

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

**APPLICATION OF RILEY PERMIAN
OPERATING COMPANY, LLC FOR A
HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO**

CASE NO. 24093

**SPUR ENERGY PARTNERS LLC'S MOTION TO DISMISS RILEY PERMIAN
OPERATING COMPANY, LLC'S APPLICATION FOR COMPULSORY POOLING**

Spur Energy Partners LLC ("Spur") requests that the New Mexico Oil Conservation Division ("Division") issue an order dismissing Riley Permian Operating Company, LLC's ("Riley") Application for Compulsory Pooling ("Application"). In support of this motion, Spur states the following.

I. INTRODUCTION

Riley failed to submit a well proposal to the working interest owners in its proposed unit, including Spur, prior to filing its Application. As a result, the Application should be dismissed due to Riley's failure to meet the pre-pooling application requirements set out by the Division in Order Nos. R-13155 and R-13165. Dismissal is also warranted because the Application is deficient in several other important aspects that preclude parties from evaluating Riley's requests.

II. FACTUAL BACKGROUND

1. On September 26, 2023, Spur filed its Application in Case No. 23872, seeking to pool all uncommitted interests in the Yeso formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the N/2 of Section 10, Township 18 South, Range 27 East in Eddy County and dedicate the unit to the Red Skies 10 Federal Com 10H, 11H, 12H, 50H, and 51H Wells.

2. Prior to filing its application in Case No. 23872, Spur submitted well proposals to all working interest owners, including Riley, on August 31, 2023. *See* Self-Affirmed Statement of L. Young (Exh. A) at ¶ 5; Exh. 1 to Exh. A.

3. Case No. 23872 was initially set for a hearing on the Division's November 2, 2023 hearing docket. On October 30, 2023, Riley entered its appearance and objected to presentation of the case by affidavit. As a result, the Division held a status conference on November 2nd and a contested hearing was set for January 18, 2024.

4. Riley filed its Application in this matter on December 5, 2023, seeking to pool all uncommitted interests in the Yeso formation within a 400-acre overlapping spacing unit that underlies the N/2 of Section 10 and the W/2 NW/4 of Section 11, Township 18 South, Range 27 East, in Eddy County. Riley's Application does not identify the overlapping spacing units.

5. Riley's Application competes with Spur's Application because both parties seek to develop the N/2 of Section 10.

6. At no time prior to filing its Application did Riley send working interest owners, including Spur, a well proposal or Authorizations for Expenditure ("AFEs"). *See* Exh. A at ¶ 9. Riley has also failed to provide Spur with a proposed Joint Operating Agreement ("JOA") for its proposed horizontal spacing unit. *See id.* at ¶ 10.

7. Riley filed its Application prior to proposing its own Yeso wells in the N/2 of Section 10, Township 18 South, Range 27 East, Eddy County, New Mexico, and without conducting good faith efforts to reach a voluntary agreement with Spur regarding the acreage. *See id.* at ¶¶ 9, 12.

III. ARGUMENT

The Division has long required applicants to provide interest owners with well proposals and AFEs at least 30 days prior to filing pooling applications. This process ensures fairness to pooled parties and avoids invoking the Division's jurisdiction when it may be unnecessary to do so. In Case Nos. 14365 and 14366, the Division issued Order No. R-13155 dismissing the applications at issue because the applicant failed to provide to "all owners in the proposed unit a formal well proposal, including a proposed form of joint operating agreements and an [AFE] setting for the estimated cost of the well to be proposed." Order No. R-13155 at 2. In issuing its Order, the Division found that "[a]lthough no statute or rule specifically requires an applicant for compulsory pooling to furnish interest owners a well proposal prior to filing the application, the Division, by long-standing practice, has required such a proposal in order to afford the owners a reasonable opportunity to reach a voluntary agreement." *Id.*

Shortly after issuing Order No. R-13155, the Division clarified the process an applicant must follow prior to filing a pooling application. In Order No. R-13165, the Division determined that thirty days prior to filing a compulsory pooling application, an applicant must send all parties it intends to pool a well proposal that identifies the proposed depth, exact footage locations, and target formation for each proposed well, along with an AFE. *See* Order No. R-13165 at 2. While a proposed form of JOA is not required prior to filing, it should be furnished by the applicant "with reasonable promptness if requested." *Id.* at 3.

In this instance, Riley failed to provide Spur with a well proposal or AFEs prior to filing its Application despite the fact that more than 90 days elapsed between the submission of Spur's well proposal and the filing of Riley's Application. *See* Exh. A at ¶¶ 3, 5. Thus, Riley filed its Application without providing Spur with critical information regarding the proposed wells,

including the proposed depth of the wells or the exact footage locations. *See id.* at ¶ 9. Spur finally received Riley's belated well proposal on December 14, 2023. *See id.* at ¶ 10. In accordance with Order Nos. R-13155 and R-13165, these deficiencies alone necessitate the dismissal of Riley's Application.

Riley's Application is also deficient in other significant aspects. For example, the Application fails to identify a proximity tract well that would allow Riley to form a 400-acre spacing unit. As set out in the Application, there will be two sets of wells: one set of wells drilled from a surface hole location in the NE/4 NE/4 of Section 9 to a bottom hole location in the NW/4 NW/4 of Section 11; and another set of wells drilled from a surface hole location in the NE/4 NE/4 of Section 9 to a bottom hole location in the SW/4 SW/4 of Section 11. Rule 19.15.16.15(B)(1)(b) NMAC allows an operator to include "quarter-quarter sections or equivalent tracts in the standard horizontal spacing unit that are located within 330 feet of the proposed horizontal oil well's completed interval." While it appears that Riley seeks to include the N/2 N/2 and S/2 N/2 of Sections 10 and 11 to create one 400-acre spacing unit, the application fails to identify a proximity defining well located within 330 feet of the quarter-quarter section line separating the N/2 N/2 and S/2 N/2 that would allow for the creation of the 400-acre unit.

Riley's failure to provide specific footage locations in a timely well proposal letter is made worse by its failure to identify a proximity defining well in its application. Receipt of this information at least thirty days before the filing of an application is critical because it allows the recipient to review and obtain further information from the proposing party prior to making an informed decision regarding participation in the wells. Further, Spur's inability to evaluate Riley's proposed unit has made it impossible to engage in good faith discussions with Riley about the competing application as required by NMSA 1978, Section 70-2-17(C).

Finally, Riley's application is deficient because it seeks to create an "overlapping" horizontal well spacing unit but entirely fails to identify the existing affected wells. Rule 9.15.16.14(B)(9) NMAC provides that "a well that will have a completed interval partially in an existing well's spacing unit, and in the same pool or formation, may be drilled *only with the approval of, or, ...after notice to all operators and working interests owners or record.*" See NMAC 9.15.16.14(B)(9). Without receiving a timely well proposal containing the exact footages and depth of the wells, as required by Order No. 13165, as well as information regarding the existing wells, it is impossible for Spur to assess the application so that good faith negotiations can proceed or to prepare for a contested hearing.

IV. CONCLUSION

For the foregoing reasons, Riley's Application should be dismissed.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy _____

Dana S. Hardy

Jaclyn McLean

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com

jmclean@hinklelawfirm.com

Counsel for Spur Energy Partners LLC

CERTIFICATE OF SERVICE

I hereby certify that on December 15, 2023, I served a true and correct copy of the foregoing pleading on the following counsel of record by electronic mail:

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Attorneys for Riley Permian Operating Company, LLC

/s/ Dana S. Hardy
Dana S. Hardy

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
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**APPLICATION OF RILEY PERMIAN
OPERATING COMPANY, LLC FOR A
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CASE NO. 24093

**SELF-AFFIRMED STATEMENT
OF LANCE YOUNG**

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

2. I am familiar with the matters involved in the above-referenced case.

3. Spur filed an application for compulsory pooling (Case No 23872), on September 26, 2023.

4. In Case No. 23872, Spur has applied for an order pooling all uncommitted interests in the Yeo formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the N/2 of Section 10, Township 18 South, Range 27 East, Eddy County, New Mexico.

