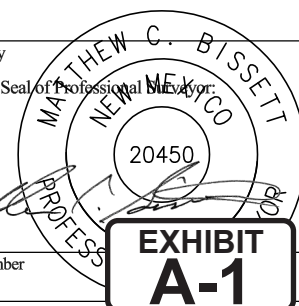
Fatma Abdallah 1/6/2023  
Signature Date

Fatma Abdallah  
Printed Name  
fabdallah@silverbackexp.com  
E-mail Address

<sup>18</sup> SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

12/30/22  
Date of Survey  
Signature and Seal of Professional Surveyor  
20450  
Certificate Number



**EXHIBIT A-1**

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office  
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-		<sup>2</sup> Pool Code 3250		<sup>3</sup> Pool Name ATOKA, GLORIETA-YESO	
<sup>4</sup> Property Code		<sup>5</sup> Property Name KRAUSS 22		<sup>6</sup> Well Number 203H	
<sup>7</sup> OGRID No. 330968		<sup>8</sup> Operator Name SILVERBACK OPERATING II, LLC		<sup>9</sup> Elevation 3,317'	

<sup>10</sup> Surface Location

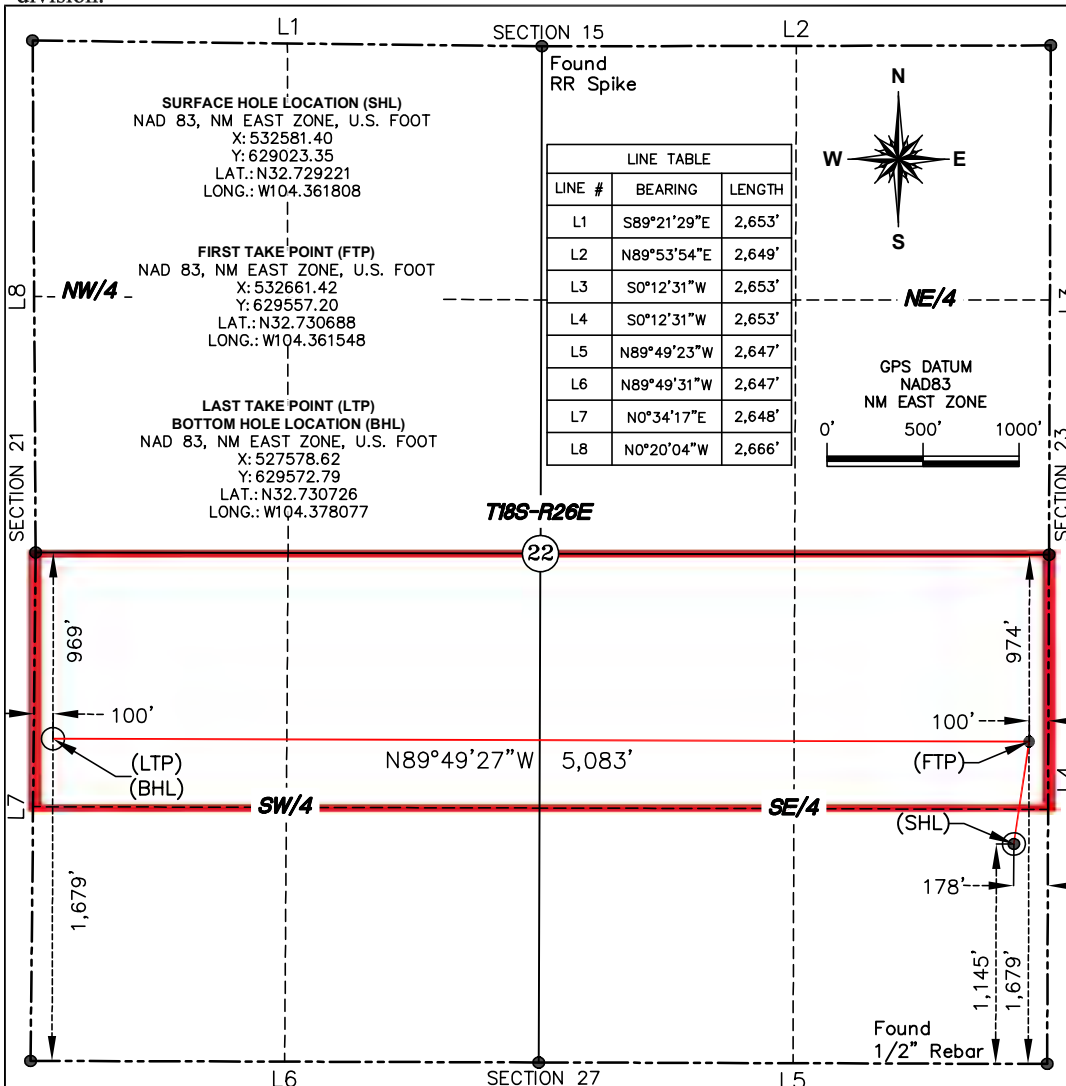
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	22	18-S	26-E		1,145'	SOUTH	178'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	22	18-S	26-E		1,679'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



**<sup>17</sup> OPERATOR CERTIFICATION**  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

*Fatma Abdallah* 1/12/23  
Signature Date

Fatma Abdallah  
Printed Name

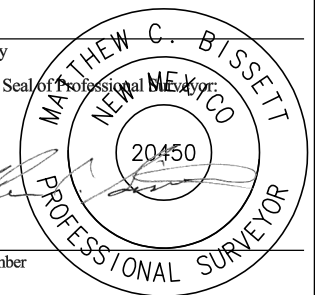
fabdallah@silverbackexp.com  
E-mail Address

**<sup>18</sup> SURVEYOR CERTIFICATION**  
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1/03/23  
Date of Survey

*Matthew C. Bissett*  
Signature and Seal of Professional Surveyor

20450  
Certificate Number



District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
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1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
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WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-		<sup>2</sup> Pool Code 3250		<sup>3</sup> Pool Name ATOKA, GLORIETA-YESO	
<sup>4</sup> Property Code		<sup>5</sup> Property Name KRAUSS 22		<sup>6</sup> Well Number 102H	
<sup>7</sup> OGRID No. 330968		<sup>8</sup> Operator Name SILVERBACK OPERATING II, LLC		<sup>9</sup> Elevation 3,317'	

<sup>10</sup> Surface Location

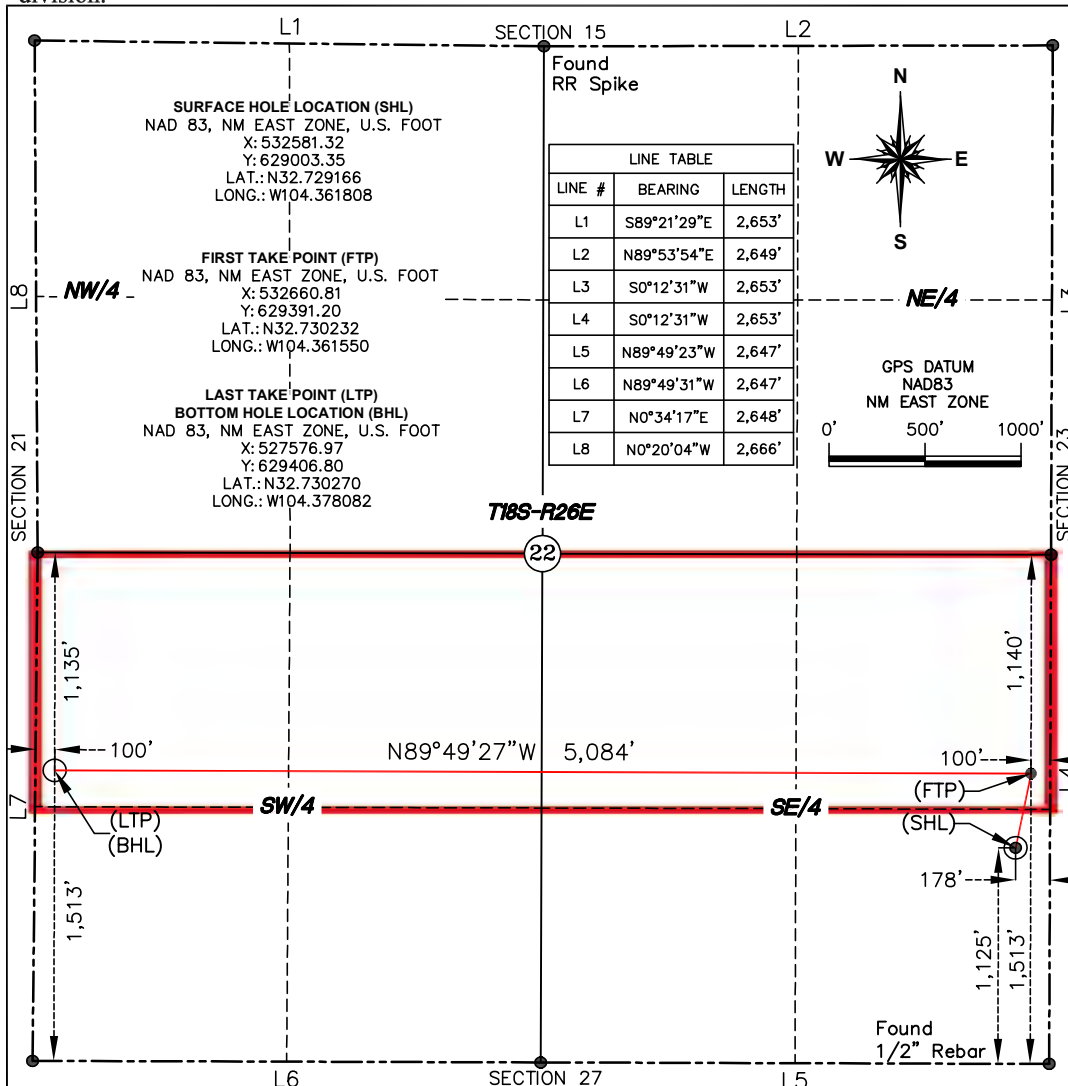
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	22	18-S	26-E		1,125'	SOUTH	178'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	22	18-S	26-E		1,513'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

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*Fatma Abdallah* 1/12/23  
Signature Date

Fatma Abdallah  
Printed Name

fabdallah@silverbackexp.com  
E-mail Address

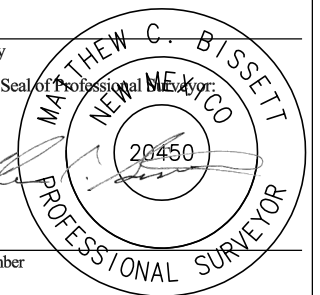
<sup>18</sup> SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1/03/23  
Date of Survey

Signature and Seal of Professional Surveyor

20450  
Certificate Number



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1220 South St. Francis Dr.  
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Form C-102  
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015	<sup>2</sup> Pool Code 3250	<sup>3</sup> Pool Name ATOKA, GLORIETA-YESO
<sup>4</sup> Property Code	<sup>5</sup> Property Name KRAUSS 22	<sup>6</sup> Well Number 204H
<sup>7</sup> OGRID No. 330968	<sup>8</sup> Operator Name SILVERBACK OPERATING II, LLC	<sup>9</sup> Elevation 3,316'

<sup>10</sup> Surface Location

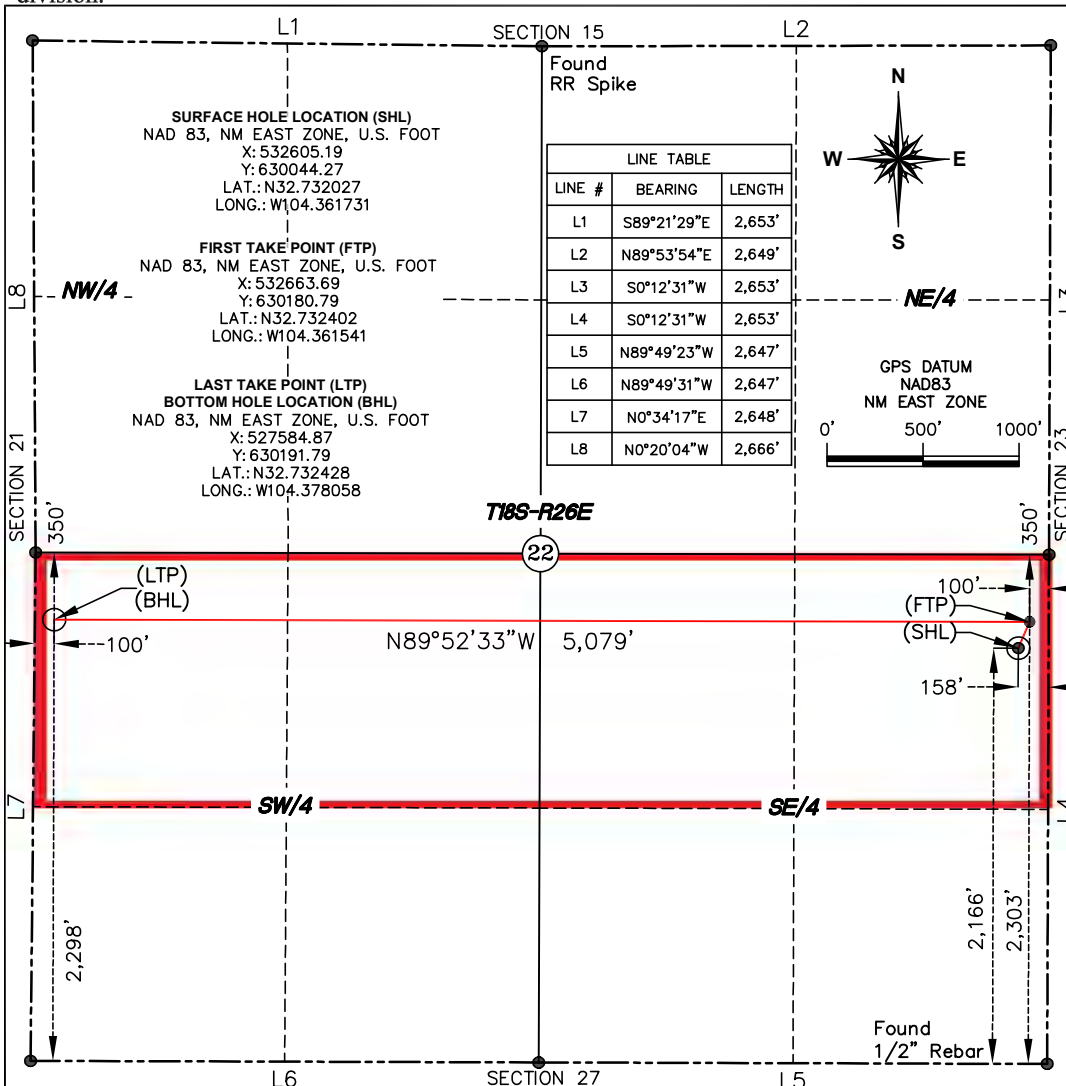
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	22	18-S	26-E		2,166'	SOUTH	158'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	22	18-S	26-E		2,298'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

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<sup>17</sup> OPERATOR CERTIFICATION

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*Fatma Abdallah* 1/11/2023

Signature Date

Fatma Abdallah

Printed Name

fabdallah@silverbackexp.com

E-mail Address

<sup>18</sup> SURVEYOR CERTIFICATION

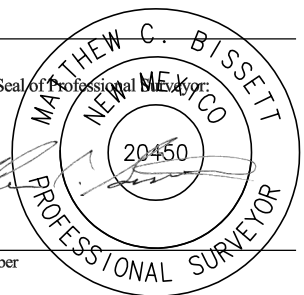
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1/05/23

Date of Survey

Signature and Seal of Professional Surveyor

*Matthew C. Bissett*



20450

Certificate Number

**EXHIBIT A-2: OWNERSHIP AND SECTIONAL MAP**

N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico

Case No. 23315

**PLACEHOLDER – TO BE SUBMITTED**

EXHIBIT  
**A-2**



December 1, 2022

**VIA CERTIFIED MAIL/ RETURN RECEIPT AND E-MAIL**

To: Interest Owners  
Listed on Attached Exhibit "A"

RE: Horizontal Well Proposals  
Silverback Operating II, LLC: **Krauss #103H, Krauss #104H, Krauss 202H and Krauss #203H**  
N/2S/2 of Section 22-T18S-R26E  
Eddy County, New Mexico

Dear Sir or Madam,

Silverback Operating II, LLC ("SILVERBACK"), an affiliate of Silverback New Mexico, LLC, hereby proposes to drill and complete the **Krauss #103H, Krauss #104H, Krauss #202H and Krauss #203H** (the "Subject Wells") to the approximate total vertical depths as referenced below to target the Yeso Formation based on the following proposed locations (subject to change upon staking and survey).

**Krauss #103H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 1,198' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 1,679' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

**Krauss #104H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 2,166' FSL & 158' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 2,288' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

**Krauss #202H- Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 1,178' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 1,513' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

6608 N. Western Ave #607, Oklahoma City, OK 73116  
Phone: (918) 671-3635 | Email: bwest@silverbackexp.com





Krauss #103H/#104H/#202H/#203H  
N2S2 of Section 22, 18S-26E  
12/1/2022

**Krauss #203H- Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 2,146' FSL & 158' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 2,174' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

Included herewith is SILVERBACK's Authority for Expenditure ("AFE") for each of the Subject Wells. The AFEs are an estimate only and those parties electing to participate in the Subject Wells shall be responsible for their share of actual well costs. SILVERBACK is proposing to drill this well under the terms of a modified 1989 A.A.P.L Form 610 Model Form Operating Agreement covering the N/2S/2 of Section 22, Township 18 South, Range 26 East, Eddy County, New Mexico (the "JOA"). It has the following general terms:

- 100%/300% Non-Consenting penalty
- \$8,000/\$800 Drilling and Producing Rate
- SILVERBACK named as Operator

If you wish to participate in the proposed operation(s), please indicate in the space provided below, along with a signed AFE and deliver to 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com) and SILVERBACK will provide the completed JOA for your review.


If you do not wish to participate under the JOA, SILVERBACK would like acquire your interest under a Term Assignment with the following general terms:

- 2 year term
- Delivering an 80% net revenue interest
- \$750/acre bonus
- Exclusive of existing wellbores

Should you be interested in term assigning your interest, please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com). This term assignment offer is subject to verification of title.

Please indicate your elections as to each of the Subject Wells in the spaces provided below and execute and return one (1) copy of this letter (together with a signed copy of each AFE for any well(s) you elect to participate in) to the undersigned within thirty (30) days of receipt of this proposal in the self-addressed stamped envelope provided to the following address: 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com). Silverback reserves the right to modify the locations and drilling plans in order to address surface and subsurface concerns. Should you have any questions regarding this proposal, please contact Brennan West at 918-671-3635 or [bwest@silverbackexp.com](mailto:bwest@silverbackexp.com). Thank you very much for your assistance and cooperation.

