KEARNEY MCWILLIAMS & DAVIS

ATTORNEYS AT LAW

Denver: 1625 Broadway, Suite 2950, Denver, CO 80202 Fort Worth: 777 Main, Suite 600, Fort Worth, TX 76102 Phone: (713) 936-9620 or (720) 863-4012 Houston: 55 Waugh, Suite 150, Houston, TX 77007 San Antonio: 8626 Tesoro, Suite 816, San Antonio, TX 78217 Fax: (713) 936-9621

www.KMD.law

June 14, 2024

State of New Mexico 310 Old Santa Fe Trail Santa Fe, NM 87501

RE: SECOND SUPPLEMENTAL APPLICATION OF LARIO OPERATING LLC FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO; CASE NO. 24493

To Whom it may Concern;

To correct the record with the State of New Mexico Department Energy, Minerals and Natural Resources Oil Conservation Division for the Application for Lario Operating LLC's Compulsory Pooling and Approval of Non-standard Spacing Unit in Lea County, NM, Case No. 24493 filed on June 7, 2024 Kearney, McWilliams & Davis wishes to file a complete application which includes the following changes:

- 1) Revision to the **Compulsory Pooling Application Checklist**, which includes revisions to Exhibits associated with each topic which have now been corrected.
- 2) Revision to the <u>EXHIBIT INDEX</u> to ensure the Exhibits mentioned are listed in chronological order.
- 3) Revision to Exhibit A Self-Affirmed Statement of Landman.
- 4) Revision to **Exhibit A-3**, depicting the intended pooled parties.
- 5) Revision to **Exhibit D** revising the publication date of the legal notice being May 22, 2024.
- 6) Revision to **Exhibit D-3** which now includes the Affidavit of Publication.

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

AMENDED APPLICATION OF LARIO OPERATING LLC FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO.

CASE NO. 24493

AMENDED EXHIBIT INDEX

Checklist	Revised Compulsory Pooling Application Checklist
Exhibit A	Revised Self-Affirmed Statement of Landman
A-1	Application & Proposed Notice of Hearing
A-2	C-102s
A-3	Revised Depiction of Tracts, Tract Ownership, Applicable Lease Numbers
A-4	Placement of proposed surface facilities
A-5	Map depicting the non-standard spacing unit in relation to a standard spacing unit
A-6	Sample well proposal letter and AFEs sent to working interest owners
A-7	Summary of Chronology of Contact
Exhibit B	Self-Affirmed Statement of Geologist
B-1	Location Map of Proposed Horizontal Spacing Unit
B-2a	Subsea Structure Map for the Third Bone Springs Sand
B-2b	Subsea Structure Map for the First Bone Springs Sand
B-3	Gunbarrel Diagram
B-4	Type Log
Exhibit C	Self-Affirmed State of Engineer
C-1	Facilities Comparison Map
C-2	Facilities Comparison Costs
C-3	Resume of Christopher M. Buscemi, Reservoir Engineer

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Exhibit D	Affirmation of Notice
D-1	Notice of Application and Hearing
D-2	Certified Mailings
D-3	Affidavit of Publication for the Legal Notice posted in the Hobbs News Sun

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case:	APPLICANT'S RESPONSE
Date	APPLICANT 5 RESPONSE Amended June 14, 2024
Applicant	Lario Oil & Gas Company
Designated Operator & OGRID (affiliation if applicable) Applicant's Counsel: Case Title:	13089Christopher W. LawyerAPPLICATION OF LARIO OPERATING LLCFOR COMPULSORY POOLING AND APPROVALOF NON-STANDARD SPACING UNIT,LEA COUNTY, NEW MEXICO.
Entries of Appearance/Intervenors:	XTO Energy, Inc.
Well Family	Close Encounters
·	
Formation/Pool Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring Formation
Pool Name and Pool Code:	WC-025 G-06, S183518A; BONE SPRING/97930
Well Location Setback Rules:	STATEWIDE RULES
Spacing Unit Size:	960-acres
Spacing Unit Type (Horizontal/Vertical)	Horizontal
Size (Acres)	960 acres
Building Blocks:	40-acres - Quarter/Quarter Sections
Orientation: Description: TRS/County	South to North S2 of Section 12, All of Section 13, T18S R34E, Lea County, NM
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	No, non-standard horizontal spacing unit requested
Other Situations	
Depth Severance: Y/N. If yes, description	No, N/A
Proximity Tracts: If yes, description	Yes, the completed interval for the Close Encounter Com 302H, 303H and 304H wells are expected to be less than 330' from the adjoining tracts, thereby allowing for inclusion of the proximity tract within t proposed spacing unit.
Proximity Defining Well: if yes, description	Close Encounters Com 301H, 302H & 304H
Applicant's Ownership in Each Tract	See Exhibit A-3
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) Well #1	Add wells as needed Close Encounters State Com 101H (API 30-025-5280 to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/ SW/4 (Unit L) of Section 12, Township 18 South, Ran 34 East
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 880-FEET FWL Sec 13 T18S R34E LTP: 2495-FEET FSL, 880-FEET FWL Sec 12 T18S R34E
Completion Target (Formation, TVD and MD)	Bone Spring Formation 7764-feet TVD; 16084-feet TMD
Well #2	©lose Encounters State Com 102H (API 30-025- 52809), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in th NE/4 SW/4 (Unit K) of Section 12, Township 18 Sout Range 34 East;
Horizontal Well First and Last Take Points	
Horizontal Well First and Last Take Points Completion Target (Formation, TVD and MD)	FTP: 600-FEET FSL, 2147-FEET FWL Sec 13 T18S R34E LTP: 2496-FEET FSL, 2147-FEET FWL Sec 12 T18S R34 Bone Spring Formation 7584-feet TVD; 16032-feet TMD