5. Prior to filing its application in Case No. 23872, Spur submitted well proposals to all working interest owners, including Riley, on August 31, 2023. *See* 8/31/23 Letter from L. Young to Riley Exploration Permian, Inc. (Exhibit 1).

6. Case No. 23872 was initially set for a hearing on the Division’s November 2, 2023

EXHIBIT A

hearing docket. On October 30, 2023, Riley entered its appearance and objected to presentation of the case by affidavit. As a result, the Division held a status conference on November 2nd and a contested hearing was set for January 18, 2024.

7. Riley filed its Application in this matter on December 5, 2023, seeking to pool all uncommitted interests in the Yeso formation within a 400-acre overlapping spacing unit that underlies the N/2 of Section 10 and the W/2 NW/4 of Section 11, Township 18 South, Range 27 East, in Eddy County. Riley’s Application does not identify the overlapping spacing units.

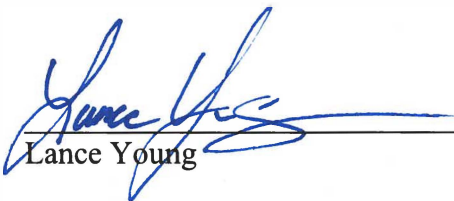
8. Riley’s Application competes with Spur’s Application because both parties seek to develop the N/2 of Section 10, Township 18 South, Range 27 East, Eddy County, New Mexico.

9. At no time prior to filing its Application did Riley send working interest owners, including Spur, a well proposal or Authorizations for Expenditure (“AFEs”).

10. Rather, Riley waited until December 14, 2023 to belatedly provide Spur with well proposals and AFEs. See 12/14/23 Letter from M. Smith to Spur (Exhibit 2). The letter incorrectly states that if Spur does not respond within 30 days, Riley *may* apply for compulsory pooling.

11. Riley has also failed to provide Spur a proposed Joint Operating Agreement (“JOA”) for its proposed horizontal spacing unit.

12. Riley has not engaged in good faith efforts to reach a voluntary agreement with Spur regarding the acreage.


Lance Young

12/14/2023
Date



August 31, 2023

Riley Exploration Permian, Inc.
Attn: Mark Smith
29 E. Reno Ave., Ste 500
Oklahoma City, OK 73104

RE: Well Proposal
Red Skies 10 Federal Com 10H, 50H, 11H, 51H, 12H
N/2 Section 10, T18S-R27E
Eddy County, New Mexico

Dear Working Interest Owner,

Spur Energy Partners, LLC ("SPUR"), an affiliate of SEP Permian Holding Corp. ("SEP"), hereby proposes to drill and complete the **Red Skies 10 Federal Com 10H, 50H, 11H, 51H, 12H** wells to the approximate total vertical depths as referenced below as horizontal Yeso wells (the "Subject Wells") at the following proposed locations (subject to change upon staking and survey).

- Red Skies 10 Federal Com 10H – Horizontal Yeso Well, Eddy County, NM**

 - Proposed Surface Hole Location – 1,295' FNL & 1,000' FWL, Section 11, T18S-R27E
 - Proposed Bottom Hole Location – 330' FNL & 50' FWL, Section 10, T18S-R27E
 - TVD: ~3,595'

- Red Skies 10 Federal Com 50H – Horizontal Yeso Well, Eddy County, NM**

 - Proposed Surface Hole Location – 1,315' FNL & 1,000' FWL, Section 11, T18S-R27E
 - Proposed Bottom Hole Location – 515' FNL & 50' FWL, Section 10, T18S-R27E
 - TVD: ~4,015'

- Red Skies 10 Federal Com 11H – Horizontal Yeso Well, Eddy County, NM**

 - Proposed Surface Hole Location – 1,335' FNL & 1,000' FWL, Section 11, T18S-R27E
 - Proposed Bottom Hole Location – 1,355' FNL & 50' FWL, Section 10, T18S-R27E
 - TVD: ~3,665'

- Red Skies 10 Federal Com 51H – Horizontal Yeso Well, Eddy County, NM**

 - Proposed Surface Hole Location – 1,355' FNL & 1,000' FWL, Section 11, T18S-R27E
 - Proposed Bottom Hole Location – 1,540' FNL & 50' FWL, Section 10, T18S-R27E
 - TVD: ~4,125'

- Red Skies 10 Federal Com 12H – Horizontal Yeso Well, Eddy County, NM**

 - Proposed Surface Hole Location – 1,375' FNL & 1,000' FWL, Section 11, T18S-R27E
 - Proposed Bottom Hole Location – 2,275' FNL & 50' FWL, Section 10, T18S-R27E
 - TVD: ~3,725'

EXHIBIT 1



SPUR proposes to form a Drilling Spacing Unit (“DSU”) covering the N/2 Section 10, T18S-R27E, Eddy County, New Mexico, containing 320 acres of land, more or less, from the top of the Yeso formation to the base of the Yeso formation. Portions of these lands are likely governed by existing Joint Operating Agreements (“JOAs”) which also cover the Yeso formation and which govern operations for vertical wells. For the mutually exclusive development of horizontal wells, and any concept wells (i.e. micro seismic wells, pilot hole wells) within the DSU, SPUR proposes creating a new joint operating agreement dated September 1, 2023, (“NJOA”) to govern proposals and operations within the DSU. The NJOA shall supersede any existing operations under any JOAs, expressly limited however, to horizontal well development and operations within the DSU. The NJOA has the following general provisions:

- Effective Date of September 1, 2023
- Contract Area consisting of N/2 Section 10-T19S-R25E
- Limited in depth from the top of the Yeso to the base of the Yeso formation
- 100%/300%/300% non-consenting penalty
- \$8,000/\$800 drilling and producing monthly overhead rate
- Spur Energy Partners LLC named as Operator

The enclosed AFEs reflect the total estimated drilling and completion costs for each well. 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, whether more or less than those shown on the enclosed AFEs.

SPUR respectfully requests that you select one of the following four options with regard to your interest in the proposed wells:

Option 1: Participate in the drilling and completion of the proposed well and agree to enter into the NJOA with the terms specified above.

Option 2: Not participate in the proposed well (an election of “Non-Consent”)

Option 3 – Term Assignment Option: Assign your working interest in the N2 Section 10-T18S-R27E, exclusive of existing wellbores, to SEP through a term assignment with a primary term of three (3) years and a bonus consideration of \$750 per net acre, delivering a full net revenue interest (limited to the Yeso formation).

Option 4 – Assignment Option: Assign your working interest in the N2 Section 10-T18S-R27E, exclusive of existing wellbores, to SEP for a bonus consideration of \$1,000 per net acre, delivering a full net revenue interest (all rights owned).

Should you elect Option 1 or Option 2, SPUR will send the NJOA for your review and execution. If you prefer to review the NJOA prior to making an election, please request a copy by email and SPUR will supply you the NJOA. In the event you elect to assign your minerals under the terms outlined above in either the Option 3 – Term Assignment Option or Option 4 – Assignment Option, please indicate this by signing the enclosed Assignment Election page and returning an executed W-9. Upon receipt, SPUR will submit an Assignment to you for your review and execution.



SPUR looks forward to working with you on this matter. However, if an agreement cannot be reached within 30 days of the receipt date of this proposal, please be advised SPUR may apply to the New Mexico Oil Conservation Division for Compulsory Pooling of any uncommitted interest owners into a spacing unit for the proposed wells.

Please indicate your elections as to the Subject Wells in the spaces provided below and execute and return a 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 30 days of receipt of this proposal. Should you have any questions regarding this proposal, please contact Murphy Lauck at 832-982-1087 or mulauck@spurenergy.com or the undersigned via email at lyoung@spurenergy.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lance Young", written over a white rectangular background.