Sincerely,  
**SILVERBACK NEW MEXICO, LLC**

  
Brennan P. West, CPL  
Senior Landman

Enclosures  
Exhibit "A"  
AFEs

Krauss #103H/#104H/#202H/#203H  
N2S2 of Section 22, 18S-26E  
12/1/2022

**Krauss #103H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #103H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss #103H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please  
\_\_\_\_\_ contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 2022.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**Krauss #104H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #104H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss #104H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please  
\_\_\_\_\_ contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 2022.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #103H/#104H/#202H/#203H  
N2S2 of Section 22, 18S-26E  
12/1/2022

**Krauss #202H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #202H  
\_\_\_\_\_ I/We hereby elect *not* to participate in the Krauss #202H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

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Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 2022.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**Krauss #203H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #203H  
\_\_\_\_\_ I/We hereby elect *not* to participate in the Krauss #203H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

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**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #103H/#104H/#202H/#203H  
N2S2 of Section 22, 18S-26E  
12/1/2022

EXHIBIT "A"  
Interest Owners

COG Operating LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Concho Oil & Gas LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Oxy Y-1 Company  
Attn: Alissa Payne  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046



Authority for Expenditure

D&C AFE#: 10088D  
 Facilities AFE#: 10088F

Date: Dec 1, 2022

Lease: Krauss 22 103H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 1679 FSL, 100 FEL  
 BHL: 18S-26E-22; 1679 FSL, 100 FWL

Target: Paddock  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

	<b>Total</b>
<b>DRILLING:</b>	<b>\$1,817,284.00</b>
<b>COMPLETIONS:</b>	<b>\$3,002,470.00</b>
<b>FACILITIES:</b>	<b>\$664,997.00</b>
<b>COMPLETED WELL COST:</b>	<b>5,484,751.00</b>

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
	850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523
	850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708
	850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
	860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232
	860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355
	860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			<b>\$ 476,067.00</b>	<b>\$ 103,537.00</b>	<b>\$ 579,604.00</b>

INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
	830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948
	830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254
	830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414
	830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360
	830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017
	830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160
	830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239
	830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800
	830.035	IDC - MOBILIZATION/DEMOLIZATN	\$ 85,781	\$ -	\$ 85,781
	830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107
	830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872
	830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790
	830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158
	830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775
	830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935
	830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297
	830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662
	830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293
	830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751
	830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111
	830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064
	830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160
	830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790
	830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442

19707 West IH 10, Suite 201, San Antonio, TX 78257  
 Tel. 210-585-3316 www.silverbackexp.com



Authority for Expenditure

830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281
830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160
830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343
830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573
830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589
830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054
830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838
830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199
<b>Intangible Completion</b>		\$ -	\$ <b>2,898,933.00</b>	\$ <b>2,898,933.00</b>
840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>		\$ <b>1,341,217.00</b>	\$ <b>2,898,933.00</b>	\$ <b>4,240,150.00</b>
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>		\$ <b>1,817,284.00</b>	\$ <b>3,002,470.00</b>	\$ <b>4,819,754.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS			Facility	Total
<b>Tangible Facilities</b>			\$ <b>458,280.00</b>	\$ <b>458,280.00</b>
865.045	TFC - PUMP/SUPPLIES	\$ 16,200	\$ 16,200	\$ 16,200
865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733	\$ 25,733
865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929	\$ 30,929
865.070	TFC - AIR COMPRESSION	\$ 5,014	\$ 5,014	\$ 5,014
865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890	\$ 9,890
865.020	TFC - METERING EQUIPMENT	\$ 21,907	\$ 21,907	\$ 21,907
865.005	TFC - VESSELS	\$ 190,854	\$ 190,854	\$ 190,854
865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571	\$ 8,571
865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150	\$ 12,150
865.030	TFC - TANKS	\$ 46,346	\$ 46,346	\$ 46,346
865.035	TFC - ELECTICAL FACILITY	\$ 28,774	\$ 28,774	\$ 28,774



**Authority for Expenditure**

	865.065	TFC - FLARE/COMBUSTOR	\$	5,323	\$	5,323
	865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$	52,303	\$	52,303
	865.040	TFC - CONTAINMENT	\$	4,286	\$	4,286
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>458,280.00</b>	\$	<b>458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>						
			<b>Facility</b>	<b>Total</b>		
<b>Intangible Facilities</b>			\$	<b>206,717.00</b>	\$	<b>206,717.00</b>
	845.050	IFC - TRANSPORTATION/TRUCKING	\$	15,493	\$	15,493
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$	11,429	\$	11,429
	845.025	IFC - CONTRACT LABOR PIPELINE	\$	17,650	\$	17,650
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$	7,143	\$	7,143
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$	105,714	\$	105,714
	845.020	IFC - ENVIRONMENTAL	\$	2,143	\$	2,143
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$	36,288	\$	36,288
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$	10,857	\$	10,857
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>206,717.00</b>	\$	<b>206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>664,997.00</b>	\$	<b>664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_  
**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)  
 We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)



Authority for Expenditure

D&C AFE#: 10087D  
 Facilities AFE#: 10087F

Date: Dec 1, 2022

Lease: Krauss 22 203H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 2174 FSL, 100 FEL  
 BHL: 18S-26E-22; 2174 FSL, 100 FWL

Target: Blinebry  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

	<b>Total</b>
<b>DRILLING:</b>	<b>\$1,817,284.00</b>
<b>COMPLETIONS:</b>	<b>\$3,002,470.00</b>
<b>FACILITIES:</b>	<b>\$664,997.00</b>
<b>COMPLETED WELL COST:</b>	<b>5,484,751.00</b>

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
	850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523
	850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708
	850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
	860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355
	860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232
	860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			<b>\$ 476,067.00</b>	<b>\$ 103,537.00</b>	<b>\$ 579,604.00</b>

INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
	830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064
	830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935
	830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239
	830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160
	830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199
	830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160
	830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297
	830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160
	830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790
	830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948
	830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254
	830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054
	830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111
	830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158
	830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751
	830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589
	830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775
	830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107
	830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293
	830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872
	830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838
	830.035	IDC - MOBILIZATION/DEMOBILIZATN	\$ 85,781	\$ -	\$ 85,781
	830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442
	830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343

19707 West IH 10, Suite 201, San Antonio, TX 78257  
 Tel. 210-585-3316 www.silverbackexp.com





Authority for Expenditure

	830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360
	830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662
	830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800
	830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573
	830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790
	830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017
	830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281
	830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414
<b>Intangible Completion</b>			\$ -	\$ 2,898,933.00	\$ 2,898,933.00
	840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
	840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
	840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
	840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
	840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
	840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
	840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
	840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
	840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
	840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
	840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
	840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
	840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
	840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
	840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
	840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
	840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
	840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
	840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
	840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
	840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
	840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 1,341,217.00	\$ 2,898,933.00	\$ 4,240,150.00
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 1,817,284.00	\$ 3,002,470.00	\$ 4,819,754.00

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS			Facility	Total
<b>Tangible Facilities</b>			\$ 458,280.00	\$ 458,280.00
	865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571
	865.040	TFC - CONTAINMENT	\$ 4,286	\$ 4,286
	865.045	TFC - PUMP/SUPPLIES	\$ 16,200	\$ 16,200
	865.020	TFC - METERING EQUIPMENT	\$ 21,907	\$ 21,907
	865.030	TFC - TANKS	\$ 46,346	\$ 46,346
	865.005	TFC - VESSELS	\$ 190,854	\$ 190,854
	865.070	TFC - AIR COMPRESSION	\$ 5,014	\$ 5,014
	865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733
	865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890
	865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929
	865.065	TFC - FLARE/COMBUSTOR	\$ 5,323	\$ 5,323



**Authority for Expenditure**

	865.035	TFC - ELECTRICAL FACILITY	\$ 28,774	\$ 28,774
	865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150
	865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$ 52,303	\$ 52,303
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 458,280.00</b>	<b>\$ 458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>				
			<b>Facility</b>	<b>Total</b>
<b>Intangible Facilities</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$ 10,857	\$ 10,857
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$ 36,288	\$ 36,288
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$ 11,429	\$ 11,429
	845.050	IFC - TRANSPORTATION/TRUCKING	\$ 15,493	\$ 15,493
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$ 7,143	\$ 7,143
	845.020	IFC - ENVIRONMENTAL	\$ 2,143	\$ 2,143
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$ 105,714	\$ 105,714
	845.025	IFC - CONTRACT LABOR PIPELINE	\$ 17,650	\$ 17,650
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 664,997.00</b>	<b>\$ 664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_  
**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)  
 We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)



Authority for Expenditure

D&C AFE#: 10085D  
 Facilities AFE#: 10085F

Date: Dec 1, 2022

Lease: Krauss 22 102H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 1003 FSL, 100 FEL  
 BHL: 18S-26E-22; 1003 FSL, 100 FWL

Target: Paddock  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

**Total**

**DRILLING: \$1,817,284.00**  
**COMPLETIONS: \$3,002,470.00**  
**FACILITIES: \$664,997.00**  
**COMPLETED WELL COST: 5,484,751.00**

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523	
850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708	
850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836	
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232	
860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950	
860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355	
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 476,067.00	\$ 103,537.00	\$ 579,604.00
INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107	
830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872	
830.035	IDC - MOBILIZATION/DEMOBILIZATN	\$ 85,781	\$ -	\$ 85,781	
830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662	
830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838	
830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790	
830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064	
830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360	
830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054	
830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254	
830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442	
830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293	
830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160	
830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790	
830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160	
830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343	
830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199	
830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775	
830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935	
830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111	
830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281	
830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017	
830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751	
830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800	



Authority for Expenditure

	830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948
	830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158
	830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160
	830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573
	830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414
	830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239
	830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589
	830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297
<b>Intangible Completion</b>			\$ -	\$ 2,898,933.00	\$ 2,898,933.00
	840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
	840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
	840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
	840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
	840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
	840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
	840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
	840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
	840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
	840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
	840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
	840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
	840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
	840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
	840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
	840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
	840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
	840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
	840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
	840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
	840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
	840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 1,341,217.00	\$ 2,898,933.00	\$ 4,240,150.00
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 1,817,284.00	\$ 3,002,470.00	\$ 4,819,754.00

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS			Facility	Total
<b>Tangible Facilities</b>			\$ 458,280.00	\$ 458,280.00
	865.065	TFC - FLARE/COMBUSTOR	\$ 5,323	\$ 5,323
	865.070	TFC - AIR COMPRESSION	\$ 5,014	\$ 5,014
	865.030	TFC - TANKS	\$ 46,346	\$ 46,346
	865.005	TFC - VESSELS	\$ 190,854	\$ 190,854
	865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150
	865.020	TFC - METERING EQUIPMENT	\$ 21,907	\$ 21,907
	865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929
	865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733
	865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890
	865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571
	865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$ 52,303	\$ 52,303



**Authority for Expenditure**

	865.045	TFC - PUMP/SUPPLIES	\$	16,200	\$	16,200
	865.035	TFC - ELECTRICAL FACILITY	\$	28,774	\$	28,774
	865.040	TFC - CONTAINMENT	\$	4,286	\$	4,286
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>458,280.00</b>	\$	<b>458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>						
				<b>Facility</b>		<b>Total</b>
<b>Intangible Facilities</b>			\$	<b>206,717.00</b>	\$	<b>206,717.00</b>
	845.025	IFC - CONTRACT LABOR PIPELINE	\$	17,650	\$	17,650
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$	11,429	\$	11,429
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$	10,857	\$	10,857
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$	7,143	\$	7,143
	845.050	IFC - TRANSPORTATION/TRUCKING	\$	15,493	\$	15,493
	845.020	IFC - ENVIRONMENTAL	\$	2,143	\$	2,143
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$	36,288	\$	36,288
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$	105,714	\$	105,714
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>206,717.00</b>	\$	<b>206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>664,997.00</b>	\$	<b>664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)

We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)



Authority for Expenditure

D&C AFE#: 10112D  
 Facilities AFE#: 10112F

Date: Nov 29, 2022

Lease: Krauss 22 104H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 2288 FSL, 100 FEL  
 BHL: 18S-26E-22; 2288 FSL, 100 FWL

Target: Paddock  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

**Total**  
**DRILLING: \$1,817,284.00**  
**COMPLETIONS: \$3,002,470.00**  
**FACILITIES: \$664,997.00**  
**COMPLETED WELL COST: 5,484,751.00**

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836	
850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523	
850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708	
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232	
860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950	
860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355	
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 476,067.00	\$ 103,537.00	\$ 579,604.00
INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662	
830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293	
830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160	
830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935	
830.035	IDC - MOBILIZATION/DEMOBILIZATN	\$ 85,781	\$ -	\$ 85,781	
830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800	
830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254	
830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442	
830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111	
830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239	
830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199	
830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064	
830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790	
830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589	
830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017	
830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751	
830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160	
830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107	
830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573	
830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158	
830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872	
830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343	
830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775	
830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414	



Authority for Expenditure

830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297
830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838
830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948
830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360
830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281
830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054
830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160
830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790
<b>Intangible Completion</b>		\$ -	\$ 2,898,933.00	\$ 2,898,933.00
840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>		\$ 1,341,217.00	\$ 2,898,933.00	\$ 4,240,150.00
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>		\$ 1,817,284.00	\$ 3,002,470.00	\$ 4,819,754.00

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS			Facility	Total
<b>Tangible Facilities</b>			\$ 458,280.00	\$ 458,280.00
865.005	TFC - VESSELS	\$ 190,854	\$ 190,854	
865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$ 52,303	\$ 52,303	
865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929	
865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150	
865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890	
865.035	TFC - ELECTRICAL FACILITY	\$ 28,774	\$ 28,774	
865.020	TFC - METERING EQUIPMENT	\$ 21,907	\$ 21,907	
865.065	TFC - FLARE/COMBUSTOR	\$ 5,323	\$ 5,323	
865.045	TFC - PUMP/SUPPLIES	\$ 16,200	\$ 16,200	
865.030	TFC - TANKS	\$ 46,346	\$ 46,346	
865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571	



**Authority for Expenditure**

	865.040	TFC - CONTAINMENT	\$ 4,286	\$ 4,286
	865.070	TFC - AIR COMPRESSION	\$ 5,014	\$ 5,014
	865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 458,280.00</b>	<b>\$ 458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>				
			<b>Facility</b>	<b>Total</b>
<b>Intangible Facilities</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$ 7,143	\$ 7,143
	845.020	IFC - ENVIRONMENTAL	\$ 2,143	\$ 2,143
	845.025	IFC - CONTRACT LABOR PIPELINE	\$ 17,650	\$ 17,650
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$ 105,714	\$ 105,714
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$ 10,857	\$ 10,857
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$ 11,429	\$ 11,429
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$ 36,288	\$ 36,288
	845.050	IFC - TRANSPORTATION/TRUCKING	\$ 15,493	\$ 15,493
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 664,997.00</b>	<b>\$ 664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_  
**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)  
 We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)





December 22, 2022

**VIA CERTIFIED MAIL/ RETURN RECEIPT AND E-MAIL**

To: Interest Owners  
Listed on Attached Exhibit "A"

RE: **Supplement to well proposals dated December 1, 2022** - Horizontal Well(s)  
Silverback Operating II, LLC: **Krauss 22 #103H, Krauss 22 #203H, Krauss 22 #102H and Krauss 22 #204H**  
N/2S/2 of Section 22-T18S-R26E  
Eddy County, New Mexico

Dear Sir or Madam,

Pursuant to letter dated December 1, 2022, Silverback Operating II, LLC ("SILVERBACK"), an affiliate of Silverback New Mexico, LLC, proposed to drill and complete the referenced wells ("Krauss Wells").

After further review, SILVERBACK intends to modify its previous proposals, pursuant to its stated reservation in the proposals to provide such modifications as necessary, in order to adjust the locations of the Krauss Wells and provide additional clarification, including the formal name of the Krauss Wells, as follows: the Krauss #103H is the **Krauss 22 #103H**; the Krauss #203H is the **Krauss 22 #203H**; the Krauss #102H is the **Krauss 22 #102H** and the Krauss #204H is the **Krauss 22 #204H**. The location of the #103H, #203H, #102H and #204H wells are adjusted as follows:

**Krauss 22 #103H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 2,146' FSL & 158' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 2,174' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

**Krauss 22 #203H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 1,218' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 1,679' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3600'; Lateral Length: ~4900'

**Krauss 22 #102H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 1,198' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 1,513' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

6608 N. Western Ave #607, Oklahoma City, OK 73116  
Phone: (918) 671-3635 | Email: bwest@silverbackexp.com

Krauss #103H/#102H/#203H/#204H  
N2S2 of Section 22, 18S-26E  
12/22/2022

**Krauss 22 #204H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 2,166’ FSL & 158’ FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 2,290’ FSL & 100’ FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600’ / 3600’; Lateral Length: ~4900’

All other items in the original well proposal date December 1, 2022, remain the same.

Included in this proposal is another copy of SILVERBACK’s Authority for Expenditure (“AFE”) for each of the Subject Wells, for the convenience of your review. The AFEs are an estimate only and those parties electing to participate in the Subject Wells shall be responsible for their share of actual well costs. SILVERBACK is proposing to drill this well under the terms of a modified 1989 A.A.P.L Form 610 Model Form Operating Agreement covering the N/2S/2 of Section 22, Township 18 South, Range 26 East, Eddy County, New Mexico (the “JOA”). It has the following general terms:

- 100%/300% Non-Consenting penalty
- \$8,000/\$800 Drilling and Producing Rate
- SILVERBACK named as Operator

If you wish to participate in the proposed operation(s), please indicate in the space provided below, along with a signed AFE and deliver to 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com) and SILVERBACK will provide the completed JOA for your review.

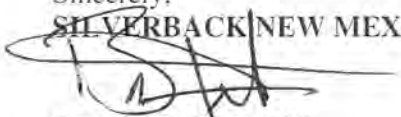
If you do not wish to participate under the JOA, SILVERBACK would like acquire your interest under a Term Assignment with the following general terms:

- 2 year term
- Delivering an 80% net revenue interest
- \$750/acre bonus
- Exclusive of existing wellbores

Should you be interested in term assigning your interest, please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com). This term assignment offer is subject to verification of title.

Please indicate your elections as to each of the Subject Wells in the spaces provided below and execute and return one (1) copy of this letter (together with a signed copy of each AFE for any well(s) you elect to participate in) to the undersigned within thirty (30) days of receipt of this proposal in the self-addressed stamped envelope provided to the following address: 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com). Silverback reserves the right to modify the locations and drilling plans in order to address surface and subsurface concerns. Should you have any questions regarding this proposal or any additions to the previous proposal, please contact Brennan West at 918-671-3635 or [bwest@silverbackexp.com](mailto:bwest@silverbackexp.com). Thank you very much for your assistance and cooperation.

Sincerely,  
**SILVERBACK NEW MEXICO, LLC**



Brennan P. West, CPL  
Senior Landman  
Enclosures  
Exhibit "A"

Krauss #103H/#102H/#203H/#204H  
N2S2 of Section 22, 18S-26E  
12/22/2022

AFEs

**Krauss 22 #103H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #103H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss 22 #103H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**Krauss 22 #102H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #102H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss 22 #102H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #103H/#102H/#203H/#204H  
N2S2 of Section 22, 18S-26E  
12/22/2022

**Krauss 22 #203H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #203H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss 22 #203H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please  
contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**Krauss 22 #204H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #204H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss 22 #204H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please  
contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #103H/#102H/#203H/#204H  
N2S2 of Section 22, 18S-26E  
12/22/2022

EXHIBIT "A"  
Interest Owners

COG Operating LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Concho Oil & Gas LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Oxy Y-1 Company  
Attn: Alissa Payne  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046

## **Chronology of Contact with Non-Op Working Interests (Silverback – 74% Interest)**

### **Oxy Y-1 USA (~19% interest)**

12/2/2022 – Mailed out well proposals

12/20/2022 – Discussed well proposal and Oxy's WI

12/22/2022 – Mailed out subsequent well proposals to re-adjust intervals being targeted

1/18/2023 - Had conversation with Alissa Payne (Land Negotiator at Oxy) on their interest in participating. They informed that they were not going to elect at this time and will wait until they get their elections under the force pooling order.

### **ConocoPhillips/Concho (~5% Interest)**

12/2/2022 – Mailed out well proposals

12/22/2022 – Mailed out subsequent well proposals to re-adjust intervals being targeted

1/13/2023 – Introductory Email to Baylor Mitchell and to address any questions

1/16/2023 – Follow-up email

1/19/2023 – Received email Concho/Conoco that they are looking into proposal

1/25/2023 – Email received that Concho/Conoco requesting a continuance for 30 days

1/25/2023 – Email sent that Silverback would like to continue forward with February 2<sup>nd</sup> date

1//26/2023 – Per discussion with Concho – JOA advanced

1/26/2023 -Per discussion with Conco/Concho – Adadvanced ownership

1/26/2023 – Concho advances letter agreement

1/30/2023 – Silverback requests lease form Concho/Conoco would like to use

1/30/2023 – Concho/Conoco – Follow up

1/30/2023 – Silverback responds with requested changes to letter agreement

1/30/2023 – Concho/Conoco responds with request to ask for a continuance

1/31/2023 – Silverback responds to see if agreement can be reached so there isn't a continuance

2/1/2023 – Silverback responds to questions regarding the letter agreement

**EXHIBIT  
A-4**

## **TAB 3**

Case No. 23315

- Exhibit B: Self-Affirmed Statement of Nathaniel Gilbertson, Geologist
- Exhibit B-1: Base Map
- Exhibit B-2: Subsea Structure Map
- Exhibit B-3: Structural Cross-Section
- Exhibit B-4: Gun Barrel Diagram
- Exhibit B-5 : West to East Lateral Trajectory Cross-Section

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

**APPLICATION OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

**Case No. 23315**

**SELF-AFFIRMED STATEMENT OF NATHANIEL GILBERTSON**

Nathaniel Gilbertson, of lawful age and being first duly sworn, declares as follows:

1. My name is Nathaniel Gilbertson, and I am employed by Silverback Operating II, LLC (“Silverback”) as a petroleum geologist.

2. I have previously testified before the Oil Conservation Division (“Division”) as an expert witness in petroleum geology. My credentials have been made a matter of record and I have been recognized by the Division as an expert witness.

3. I am familiar with the applications filed by Silverback in these consolidated cases, and I have conducted a geologic study of the Yeso formation underlying the subject area.

4. The initial targets for Silverback’s proposed Krauss wells in Section 22 of T18S-R26E are intervals within the Yeso formation.

5. **Silverback Exhibit B-1** is a base map that shows the location of the proposed horizontal well spacing unit, the path of the proposed/drilled wellbores and offsetting well bores. Marked on the map is the location of the four wells in Cross Section A-A’ of Exhibit B-3. These wells penetrate the targeted interval, are of good quality, and are representative of the geology in the subject area.

6. **Silverback Exhibit B-2** is a subsea structure map of the top of the Glorieta/Yeso with a 25-foot contour interval. The Yeso Formation structure is dipping to the east-southeast. The formation appears consistent across the proposed spacing unit. I do not observe any





faulting, pinchouts, or other geologic impediments to horizontal drilling within the proposed spacing unit. This map also shows line B-B' which is depicted in a gun barrel diagram in Exhibit B-4 and line C-C' which is depicted in a lateral trajectory cross-section in Exhibit B-5.

7. **Silverback Exhibit B-3** is a structural cross-section that I prepared with data from open-hole logs collected over the target formation in the representative wells denoted from A to A' (Exhibit B-1). For each well in the cross-section, the exhibit shows the following logs: gamma ray, deep resistivity, neutron porosity and bulk density. The targeted zone for each well is labeled and marked on the cross-section. The logs in the cross-section demonstrate that the targeted zones are continuous and consistent through the proposed spacing unit.

8. **Silverback Exhibit B-4** is a gun barrel diagram from B to B' illustrating Silverback's intended development in the Yeso formation across the proposed spacing unit. Each proposed or existing well is identified relative to the different intervals within the Yeso formation.

9. **Silverback Exhibit B-5** is a West to East lateral trajectory cross-section illustrating Silverback's intended development in the Yeso formation across the proposed spacing unit.

10. In my opinion, the East-West orientation of the proposed wells in the preferred orientation for horizontal well development in this area and is appropriate to efficiently and effectively develop the subject acreage.

11. Based on my geologic study of the area, the targeted interval underlying the proposed spacing unit is suitable for development by horizontal wells and tracts comprising the proposed spacing unit with contribute more or less equally to the production of the wells.

12. The granting of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights and will avoid the drilling of unnecessary wells.

13. **Silverback Exhibits B-1** through **B-5** were either prepared by me or compiled under my direction and supervision.

14. The foregoing is true to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Nathaniel Gilbertson:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23315 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

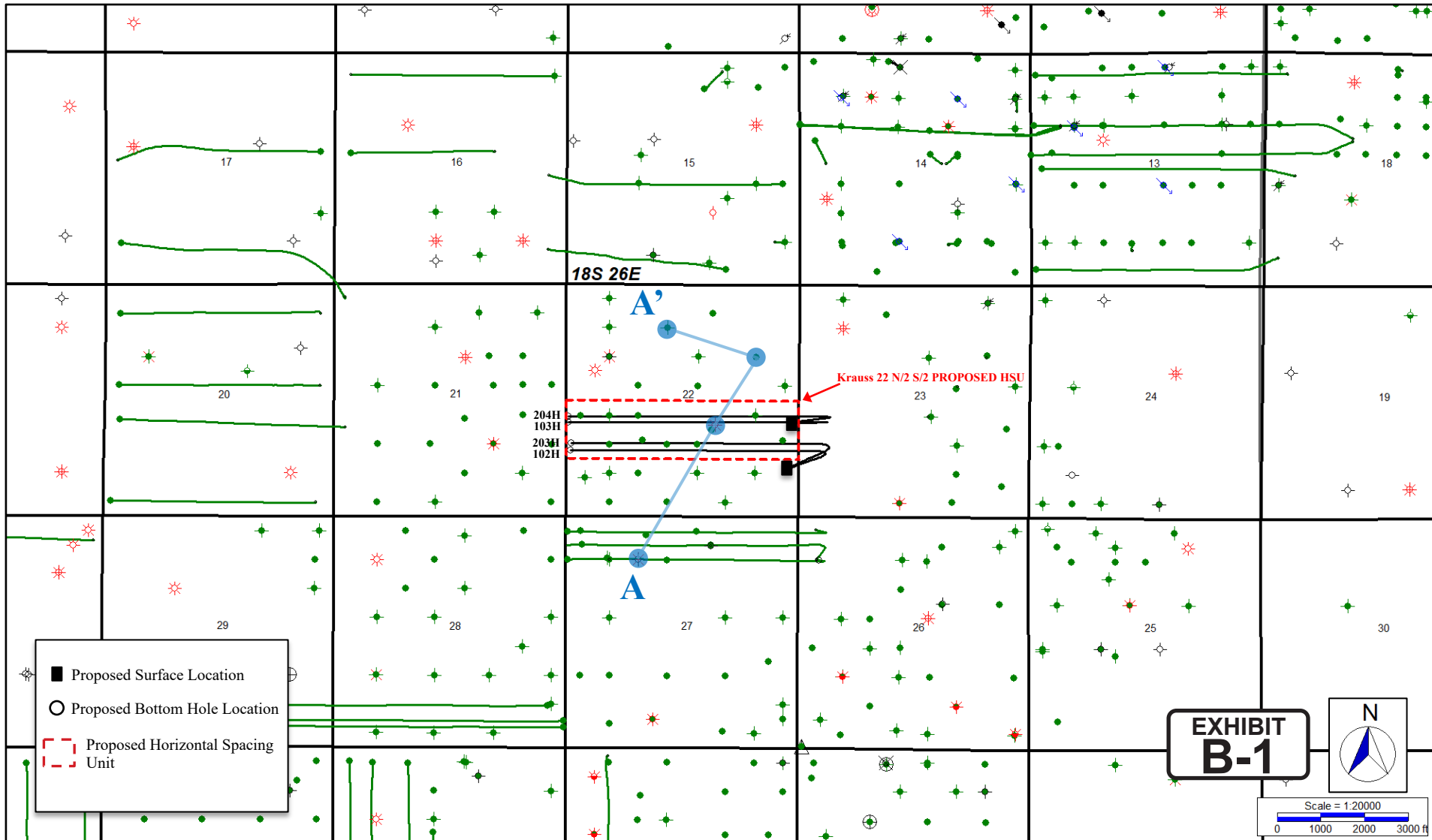
  
\_\_\_\_\_  
Nathaniel Gilbertson

1/30/2023  
\_\_\_\_\_  
Date Signed

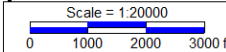
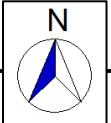
# Exhibit B-1: Krauss 22 N/2 S/2 HSU Basemap



(Case No. 23315)



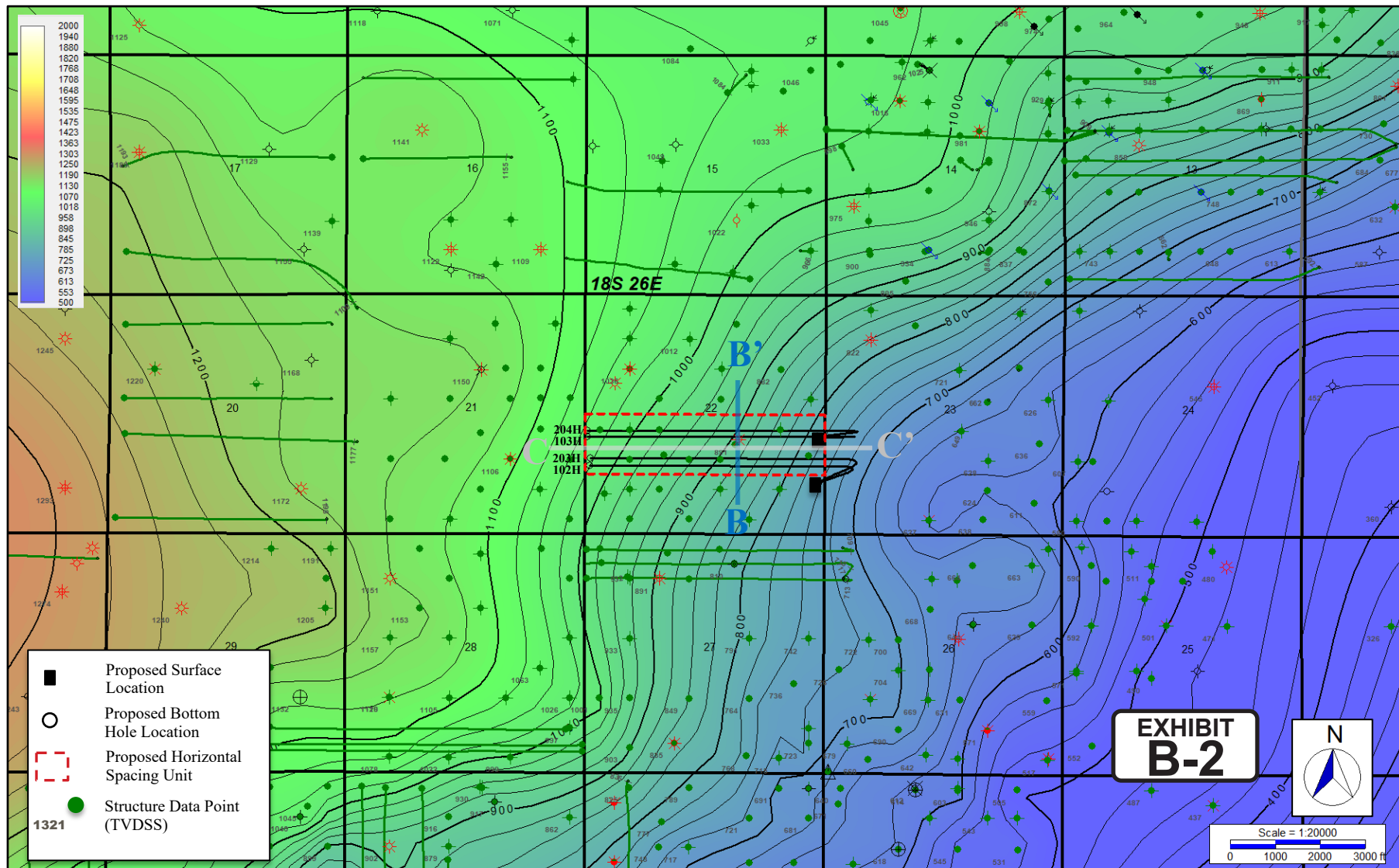
**EXHIBIT B-1**



# Exhibit B-2: Structure Map: Glorieta (TVDSS)

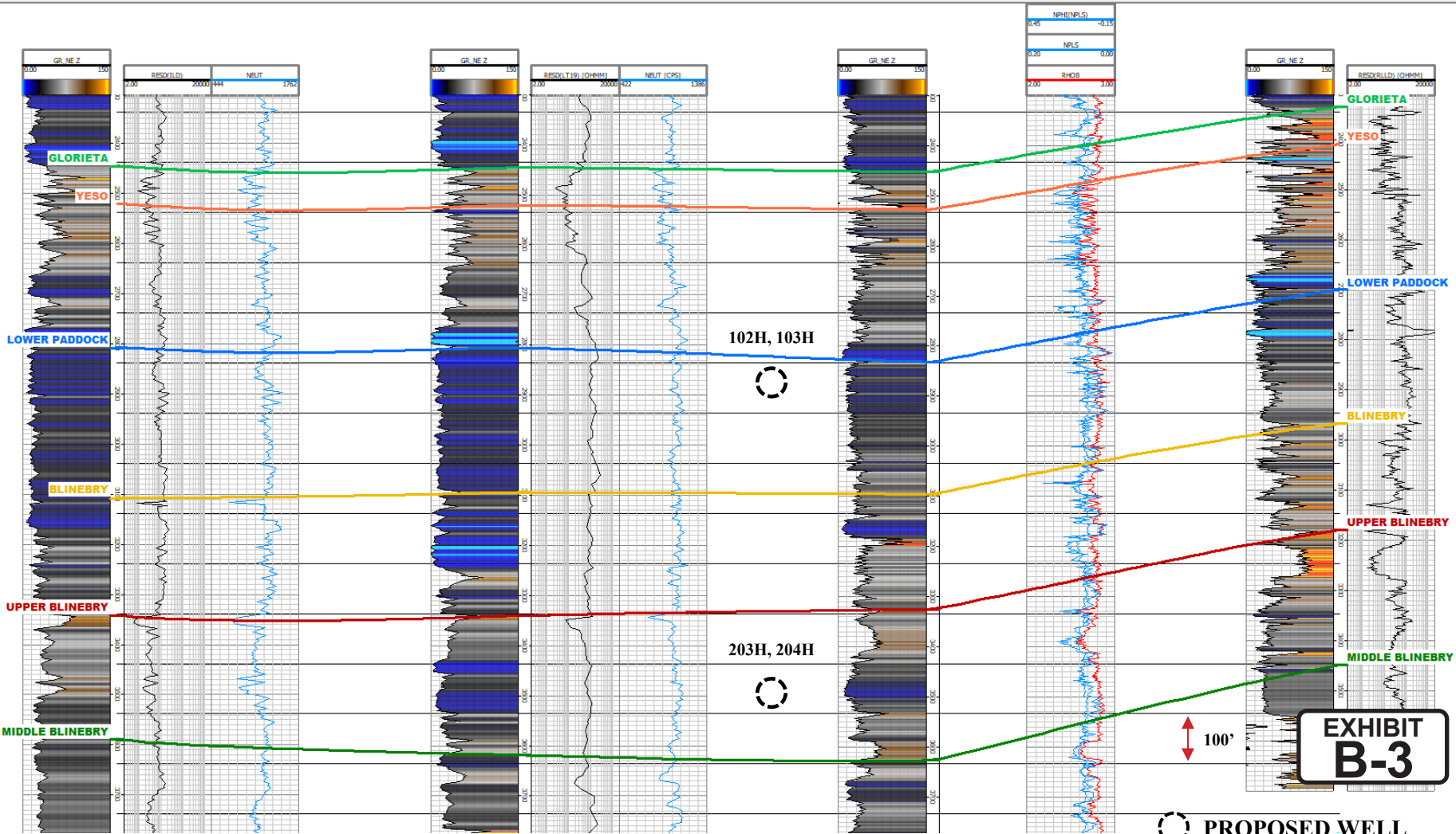
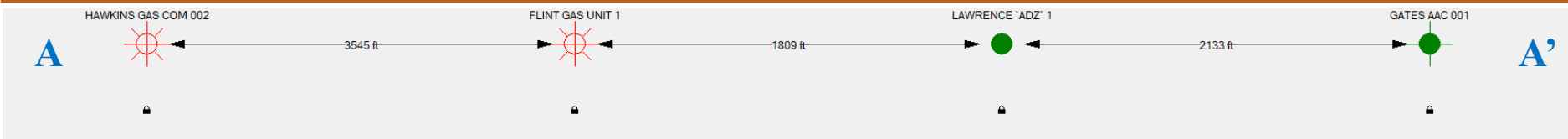


(Case No. 23315)



# Exhibit B-3: Structural Cross Section A – A' (TVDSS)

(Case No. 23315)



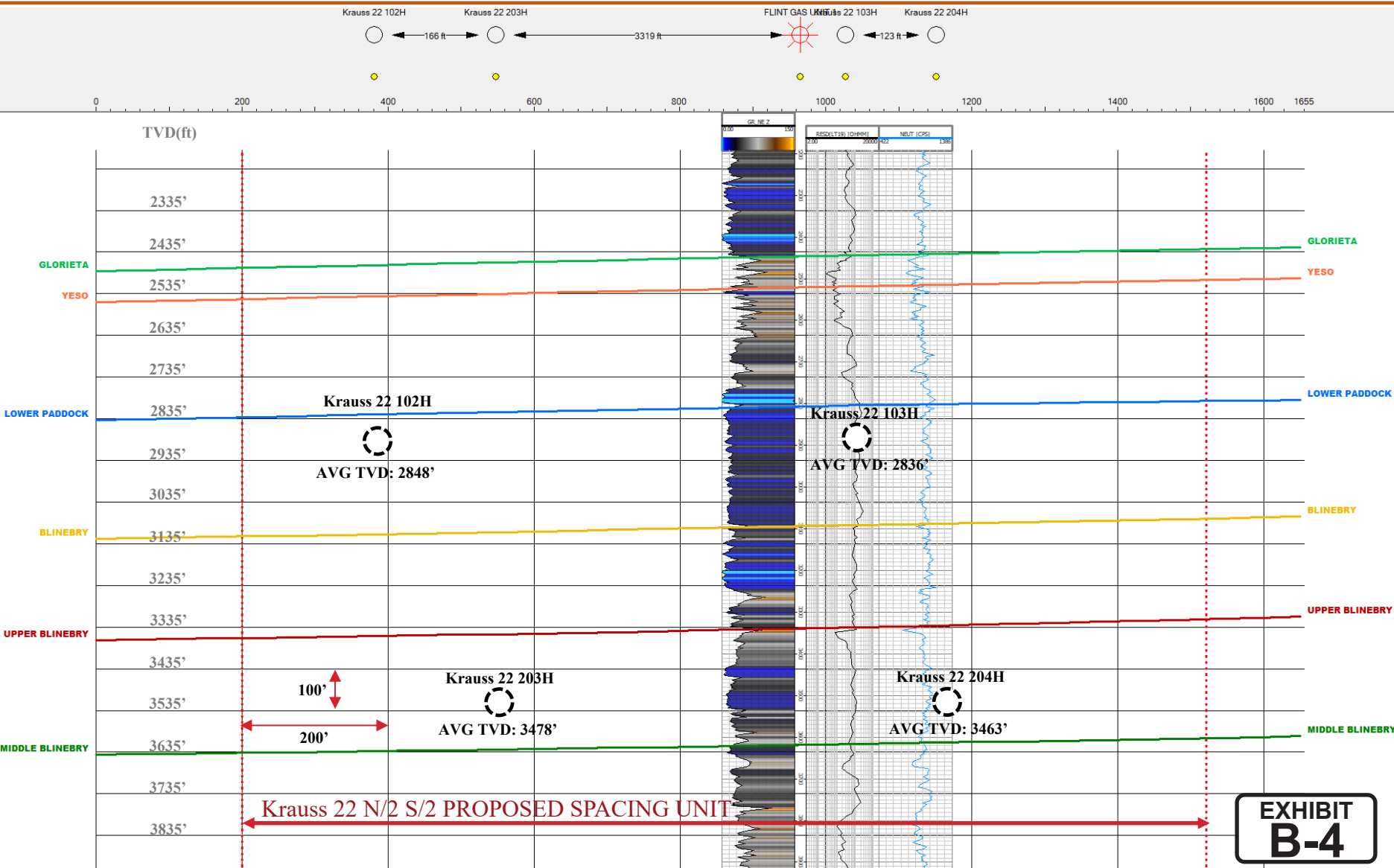
**EXHIBIT B-3**

PROPOSED WELL

# Exhibit B-4: Gun Barrel Diagram B-B' (TVD)



(Case No. 23315)



**EXHIBIT B-4**

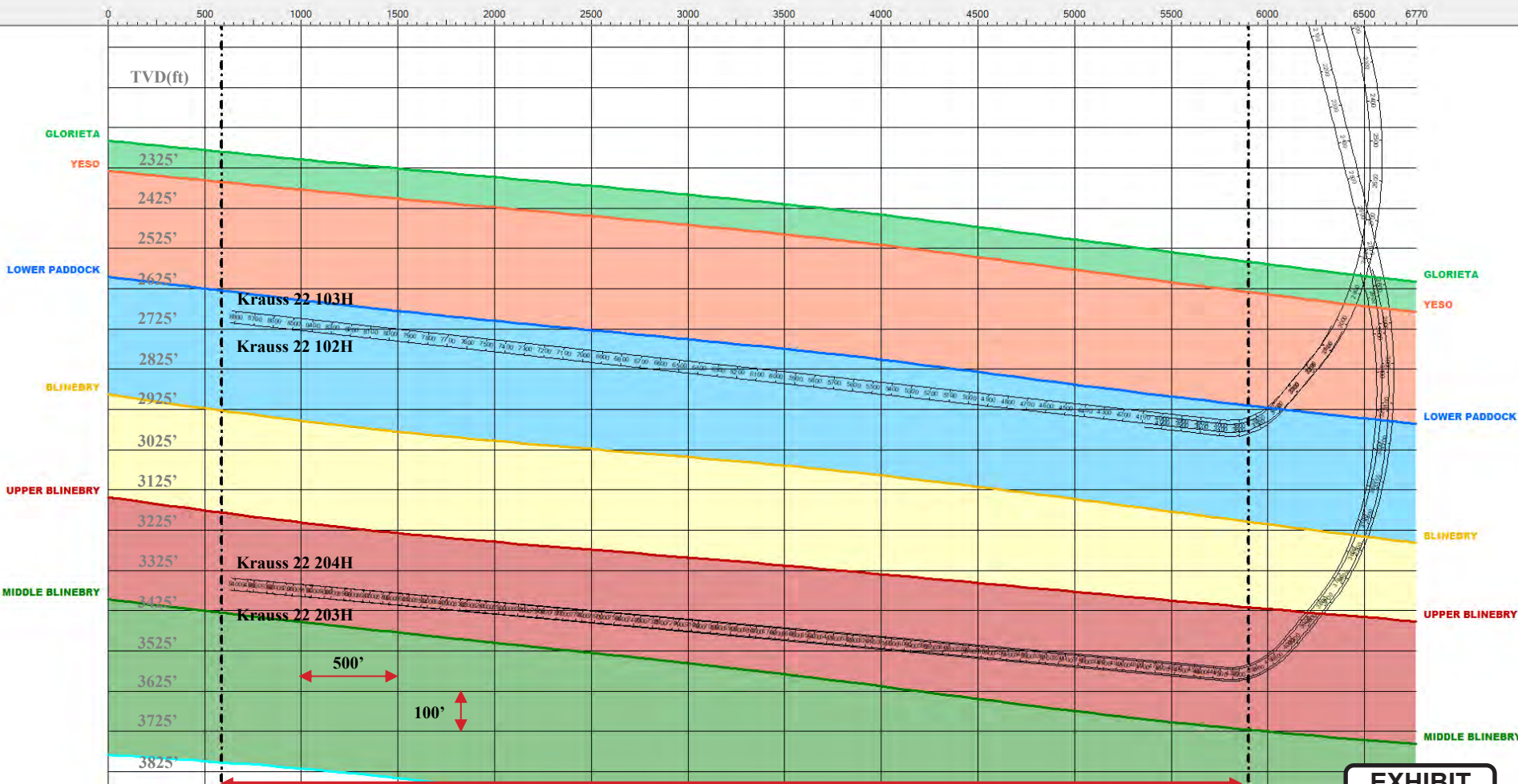
PROPOSED WELL

# Exhibit B-5: Proposed Well Trajectories C-C' (TVD)

(Case No. 23315)

WEST

EAST



Krauss 22 N/2 S/2 PROPOSED SPACING UNIT

**EXHIBIT**  
**B-5**



## **TAB 4**

Case No. 23315

Exhibit C: Affidavit of Notice, Darin C. Savage  
Exhibit C-1: Notice Letters (WI)  
Exhibit C-2: Mailing List  
Exhibit C-3: Affidavits of Publication

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

**APPLICATIONS OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case Nos. 23315 & 23316

**AFFIDAVIT OF NOTICE**


STATE OF NEW MEXICO )  
  ) ss.  
COUNTY OF SANTA FE )

I, Darin C. Savage, attorney and authorized representative of Silverback Operating II, LLC, (“Silverback”), the Applicant herein, being first duly sworn, upon oath, states the following:

1. Notice of the applications and hearing in the above-reference cases was timely sent by certified mail, return receipt requested, through the United States Postal Service on January 11, 2023, to all uncommitted interest owners sought to be pooled in this proceeding. See Exhibit C-2, attached hereto. Copies of notice letters and evidence of mailing to parties are attached hereto as Exhibits C-1 and C-2.