Lance Young, RPL
Sr. Landman
(405) 642-9097

Enclosures

Exhibit "A"
AFEs



Red Skies 10 Federal Com 10H

WI Owner: Riley Exploration Permian, Inc.
WI Percent: 43.75%

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Red Skies 10 Federal Com 10H well and agrees to the formation of the DSU and to the terms of the NJOA as detailed in this proposal, with the cost and maintenance of all surface facilities, including any shared well pads, being reapportioned between each well drilled in the DSU.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Red Skies 10 Federal Com 10H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide SPUR with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Spur Energy Partners.*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company/Individual: _____

By: _____

Name: _____

Title: _____



Red Skies 10 Federal Com 50H

WI Owner: Riley Exploration Permian, Inc.
WI Percent: 43.75%

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Red Skies 10 Federal Com 50H well and agrees to the formation of the DSU and to the terms of the NJOA as detailed in this proposal, with the cost and maintenance of all surface facilities, including any shared well pads, being reapportioned between each well drilled in the DSU.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Red Skies 10 Federal Com 50H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide SPUR with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Spur Energy Partners.*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company/Individual: _____

By: _____

Name: _____

Title: _____



Red Skies 10 Federal Com 11H

WI Owner: Riley Exploration Permian, Inc.
WI Percent: 43.75%

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Red Skies 10 Federal Com 11H well and agrees to the formation of the DSU and to the terms of the NJOA as detailed in this proposal, with the cost and maintenance of all surface facilities, including any shared well pads, being reapportioned between each well drilled in the DSU.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Red Skies 10 Federal Com 11H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide SPUR with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Spur Energy Partners.*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company/Individual: _____

By: _____

Name: _____

Title: _____



Red Skies 10 Federal Com 51H

WI Owner: Riley Exploration Permian, Inc.

WI Percent: 43.75%

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Red Skies 10 Federal Com 51H well and agrees to the formation of the DSU and to the terms of the NJOA as detailed in this proposal, with the cost and maintenance of all surface facilities, including any shared well pads, being reapportioned between each well drilled in the DSU.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Red Skies 10 Federal Com 51H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide SPUR with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Spur Energy Partners.*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company/Individual: _____

By: _____

Name: _____

Title: _____



Red Skies 10 Federal Com 12H

WI Owner: Riley Exploration Permian, Inc.

WI Percent: 43.75%

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Red Skies 10 Federal Com 12H well and agrees to the formation of the DSU and to the terms of the NJOA as detailed in this proposal, with the cost and maintenance of all surface facilities, including any shared well pads, being reapportioned between each well drilled in the DSU.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Red Skies 10 Federal Com 12H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide SPUR with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Spur Energy Partners.*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company/Individual: _____

By: _____

Name: _____

Title: _____



Term Assignment Option

_____ The undersigned hereby elects to assign their working interest in the N/2 of Section 10, T18S-R27E, exclusive of existing wellbores, to SEP through a term assignment with a primary term of three (3) years and a bonus consideration of \$750 per net acre, delivering a full net revenue interest (limited to the Yeso formation).

Assignment Option

_____ The undersigned hereby elects to assign their working interest in the N/2 of Section 10, T18S-R27E, exclusive of existing wellbores, to SEP for a bonus consideration of \$1,000 per net acre, delivering a full net revenue interest (all rights owned).

Agreed to and Accepted this _____ day of _____, 2023.

Company/Individual: _____

By: _____

Name: _____

Title: _____



December 14, 2023

Spur Energy Partners LLC
Attn: Mark Hicks
9655 Katy Freeway, Suite 500
Houston, TX 77024

RE: Well Proposal
Walter 182710111 11H, 13H, 15H, 22H, & 24H
N/2 of Section 10, T18S-R27E & W/2 NW/4 of Section 11, T18S-R27E
Eddy County, New Mexico

Dear Working Interest Owner:

Riley Exploration Permian, Inc. ("Riley"), hereby proposes to drill and complete the Walter 182710111 11H, 13H, 15H, 22H, and 24H wells to the approximate total vertical depths as referenced below as horizontal Yeso wells (the "Subject Wells") at the following proposed locations (subject to change upon staking and survey).

Walter 182710111 11H – Horizontal Yeso Well, Eddy County, NM

Proposed Surface Hole Location – 296' FNL & 609' FEL, Section 9, T18S-R27E
Proposed Bottom Hole Location – 330' FNL & 1310' FWL, Section 11, T18S-R27E
TVD: 3,600'

Walter 182710111 13H – Horizontal Yeso Well, Eddy County, NM

Proposed Surface Hole Location – 1010' FNL & 748' FEL, Section 9, T18S-R27E
Proposed Bottom Hole Location – 990' FNL & 1310' FWL, Section 11, T18S-R27E
TVD: 3,600'

Walter 182710111 15H – Horizontal Yeso Well, Eddy County, NM

Proposed Surface Hole Location – 1100' FNL & 747' FEL, Section 9, T18S-R27E
Proposed Bottom Hole Location – 1650' FNL & 1310' FWL, Section 11, T18S-R27E
TVD: 3,600'

Walter 182710111 22H – Horizontal Yeso Well, Eddy County, NM

Proposed Surface Hole Location – 326' FNL & 609' FEL, Section 9, T18S-R27E
Proposed Bottom Hole Location – 660' FNL & 1310' FWL, Section 11, T18S-R27E
TVD: 3,600'

Walter 182710111 24H – Horizontal Yeso Well, Eddy County, NM

Proposed Surface Hole Location – 1040' FNL & 747' FEL, Section 9, T18S-R27E
Proposed Bottom Hole Location – 1320' FNL & 1310' FWL, Section 11, T18S-R27E
TVD: 3,600'

29 E. Reno Ave. Suite 500 * Oklahoma City, Oklahoma 73104 * Phone (405) 415-8699

The enclosed AFEs reflect the total estimated drilling and completion costs for each well. 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, whether more or less than those shown on the enclosed AFEs.

Riley respectfully requests that you select one of the following four options with regard to your interest in the proposed wells:

Option 1: Participate in the drilling and completion of the proposed wells

Option 2: Not participate in the proposed wells (an election of "Non-Consent")

Option 3: Term Assignment Option – Assign your working interest in the N/2 of Section 10-T18S-R27E & W/2 NW/4 of Section 11-18S-27E, exclusive of existing wellbores, to Riley through a term assignment with a primary term of three (3) years and a bonus consideration of \$750 per net acre, delivering a full net revenue interest (limited to the Yeso formation).

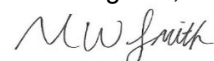
Option 4: Assignment Option – Assign your working interest in the N/2 of Section 10-T18S-R27E & W/2 NW/4 of Section 11-18S-27E, exclusive of existing wellbores, to Riley for a bonus consideration of \$1,000 per net acre, delivering a full net revenue interest (all rights owned).

Should you elect to assign your minerals under the terms outlined above in either the Option 3 – Term Assignment Option or Option 4 – Assignment Option, please indicate this by signing the enclosed Assignment Election page and returning an executed W-9. Upon receipt, Riley will submit an Assignment to you for your review and execution.

Riley looks forward to working with you on this matter. However, if an agreement cannot be reached within 30 days of the receipt date of this proposal, please be advised Riley may apply to the New Mexico Oil Conservation Division for Compulsory Pooling of any uncommitted interest owners into a spacing unit for the proposed wells.

Please indicate your elections as to the Subject Wells in the spaces provided below and execute and return a 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 30 days of receipt of this proposal. Should you have any questions regarding this proposal, please contact Mark Smith at 405-415-8925 or marksmith@rileypermian.com.