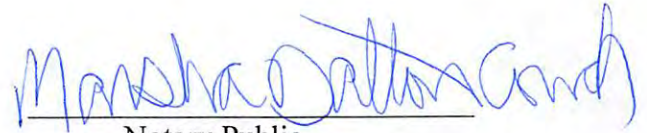
2. Notice was sent to the Carlsbad Current Argus, a newspaper of general circulation in Eddy County, New Mexico, and timely published in said newspaper on January 17, 2023. See Exhibit C-3.

3. It is my understanding that Silverback has made a reasonably diligent effort to find the names and addresses for the interest owners entitled to receive notice of the application and case herein.

  
\_\_\_\_\_  
Darin C. Savage

**EXHIBIT  
C**

SUBSCRIBED AND SWORN to before me this 13th day of February 2023, by Darin C. Savage.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

02/10/2026

STATE OF NEW MEXICO  
NOTARY PUBLIC  
MARSHA DALTON COUCH  
COMMISSION #1077509  
COMMISSION EXPIRES 02/10/2026



For the Pursuit of Energy

ABADIE | SCHILL PC

Colorado	New Mexico
Louisiana	Texas
Nebraska	Kansas
Montana	Wyoming
Oklahoma	California
	North Dakota

January 12, 2023

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Silverback Operating II, LLC, for a horizontal spacing unit and compulsory pooling, Eddy County, New Mexico  
 Krauss 22 #103H Well (Case No. 23315)  
 Krauss 22 #203H Well (Case No. 23315)  
 Krauss 22 #102H Well (Case No. 23315)  
 Krauss 22 #204H Well (Case No. 23315)

Case Nos. 23315:

Dear Interest Owner:

This letter is to advise you that Silverback Operating II, LLC (“Silverback”), has filed the enclosed application, in Case No. 23315, with the New Mexico Oil Conservation Division (“Division”) for a compulsory pooling in the Yeso formation.

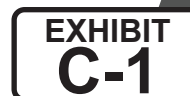
In Case No. 23315, Silverback seeks to pool uncommitted interests in the Yeso formation, underlying the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, a standard unit encompassing 160 acres, more or less, dedicated to the above-referenced 103H, 203H, 102H and 204H Wells.

A hearing has been requested before a Division Examiner on February 2, 2023, and the status of the hearing can be monitored through the Division’s website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division’s Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and status of the case, you can visit the Division’s website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

[abadieschill.com](http://abadieschill.com)

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901



You are being notified as an interest owner (subject to title examination) and 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.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address 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.

If you have any questions about this matter, please contact Brennan West at (918) 671-3635 or at [bwest@silverbackexp.com](mailto:bwest@silverbackexp.com).

Sincerely,



---

Darin C. Savage

Attorney for Silverback Operating II, LLC

Mail Activity Report - CertifiedPro.net  
Mailed from 1/1/2023 to 1/31/2023  
User Name: abadieschill  
Generated: 2/11/2023 12:23:07 PM

USPS Article Number	Reference Number	Type	Date Mailed	Name 1	Address 1	Address 2	City	State	Zip	FMB ID	User ID	Mailing Status	Service Options
9314869904300103222068	4220.1	WI	01/15/2023	COG Operating LLC	600 W. Illinois Ave		Midland	TX	79701		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222075	4220.1	WI	01/15/2023	Concho Oil & Gas LLC	600 W. Illinois Ave		Midland	TX	79701		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222099	4220.1	ORRI	01/13/2023	Joan T. Garland	3997 Old Columbia Pike		Ellicott City	MD	21043		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222112	4220.1	WI	01/15/2023	Oxy Y-1 Company	5 Greenway Plaza, Suite 110		Houston	TX	77046		21902	Delivered	Return Receipt - Electronic, Certified Mail





January 19, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 68.**

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** January 18, 2023, 07:30 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** COG Operating LLC

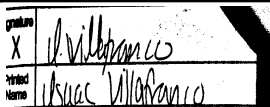

**Shipment Details**

**Weight:** 5.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
 United States Postal Service®  
 475 L'Enfant Plaza SW  
 Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



January 19, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 75**.

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** January 18, 2023, 07:30 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** Concho Oil Gas LLC

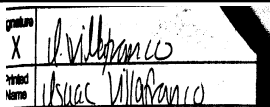

**Shipment Details**

**Weight:** 5.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
 United States Postal Service®  
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 Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1





January 18, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 99.**

**Item Details**

<b>Status:</b>	Delivered to Agent for Final Delivery
<b>Status Date / Time:</b>	January 17, 2023, 07:17 p.m.
<b>Location:</b>	ELLCOTT CITY, MD 21043
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Joan T Garland

**Shipment Details**

**Weight:** 5.0oz

**Recipient Signature**

<p>Signature of Recipient: (Authorized Agent)</p> <p>Address of Recipient:</p>	<p>C19 # C31 3907 Old Blk P1</p>
--	--

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



January 18, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 12.**

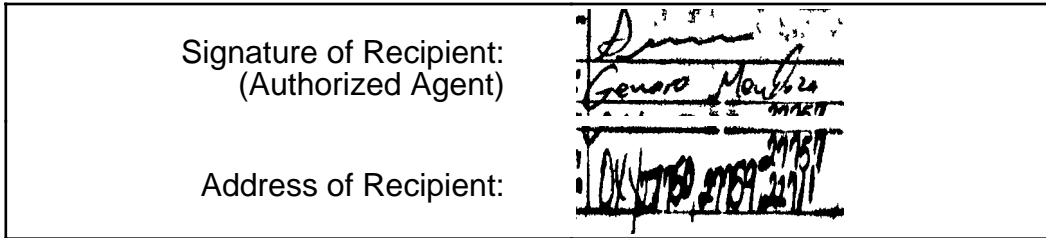
**Item Details**

<b>Status:</b>	Delivered to Agent for Final Delivery
<b>Status Date / Time:</b>	January 17, 2023, 02:02 p.m.
<b>Location:</b>	HOUSTON, TX 77046
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Oxy Y 1 Company

**Shipment Details**

**Weight:** 5.0oz

**Recipient Signature**



Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1

# Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

## Affidavit of Publication

Ad # 0005559555

This is not an invoice

**ABADIE SCHILL P.C.**  
555 RIVERGATE # B 4-180

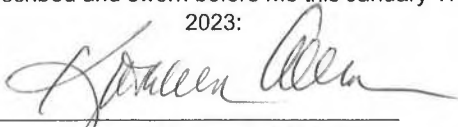
**DURANGO, CO 81301-7485**

I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof in editions dated as follows:

01/17/2023

  
\_\_\_\_\_  
Legal Clerk

Subscribed and sworn before me this January 17, 2023:

  
\_\_\_\_\_  
State of WI, County of Brown  
NOTARY PUBLIC

State of WI, County of Brown  
NOTARY PUBLIC

1-17-23  
\_\_\_\_\_  
My commission expires

**KATHLEEN ALLEN**  
Notary Public  
State of Wisconsin

Ad # 0005559555  
PO #: 0005559555  
# of Affidavits 1

This is not an invoice

**EXHIBIT**  
**C-3**

CASE No. 23315: Notice -- to all parties and persons having any right, title, interest or claim in this case, including owners of working interest, overriding royalty interest, and record title, among others, whether such parties or persons are listed herein or not, as well as notice to all known and unknown heirs, devisees, assigns and successors of such affected parties and persons, which based on reasonable diligence include COG OPERATING LLC, CONCHO OIL & GAS LLC, JOAN T. GARLAND, AS SEPARATE PROPERTY, OXY Y-1 COMPANY, SILVERBACK NEW MEXICO LLC -- of Silverback Operating II, LLC's application for approval of a spacing unit and compulsory pooling, Eddy County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on February 2, 2023, traditionally held at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the Division's website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441. Silverback Operating II, LLC ("Silverback") at 19707 West IH 10, Suite 201, San Antonio, TX 78257 (Main Office), seeks an order from the Division: (1) establishing a standard 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying the unit. Said horizontal spacing unit is to be dedicated to the Krauss 22 #103H Well, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 22; the Krauss 22 #203H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 22; the Krauss 22 #102H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 22; and the Krauss 22 #204H Well, an oil well, to be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 22 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 22. The 103H, 203H and 204H Wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules. The proposed 102H Well is unorthodox in its location under applicable statewide rules. Consequently, Silverback will be applying to the Division for administrative approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7.8 miles south, southeast, of Artesia, New Mexico.

#0005559555, Current Argus, January 17, 2023

# TAB 1

Reference for Case No. 23316  
Application Case No 23316:

**Krauss 22 #101H Well**  
**Krauss 22 #201H Well**  
**Krauss 22 #202H Well**

NMOCD Checklist Case No. 23316

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

**APPLICATION OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 23316

**APPLICATION**

Silverback Operating II, LLC, (“Silverback” or “Applicant”), OGRID No. 330968, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, seeking an order (1) establishing a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying said unit.

In support of its Application, Silverback states the following:

1. Silverback is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Silverback proposes and dedicates to the HSU the **Krauss 22 #101H Well, Krauss 22 #201H Well, and the Krauss 22 #202H Well**, as initial wells, to be drilled to a sufficient depth to test the Yeso formation.
3. Silverback proposes the **Krauss 22 #101H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of same Section 22.

4. Silverback proposes the **Krauss 22 #201H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of same Section 22.

5. Silverback proposes the **Krauss 22 #202H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of same Section 22.

6. The proposed 101H Well and 201H Well are orthodox in their locations, and the take points and completed interval comply with setback requirements under statewide rules.

7. However, the proposed 202H Well is unorthodox in its location under applicable statewide rules. Consequently, Silverback will be applying to the Division for administrative approval of the nonstandard location.

8. Silverback's good faith review of the Division records and the subject lands did not reveal any overlapping units, and Silverback believes there are none; should an overlapping unit be discovered, the Applicant will provide notice to affected persons during the permitting process pursuant to Rule 19.15.15.12B(1).

9. Silverback has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or the commitment of their interests to the wells for their development within the proposed HSU.

10. The pooling of all interests in the Yeso formation within the proposed HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

11. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Silverback requests that all uncommitted interests in this HSU be pooled and that Silverback be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Silverback requests that this Application be set for hearing on February 2, 2023, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Establishing a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Yeso formation underlying the proposed HSU;

C. Approving the **Krauss 22 #101H Well, Krauss 22 #201H Well, and the Krauss 22 #202H Well** as the wells for the HSU;

D. Designating Silverback as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Silverback to recover its costs of drilling, equipping, and completing the wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Silverback in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

*/s/ Darin C. Savage*

\_\_\_\_\_  
Darin C. Savage



William E. Zimsky  
Andrew D. Schill  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
Telephone: 970.385.4401  
Facsimile: 970.385.4901  
darin@abadieschill.com  
bill@abadieschill.com  
andrew@abadieschill.com

**Attorneys for Silverback Operating II, LLC**

***Application of Silverback Operating II, LLC, for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.*** Applicant in the above-styled cause seeks an order from the New Mexico Oil Conservation Division (“Division”): (1) S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying said unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Krauss 22 #101H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of same Section 22; the **Krauss 22 #201H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of same Section 22; and the **Krauss 22 #202H Well**, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of same Section 22. The **Krauss 22 #101H and 201H Wells** will be orthodox in their locations, as the take points and completed interval will comply with the setback requirements under the statewide Rules; however, the **Krauss 22 #202H Well** will be unorthodox in its locations, and Applicant will apply to the Division for administrative approval of the nonstandard locations. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7.8 miles south, southeast, of Artesia, New Mexico.

**COMPULSORY POOLING APPLICATION CHECKLIST****ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS**

<b>Case: 23316</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date of hearing:</b>	<b>February 16, 2023</b>
Applicant	Silverback Operating II, LLC
Designated Operator & OGRID (affiliation if applicable)	<b>330968</b>
Applicant's Counsel:	Darin C. Savage - Abadie & Schill, PC
Case Title:	Application of Silverback Operating II, LLC, for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico
Entries of Appearance/Intervenors:	COG OPERATING LLC AND CONCHO OIL & GAS LLC
Well Family	Krauss
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Yeso
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Ex. A, Para. 7, 8, 9; 101H Well: TVD apprx. 2294'; 201H Well: TVD apprx. 3594'; 202H Well: TVD apprx. 3593'
Pool Name and Pool Code:	Yeso (Atoka; Glorieta-Yeso [Pool Code 3250])
Well Location Setback Rules:	NMAC Statewide Rules
Spacing Unit Size:	160.00 acres, more or less
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	160.00 acres, more or less
Building Blocks:	quarter-quarter sections (40 ac tracts)
Orientation:	East-West
Description: TRS/County	S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this	Yes, this is a standard horizontal spacing unit. No NSP request.
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	See Landman Exhibit A-2
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	
Well #1	Krauss 22 #101H Well, (API No. 30-015-53329), SHL: Unit P, 490' FSL, 208' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit M, 675' FSL, 100' FWL, Section 22, T18S-R26E, laydown, standard location
Horizontal Well First and Last Take Points	Krauss 22 #101H Well: FTP 675' FSL, 100' FEL, Section 22; LTP 675' FSL, 100' SL, Section 22
Completion Target (Formation, TVD and MD)	Krauss 22 #101 Well: TVD approx. 2294', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
Well #2	Krauss 22 #201H Well, (API No. 30-015-53331), SHL: Unit P, 470' FSL, 208' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit M, 350' FSL, 100' FWL, Section 22, T18S-R26E, laydown, standard location
Horizontal Well First and Last Take Points	Krauss 22 #201H Well: FTP 350' FSL, 100' FEL, Section 22; LTP 350' FSL, 100' FWL, Section 22
Completion Target (Formation, TVD and MD)	Krauss 22 #201 Well: TVD approx. 3594', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
Well #3	Krauss 22 #202H Well, (API No. 30-015-53332), SHL: Unit P, 1085' FSL, 178' FEL, Section 22, T18S-R26E, NMPM; BHL: Unit M, 1003' FSL, 100' FWL, Section 22, T18S-R26E, laydown, nonstandard location

Horizontal Well First and Last Take Points	Krauss 22 #202H Well: FTP 1003' FSL, 100' FEL, Section 22; LTP 1003' FSL, 100' FWL, Section 22
Completion Target (Formation, TVD and MD)	Krauss 22 #202 Well: TVD approx. 3593', TMD 8600'; Yeso Formation, See Exhibit B-3 and B-4
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$8,000, Exhibit A
Production Supervision/Month \$	\$800, Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%, Exhibit A
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit C, C-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C-2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit C-3
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-2
Tract List (including lease numbers and owners)	Exhibit A-2
Pooled Parties (including ownership type)	Exhibit A-2
Unlocatable Parties to be Pooled	Exhibit A, Para. 14
Ownership Depth Severance (including percentage above & below)	N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-3
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-2
Chronology of Contact with Non-Joined Working Interests	Exhibit A-4
Overhead Rates In Proposal Letter	Exhibit A-3
Cost Estimate to Drill and Complete	Exhibit A-3
Cost Estimate to Equip Well	Exhibit A-3
Cost Estimate for Production Facilities	Exhibit A-3
<b>Geology</b>	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibits B-1, B-2, B-3
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-4
Well Orientation (with rationale)	Exhibits B, B-1, B-2
Target Formation	Exhibits B, B-3, B-4, B-5
HSU Cross Section	Exhibit B-3, B-4, B-5
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-1
Tracts	Exhibits A-1, A-2, B-1
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-2
General Location Map (including basin)	Exhibit A-2
Well Bore Location Map	Exhibits A-1, B-1, B-4, B-5
Structure Contour Map - Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibits B-3, B-4, B-5
Cross Section (including Landing Zone)	Exhibit B-4, B-5
<b>Additional Information</b>	
Special Provisions/Stipulations	None
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Darin C. Savage
<b>Signed Name</b> (Attorney or Party Representative):	/s/ Darin C. Savage
<b>Date:</b>	02.14.2023

## **TAB 2**

Case No. 23316

- Exhibit A: Self-Affirmed Statement of Brennan West, Landman
- Exhibit A-1: C-102 Forms
- Exhibit A-2: Ownership and Sectional Map
- Exhibit A-3: Well Proposal Letters and AFEs
- Exhibit A-4: Chronology of Contacts with Uncommitted Owners

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

**APPLICATION OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 23316

**SELF-AFFIRMED STATEMENT  
OF BRENNAN WEST**

I, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Affidavit, which is based on my personal knowledge.
2. I am employed as a Landman with Silverback Operating II, LLC (“Silverback”), and I am familiar with the subject application and the lands involved.
3. I graduated in 2008 from the University of Oklahoma with a bachelor’s degree in Energy Management and Finance. I have worked at Silverback Exploration for approximately 0.5 years, and I have been working in New Mexico for 12 years as a landman for Williams Energy and WPX Energy. My credentials as a petroleum landman have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.
4. This affidavit is submitted in connection with the filing by Silverback of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).
5. Silverback seeks an order pooling all uncommitted mineral interest in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), underlying a standard 160-acre, more or less,



horizontal spacing and proration unit comprised of the S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico.

6. Under Case No. 23316, Silverback seeks to dedicate to the HSU three initial oil wells, the **Krauss 22 #101H Well**, **Krauss 22 #201H Well**, and the **Krauss 22 #202H Well**.

7. The **Krauss 22 #101H Well**, an oil well, API No. 30-015-53329, is to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) (490' FSL, 208' FEL) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) (675' FSL, 100' FWL) of Section 22; approximate TVD of 2294'; approximate TMD of 8,600'; FTP in Section 22: 675' FSL, 100' FEL; LTP in Section 22: 675' FSL, 100' FWL.

8. The **Krauss 22 #201H Well**, an oil well, API No. 30-015-53331, is to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) (470' FSL, 208' FEL) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) (350' FSL, 100' FWL) of Section 22; approximate TVD of 3,594'; approximate TMD of 8,600'; FTP in Section 22: 350' FSL, 100' FEL; LTP in Section 22: 350' FSL, 100' FWL.

9. The **Krauss 22 #202H Well**, an oil well, API No. 30-015-53332, is to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) (1,085' FSL, 178' FEL) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) (1,003' FSL, 100' FWL) of Section 22; approximate TVD of 3,593'; approximate TMD of 8,600'; FTP in Section 22: 1,003' FSL, 100' FEL; LTP in Section 22: 1,003' FSL, 100' FWL.

10. The proposed C-102 for each well is attached as **Exhibit A-1**.

11. A general location plat and a plat outlining the units being pooled is attached hereto as **Exhibit A-2**, which show the location of the proposed well within the unit. The locations of

101H Well and 201H Well are orthodox and meet the Division's offset requirements. The 202H Well is unorthodox in its location under applicable statewide rules.

12. The parties being pooled, the nature of their interests, and their last known addresses are listed on **Exhibit A-2** attached hereto. **Exhibit A-2** includes information regarding working interest owners and overriding royalty interest owner.

13. There are no depth severances in the Yeso formation in this acreage, and Silverback's review of the lands did not reveal overlapping units.

14. I provided the law firm of Abadie & Schill P.C. a list of names and addresses for the uncommitted interest owners shown on **Exhibit A-2**. In compiling these addresses, I conducted a diligent search of the public records in Eddy County, New Mexico, where the wells are located, and of phone directories and did computer searches to locate the contact information for parties entitled to notification. All working interest owners and ORRI owners were sent notice letters. Two of the mailings to WI owners are listed on the mailing report as Undelivered: Nancy Miller and Violet Shipp Young. Silverback published notice in the Carlsbad Current Argus, a newspaper of general circulation in Eddy County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice. Notice by publication was timely.

15. Silverback has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit. **Exhibit A-4** provides a chronology and history of contacts with the owners.

16. The interest owners being pooled have been contacted regarding the proposed wells but have failed or refused to voluntarily commit their interest in the wells. However, Silverback



has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between Silverback and another interest owner or owners, Silverback requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and protection of correlative rights.

17. The interest owners being pooled have been contacted regarding the proposed wells, and the working interest owners have voluntarily committed their interests in the wells. This pooling application has been submitted for approval in order to account for the overriding royalty interest owners.

18. **Exhibit A-3** is a sample proposal letter and the AFEs for each proposed well. The estimated cost of the wells set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

19. Silverback requests overhead and administrative rates of \$8,000/month for drilling each well and \$800/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico. Silverback requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

20. Silverback requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners to the extent needed.

21. Silverback requests that it be designated operator of the units and wells.

22. The Exhibits to this Affidavit were prepared by me or compiled from Silverback's company business records under my direct supervision.


23. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

24. The foregoing is correct and complete to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Brennan West:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23316 and affirm that my testimony herein is true and correct, to the best of my knowledge, belief and intent, and made under penalty of perjury under the laws of the State of New Mexico.