Best Regards,



Mark W. Smith
Sr. Landman

Walter 182710111 11H

WI Owner: Spur Energy Partners

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Walter 182710111 11H well.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Walter 182710111 11H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide Riley with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Riley*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company / Individual: _____

By: _____

Name: _____

Title: _____

Walter 182710111 13H

WI Owner: Spur Energy Partners

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Walter 182710111 13H well.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Walter 182710111 13H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide Riley with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Riley*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company / Individual: _____

By: _____

Name: _____

Title: _____

Walter 182710111 15H

WI Owner: Spur Energy Partners

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Walter 182710111 15H well.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Walter 182710111 15H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide Riley with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Riley*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company / Individual: _____

By: _____

Name: _____

Title: _____

Walter 182710111 22H

WI Owner: Spur Energy Partners

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Walter 182710111 22H well.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Walter 182710111 22H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide Riley with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Riley*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company / Individual: _____

By: _____

Name: _____

Title: _____

Walter 182710111 24H

WI Owner: Spur Energy Partners

_____ **Option 1)** *The undersigned elects to participate in the drilling and completion of the Walter 182710111 24H well.*

_____ **Option 2)** *The undersigned elects not to participate in the drilling and completion of the Walter 182710111 24H well.*

Should you elect to participate, please also indicate your Well Insurance election below. If you elect to obtain individual Well Insurance coverage, please provide Riley with a copy of your Certificate of Insurance.

Well Insurance:

_____ *The undersigned requests Well Insurance coverage provided by Riley*

_____ *The undersigned elects to obtain individual Well Insurance coverage.*

Agreed to and Accepted this _____ day of _____, 2023.

Company / Individual: _____

By: _____

Name: _____

Title: _____

Term Assignment Option

_____ The undersigned hereby elects to assign their working interest in the N/2 of Section 10-T18S-R27E & W/2 NW/4 of Section 11-T18S-R27E, exclusive of existing wellbores, to Riley through a term assignment with a primary term of three (3) years and a bonus consideration of \$750 per net acre, delivering a full net revenue interest (limited to the Yeso formation)

Assignment Option

_____ The undersigned hereby elects to assign their working interest in the N/2 of Section 10-T18S-R27E & W/2 NW/4 of Section 11-T18S-R27E, exclusive of existing wellbores, to Riley for a bonus consideration of \$1,000 per net acre, delivering a full net revenue interest (all rights owned).

Agreed to and Accepted this _____ day of _____, 2023.

Company / Individual: _____

By: _____

Name: _____

Title: _____



AUTHORITY FOR EXPENDITURE

OPERATOR Riley Permian Operating Company			AFE NO.	DATE 12/8/2023
WELL NAME & NUMBER Walter 182710111 11H		PROPOSED TVD 3,600	PROPOSED MEASURED DEPTH 10,250	FIELD/PROSPECT Red Lake
COUNTY Eddy	STATE NM	COMPLETED LATERAL 6,250		PROPOSED FORMATION Yeso
LOCATION		CLASSIFICATION Development	Surface LAT: Surface LONG:	

DESCRIPTION	DRILLING		COMPLETION		FACILITIES		TOTAL
	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Permits & Surveys	850.010	\$ 25,000	855.010	\$ -	825.010	\$ -	\$ 25,000
Drilling Title Opinion	850.020	\$ 65,000					\$ 65,000
Location, Roads, & Pits	850.030	\$ 125,000	855.030	\$ -	825.030	\$ 10,000	\$ 135,000
Insurance & Bonds	850.040	\$ 4,000	855.040	\$ -			\$ 4,000
Rig Mobilization	850.050	\$ 85,000	855.050	\$ -			\$ 85,000
Dayrate Drilling Rig 13 days @ \$ 20,000 /day	850.060	\$ 260,000	855.060	\$ -			\$ 260,000
Footage Drilling 10000 feet @ /ft	850.070	\$ -					\$ -
Turnkey Drilling	850.080	\$ -					\$ -
Bits	850.090	\$ 34,500					\$ 34,500
Directional Services	850.095	\$ 155,000					\$ 155,000
Mud & Chemicals	850.100	\$ 35,000					\$ 35,000
Solids Control Services	850.105	\$ 45,000					\$ 45,000
Coil Tbg/Snubbing			855.110	\$ -			\$ -
Fuel 1400 gal/day @ \$ 3.50 /day	850.111	\$ 63,700	855.111	\$ 153,000			\$ 216,700
Water - Fresh	850.120	\$ 10,000	855.120	\$ 241,800	825.120	\$ 2,000	\$ 253,800
Kill Weight Fluids	850.125	\$ 25,000	855.125	\$ 2,000			\$ 27,000
Cementing Svcs Surf \$ 16,000 Int \$ 14,000 Prod Csg \$ 80,000	850.130	\$ 110,000					\$ 110,000
Casing Hardware Surf \$ 2,500 Int \$ 2,500 Prod \$ 35,000	850.135	\$ 40,000					\$ 40,000
Open Hole Logs	850.140	\$ -					\$ -
Completion Fluids			855.140	\$ 269,000			\$ 269,000
Mud Logging	850.150	\$ 13,400					\$ 13,400
Coring	850.160	\$ -					\$ -
Surface Equip Rentals	850.180	\$ 29,700	855.180	\$ 157,000	825.180	\$ 12,000	\$ 198,700
Downhole Equip Rentals	850.185	\$ 30,000	855.185	\$ 75,000			\$ 105,000
Transportation	850.190	\$ 20,000	855.190	\$ 20,000	825.190	\$ 20,000	\$ 60,000
Living Quarters	850.200	\$ 50,000	855.200	\$ 2,500			\$ 52,500
Safety	850.205	\$ -					\$ -
Contract Services	850.210	\$ 43,000	855.210	\$ 187,000	825.210	\$ 55,000	\$ 285,000
Tubular Inspections	850.215	\$ 13,000	855.215	\$ 8,000			\$ 21,000
Consulting Engineer	850.220	\$ 35,300					\$ 35,300
On-Site Supervision	850.225	\$ 57,600	855.225	\$ 54,000	825.225	\$ -	\$ 111,600
Consulting Geologist	850.230	\$ -					\$ -
Company Labor	850.245	\$ 5,000	855.245	\$ 8,000	825.245	\$ 5,000	\$ 18,000
Plug & Abandonment	850.270	\$ -					\$ -
Surface Damages	850.280	\$ 38,000	855.280	\$ -	825.280	\$ -	\$ 38,000
Fluid Haul & Disposal	850.290	\$ 75,000	855.290	\$ 25,000	825.290	\$ 3,000	\$ 103,000
Water Transfer Services	850.291	\$ -	855.291	\$ 86,000			\$ 86,000
Overhead	850.300	\$ 2,300	855.300	\$ 5,400	825.300	\$ 8,100	\$ 15,800
Completion Unit			855.310	\$ 132,000			\$ 132,000
Plugs, Perfs & Cased Hole Wireline			855.325	\$ 188,000			\$ 188,000
Acidizing			855.340	\$ 9,500			\$ 9,500
Fracturing 200 Stage Spacing 31 Stages			855.350	\$ 1,203,000			\$ 1,203,000
EHS & Regulatory	850.700	\$ -	855.700	\$ -			\$ -
Spills & Environmental Response	850.701	\$ -	855.701	\$ -			\$ -
Safety	850.702	\$ -	855.702	\$ 8,000			\$ 8,000
Regulatory	850.703	\$ -	855.703	\$ -			\$ -
Environmental Compliance	850.704	\$ -	855.704	\$ -			\$ -
TOTAL INTANGIBLES				\$ 2,826,200	\$ 115,100		\$ 4,435,800

DESCRIPTION	SIZE	WEIGHT	GRADE	Cost/Ft.	LENGTH	DRILLING		COMPLETION		FACILITIES		TOTAL
						ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Conductor Pipe	16				90	860.010	\$ 25,000					\$ 25,000
Surface Casing	13 3/8	48.0	J-55	79.00	375	860.020	\$ 30,000					\$ 30,000
Intermediate Casing	9 5/8	36.0	J-55	61.00	1,230	860.030	\$ 75,000					\$ 75,000
Production Casing -top string	7	32.0	L-80	50.00	3,200	860.040	\$ 160,000					\$ 160,000
Production Casing -bottom string	5 1/2	20.0	L-80	37.00	6,970	860.041	\$ 258,000					\$ 258,000
Casing Head Spools						860.050	\$ 5,000					\$ 5,000
Liners & Hangers						860.060	\$ -					\$ -
Production Tubing	2 7/8	6.5	L-80	10.20	3,000			865.120	\$ 31,000			\$ 31,000
Other Wellhead Equipment						860.070	\$ -	865.070	\$ -			\$ -
Flowline & Connectors								865.250	\$ 20,000			\$ 20,000
Production Wellhead								865.100	\$ 24,000			\$ 24,000
Tubing Head						860.130	\$ 28,000					\$ 28,000
Artificial Lift -Surface & Downhole Equipment								865.155	\$ 145,000			\$ 145,000
Non-controllable (Well)						860.080	\$ -					\$ -
Miscellaneous Equipment						860.090	\$ 2,000	865.090	\$ -	826.090	\$ -	\$ 2,000
Tanks, Stairs, & Walkways										826.150	\$ 109,000	\$ 109,000
Production Facility (pipes, valves, other misc. equipt)										826.200	\$ 210,000	\$ 210,000
Separators, Heater Treaters, FWKO, Flare, & Combustor										826.210	\$ 128,000	\$ 128,000
Meters & Meter Runs										826.240	\$ 65,000	\$ 65,000
Electrical & SCADA Automation								865.270	\$ 50,000	826.270	\$ 65,000	\$ 115,000
TOTAL TANGIBLES						\$ 583,000		\$ 270,000		\$ 577,000		\$ 1,430,000

prepared by: <i>Monnie DeHart</i>	TOTAL WELL COST	\$ 2,077,500	\$ 3,096,200	\$ 692,100	\$ 5,865,800
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PARTNER COMPANY:	NAME / TITLE	DATE	APPROVED BY	APPROVED BY
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AUTHORITY FOR EXPENDITURE

OPERATOR Riley Permian Operating Company			AFE NO.	DATE 12/8/2023
WELL NAME & NUMBER Walter 182710111 13H		PROPOSED TVD 3,600	PROPOSED MEASURED DEPTH 10,250	FIELD/PROSPECT Red Lake
COUNTY Eddy	STATE NM	COMPLETED LATERAL 6,250		PROPOSED FORMATION Yeso
LOCATION		CLASSIFICATION Development	Surface LAT: Surface LONG:	

DESCRIPTION	INTANGIBLES		DRILLING		COMPLETION		FACILITIES		TOTAL
	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Permits & Surveys	850.010	\$ 25,000	855.010	\$ -	825.010	\$ -		\$ 25,000	
Drilling Title Opinion	850.020	\$ 65,000						\$ 65,000	
Location, Roads, & Pits	850.030	\$ 125,000	855.030	\$ -	825.030	\$ 10,000		\$ 135,000	
Insurance & Bonds	850.040	\$ 4,000	855.040	\$ -				\$ 4,000	
Rig Mobilization	850.050	\$ 85,000	855.050	\$ -				\$ 85,000	
Dayrate Drilling Rig	13 days @ \$ 20,000 /day	850.060	\$ 260,000	855.060	\$ -			\$ 260,000	
Footage Drilling	10000 feet @ /ft	850.070	\$ -					\$ -	
Turnkey Drilling		850.080	\$ -					\$ -	
Bits		850.090	\$ 34,500					\$ 34,500	
Directional Services		850.095	\$ 155,000					\$ 155,000	
Mud & Chemicals		850.100	\$ 35,000					\$ 35,000	
Solids Control Services		850.105	\$ 45,000					\$ 45,000	
Coil Tbg/Snubbing				855.110	\$ -			\$ -	
Fuel	1400 gal/day @ \$ 3.50 /day	850.111	\$ 63,700	855.111	\$ 153,000			\$ 216,700	
Water - Fresh		850.120	\$ 10,000	855.120	\$ 241,800	825.120	\$ 2,000	\$ 253,800	
Kill Weight Fluids		850.125	\$ 25,000	855.125	\$ 2,000			\$ 27,000	
Cementing Svcs	Surf \$ 16,000 Int \$ 14,000 Prod Csg \$ 80,000	850.130	\$ 110,000					\$ 110,000	
Casing Hardware	Surf \$ 2,500 Int \$ 2,500 Prod \$ 35,000	850.135	\$ 40,000					\$ 40,000	
Open Hole Logs		850.140	\$ -					\$ -	
Completion Fluids				855.140	\$ 269,000			\$ 269,000	
Mud Logging		850.150	\$ 13,400					\$ 13,400	
Coring		850.160	\$ -					\$ -	
Surface Equip Rentals		850.180	\$ 29,700	855.180	\$ 157,000	825.180	\$ 12,000	\$ 198,700	
Downhole Equip Rentals		850.185	\$ 30,000	855.185	\$ 75,000			\$ 105,000	
Transportation		850.190	\$ 20,000	855.190	\$ 20,000	825.190	\$ 20,000	\$ 60,000	
Living Quarters		850.200	\$ 50,000	855.200	\$ 2,500			\$ 52,500	
Safety		850.205	\$ -					\$ -	
Contract Services		850.210	\$ 43,000	855.210	\$ 187,000	825.210	\$ 55,000	\$ 285,000	
Tubular Inspections		850.215	\$ 13,000	855.215	\$ 8,000			\$ 21,000	
Consulting Engineer		850.220	\$ 35,300					\$ 35,300	
On-Site Supervision		850.225	\$ 57,600	855.225	\$ 54,000	825.225	\$ -	\$ 111,600	
Consulting Geologist		850.230	\$ -					\$ -	
Company Labor		850.245	\$ 5,000	855.245	\$ 8,000	825.245	\$ 5,000	\$ 18,000	
Plug & Abandonment		850.270	\$ -					\$ -	
Surface Damages		850.280	\$ 38,000	855.280	\$ -	825.280	\$ -	\$ 38,000	
Fluid Haul & Disposal		850.290	\$ 75,000	855.290	\$ 25,000	825.290	\$ 3,000	\$ 103,000	
Water Transfer Services		850.291	\$ -	855.291	\$ 86,000			\$ 86,000	
Overhead		850.300	\$ 2,300	855.300	\$ 5,400	825.300	\$ 8,100	\$ 15,800	
Completion Unit				855.310	\$ 132,000			\$ 132,000	
Plugs, Perfs & Cased Hole Wireline				855.325	\$ 188,000			\$ 188,000	
Acidizing				855.340	\$ 9,500			\$ 9,500	
Fracturing	200 Stage Spacing 31 Stages			855.350	\$ 1,203,000			\$ 1,203,000	
EHS & Regulatory		850.700	\$ -	855.700	\$ -			\$ -	
Spills & Environmental Response		850.701	\$ -	855.701	\$ -			\$ -	
Safety		850.702	\$ -	855.702	\$ 8,000			\$ 8,000	
Regulatory		850.703	\$ -	855.703	\$ -			\$ -	
Environmental Compliance		850.704	\$ -	855.704	\$ -			\$ -	
TOTAL INTANGIBLES			\$ 1,494,500	\$ 2,826,200		\$ 115,100	\$ 4,435,800		