Sincerely,  
**SILVERBACK NEW MEXICO, LLC**  
  
Brennan P. West, CPL  
Senior Landman

---

Date Signed: 2/14/2023

District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720

District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office  
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number <b>30-015-</b>		<sup>2</sup> Pool Code <b>3250</b>		<sup>3</sup> Pool Name <b>ATOKA, GLORIETA-YESO</b>	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>KRAUSS 22</b>			<sup>6</sup> Well Number <b>101H</b>
<sup>7</sup> OGRID No. <b>330968</b>		<sup>8</sup> Operator Name <b>SILVERBACK OPERATING II, LLC</b>			<sup>9</sup> Elevation <b>3,321'</b>

<sup>10</sup> Surface Location

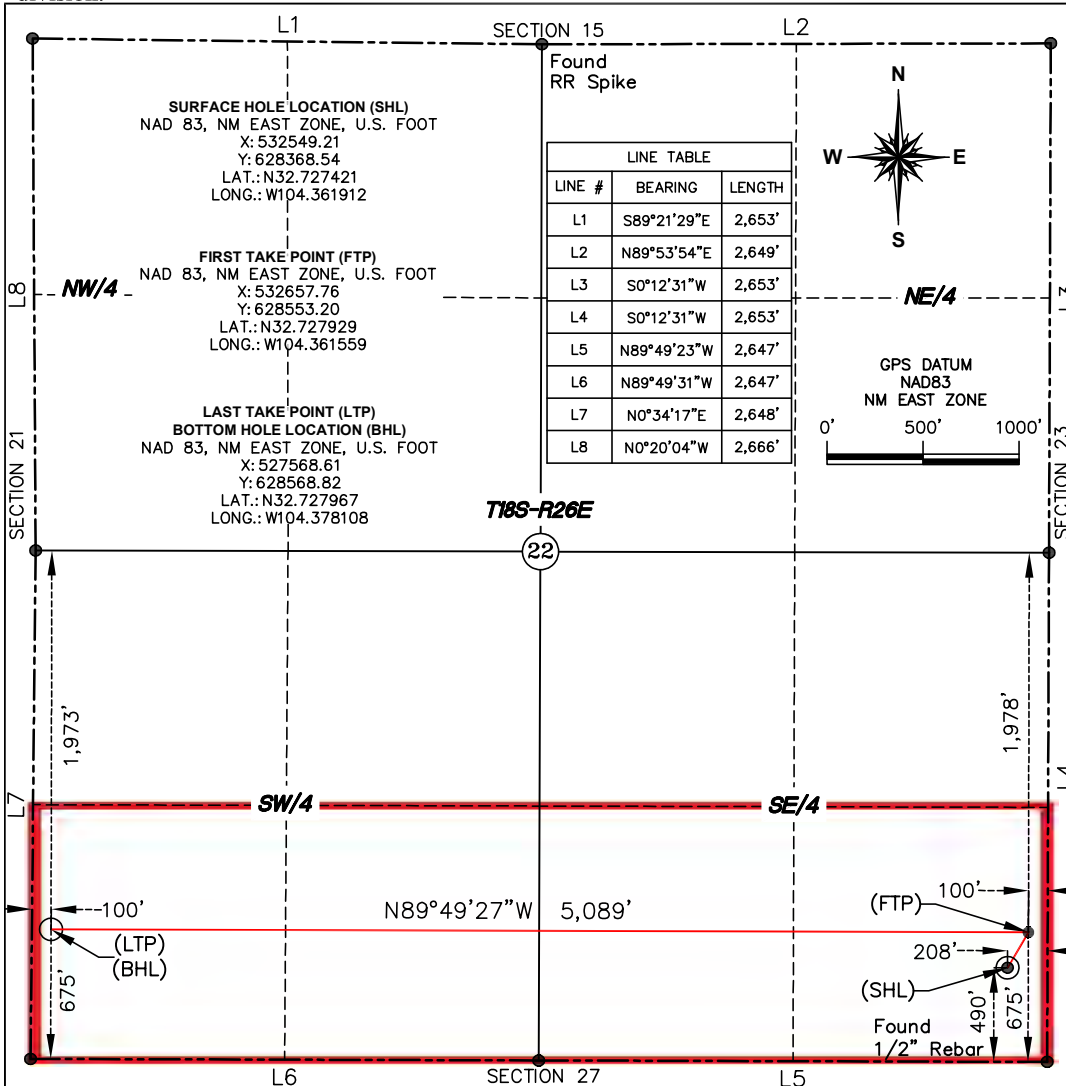
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	22	18-S	26-E		490'	SOUTH	208'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	22	18-S	26-E		675'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres <b>160</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
---	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



<sup>17</sup> OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

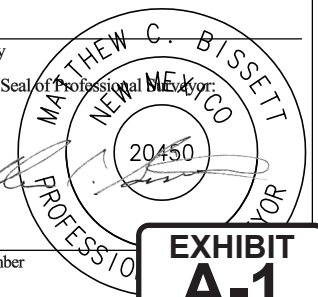
*Fatma Abdallah* 1/12/23  
Signature Date

Fatma Abdallah  
Printed Name  
fabdallah@silverbackexp.com  
E-mail Address

<sup>18</sup> SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1/03/23  
Date of Survey  
Signature and Seal of Professional Surveyor



20450  
Certificate Number



District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
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Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
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Revised August 1, 2011  
Submit one copy to appropriate  
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WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-		<sup>2</sup> Pool Code 3250		<sup>3</sup> Pool Name ATOKA, GLORIETA-YESO	
<sup>4</sup> Property Code		<sup>5</sup> Property Name KRAUSS 22		<sup>6</sup> Well Number 201H	
<sup>7</sup> OGRID No. 330968		<sup>8</sup> Operator Name SILVERBACK OPERATING II, LLC		<sup>9</sup> Elevation 3,321'	

<sup>10</sup> Surface Location

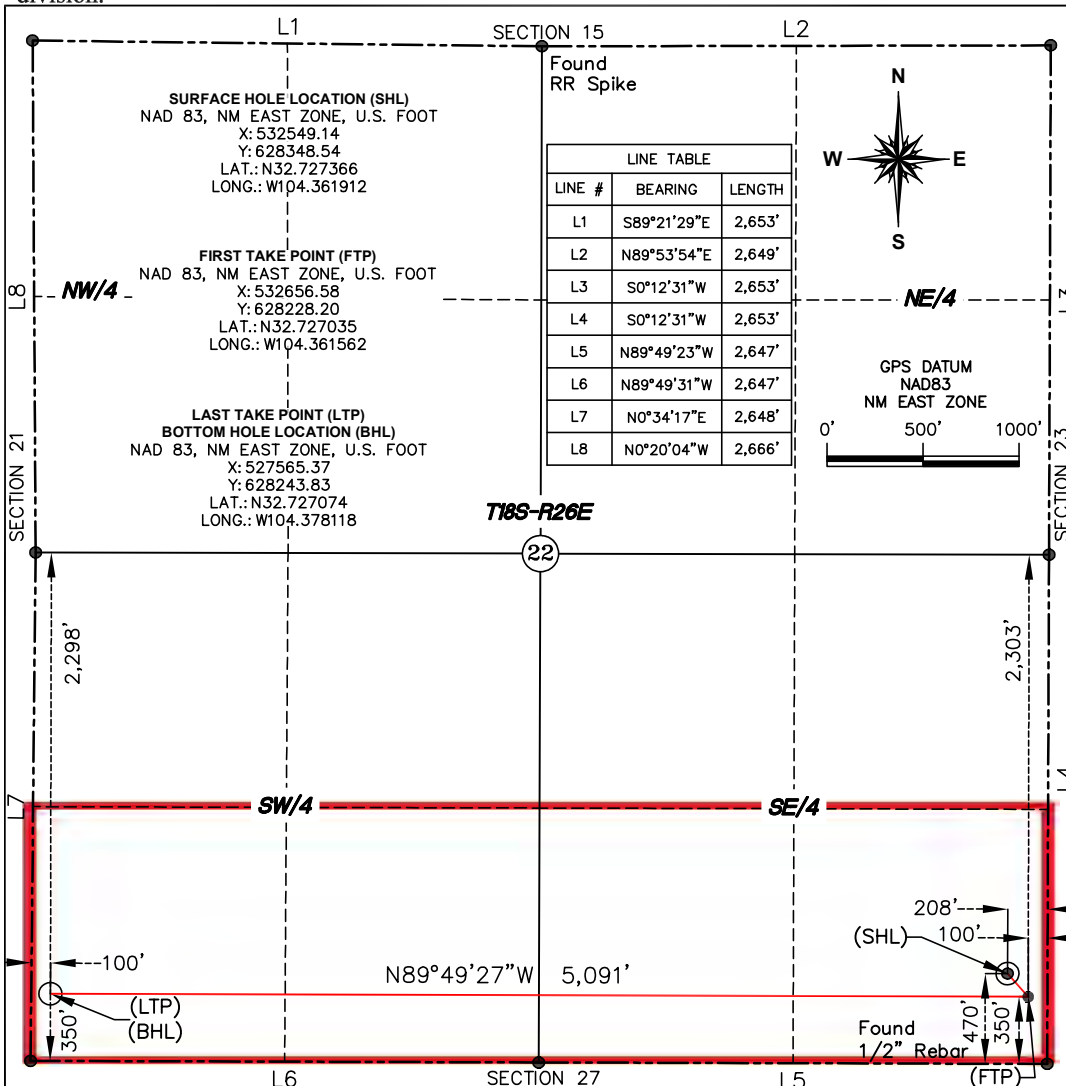
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	22	18-S	26-E		470'	SOUTH	208'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	22	18-S	26-E		350'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



<sup>17</sup> OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

*Fatma Abdallah* 1/12/23  
Signature Date

Fatma Abdallah  
Printed Name  
fabdallah@silverbackexp.com  
E-mail Address

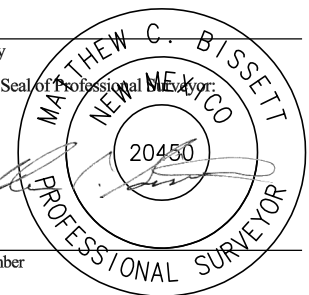
<sup>18</sup> SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1/03/23  
Date of Survey

Signature and Seal of Professional Surveyor

20450  
Certificate Number



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WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-		<sup>2</sup> Pool Code 3250		<sup>3</sup> Pool Name ATOKA, GLORIETA-YESO	
<sup>4</sup> Property Code		<sup>5</sup> Property Name KRAUSS 22			<sup>6</sup> Well Number 202H
<sup>7</sup> OGRID No. 330968		<sup>8</sup> Operator Name SILVERBACK OPERATING II, LLC			<sup>9</sup> Elevation 3,317'

<sup>10</sup> Surface Location

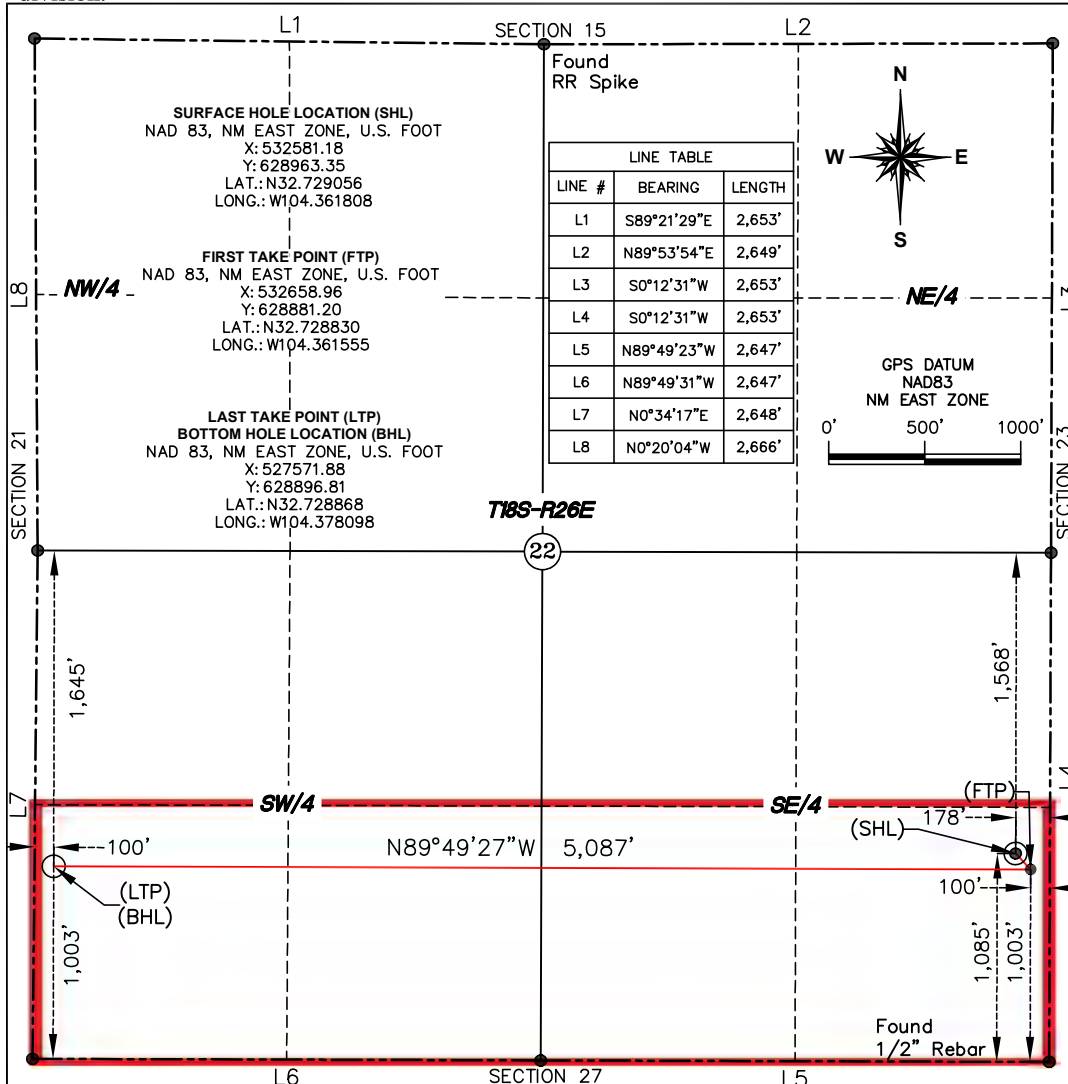
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	22	18-S	26-E		1,085'	SOUTH	178'	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	22	18-S	26-E		1,003'	SOUTH	100'	WEST	EDDY

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



<sup>17</sup> OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

*Fatma Abdallah* 1/12/23  
Signature Date

Fatma Abdallah  
Printed Name

fabdallah@silverbackexp.com  
E-mail Address

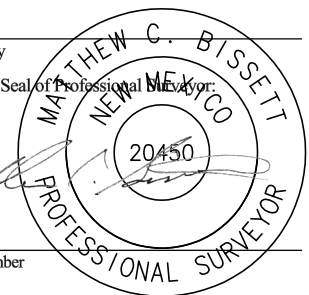
<sup>18</sup> SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1/03/23  
Date of Survey

Signature and Seal of Professional Surveyor

20450  
Certificate Number



**EXHIBIT A-2: OWNERSHIP AND SECTIONAL MAP**

S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico

Case No. 23316

**PLACEHOLDER – TO BE SUBMITTED**

EXHIBIT  
**A-2**



**SILVERBACK**  
EXPLORATION

December 1, 2022

**VIA CERTIFIED MAIL/ RETURN RECEIPT AND E-MAIL**

To: Interest Owners  
Listed on Attached Exhibit "A"

RE: Horizontal Well Proposals  
Silverback Operating II, LLC: **Krauss #101H, Krauss #102H and Krauss #201H**  
S/2S/2 of Section 22-T18S-R26E  
Eddy County, New Mexico

Dear Sir or Madam,

Silverback Operating II, LLC ("SILVERBACK"), an affiliate of Silverback New Mexico, LLC, hereby proposes to drill and complete the **Krauss #101H, Krauss #102H and Krauss #201H** (the "Subject Wells") to the approximate total vertical depths as referenced below to target the Yeso Formation based on the following proposed locations (subject to change upon staking and survey).

**Krauss #101H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location - 478' FSL & 158' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location - 350' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

**Krauss #102H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 1,138 FSL & 158' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 1,003' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

**Krauss #201H- Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 498' FSL & 158' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 675' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

6608 N. Western Ave #607, Oklahoma City, OK 73116  
Phone: (918) 671-3635 | Email: bwest@silverbackexp.com





Krauss #101H/#102H/#201H  
S2S2 of Section 22, 18S-26E  
12/1/2022

Included herewith is SILVERBACK's Authority for Expenditure ("AFE") for each of the Subject Wells. The AFEs are an estimate only and those parties electing to participate in the Subject Wells shall be responsible for their share of actual well costs. SILVERBACK is proposing to drill this well under the terms of a modified 1989 A.A.P.L Form 610 Model Form Operating Agreement covering the S/2S/2 of Section 22, Township 18 South, Range 26 East, Eddy County, New Mexico (the "JOA"). It has the following terms:

- 100%/300% Non-Consenting penalty
- \$8,000/\$800 Drilling and Producing Rate
- SILVERBACK named as Operator

If you wish to participate in the proposed operation(s), please indicate in the space provided below, along with a signed AFE and deliver to 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com) and SILVERBACK will provide the completed JOA for your review.

If you do not wish to participate under the JOA, SILVERBACK would like acquire your interest under a Term Assignment with the following general terms:

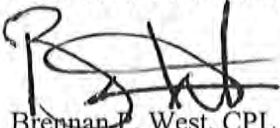
- 2 year term
- Delivering an 80% net revenue interest
- \$750/acre bonus
- Exclusive of existing wellbores

Should you be interested in term assigning your interest, please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com). This term assignment offer is subject to verification of title.

Please indicate your elections as to each of the Subject Wells in the spaces provided below and execute and return one (1) copy of this letter (together with a signed copy of each AFE for any well(s) you elect to participate in) to the undersigned within thirty (30) days of receipt of this proposal in the self-addressed stamped envelope provided to the following address: 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com). Silverback reserves the right to modify the locations and drilling plans in order to address surface and subsurface concerns. You will be advised of any such modifications. Should you have any questions regarding this proposal, please contact Brennan West at 918-671-3635 or [bwest@silverbackexp.com](mailto:bwest@silverbackexp.com). Thank you very much for your assistance and cooperation.

Sincerely,

**SILVERBACK NEW MEXICO, LLC**



Brennan F. West, CPL  
Senior Landman

Enclosures

Exhibit "A"  
AFEs

Krauss #101H/#102H/#201H  
S2S2 of Section 22, 18S-26E  
12/1/2022

**Krauss #101H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #101H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss #101H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 2022.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**Krauss #102H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #102H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss #102H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 2022.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #101H/#102H/#201H  
S2S2 of Section 22, 18S-26E  
12/1/2022

**Krauss #201H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss #201H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss #201H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 2022.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #101H/#102H/#201H  
S2S2 of Section 22, 18S-26E  
12/1/2022

EXHIBIT "A"  
Interest Owners

COG Operating LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Yates Brothers, a partnership  
P. O. Box 1394  
Artesia, NM 88211-1394

Concho Oil & Gas LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Slash Exploration Limited Partnership  
500 North Main Street, Suite 200  
Roswell, NM 88201

Sharbro Holdings LLC  
c/o Scott Yates  
423 W. Main St.  
Artesia, NM 88210

Tex Zia Properties, Ltd.  
P.O. Box 261427  
Plano, TX 75026-1427

Stanley L. Jones Estate  
c/o Patricia M. Nelms and Charlie D. Nelms  
1404 S. 16th St.  
Lovington, NM 88260

Vernon D. Dyer  
15 Riverside Dr.  
Roswell, NM 88201

Jonell R. Gilmore Estate  
c/o Charlie D. Nelms  
1404 S. 16th St.  
Lovington, NM 88260

Violet Shipp Young  
PO Box 694  
Edmonds, WA 98020

Nix 2002 Trust  
3322 W. Ohio  
Midland, TX 79703

Oxy Y-1 Company  
Attn: Alissa Payne  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046

Nancy H. Miller, Trustee of the McCullough Trust dated June 28, 1988  
31557 Eagle Rock Way  
Laguna Beach, CA 92651



Authority for Expenditure

D&C AFE#: 10084D  
 Facilities AFE#: 10084F

Date: Nov 28, 2022

Lease: Krauss 22 101H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 350 FSL, 100 FEL  
 BHL: 18S-26E-22; 350 FSL, 100 FWL

Target: Paddock  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

**Total**

**DRILLING: \$1,817,284.00**  
**COMPLETIONS: \$3,002,470.00**  
**FACILITIES: \$664,997.00**  
**COMPLETED WELL COST: 5,484,751.00**

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523	
850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836	
850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708	
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950	
860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355	
860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232	
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 476,067.00	\$ 103,537.00	\$ 579,604.00
INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158	
830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297	
830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199	
830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838	
830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442	
830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254	
830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293	
830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790	
830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160	
830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107	
830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160	
830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948	
830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414	
830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790	
830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064	
830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662	
830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589	
830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573	
830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935	
830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017	
830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239	
830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775	
830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872	
830.035	IDC - MOBILIZATION/DEMOBILIZATN	\$ 85,781	\$ -	\$ 85,781	



Authority for Expenditure

830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343
830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054
830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281
830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360
830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751
830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800
830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111
830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160
<b>Intangible Completion</b>		\$ -	\$ 2,898,933.00	\$ 2,898,933.00
840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>		\$ 1,341,217.00	\$ 2,898,933.00	\$ 4,240,150.00
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>		\$ 1,817,284.00	\$ 3,002,470.00	\$ 4,819,754.00

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS			Facility	Total
<b>Tangible Facilities</b>			\$ 458,280.00	\$ 458,280.00
865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150	\$ 12,150
865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$ 52,303	\$ 52,303	\$ 52,303
865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890	\$ 9,890
865.020	TFC - METERING EQUIPMENT	\$ 21,907	\$ 21,907	\$ 21,907
865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571	\$ 8,571
865.040	TFC - CONTAINMENT	\$ 4,286	\$ 4,286	\$ 4,286
865.005	TFC - VESSELS	\$ 190,854	\$ 190,854	\$ 190,854
865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733	\$ 25,733
865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929	\$ 30,929
865.045	TFC - PUMP/SUPPLIES	\$ 16,200	\$ 16,200	\$ 16,200
865.035	TFC - ELECTICAL FACILITY	\$ 28,774	\$ 28,774	\$ 28,774