DESCRIPTION	TANGIBLES					DRILLING		COMPLETION		FACILITIES		TOTAL
	SIZE	WEIGHT	GRADE	Cost/Ft.	LENGTH	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Conductor Pipe	16				90	860.010	\$ 25,000					\$ 25,000
Surface Casing	13 3/8	48.0	J-55	79.00	375	860.020	\$ 30,000					\$ 30,000
Intermediate Casing	9 5/8	36.0	J-55	61.00	1,230	860.030	\$ 75,000					\$ 75,000
Production Casing -top string	7	32.0	L-80	50.00	3,200	860.040	\$ 160,000					\$ 160,000
Production Casing -bottom string	5 1/2	20.0	L-80	37.00	6,970	860.041	\$ 258,000					\$ 258,000
Casing Head Spools						860.050	\$ 5,000					\$ 5,000
Liners & Hangers						860.060	\$ -					\$ -
Production Tubing	2 7/8	6.5	L-80	10.20	3,000			865.120	\$ 31,000			\$ 31,000
Other Wellhead Equipment						860.070	\$ -	865.070	\$ -			\$ -
Flowline & Connectors								865.250	\$ 20,000			\$ 20,000
Production Wellhead								865.100	\$ 24,000			\$ 24,000
Tubing Head						860.130	\$ 28,000					\$ 28,000
Artificial Lift -Surface & Downhole Equipment								865.155	\$ 145,000			\$ 145,000
Non-controllable (Well)						860.080	\$ -					\$ -
Miscellaneous Equipment						860.090	\$ 2,000	865.090	\$ -	826.090	\$ -	\$ 2,000
Tanks, Stairs, & Walkways										826.150	\$ 109,000	\$ 109,000
Production Facility (pipes, valves, other misc. equipt)										826.200	\$ 210,000	\$ 210,000
Separators, Heater Treaters, FWKO, Flare, & Combustor										826.210	\$ 128,000	\$ 128,000
Meters & Meter Runs										826.240	\$ 65,000	\$ 65,000
Electrical & SCADA Automation								865.270	\$ 50,000	826.270	\$ 65,000	\$ 115,000
TOTAL TANGIBLES						\$ 583,000	\$ 270,000	\$ 577,000	\$ 1,430,000			

prepared by: <i>Monnie DeHart</i>	TOTAL WELL COST	\$ 2,077,500	\$ 3,096,200	\$ 692,100	\$ 5,865,800
PARTNER COMPANY:	NAME / TITLE	DATE	APPROVED BY	APPROVED BY	



AUTHORITY FOR EXPENDITURE

OPERATOR Riley Permian Operating Company			AFE NO.	DATE 12/8/2023
WELL NAME & NUMBER Walter 182710111 15H		PROPOSED TVD 3,600	PROPOSED MEASURED DEPTH 10,250	FIELD/PROSPECT Red Lake
COUNTY Eddy	STATE NM	COMPLETED LATERAL 6,250		PROPOSED FORMATION Yeso
LOCATION		CLASSIFICATION Development	Surface LAT: Surface LONG:	

DESCRIPTION	DRILLING		COMPLETION		FACILITIES		TOTAL
	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Permits & Surveys	850.010	\$ 25,000	855.010	\$ -	825.010	\$ -	\$ 25,000
Drilling Title Opinion	850.020	\$ 65,000					\$ 65,000
Location, Roads, & Pits	850.030	\$ 125,000	855.030	\$ -	825.030	\$ 10,000	\$ 135,000
Insurance & Bonds	850.040	\$ 4,000	855.040	\$ -			\$ 4,000
Rig Mobilization	850.050	\$ 85,000	855.050	\$ -			\$ 85,000
Dayrate Drilling Rig 13 days @ \$ 20,000 /day	850.060	\$ 260,000	855.060	\$ -			\$ 260,000
Footage Drilling 10000 feet @ /ft	850.070	\$ -					\$ -
Turnkey Drilling	850.080	\$ -					\$ -
Bits	850.090	\$ 34,500					\$ 34,500
Directional Services	850.095	\$ 155,000					\$ 155,000
Mud & Chemicals	850.100	\$ 35,000					\$ 35,000
Solids Control Services	850.105	\$ 45,000					\$ 45,000
Coil Tbg/Snubbing			855.110	\$ -			\$ -
Fuel 1400 gal/day @ \$ 3.50 /day	850.111	\$ 63,700	855.111	\$ 153,000			\$ 216,700
Water - Fresh	850.120	\$ 10,000	855.120	\$ 241,800	825.120	\$ 2,000	\$ 253,800
Kill Weight Fluids	850.125	\$ 25,000	855.125	\$ 2,000			\$ 27,000
Cementing Svcs Surf \$ 16,000 Int \$ 14,000 Prod Csg \$ 80,000	850.130	\$ 110,000					\$ 110,000
Casing Hardware Surf \$ 2,500 Int \$ 2,500 Prod \$ 35,000	850.135	\$ 40,000					\$ 40,000
Open Hole Logs	850.140	\$ -					\$ -
Completion Fluids			855.140	\$ 269,000			\$ 269,000
Mud Logging	850.150	\$ 13,400					\$ 13,400
Coring	850.160	\$ -					\$ -
Surface Equip Rentals	850.180	\$ 29,700	855.180	\$ 157,000	825.180	\$ 12,000	\$ 198,700
Downhole Equip Rentals	850.185	\$ 30,000	855.185	\$ 75,000			\$ 105,000
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Living Quarters	850.200	\$ 50,000	855.200	\$ 2,500			\$ 52,500
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On-Site Supervision	850.225	\$ 57,600	855.225	\$ 54,000	825.225	\$ -	\$ 111,600
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Plug & Abandonment	850.270	\$ -					\$ -
Surface Damages	850.280	\$ 38,000	855.280	\$ -	825.280	\$ -	\$ 38,000
Fluid Haul & Disposal	850.290	\$ 75,000	855.290	\$ 25,000	825.290	\$ 3,000	\$ 103,000
Water Transfer Services	850.291	\$ -	855.291	\$ 86,000			\$ 86,000
Overhead	850.300	\$ 2,300	855.300	\$ 5,400	825.300	\$ 8,100	\$ 15,800
Completion Unit			855.310	\$ 132,000			\$ 132,000
Plugs, Perfs & Cased Hole Wireline			855.325	\$ 188,000			\$ 188,000
Acidizing			855.340	\$ 9,500			\$ 9,500
Fracturing 200 Stage Spacing 31 Stages			855.350	\$ 1,203,000			\$ 1,203,000
EHS & Regulatory	850.700	\$ -	855.700	\$ -			\$ -
Spills & Environmental Response	850.701	\$ -	855.701	\$ -			\$ -
Safety	850.702	\$ -	855.702	\$ 8,000			\$ 8,000
Regulatory	850.703	\$ -	855.703	\$ -			\$ -
Environmental Compliance	850.704	\$ -	855.704	\$ -			\$ -
TOTAL INTANGIBLES		\$ 1,494,500		\$ 2,826,200		\$ 115,100	\$ 4,435,800

DESCRIPTION	TANGIBLES					DRILLING		COMPLETION		FACILITIES		TOTAL
	SIZE	WEIGHT	GRADE	Cost/Ft.	LENGTH	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
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Surface Casing	13 3/8	48.0	J-55	79.00	375	860.020	\$ 30,000					\$ 30,000
Intermediate Casing	9 5/8	36.0	J-55	61.00	1,230	860.030	\$ 75,000					\$ 75,000
Production Casing -top string	7	32.0	L-80	50.00	3,200	860.040	\$ 160,000					\$ 160,000
Production Casing -bottom string	5 1/2	20.0	L-80	37.00	6,970	860.041	\$ 258,000					\$ 258,000
Casing Head Spools						860.050	\$ 5,000					\$ 5,000
Liners & Hangers						860.060	\$ -					\$ -
Production Tubing	2 7/8	6.5	L-80	10.20	3,000			865.120	\$ 31,000			\$ 31,000
Other Wellhead Equipment						860.070	\$ -	865.070	\$ -			\$ -
Flowline & Connectors								865.250	\$ 20,000			\$ 20,000
Production Wellhead								865.100	\$ 24,000			\$ 24,000
Tubing Head						860.130	\$ 28,000					\$ 28,000
Artificial Lift -Surface & Downhole Equipment								865.155	\$ 145,000			\$ 145,000
Non-controllable (Well)						860.080	\$ -					\$ -
Miscellaneous Equipment						860.090	\$ 2,000	865.090	\$ -	826.090	\$ -	\$ 2,000
Tanks, Stairs, & Walkways										826.150	\$ 109,000	\$ 109,000
Production Facility (pipes, valves, other misc. equip)										826.200	\$ 210,000	\$ 210,000
Separators, Heater Treaters, FWKO, Flare, & Combustor										826.210	\$ 128,000	\$ 128,000
Meters & Meter Runs										826.240	\$ 65,000	\$ 65,000
Electrical & SCADA Automation								865.270	\$ 50,000	826.270	\$ 65,000	\$ 115,000
TOTAL TANGIBLES							\$ 583,000		\$ 270,000		\$ 577,000	\$ 1,430,000

prepared by: <i>Monnie DeHart</i>	TOTAL WELL COST	\$ 2,077,500		\$ 3,096,200		\$ 692,100	\$ 5,865,800
PARTNER COMPANY:	NAME / TITLE	DATE	APPROVED BY	APPROVED BY			



AUTHORITY FOR EXPENDITURE

OPERATOR Riley Permian Operating Company			AFE NO.	DATE 12/8/2023
WELL NAME & NUMBER Walter 182710111 22H		PROPOSED TVD 3,600	PROPOSED MEASURED DEPTH 10,250	FIELD/PROSPECT Red Lake
COUNTY Eddy	STATE NM	COMPLETED LATERAL 6,250		PROPOSED FORMATION Yeso
LOCATION		CLASSIFICATION Development	Surface LAT: Surface LONG:	

DESCRIPTION	DRILLING		COMPLETION		FACILITIES		TOTAL
	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Permits & Surveys	850.010	\$ 25,000	855.010	\$ -	825.010	\$ -	\$ 25,000
Drilling Title Opinion	850.020	\$ 65,000					\$ 65,000
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Footage Drilling 10000 feet @ /ft	850.070	\$ -					\$ -
Turnkey Drilling	850.080	\$ -					\$ -
Bits	850.090	\$ 34,500					\$ 34,500
Directional Services	850.095	\$ 155,000					\$ 155,000
Mud & Chemicals	850.100	\$ 35,000					\$ 35,000
Solids Control Services	850.105	\$ 45,000					\$ 45,000
Coil Tbg/Snubbing			855.110	\$ -			\$ -
Fuel 1400 gal/day @ \$ 3.50 /day	850.111	\$ 63,700	855.111	\$ 153,000			\$ 216,700
Water - Fresh	850.120	\$ 10,000	855.120	\$ 241,800	825.120	\$ 2,000	\$ 253,800
Kill Weight Fluids	850.125	\$ 25,000	855.125	\$ 2,000			\$ 27,000
Cementing Svcs Surf \$ 16,000 Int \$ 14,000 Prod Csg \$ 80,000	850.130	\$ 110,000					\$ 110,000
Casing Hardware Surf \$ 2,500 Int \$ 2,500 Prod \$ 35,000	850.135	\$ 40,000					\$ 40,000
Open Hole Logs	850.140	\$ -					\$ -
Completion Fluids			855.140	\$ 269,000			\$ 269,000
Mud Logging	850.150	\$ 13,400					\$ 13,400
Coring	850.160	\$ -					\$ -
Surface Equip Rentals	850.180	\$ 29,700	855.180	\$ 157,000	825.180	\$ 12,000	\$ 198,700
Downhole Equip Rentals	850.185	\$ 30,000	855.185	\$ 75,000			\$ 105,000
Transportation	850.190	\$ 20,000	855.190	\$ 20,000	825.190	\$ 20,000	\$ 60,000
Living Quarters	850.200	\$ 50,000	855.200	\$ 2,500			\$ 52,500
Safety	850.205	\$ -					\$ -
Contract Services	850.210	\$ 43,000	855.210	\$ 187,000	825.210	\$ 55,000	\$ 285,000
Tubular Inspections	850.215	\$ 13,000	855.215	\$ 8,000			\$ 21,000
Consulting Engineer	850.220	\$ 35,300					\$ 35,300
On-Site Supervision	850.225	\$ 57,600	855.225	\$ 54,000	825.225	\$ -	\$ 111,600
Consulting Geologist	850.230	\$ -					\$ -
Company Labor	850.245	\$ 5,000	855.245	\$ 8,000	825.245	\$ 5,000	\$ 18,000
Plug & Abandonment	850.270	\$ -					\$ -
Surface Damages	850.280	\$ 38,000	855.280	\$ -	825.280	\$ -	\$ 38,000
Fluid Haul & Disposal	850.290	\$ 75,000	855.290	\$ 25,000	825.290	\$ 3,000	\$ 103,000
Water Transfer Services	850.291	\$ -	855.291	\$ 86,000			\$ 86,000
Overhead	850.300	\$ 2,300	855.300	\$ 5,400	825.300	\$ 8,100	\$ 15,800
Completion Unit			855.310	\$ 132,000			\$ 132,000
Plugs, Perfs & Cased Hole Wireline			855.325	\$ 188,000			\$ 188,000
Acidizing			855.340	\$ 9,500			\$ 9,500
Fracturing 200 Stage Spacing 31 Stages			855.350	\$ 1,203,000			\$ 1,203,000
EHS & Regulatory	850.700	\$ -	855.700	\$ -			\$ -
Spills & Environmental Response	850.701	\$ -	855.701	\$ -			\$ -
Safety	850.702	\$ -	855.702	\$ 8,000			\$ 8,000
Regulatory	850.703	\$ -	855.703	\$ -			\$ -
Environmental Compliance	850.704	\$ -	855.704	\$ -			\$ -
TOTAL INTANGIBLES				\$ 2,826,200	\$ 115,100		\$ 4,435,800

DESCRIPTION	SIZE	WEIGHT	GRADE	Cost/Ft.	LENGTH	DRILLING		COMPLETION		FACILITIES		TOTAL
						ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Conductor Pipe	16				90	860.010	\$ 25,000					\$ 25,000
Surface Casing	13 3/8	48.0	J-55	79.00	375	860.020	\$ 30,000					\$ 30,000
Intermediate Casing	9 5/8	36.0	J-55	61.00	1,230	860.030	\$ 75,000					\$ 75,000
Production Casing -top string	7	32.0	L-80	50.00	3,200	860.040	\$ 160,000					\$ 160,000
Production Casing -bottom string	5 1/2	20.0	L-80	37.00	6,970	860.041	\$ 258,000					\$ 258,000
Casing Head Spools						860.050	\$ 5,000					\$ 5,000
Liners & Hangers						860.060	\$ -					\$ -
Production Tubing	2 7/8	6.5	L-80	10.20	3,000			865.120	\$ 31,000			\$ 31,000
Other Wellhead Equipment						860.070	\$ -	865.070	\$ -			\$ -
Flowline & Connectors								865.250	\$ 20,000			\$ 20,000
Production Wellhead								865.100	\$ 24,000			\$ 24,000
Tubing Head						860.130	\$ 28,000					\$ 28,000
Artificial Lift -Surface & Downhole Equipment								865.155	\$ 145,000			\$ 145,000
Non-controllable (Well)						860.080	\$ -					\$ -
Miscellaneous Equipment						860.090	\$ 2,000	865.090	\$ -	826.090	\$ -	\$ 2,000
Tanks, Stairs, & Walkways										826.150	\$ 109,000	\$ 109,000
Production Facility (pipes, valves, other misc. equipt)										826.200	\$ 210,000	\$ 210,000
Separators, Heater Treaters, FWKO, Flare, & Combustor										826.210	\$ 128,000	\$ 128,000
Meters & Meter Runs										826.240	\$ 65,000	\$ 65,000
Electrical & SCADA Automation								865.270	\$ 50,000	826.270	\$ 65,000	\$ 115,000
TOTAL TANGIBLES						\$ 583,000		\$ 270,000		\$ 577,000		\$ 1,430,000

prepared by: *Monnie DeHart* **TOTAL WELL COST** **\$ 2,077,500** **\$ 3,096,200** **\$ 692,100** **\$ 5,865,800**