**Authority for Expenditure**

	865.030	TFC - TANKS	\$ 46,346	\$ 46,346
	865.065	TFC - FLARE/COMBUSTOR	\$ 5,323	\$ 5,323
	865.070	TFC - AIR COMPRESSION	\$ 5,014	\$ 5,014
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 458,280.00</b>	<b>\$ 458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>				
			<b>Facility</b>	<b>Total</b>
<b>Intangible Facilities</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$ 105,714	\$ 105,714
	845.025	IFC - CONTRACT LABOR PIPELINE	\$ 17,650	\$ 17,650
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$ 11,429	\$ 11,429
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$ 7,143	\$ 7,143
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$ 10,857	\$ 10,857
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$ 36,288	\$ 36,288
	845.050	IFC - TRANSPORTATION/TRUCKING	\$ 15,493	\$ 15,493
	845.020	IFC - ENVIRONMENTAL	\$ 2,143	\$ 2,143
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 664,997.00</b>	<b>\$ 664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)

We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)



Authority for Expenditure

D&C AFE#: 10083D  
 Facilities AFE#: 10083F

Date: Nov 28, 2022

Lease: Krauss 22 201H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 673 FSL, 100 FEL  
 BHL: 18S-26E-22; 673 FSL, 100 FWL

Target: Blinebry  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

**Total**  
**DRILLING: \$1,817,284.00**  
**COMPLETIONS: \$3,002,470.00**  
**FACILITIES: \$664,997.00**  
**COMPLETED WELL COST: 5,484,751.00**

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708	
850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523	
850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836	
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232	
860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355	
860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950	
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 476,067.00	\$ 103,537.00	\$ 579,604.00

INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158	
830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589	
830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800	
830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442	
830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254	
830.035	IDC - MOBILIZATION/DEMOBILIZATN	\$ 85,781	\$ -	\$ 85,781	
830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948	
830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160	
830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054	
830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414	
830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111	
830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751	
830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790	
830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107	
830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790	
830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343	
830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573	
830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935	
830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199	
830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297	
830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872	
830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160	
830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293	
830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064	

19707 West IH 10, Suite 201, San Antonio, TX 78257  
 Tel. 210-585-3316 www.silverbackexp.com





Authority for Expenditure

830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360
830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281
830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160
830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662
830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017
830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838
830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775
830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239
<b>Intangible Completion</b>		\$ -	\$ <b>2,898,933.00</b>	\$ <b>2,898,933.00</b>
840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>		\$ <b>1,341,217.00</b>	\$ <b>2,898,933.00</b>	\$ <b>4,240,150.00</b>
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>		\$ <b>1,817,284.00</b>	\$ <b>3,002,470.00</b>	\$ <b>4,819,754.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS			Facility	Total
<b>Tangible Facilities</b>			\$ <b>458,280.00</b>	\$ <b>458,280.00</b>
865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890	\$ 9,890
865.070	TFC - AIR COMPRESSION	\$ 5,014	\$ 5,014	\$ 5,014
865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929	\$ 30,929
865.005	TFC - VESSELS	\$ 190,854	\$ 190,854	\$ 190,854
865.035	TFC - ELECTRICAL FACILITY	\$ 28,774	\$ 28,774	\$ 28,774
865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$ 52,303	\$ 52,303	\$ 52,303
865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150	\$ 12,150
865.030	TFC - TANKS	\$ 46,346	\$ 46,346	\$ 46,346
865.045	TFC - PUMP/SUPPLIES	\$ 16,200	\$ 16,200	\$ 16,200
865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733	\$ 25,733
865.040	TFC - CONTAINMENT	\$ 4,286	\$ 4,286	\$ 4,286



**Authority for Expenditure**

	865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571
	865.020	TFC - METERING EQUIPMENT	\$ 21,907	\$ 21,907
	865.065	TFC - FLARE/COMBUSTOR	\$ 5,323	\$ 5,323
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 458,280.00</b>	<b>\$ 458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>				
			<b>Facility</b>	<b>Total</b>
<b>Intangible Facilities</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
	845.020	IFC - ENVIRONMENTAL	\$ 2,143	\$ 2,143
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$ 105,714	\$ 105,714
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$ 36,288	\$ 36,288
	845.050	IFC - TRANSPORTATION/TRUCKING	\$ 15,493	\$ 15,493
	845.025	IFC - CONTRACT LABOR PIPELINE	\$ 17,650	\$ 17,650
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$ 7,143	\$ 7,143
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$ 10,857	\$ 10,857
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$ 11,429	\$ 11,429
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 206,717.00</b>	<b>\$ 206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			<b>\$ 664,997.00</b>	<b>\$ 664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_  
**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)  
 We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)



Authority for Expenditure

D&C AFE#: 10086D  
 Facilities AFE#: 10086F

Date: Dec 1, 2022

Lease: Krauss 22 202H  
 Well Name: Eddy  
 County: NM  
 State: NM  
 SHL: 18S-26E-22; 1513 FSL, 100 FEL  
 BHL: 18S-26E-22; 1513 FSL, 100 FWL

Target: Blinebry  
 Project MD/TVD: 8600 / 3000  
 Lateral Length: 4,900

**Total**

**DRILLING: \$1,817,284.00**  
**COMPLETIONS: \$3,002,470.00**  
**FACILITIES: \$664,997.00**  
**COMPLETED WELL COST: 5,484,751.00**

TANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Tangible Drilling</b>			\$ 476,067.00	\$ -	\$ 476,067.00
850.025	TDC - PRODUCTION CASING	\$ 359,523	\$ -	\$ 359,523	
850.145	TDC - WELLHEAD EQUIPMENT	\$ 53,836	\$ -	\$ 53,836	
850.015	TDC - SURFACE CASING	\$ 62,708	\$ -	\$ 62,708	
<b>Tangible Completion</b>			\$ -	\$ 103,537.00	\$ 103,537.00
860.140	TCC - PRODUCTION TUBING	\$ -	\$ 37,355	\$ 37,355	
860.166	TCC - ARTIFICIAL LIFT	\$ -	\$ 53,950	\$ 53,950	
860.145	TCC - WELLHEAD EQUIPMENT	\$ -	\$ 12,232	\$ 12,232	
<b>TOTAL TANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>			\$ 476,067.00	\$ 103,537.00	\$ 579,604.00

INTANGIBLE D&C COSTS			Dry Hole	Completion	Total
<b>Intangible Drilling</b>			\$ 1,341,217.00	\$ -	\$ 1,341,217.00
830.115	IDC - COMPANY LABOR	\$ 4,800	\$ -	\$ 4,800	
830.130	IDC - MANCAMP	\$ 30,775	\$ -	\$ 30,775	
830.010	IDC - PERMITS,LICENSES,ETC	\$ 2,158	\$ -	\$ 2,158	
830.140	IDC - MUD AUXILLARY	\$ 19,662	\$ -	\$ 19,662	
830.060	IDC - BITS, TOOLS, STABILIZERS	\$ 44,239	\$ -	\$ 44,239	
830.120	IDC - CONTRACT LABOR	\$ 27,838	\$ -	\$ 27,838	
830.175	IDC - SUPERVISION	\$ 65,064	\$ -	\$ 65,064	
830.040	IDC - DAYWORK CONTRACT	\$ 250,297	\$ -	\$ 250,297	
830.035	IDC - MOBILIZATION/DEMOBILIZATN	\$ 85,781	\$ -	\$ 85,781	
830.125	IDC - EQUIPMENT RENTALS	\$ 45,935	\$ -	\$ 45,935	
830.145	IDC - CEMENT	\$ 86,442	\$ -	\$ 86,442	
830.170	IDC - INSPECTIONS	\$ 18,343	\$ -	\$ 18,343	
830.100	IDC - CEMENT SERV/FLOAT EQUIP	\$ 15,281	\$ -	\$ 15,281	
830.020	IDC - STAKING & SURVEYING	\$ 10,790	\$ -	\$ 10,790	
830.030	IDC - DAMAGES/ROW	\$ 43,160	\$ -	\$ 43,160	
830.080	IDC - MUD LOGGING	\$ 10,360	\$ -	\$ 10,360	
830.065	IDC - FUEL, POWER	\$ 54,293	\$ -	\$ 54,293	
830.105	IDC - TRANSPORTATION, TRUCKING	\$ 12,948	\$ -	\$ 12,948	
830.075	IDC - MUD & CHEMICALS	\$ 43,107	\$ -	\$ 43,107	
830.025	IDC - ROAD, LOCATIONS	\$ 74,573	\$ -	\$ 74,573	
830.155	IDC - DISPOSAL	\$ 43,160	\$ -	\$ 43,160	
830.185	IDC - WELL CONTROL INSURANCE	\$ 10,790	\$ -	\$ 10,790	
830.055	IDC - DIRECTNL DRILLING & SURVEY	\$ 133,254	\$ -	\$ 133,254	
830.215	IDC - MUD - BRINE	\$ 13,017	\$ -	\$ 13,017	



Authority for Expenditure

830.070	IDC - DRILL WATER	\$ 45,589	\$ -	\$ 45,589
830.135	IDC - SOLIDS CONTROL	\$ 41,111	\$ -	\$ 41,111
830.210	IDC - ROUSTABOUTS	\$ 6,872	\$ -	\$ 6,872
830.190	IDC - LEGAL, TITLE SERVICES	\$ 43,160	\$ -	\$ 43,160
830.110	IDC - CASING CREW & EQPT	\$ 23,199	\$ -	\$ 23,199
830.205	IDC - SAFETY & ENVIRONMENTAL	\$ 7,054	\$ -	\$ 7,054
830.180	IDC - OVERHEAD	\$ 2,751	\$ -	\$ 2,751
830.050	IDC - MOUSE/RATHOLE/CONDUCT PIPE	\$ 25,414	\$ -	\$ 25,414
<b>Intangible Completion</b>		\$ -	\$ 2,898,933.00	\$ 2,898,933.00
840.065	ICC - FUEL, POWER	\$ -	\$ 221,423	\$ 221,423
840.145	ICC - PERFORATING/WIRELINE SERV	\$ -	\$ 192,170	\$ 192,170
840.108	ICC - TRANSPORTATION	\$ -	\$ 1,295	\$ 1,295
840.090	ICC - EQUIPMENT RENTALS SURFACE	\$ -	\$ 118,906	\$ 118,906
840.050	ICC - PROPPANT	\$ -	\$ 819,366	\$ 819,366
840.120	ICC - CONTRACT LABOR	\$ -	\$ 11,276	\$ 11,276
840.035	ICC - PUMP DOWN	\$ -	\$ 45,102	\$ 45,102
840.055	ICC - CHEMICALS	\$ -	\$ 223,894	\$ 223,894
840.126	ICC - BITS/TOOLS/PLUGS/STABILIZERS	\$ -	\$ 19,422	\$ 19,422
840.160	ICC - WELL TESTING	\$ -	\$ 67,977	\$ 67,977
840.180	ICC - OVERHEAD	\$ -	\$ 6,417	\$ 6,417
840.175	ICC - SUPERVISION	\$ -	\$ 3,884	\$ 3,884
840.130	ICC - COMPLETION RIG	\$ -	\$ 4,894	\$ 4,894
840.091	ICC - MANCAMP	\$ -	\$ 18,570	\$ 18,570
840.125	ICC - EQUIPMENT RENTALS	\$ -	\$ 16,994	\$ 16,994
840.025	ICC - ROAD, LOCATIONS	\$ -	\$ 1,241	\$ 1,241
840.166	ICC - ENVIRONMENTAL/SAFETY	\$ -	\$ 2,698	\$ 2,698
840.156	ICC - STIMULATION	\$ -	\$ 728,325	\$ 728,325
840.177	ICC - CONSULTING SERVICES	\$ -	\$ 140,810	\$ 140,810
840.071	ICC - WATER TRANSFER	\$ -	\$ 21,580	\$ 21,580
840.107	ICC - SALTWATER DISPOSAL	\$ -	\$ 6,099	\$ 6,099
840.070	ICC - DRILL WATER	\$ -	\$ 226,590	\$ 226,590
<b>TOTAL INTANGIBLE D&amp;C COSTS &gt;&gt;&gt;</b>		\$ 1,341,217.00	\$ 2,898,933.00	\$ 4,240,150.00
<b>TOTAL D&amp;C COSTS &gt;&gt;&gt;</b>		\$ 1,817,284.00	\$ 3,002,470.00	\$ 4,819,754.00

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

TANGIBLE FACILITY COSTS		Facility	Total
<b>Tangible Facilities</b>		\$ 458,280.00	\$ 458,280.00
865.030	TFC - TANKS	\$ 46,346	\$ 46,346
865.075	TFC - INSTRUMENT/ELECT PANELS	\$ 9,890	\$ 9,890
865.010	TFC - ELECTRICAL OH/TRANSFORMERS	\$ 8,571	\$ 8,571
865.055	TFC - FLOWLINES	\$ 12,150	\$ 12,150
865.025	TFC - LACT UNIT	\$ 25,733	\$ 25,733
865.045	TFC - PUMP/SUPPLIES	\$ 16,200	\$ 16,200
865.005	TFC - VESSELS	\$ 190,854	\$ 190,854
865.015	TFC - CONNECTIONS/FITTINGS/SUPPLIES	\$ 52,303	\$ 52,303
865.200	TFC - CONTINGENCY	\$ 30,929	\$ 30,929
865.040	TFC - CONTAINMENT	\$ 4,286	\$ 4,286
865.035	TFC - ELECTRICAL FACILITY	\$ 28,774	\$ 28,774



**Authority for Expenditure**

	865.065	TFC - FLARE/COMBUSTOR	\$	5,323	\$	5,323
	865.070	TFC - AIR COMPRESSION	\$	5,014	\$	5,014
	865.020	TFC - METERING EQUIPMENT	\$	21,907	\$	21,907
<b>TOTAL TANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>458,280.00</b>	\$	<b>458,280.00</b>
<b>INTANGIBLE FACILITY COSTS</b>						
				<b>Facility</b>		<b>Total</b>
<b>Intangible Facilities</b>			\$	<b>206,717.00</b>	\$	<b>206,717.00</b>
	845.030	IFC - CONTRACT LABOR AUTOMATION	\$	36,288	\$	36,288
	845.065	IFC - CONTRACT LABOR-COMMISSIONING	\$	10,857	\$	10,857
	845.050	IFC - TRANSPORTATION/TRUCKING	\$	15,493	\$	15,493
	845.020	IFC - ENVIRONMENTAL	\$	2,143	\$	2,143
	845.055	IFC - MISC INTANGIBLE FAC COSTS	\$	11,429	\$	11,429
	845.040	IFC - CONTRACT LABOR CIVIL/MECHANICAL	\$	105,714	\$	105,714
	845.025	IFC - CONTRACT LABOR PIPELINE	\$	17,650	\$	17,650
	845.035	IFC - CONTR LABOR ENGINEER/TECHNICAL	\$	7,143	\$	7,143
<b>TOTAL INTANGIBLE FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>206,717.00</b>	\$	<b>206,717.00</b>
<b>TOTAL FACILITY COSTS &gt;&gt;&gt;</b>			\$	<b>664,997.00</b>	\$	<b>664,997.00</b>

This Authority For Expenditure is based on cost estimates. Billing will reflect your proportionate share of the actual invoice costs.

**WI Owner:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Approved By:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Printed Name:** \_\_\_\_\_

We elect to carry our own well control insurance: Yes / No (circle one)

We elect to take our proportionate share of non-consenting interest: Yes / No (circle one)



December 22, 2022

**VIA CERTIFIED MAIL/ RETURN RECEIPT AND E-MAIL**

To: Interest Owners  
Listed on Attached Exhibit "A"

RE: **Supplement to well proposals dated December 1, 2022** - Horizontal Well(s)  
Silverback Operating II, LLC: **Krauss 22 #101H, Krauss 22 #201H and Krauss 22 #202H**  
S/2S/2 of Section 22-T18S-R26E  
Eddy County, New Mexico

Dear Sir or Madam,

Pursuant to letter dated December 1, 2022, Silverback Operating II, LLC ("SILVERBACK"), an affiliate of Silverback New Mexico, LLC, proposed to drill and complete the referenced wells ("Krauss Wells").

After further review, SILVERBACK intends to modify its previous proposals, pursuant to its stated reservation in the proposals to provide such modifications as necessary, in order to adjust the locations of the Krauss Wells and provide additional clarification, including the formal name of the Krauss Wells, as follows: the Krauss #101H is the **Krauss 22 #101H**; the Krauss #201H is the **Krauss 22 #201H** and the Krauss #202H is the **Krauss 22 #202H**. The location of the #101H, #201H and #202H wells are adjusted as follows:

**Krauss 22 #101H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location - 490' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location - 675' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3000'; Lateral Length: ~4900'

**Krauss 22 #201H- Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 470' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 350' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3600'; Lateral Length: ~4900'

**Krauss 22 #202H - Horizontal Yeso Well, Eddy County, NM**

- Proposed Surface Hole Location – 1,158' FSL & 178' FEL, Section 22, T18S-R26E
- Proposed Bottom Hole Location – 1,003' FSL & 100' FWL, Section 22, T18S-R26E
- PROJECTED MD/TVD: 8600' / 3600'; Lateral Length: ~4900'

6608 N. Western Ave #607, Oklahoma City, OK 73116  
Phone: (918) 671-3635 | Email: bwest@silverbackexp.com

Krauss #101H/#201H/#202H  
S2S2 of Section 22, 18S-26E  
12/22/2022

All other items in the original well proposal date December 1, 2022, remain the same, including the AFE

Included herewith is another copy SILVERBACK's Authority for Expenditure ("AFE") for each of the Subject Wells for the convenience of your review. The AFEs are an estimate only and those parties electing to participate in the Subject Wells shall be responsible for their share of actual well costs. SILVERBACK is proposing to drill this well under the terms of a modified 1989 A.A.P.L Form 610 Model Form Operating Agreement covering the S/2S/2 of Section 22, Township 18 South, Range 26 East, Eddy County, New Mexico (the "JOA"). It has the following terms:

- 100%/300% Non-Consenting penalty
- \$8,000/\$800 Drilling and Producing Rate
- SILVERBACK named as Operator

If you wish to participate in the proposed operation(s), please indicate in the space provided below, along with a signed AFE and deliver to 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com) and SILVERBACK will provide the completed JOA for your review.

If you do not wish to participate under the JOA, SILVERBACK would like acquire your interest under a Term Assignment with the following general terms:

- 2 year term
- Delivering an 80% net revenue interest
- \$750/acre bonus
- Exclusive of existing wellbores

Should you be interested in term assigning your interest, please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com). This term assignment offer is subject to verification of title.

Please indicate your elections as to each of the Subject Wells in the spaces provided below and execute and return one (1) copy of this letter (together with a signed copy of each AFE for any well(s) you elect to participate in) to the undersigned within thirty (30) days of receipt of this proposal in the self-addressed stamped envelope provided to the following address: 6608 N. Western #607, Oklahoma City, OK 73116 or by email to [Darren.gagliardi@pakenergy.com](mailto:Darren.gagliardi@pakenergy.com). Silverback reserves the right to modify the locations and drilling plans in order to address surface and subsurface concerns. You will be advised of any such modifications. Should you have any questions regarding this proposal, please contact Brennan West at 918-671-3635 or [bwest@silverbackexp.com](mailto:bwest@silverbackexp.com). Thank you very much for your assistance and cooperation.

Sincerely,

**SILVERBACK NEW MEXICO, LLC**



Brennan P. West, CPL  
Senior Landman

Enclosures

Exhibit "A"  
AFEs

Krauss #101H/#201H/#202H  
S2S2 of Section 22, 18S-26E  
12/22/2022

**Krauss 22 #101H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #101H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss 22 #101H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

**Krauss 22 #201H**

\_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #201H  
\_\_\_\_\_ I/We hereby elect **not** to participate in the Krauss 22 #201H  
\_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

\_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.  
\_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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



Krauss #101H/#201H/#202H  
S2S2 of Section 22, 18S-26E  
12/22/2022

**Krauss 22 #202H**

- \_\_\_\_\_ I/We hereby elect to participate in the Krauss 22 #202H
- \_\_\_\_\_ I/We hereby elect ***not*** to participate in the Krauss 22 #202H
- \_\_\_\_\_ I/We hereby agree to term assign our minerals to SILVERBACK at the terms herein proposed. Please contact Blaine Gamble at (817) 223-4189 or at [bgamble@equitasenergy.com](mailto:bgamble@equitasenergy.com)

**Well Insurance:**

- \_\_\_\_\_ The undersigned requests Well Insurance coverage provided by Silverback Energy Partners.
- \_\_\_\_\_ The undersigned elects to obtain individual Well Insurance coverage.

Agreed to and Accepted this \_\_\_\_ day of \_\_\_\_\_, 20\_\_

**Company / Individual** \_\_\_\_\_

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

Name: \_\_\_\_\_

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

Krauss #101H/#201H/#202H  
S2S2 of Section 22, 18S-26E  
12/22/2022

EXHIBIT "A"  
Interest Owners

COG Operating LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Yates Brothers, a partnership  
P. O. Box 1394  
Artesia, NM 88211-1394

Concho Oil & Gas LLC  
Attn: Jon-Aaron House  
One Concho Center  
600 W. Illinois Avenue  
Midland, TX 79701

Slash Exploration Limited Partnership  
500 North Main Street, Suite 200  
Roswell, NM 88201

Sharbro Holdings LLC  
c/o Scott Yates  
423 W. Main St.  
Artesia, NM 88210

Tex Zia Properties, Ltd.  
P.O. Box 261427  
Plano, TX 75026-1427

Stanley L. Jones Estate  
c/o Patricia M. Nelms and Charlie D. Nelms  
1404 S. 16th St.  
Lovington, NM 88260

Vernon D. Dyer  
15 Riverside Dr.  
Roswell, NM 88201

Jonell R. Gilmore Estate  
c/o Charlie D. Nelms  
1404 S. 16th St.  
Lovington, NM 88260

Violet Shipp Young  
PO Box 694  
Edmonds, WA 98020

Nix 2002 Trust  
3322 W. Ohio  
Midland, TX 79703

Oxy Y-1 Company  
Attn: Alissa Payne  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046

Nancy H. Miller, Trustee of the McCullough Trust dated June 28, 1988  
31557 Eagle Rock Way  
Laguna Beach, CA 92651

## **Chronology of Contact with Non-Op Working Interests (Silverback – 74% Interest)**

### **Oxy Y-1 USA (~19% interest)**

12/2/2022 – Mailed out well proposals

12/20/2022 – Discussed well proposal and Oxy's WI

12/22/2022 – Mailed out subsequent well proposals to re-adjust intervals being targeted

1/18/2023 - Had conversation with Alissa Payne (Land Negotiator at Oxy) on their interest in participating. They informed that they were not going to elect at this time and will wait until they get their elections under the force pooling order.