PARTNER COMPANY: _____ NAME / TITLE _____ DATE _____ APPROVED BY _____ APPROVED BY _____



AUTHORITY FOR EXPENDITURE

OPERATOR Riley Permian Operating Company			AFE NO.	DATE 12/8/2023
WELL NAME & NUMBER Walter 182710111 24H		PROPOSED TVD 3,600	PROPOSED MEASURED DEPTH 10,250	FIELD/PROSPECT Red Lake
COUNTY Eddy	STATE NM	COMPLETED LATERAL 6,250		PROPOSED FORMATION Yeso
LOCATION		CLASSIFICATION Development	Surface LAT: Surface LONG:	

DESCRIPTION	INTANGIBLES		DRILLING		COMPLETION		FACILITIES		TOTAL
	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Permits & Surveys	850.010	\$ 25,000	855.010	\$ -	825.010	\$ -		\$ 25,000	
Drilling Title Opinion	850.020	\$ 65,000						\$ 65,000	
Location, Roads, & Pits	850.030	\$ 125,000	855.030	\$ -	825.030	\$ 10,000		\$ 135,000	
Insurance & Bonds	850.040	\$ 4,000	855.040	\$ -				\$ 4,000	
Rig Mobilization	850.050	\$ 85,000	855.050	\$ -				\$ 85,000	
Dayrate Drilling Rig 13 days @ \$ 20,000 /day	850.060	\$ 260,000	855.060	\$ -				\$ 260,000	
Footage Drilling 10000 feet @ /ft	850.070	\$ -						\$ -	
Turnkey Drilling	850.080	\$ -						\$ -	
Bits	850.090	\$ 34,500						\$ 34,500	
Directional Services	850.095	\$ 155,000						\$ 155,000	
Mud & Chemicals	850.100	\$ 35,000						\$ 35,000	
Solids Control Services	850.105	\$ 45,000						\$ 45,000	
Coil Tbg/Snubbing			855.110	\$ -				\$ -	
Fuel 1400 gal/day @ \$ 3.50 /day	850.111	\$ 63,700	855.111	\$ 153,000				\$ 216,700	
Water - Fresh	850.120	\$ 10,000	855.120	\$ 241,800	825.120	\$ 2,000		\$ 253,800	
Kill Weight Fluids	850.125	\$ 25,000	855.125	\$ 2,000				\$ 27,000	
Cementing Svcs Surf \$ 16,000 Int \$ 14,000 Prod Csg \$ 80,000	850.130	\$ 110,000						\$ 110,000	
Casing Hardware Surf \$ 2,500 Int \$ 2,500 Prod \$ 35,000	850.135	\$ 40,000						\$ 40,000	
Open Hole Logs	850.140	\$ -						\$ -	
Completion Fluids			855.140	\$ 269,000				\$ 269,000	
Mud Logging	850.150	\$ 13,400						\$ 13,400	
Coring	850.160	\$ -						\$ -	
Surface Equip Rentals	850.180	\$ 29,700	855.180	\$ 157,000	825.180	\$ 12,000		\$ 198,700	
Downhole Equip Rentals	850.185	\$ 30,000	855.185	\$ 75,000				\$ 105,000	
Transportation	850.190	\$ 20,000	855.190	\$ 20,000	825.190	\$ 20,000		\$ 60,000	
Living Quarters	850.200	\$ 50,000	855.200	\$ 2,500				\$ 52,500	
Safety	850.205	\$ -						\$ -	
Contract Services	850.210	\$ 43,000	855.210	\$ 187,000	825.210	\$ 55,000		\$ 285,000	
Tubular Inspections	850.215	\$ 13,000	855.215	\$ 8,000				\$ 21,000	
Consulting Engineer	850.220	\$ 35,300						\$ 35,300	
On-Site Supervision	850.225	\$ 57,600	855.225	\$ 54,000	825.225	\$ -		\$ 111,600	
Consulting Geologist	850.230	\$ -						\$ -	
Company Labor	850.245	\$ 5,000	855.245	\$ 8,000	825.245	\$ 5,000		\$ 18,000	
Plug & Abandonment	850.270	\$ -						\$ -	
Surface Damages	850.280	\$ 38,000	855.280	\$ -	825.280	\$ -		\$ 38,000	
Fluid Haul & Disposal	850.290	\$ 75,000	855.290	\$ 25,000	825.290	\$ 3,000		\$ 103,000	
Water Transfer Services	850.291	\$ -	855.291	\$ 86,000				\$ 86,000	
Overhead	850.300	\$ 2,300	855.300	\$ 5,400	825.300	\$ 8,100		\$ 15,800	
Completion Unit			855.310	\$ 132,000				\$ 132,000	
Plugs, Perfs & Cased Hole Wireline			855.325	\$ 188,000				\$ 188,000	
Acidizing			855.340	\$ 9,500				\$ 9,500	
Fracturing 200 Stage Spacing 31 Stages			855.350	\$ 1,203,000				\$ 1,203,000	
EHS & Regulatory	850.700	\$ -	855.700	\$ -				\$ -	
Spills & Environmental Response	850.701	\$ -	855.701	\$ -				\$ -	
Safety	850.702	\$ -	855.702	\$ 8,000				\$ 8,000	
Regulatory	850.703	\$ -	855.703	\$ -				\$ -	
Environmental Compliance	850.704	\$ -	855.704	\$ -				\$ -	
TOTAL INTANGIBLES				\$ 1,494,500		\$ 2,826,200		\$ 115,100	\$ 4,435,800

DESCRIPTION	TANGIBLES					DRILLING		COMPLETION		FACILITIES		TOTAL
	SIZE	WEIGHT	GRADE	Cost/Ft.	LENGTH	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	ACCOUNT	AMOUNT	
Conductor Pipe	16				90	860.010	\$ 25,000					\$ 25,000
Surface Casing	13 3/8	48.0	J-55	79.00	375	860.020	\$ 30,000					\$ 30,000
Intermediate Casing	9 5/8	36.0	J-55	61.00	1,230	860.030	\$ 75,000					\$ 75,000
Production Casing -top string	7	32.0	L-80	50.00	3,200	860.040	\$ 160,000					\$ 160,000
Production Casing -bottom string	5 1/2	20.0	L-80	37.00	6,970	860.041	\$ 258,000					\$ 258,000
Casing Head Spools						860.050	\$ 5,000					\$ 5,000
Liners & Hangers						860.060	\$ -					\$ -
Production Tubing	2 7/8	6.5	L-80	10.20	3,000			865.120	\$ 31,000			\$ 31,000
Other Wellhead Equipment						860.070	\$ -	865.070	\$ -			\$ -
Flowline & Connectors								865.250	\$ 20,000			\$ 20,000
Production Wellhead								865.100	\$ 24,000			\$ 24,000
Tubing Head						860.130	\$ 28,000					\$ 28,000
Artificial Lift -Surface & Downhole Equipment								865.155	\$ 145,000			\$ 145,000
Non-controllable (Well)						860.080	\$ -					\$ -
Miscellaneous Equipment						860.090	\$ 2,000	865.090	\$ -	826.090	\$ -	\$ 2,000
Tanks, Stairs, & Walkways										826.150	\$ 109,000	\$ 109,000
Production Facility (pipes, valves, other misc. equip)										826.200	\$ 210,000	\$ 210,000
Separators, Heater Treaters, FWKO, Flare, & Combustor										826.210	\$ 128,000	\$ 128,000
Meters & Meter Runs										826.240	\$ 65,000	\$ 65,000
Electrical & SCADA Automation								865.270	\$ 50,000	826.270	\$ 65,000	\$ 115,000
TOTAL TANGIBLES							\$ 583,000		\$ 270,000		\$ 577,000	\$ 1,430,000

prepared by: <i>Monnie DeHart</i>	TOTAL WELL COST		\$ 2,077,500		\$3,096,200		\$ 692,100	\$ 5,865,800
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PARTNER COMPANY:	NAME / TITLE	DATE	APPROVED BY	APPROVED BY
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