### **ConocoPhillips/Concho (~5% Interest)**

12/2/2022 – Mailed out well proposals

12/22/2022 – Mailed out subsequent well proposals to re-adjust intervals being targeted

1/13/2023 – Introductory Email to Baylor Mitchell and to address any questions

1/16/2023 – Follow-up email

1/19/2023 – Received email Concho/Conoco that they are looking into proposal

1/25/2023 – Email received that Concho/Conoco requesting a continuance for 30 days

1/25/2023 – Email sent that Silverback would like to continue forward with February 2<sup>nd</sup> date

1/26/2023 – Per discussion with Concho – JOA advanced

1/26/2023 -Per discussion with Conco/Concho – Advanced ownership

1/26/2023 – Concho advances letter agreement

1/30/2023 – Silverback requests lease form Concho/Conoco would like to use

1/30/2023 – Concho/Conoco – Follow up

1/30/2023 – Silverback responds with requested changes to letter agreement

1/30/2023 – Concho/Conoco responds with request to ask for a continuance

1/31/2023 – Silverback responds to see if agreement can be reached so there isn't a continuance

2/1/2023 – Silverback responds to questions regarding the letter agreement

**EXHIBIT  
A-4**

## **TAB 3**

Case No. 23316

- Exhibit B: Self-Affirmed Statement of Nathaniel Gilbertson, Geologist
- Exhibit B-1: Base Map
- Exhibit B-2: Subsea Structure Map
- Exhibit B-3: Structural Cross-Section
- Exhibit B-4: Gun Barrel Diagram
- Exhibit B-5: West to East Lateral Trajectory Cross-Section

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

APPLICATION OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case No. 23316

SELF-AFFIRMED STATEMENT OF NATHANIEL GILBERTSON

Nathaniel Gilbertson, of lawful age and being first duly sworn, declares as follows:

1. My name is Nathaniel Gilbertson, and I am employed by Silverback Operating II, LLC (“Silverback”) as a petroleum geologist.

2. I have previously testified before the Oil Conservation Division (“Division”) as an expert witness in petroleum geology. My credentials have been made a matter of record and I have been recognized by the Division as an expert witness.

3. I am familiar with the applications filed by Silverback in these consolidated cases, and I have conducted a geologic study of the Yeso formation underlying the subject area.

4. The initial targets for Silverback’s proposed Krauss wells in Section 22 of T18S-R26E are intervals within the Yeso formation.

5. **Silverback Exhibit B-1** is a base map that shows the location of the proposed horizontal well spacing unit, the path of the proposed/drilled wellbores and offsetting well bores. Marked on the map is the location of the four wells in Cross Section A-A’ of Exhibit B-3. These wells penetrate the targeted interval, are of good quality, and are representative of the geology in the subject area.

6. **Silverback Exhibit B-2** is a subsea structure map of the top of the Glorieta/Yeso with a 25-foot contour interval. The Yeso Formation structure is dipping to the east-southeast. The formation appears consistent across the proposed spacing unit. I do not observe any



faulting, pinchouts, or other geologic impediments to horizontal drilling within the proposed spacing unit. This map also shows line B-B' which is depicted in a gun barrel diagram in Exhibit B-4 and line C-C' which is depicted in a lateral trajectory cross-section in Exhibit B-5.

7. **Silverback Exhibit B-3** is a structural cross-section that I prepared with data from open-hole logs collected over the target formation in the representative wells denoted from A to A' (Exhibit B-1). For each well in the cross-section, the exhibit shows the following logs: gamma ray, deep resistivity, neutron porosity and bulk density. The targeted zone for each well is labeled and marked on the cross-section. The logs in the cross-section demonstrate that the targeted zones are continuous and consistent through the proposed spacing unit.

8. **Silverback Exhibit B-4** is a gun barrel diagram from B to B' illustrating Silverback's intended development in the Yeso formation across the proposed spacing unit. Each proposed or existing well is identified relative to the different intervals within the Yeso formation.

9. **Silverback Exhibit B-5** is a West to East lateral trajectory cross-section illustrating Silverback's intended development in the Yeso formation across the proposed spacing unit.

10. In my opinion, the East-West orientation of the proposed wells in the preferred orientation for horizontal well development in this area and is appropriate to efficiently and effectively develop the subject acreage.

11. Based on my geologic study of the area, the targeted interval underlying the proposed spacing unit is suitable for development by horizontal wells and tracts comprising the proposed spacing unit with contribute more or less equally to the production of the wells.

12. The granting of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights and will avoid the drilling of unnecessary wells.

13. **Silverback Exhibits B-1** through **B-5** were either prepared by me or compiled under my direction and supervision.

14. The foregoing is true to the best of my knowledge and belief.

*[Signature page follows]*

*Signature page of Self-Affirmed Statement of Nathaniel Gilbertson:*

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 23316 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief and made under penalty of perjury under the laws of the State of New Mexico.

  
\_\_\_\_\_  
Nathaniel Gilbertson

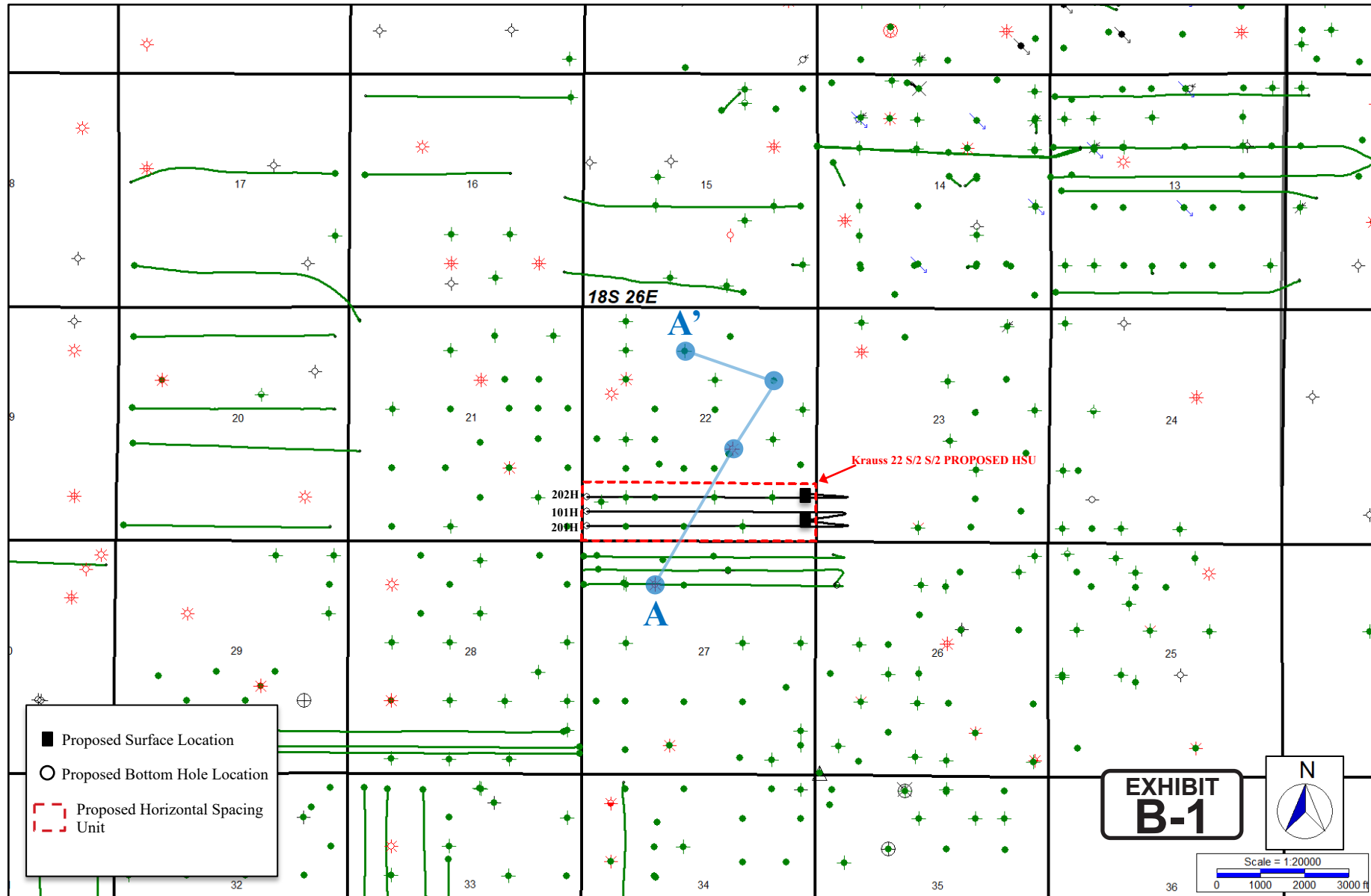
1/30/2023  
\_\_\_\_\_  
Date Signed



# Exhibit B-1: Krauss 22 S/2 S/2 HSU Basemap

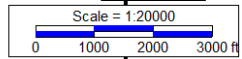
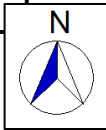


(Case No. 23316)



■ Proposed Surface Location  
 ○ Proposed Bottom Hole Location  
 [Red dashed box] Proposed Horizontal Spacing Unit

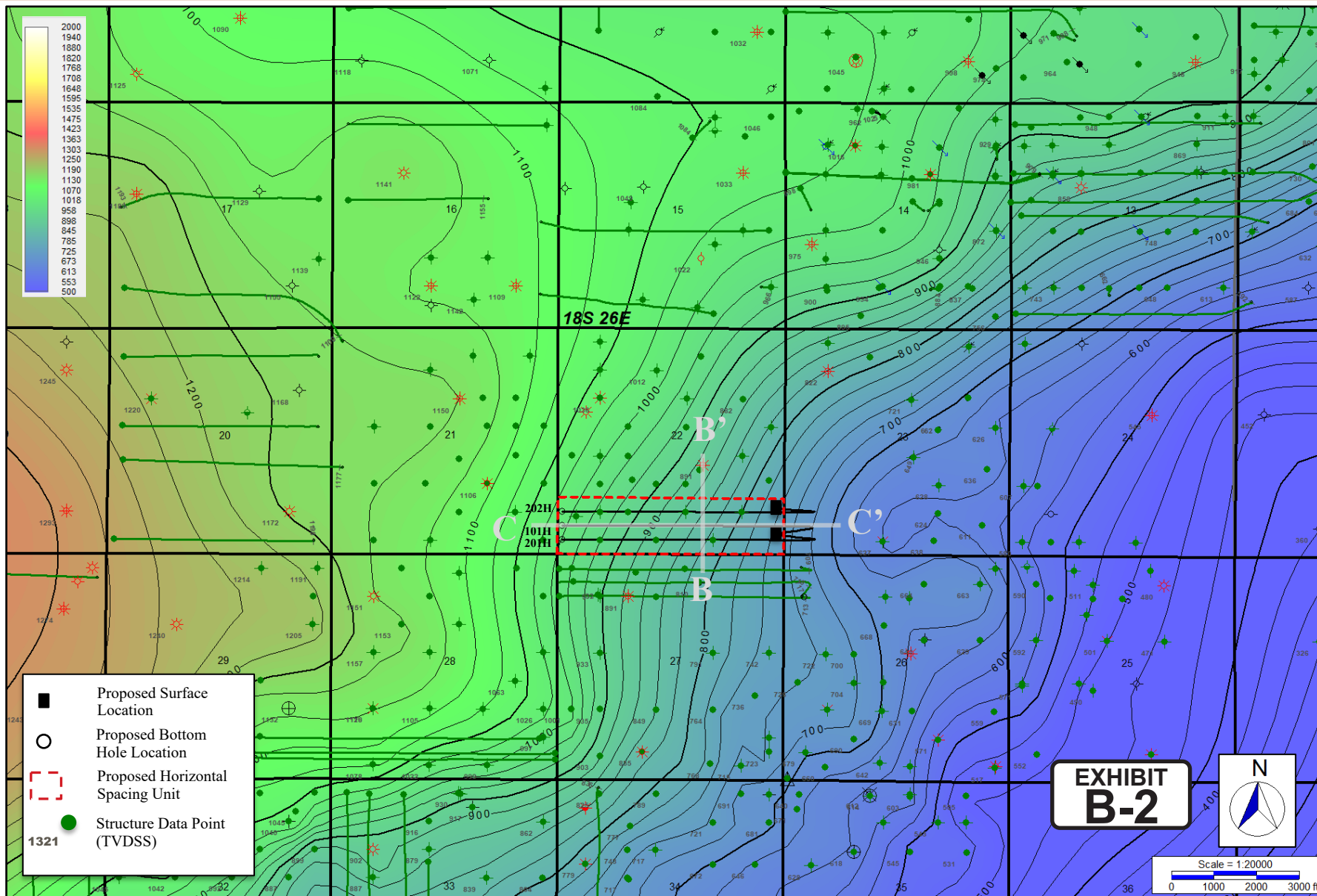
**EXHIBIT B-1**



# Exhibit B-2: Structure Map: Glorieta (TVDSS)

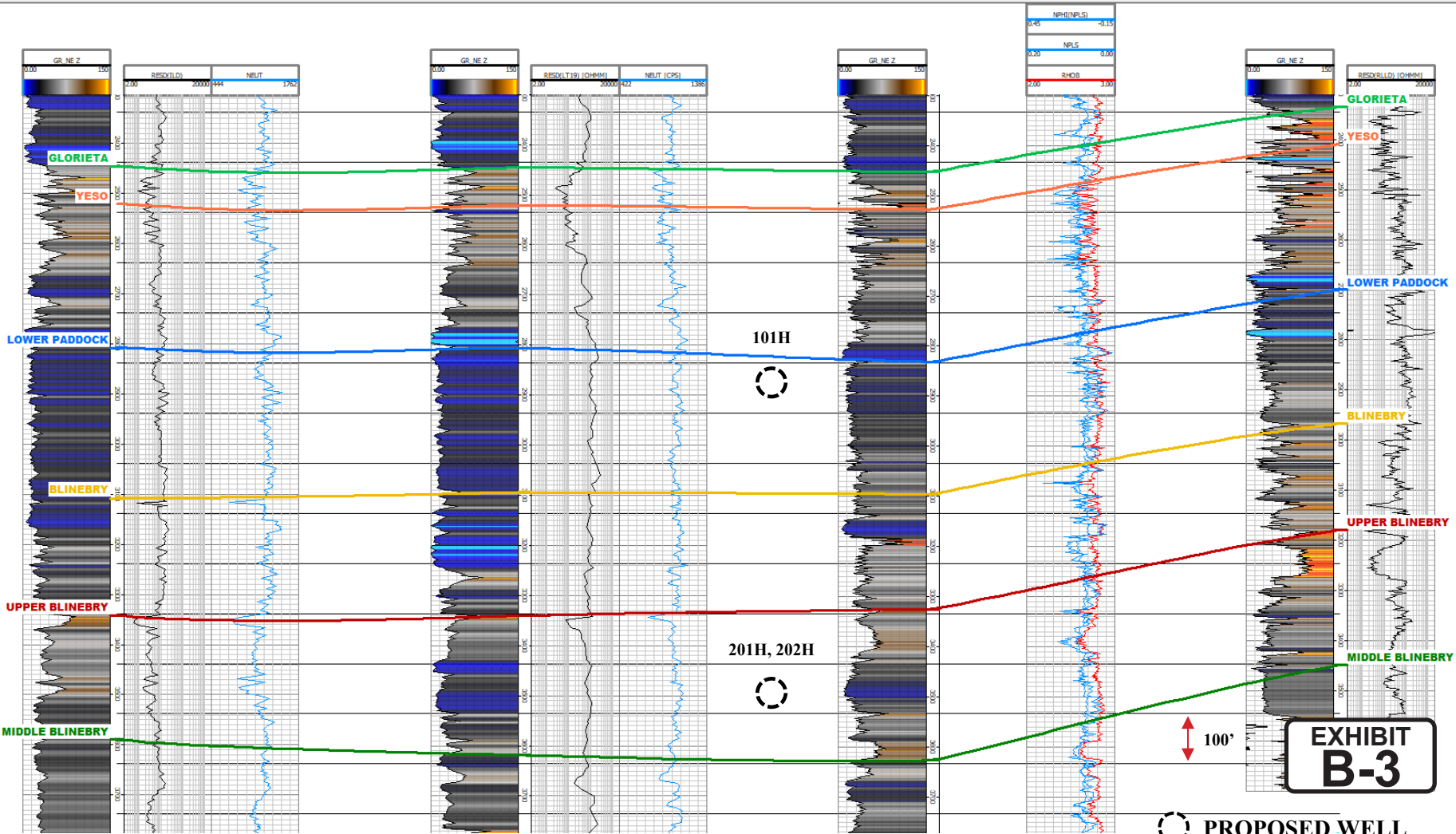
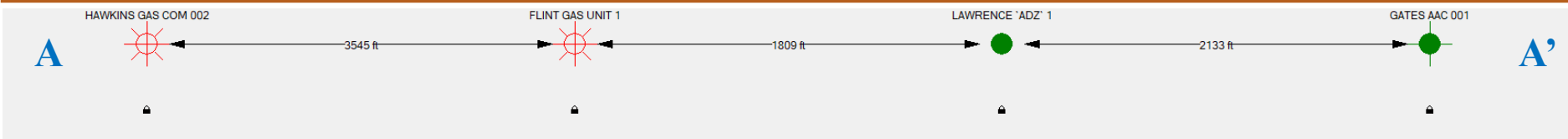


(Case No. 23316)



# Exhibit B-3: Structural Cross Section A – A' (TVDSS)

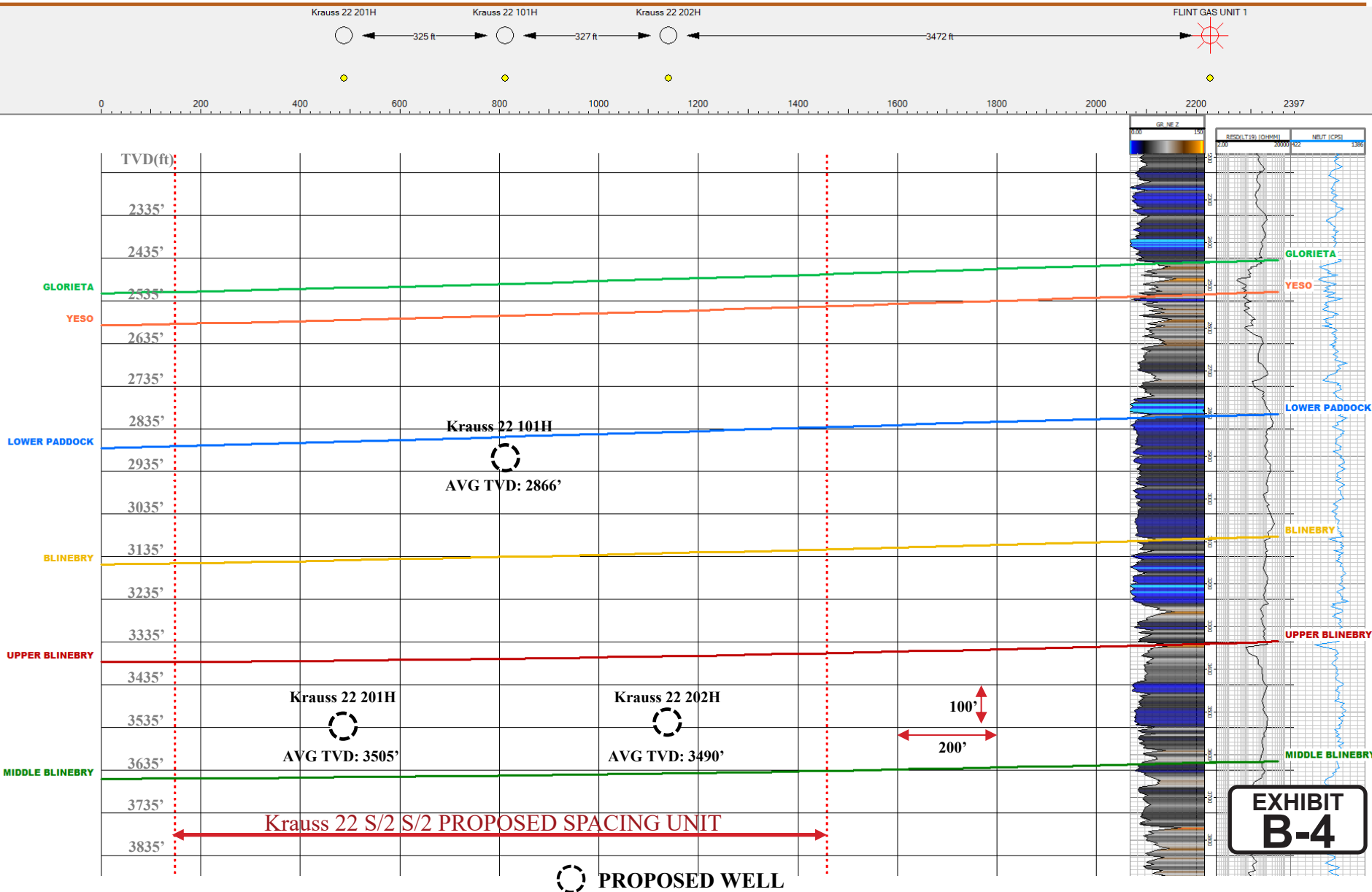
(Case No. 23316)



# Exhibit B-4: Gun Barrel Diagram B-B' (TVD)



(Case No. 23316)



**EXHIBIT B-4**

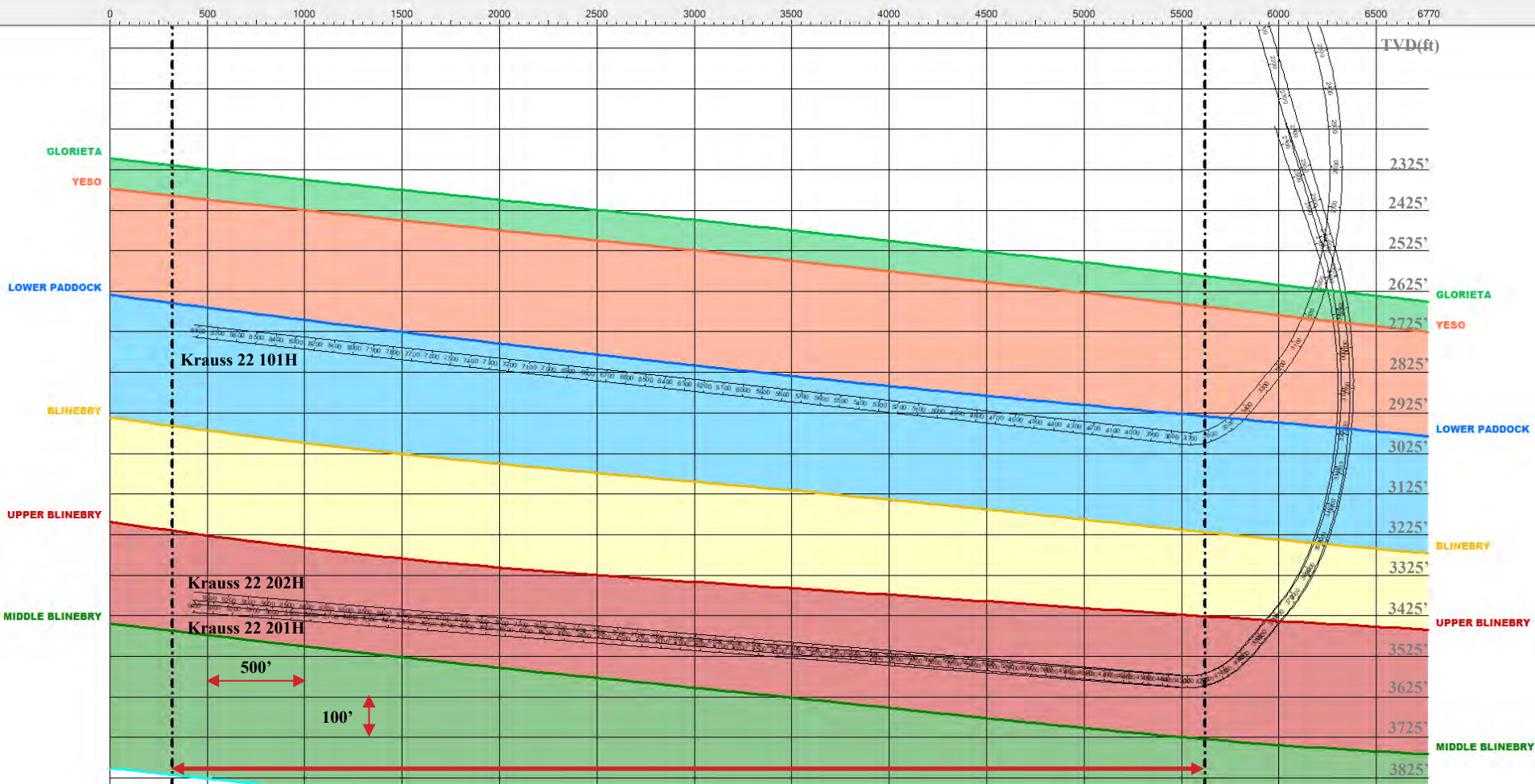
# Exhibit B-5: Proposed Well Trajectories C-C' (TVD)



(Case No. 23316)

WEST

EAST



Krauss 22 S/2 S/2 PROPOSED SPACING UNIT

EXHIBIT  
**B-5**

## **TAB 4**

Case No. 23316

Exhibit C: Affidavit of Notice, Darin C. Savage  
Exhibit C-1: Notice Letters (WI)  
Exhibit C-2: Mailing List  
Exhibit C-3: Affidavits of Publication

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

**APPLICATIONS OF SILVERBACK OPERATING II, LLC,  
FOR A HORIZONTAL SPACING UNIT AND  
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case Nos. 23315 & 23316

**AFFIDAVIT OF NOTICE**

STATE OF NEW MEXICO    )  
  ) ss.  
COUNTY OF SANTA FE    )

I, Darin C. Savage, attorney and authorized representative of Silverback Operating II, LLC, (“Silverback”), the Applicant herein, being first duly sworn, upon oath, states the following:

1. Notice of the applications and hearing in the above-reference cases was timely sent by certified mail, return receipt requested, through the United States Postal Service on January 11, 2023, to all uncommitted interest owners sought to be pooled in this proceeding. See Exhibit C-2, attached hereto. Copies of notice letters and evidence of mailing to parties are attached hereto as Exhibits C-1 and C-2.

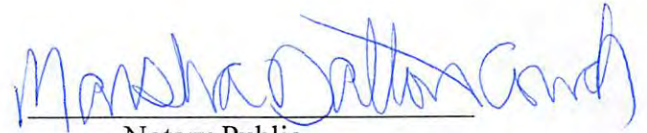
2. Notice was sent to the Carlsbad Current Argus, a newspaper of general circulation in Eddy County, New Mexico, and timely published in said newspaper on January 17, 2023. See Exhibit C-3.

3. It is my understanding that Silverback has made a reasonably diligent effort to find the names and addresses for the interest owners entitled to receive notice of the application and case herein.

  
Darin C. Savage

**EXHIBIT  
C**

SUBSCRIBED AND SWORN to before me this 13th day of February 2023, by Darin C. Savage.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

02/10/2026

STATE OF NEW MEXICO  
NOTARY PUBLIC  
MARSHA DALTON COUCH  
COMMISSION #1077509  
COMMISSION EXPIRES 02/10/2026



ABADIE | SCHILL PC



For the Pursuit of Energy

Colorado	New Mexico
Louisiana	Texas
Nebraska	Kansas
Montana	Wyoming
Oklahoma	California
	North Dakota

January 12, 2023

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of Silverback Operating II, LLC, for a horizontal spacing unit and compulsory pooling, Eddy County, New Mexico  
 Krauss 22 #101H Well (Case No. 23316)  
 Krauss 22 #201H Well (Case No. 23316)  
 Krauss 22 #202H Well (Case No. 23316)

Case Nos. 23316:

Dear Interest Owners:

This letter is to advise you that Silverback Operating II, LLC (“Silverback”), has filed the enclosed application, in Case No. 23316, with the New Mexico Oil Conservation Division (“Division”) for a compulsory pooling in the Yeso formation.

In Case No. 23316, Silverback seeks to pool uncommitted interests in the Yeso formation, underlying the S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, a standard unit encompassing 160 acres, more or less, dedicated to the above-referenced 101H, 201H, and 202H Wells.

A hearing has been requested before a Division Examiner on February 2, 2023, and the status of the hearing can be monitored through the Division’s website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division’s Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and status of the case, you can visit the Division’s website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

[abadieschill.com](http://abadieschill.com)

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

**EXHIBIT  
C-1**

You are being notified as an interest owner (subject to title examination) and 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.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address 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.

If you have any questions about this matter, please contact Brennan West at (918) 671-3635 or at [bwest@silverbackexp.com](mailto:bwest@silverbackexp.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Darin C. Savage', written over a horizontal line.

Darin C. Savage

Attorney for Silverback Operating II, LLC

**Mail Activity Report - CertifiedPro.net**  
 Mailed from 1/1/2023 to 1/31/2023  
 User Name: abadieschill  
 Generated: 2/11/2023 12:23:07 PM

USPS Article Number	Reference Number	Type	Date Mailed	Name 1	Address 1	Address 2	City	State	Zip	FMB ID	User ID	Mailing Status	Service Options
9314869904300103222051	4220.1	WI	01/16/2023	Charlie Deanna Nelms	209 S 40th St		Artesia	NM	88210		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222068	4220.1	WI	01/15/2023	COG Operating LLC	600 W. Illinois Ave		Midland	TX	79701		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222075	4220.1	WI	01/15/2023	Concho Oil & Gas LLC	600 W. Illinois Ave		Midland	TX	79701		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222082	4220.1	WI	01/16/2023	Hughes Brothers Ranch	c/o Milton Hughes163 Trail Canyon Rd		Carlsbad	NM	88220		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222099	4220.1	ORRI	01/13/2023	Joan T. Garland	3997 Old Columbia Pike		Ellicott City	MD	21043		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222105	4220.1	WI	01/15/2023	Nancy Miller	31557 Eagle Rock Way		Laguna Beach	CA	92651		21902	Undelivered	Return Receipt - Electronic, Certified Mail
9314869904300103222112	4220.1	WI	01/15/2023	Oxy-Y-1 Company	5 Greenway Plaza, Suite 110		Houston	TX	77046		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222129	4220.1	WI	01/16/2023	Sharbro Holdings LLC	423 W Main Street		Artesia	NM	88210		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222136	4220.1	WI	01/16/2023	Slash Exploration Limited Partnership	500 North Main Street, Suite 200		Roswell	NM	88201		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222143	4220.1	WI	01/15/2023	Tex Zia Properties, Ltd.	P. O. Box 261427		Plano	TX	75026-1427		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222150	4220.1	WI	01/16/2023	Vernon D. Dyer	15 Riverside Dr		Roswell	NM	88201		21902	Delivered	Return Receipt - Electronic, Certified Mail
9314869904300103222167	4220.1	WI	01/15/2023	Violet Shipp Young	PO Box 694		Edmonds	WA	98020		21902	Undelivered - To Be Returned	Return Receipt - Electronic, Certified Mail
9314869904300103222174	4220.1	WI	01/16/2023	Yates Brothers, a Partnership	105 S Fourth St		Artesia	NM	88210		21902	Delivered	Return Receipt - Electronic, Certified Mail





January 31, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 51**.

**Item Details**

<b>Status:</b>	Delivered, Individual Picked Up at Post Office
<b>Status Date / Time:</b>	January 30, 2023, 04:51 p.m.
<b>Location:</b>	ARTESIA, NM 88210
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Charlie Deanna Nelms

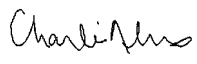
**Shipment Details**

<b>Weight:</b>	5.0oz
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**Destination Delivery Address**

<b>Street Address:</b>	209 S 40TH ST
<b>City, State ZIP Code:</b>	ARTESIA, NM 88210-1583

**Recipient Signature**

Signature of Recipient:	 Charlie Nelms
Address of Recipient:	209 S 40TH ST ARTESIA, NM 88210-1583

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Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



January 19, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 68.**

**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** January 18, 2023, 07:30 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** COG Operating LLC

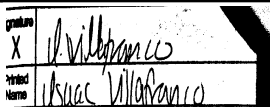

**Shipment Details**

**Weight:** 5.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

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**Item Details**

**Status:** Delivered, Individual Picked Up at Postal Facility  
**Status Date / Time:** January 18, 2023, 07:30 a.m.  
**Location:** MIDLAND, TX 79701  
**Postal Product:** First-Class Mail®  
**Extra Services:** Certified Mail™  
 Return Receipt Electronic  
**Recipient Name:** Concho Oil Gas LLC

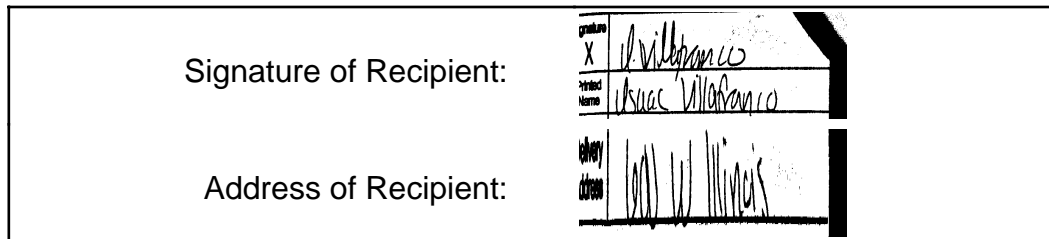
**Shipment Details**

**Weight:** 5.0oz

**Destination Delivery Address**

**Street Address:** 600 W ILLINOIS AVE  
**City, State ZIP Code:** MIDLAND, TX 79701-4882

**Recipient Signature**



Signature of Recipient:

Address of Recipient:

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January 18, 2023

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The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 82.**

**Item Details**

<b>Status:</b>	Delivered, Left with Individual
<b>Status Date / Time:</b>	January 17, 2023, 12:15 p.m.
<b>Location:</b>	CARLSBAD, NM 88220
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Hughes Brothers Ranch


**Shipment Details**

**Weight:** 5.0oz

**Destination Delivery Address**

<b>Street Address:</b>	TRAIL CANYON RD
<b>City, State ZIP Code:</b>	CARLSBAD, NM 88220-9425

**Recipient Signature**

<p>Signature of Recipient:</p> <p>Address of Recipient:</p>	
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January 18, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2220 99.**

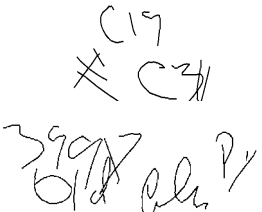
**Item Details**

<b>Status:</b>	Delivered to Agent for Final Delivery
<b>Status Date / Time:</b>	January 17, 2023, 07:17 p.m.
<b>Location:</b>	ELLCOTT CITY, MD 21043
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Joan T Garland

**Shipment Details**

**Weight:** 5.0oz

**Recipient Signature**

<p>Signature of Recipient: (Authorized Agent)</p> <p>Address of Recipient:</p>	 <p><i>C19</i> <i>✱ C31</i> <i>3907</i> <i>Old Blk P1</i></p>
--	---

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January 18, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 12.**

**Item Details**

<b>Status:</b>	Delivered to Agent for Final Delivery
<b>Status Date / Time:</b>	January 17, 2023, 02:02 p.m.
<b>Location:</b>	HOUSTON, TX 77046
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Oxy Y 1 Company

**Shipment Details**

**Weight:** 5.0oz

**Recipient Signature**

Signature of Recipient: (Authorized Agent)	
Address of Recipient:	

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January 18, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 29.**

**Item Details**

<b>Status:</b>	Delivered, Front Desk/Reception/Mail Room
<b>Status Date / Time:</b>	January 17, 2023, 11:03 a.m.
<b>Location:</b>	ARTESIA, NM 88210
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Sharbro Holdings LLC



**Shipment Details**

<b>Weight:</b>	5.0oz
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**Destination Delivery Address**

<b>Street Address:</b>	423 W MAIN ST
<b>City, State ZIP Code:</b>	ARTESIA, NM 88210-2030

**Recipient Signature**

Signature of Recipient:	 
Address of Recipient:	423 W MAIN ST ARTESIA, NM 88210

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Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



January 18, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 36.**

**Item Details**

<b>Status:</b>	Delivered, Left with Individual
<b>Status Date / Time:</b>	January 17, 2023, 03:09 p.m.
<b>Location:</b>	ROSWELL, NM 88201
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Slash Exploration Limited Partnership


**Shipment Details**

**Weight:** 5.0oz

**Destination Delivery Address**

<b>Street Address:</b>	500 N MAIN ST STE 200
<b>City, State ZIP Code:</b>	ROSWELL, NM 88201-4786

**Recipient Signature**

Signature of Recipient:	 Ethan
Address of Recipient:	500 N MAIN ST STE 200 ROSWELL, NM 88201

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Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



January 19, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 43.**

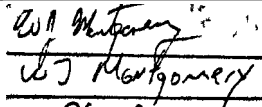
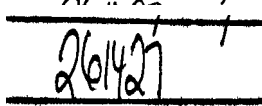
**Item Details**

<b>Status:</b>	Delivered, Front Desk/Reception/Mail Room
<b>Status Date / Time:</b>	January 18, 2023, 03:33 p.m.
<b>Location:</b>	PLANO, TX 75075
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Tex Zia Properties Ltd

**Shipment Details**

<b>Weight:</b>	5.0oz
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**Recipient Signature**

Signature of Recipient:	
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



January 19, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 50.**

**Item Details**

<b>Status:</b>	Delivered, Individual Picked Up at Post Office
<b>Status Date / Time:</b>	January 18, 2023, 12:45 p.m.
<b>Location:</b>	ROSWELL, NM 88201
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Vernon D Dyer

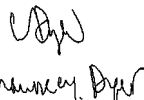
**Shipment Details**

<b>Weight:</b>	5.0oz
----------------	-------

**Destination Delivery Address**

<b>Street Address:</b>	15 RIVERSIDE DR
<b>City, State ZIP Code:</b>	ROSWELL, NM 88201-3951

**Recipient Signature**

Signature of Recipient:	 15 RIVERSIDE DR ROSWELL, NM 88201-3951
Address of Recipient:	

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1



February 3, 2023

Dear WALZ GROUP:

The following is in response to your request for proof of delivery on your item with the tracking number: **9314 8699 0430 0103 2221 74.**

**Item Details**

<b>Status:</b>	Delivered, To Original Sender
<b>Status Date / Time:</b>	February 2, 2023, 03:53 p.m.
<b>Location:</b>	DURANGO, CO 81301
<b>Postal Product:</b>	First-Class Mail®
<b>Extra Services:</b>	Certified Mail™ Return Receipt Electronic
<b>Recipient Name:</b>	Yates Brothers a Partnership

**Shipment Details**

**Weight:** 5.0oz

**Recipient Signature**

<p>Signature of Recipient: <i>S Yates</i> <i>Yates Brothers</i></p> <p>Address of Recipient: <i>RTS</i></p>
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Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,  
United States Postal Service®  
475 L'Enfant Plaza SW  
Washington, D.C. 20260-0004

Information in this section provided by Covius Document Services, LLC.

**Reference Number:** 4220.1

# Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

## Affidavit of Publication

Ad # 0005559561

This is not an invoice

**ABADIE SCHILL P.C.**  
555 RIVERGATE # B 4-180

**DURANGO, CO 81301-7485**

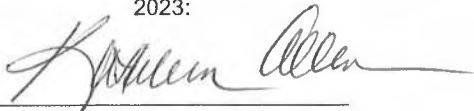
I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof in editions dated as follows:

01/17/2023



Legal Clerk

Subscribed and sworn before me this January 17, 2023:



State of WI, County of Brown  
NOTARY PUBLIC

1-7-23

My commission expires

KATHLEEN ALLEN  
Notary Public  
State of Wisconsin

Ad # 0005559561  
PO #: 0005559561  
# of Affidavits 1

This is not an invoice

EXHIBIT  
C-3

CASE No. 23316: Notice -- to all parties and persons having any right, title, interest or claim in this case, including owners of working interest, overriding royalty interest, and record title, among others, whether such parties or persons are listed herein or not, as well as notice to all known and unknown heirs, devisees, assigns and successors of such affected parties and persons, which based on reasonable diligence include CHARLIE DEANNA NELMS, AS SEPARATE PROPERTY, COG OPERATING LLC, CONCHO OIL & GAS LLC, HUGHES BROTHERS RANCH, JOAN T. GARLAND, AS SEPARATE PROPERTY, NANCY MILLER, OXY Y-1 COMPANY, SHARBRO HOLDINGS LLC, SILVERBACK NEW MEXICO LLC, SLASH EXPLORATION LIMITED PARTNERSHIP, TEX ZIA PROPERTIES LTD., VERNON D. DYER, VIOLET SHIPP YOUNG, YATES BROTHERS, A PARTNERSHIP -- of Silverback Operating II, LLC's application for approval of a spacing unit and compulsory pooling, Eddy County, New Mexico. The State of New Mexico, through its Oil Conservation Division, hereby gives notice that the Division Examiner will conduct a public hearing at 8:15 a.m. on February 2, 2023, traditionally held at 1220 S. St. Francis, Santa Fe, New Mexico, 87505. However, under current Division policies, the hearing will be conducted remotely online. For information about remote access and the status of the case, you can visit the Division's website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441. Silverback Operating II, LLC ("Silverback") at 19707 West IH 10, Suite 201, San Antonio, TX, 78257 (Main Office), seeks an order from the Division: (1) establishing a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 22, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Yeso formation (Atoka; Glorieta-Yeso [Pool Code 3250]), designated as an oil pool, underlying the unit. Said horizontal spacing unit is to be dedicated to the Krauss 22 #101H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 22; the Krauss 22 #201H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 22; and the Krauss 22 #202H Well, an oil well, to be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 22 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 22. The 101H and 201H Wells will be orthodox, and the take points and completed intervals will comply with the setback requirements under the statewide Rules. The proposed 202H Well is unorthodox in its location under applicable statewide rules. Consequently, Silverback will be applying to the Division for administrative approval of the nonstandard location. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 7.8 miles south, southeast, of Artesia, New Mexico.

#0005559561, Current Argus, January 17, 2023