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Well #3	Close Encounters State Com 103H (API 30-025-52810), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 34 East;
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 1867-FEET FEL Sec 13 T18S R34E LTP: 2496-FEET FSL, 1867-FEET FEL Sec 12 T18S R34E
Completion Target (Formation, TVD and MD)	Bone Spring Formation 7548-feet TVD; 16238-feet TMD
Well #4	Close Encounters State Com 104H (API 30-025-52811), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SE/4 (Unit I) of Section 12, Township 18 South, Range 34 East;
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 600-FEET FEL Sec 13 T18S R34E LTP: 600-FEET FSL, 600-FEET FEL Sec 12 T18S R34E
Completion Target (Formation, TVD and MD)	Bone Spring Formation 7542-feet TVD; 16788-feet TMD
Well #5	Close Encounters State Com 301H (API 30-025-52945), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 34 East;
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 330-FEET FWL Sec 13 T18S R34E LTP: 600-FEET FSL, 330-FEET FWL Sec 12 T18S R34E
Completion Target (Formation, TVD and MD)	Bone Spring Formation 8618-feet TVD; 16396-feet TMD
Well #6	Close Encounters State Com 302H (API 30-025-52946), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 12, Township 18 South, Range 34 East;
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 1570-FEET FWL Sec 13 T18S R34E LTP: 1223-FEET FSL, 1570-FEET FWL Sec 12 T18S R34E
Completion Target (Formation, TVD and MD)	Bone Spring Formation 8492-feet TVD; 16176-feet TMD
Well #7	Close Encounters State Com 303H (API 30-025-52947), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 34 East; and
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 2390-FEET FEL Sec 13 T18S R34E LTP: 1223-FEET FSL, 2389-FEET FEL Sec 12 T18S R34E
Completion Target (Formation, TVD and MD)	Bone Spring Formation 8200-feet TVD; 16173-feet TMD
Well #8	Close Encounters State Com 304H (API 30-025-52948), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 12, Township 18 South, Range 34 East.
Horizontal Well First and Last Take Points	FTP: 600-FEET FSL, 1070-FEET FEL Sec 13 T18S R34E LTP: 1223-FEET FSL, 1069-FEET FEL Sec 12 T18S R34E

Completion Target (Formation, TVD and MD)	Bone Spring Formation 8000-feet TVD; 16403-feet TMD
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	10,000
Production Supervision/Month \$	1,000
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	EXHIBIT D, D1
Proof of Mailed Notice of Hearing (20 days before hearing)	EXHIBIT D, D2
Proof of Published Notice of Hearing (10 days before hearing)	EXHIBIT D, D3
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	EXHIBIT A-3
Tract List (including lease numbers and owners)	EXHIBIT A-3
Pooled Parties (including ownership type)	EXHIBIT A-3
Unlocatable Parties to be Pooled Ownership Depth Severance (including percentage above & below)	N/A
	N/A
Joinder Sample Copy of Proposal Letter	EXHIBIT A-6
List of Interest Owners (ie Exhibit A of JOA)	EXHIBIT A-3
Chronology of Contact with Non-Joined Working Interests	EXHIBIT A-7
	EXHIBIT A-6
Overhead Rates In Proposal Letter	
Cost Estimate to Drill and Complete Cost Estimate to Equip Well	EXHIBIT A-6 EXHIBIT A-6
Cost Estimate for Production Facilities	EXHIBIT A-6
Geology	
Summary (including special considerations)	EXHIBIT B
Spacing Unit Schematic	EXHIBIT B-1b
Gunbarrel/Lateral Trajectory Schematic	EXHIBIT B-3
Well Orientation (with rationale)	EXHIBIT B
Target Formation	EXHIBIT B
HSU Cross Section	EXHIBIT B-2
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	EXHIBIT A-2
Tracts	EXHIBIT A-3
Summary of Interests, Unit Recapitulation (Tracts)	EXHIBIT A-3
General Location Map (including basin)	EXHIBIT B-1a, Exhibit B-1b
Well Bore Location Map	EXHIBIT B-1a, Exhibit B-1b
Structure Contour Map - Subsea Depth	EXHIBIT B-2a, Exhibit B-2b
Cross Section Location Map (including wells)	EXHIBIT B-2
Cross Section (including Landing Zone)	EXHIBIT B-2
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information provi	ded in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative): Signed Name (Attorney or Party Representative): Date:	Christopher W. Lawyer Unistopher W. Lawyer E69167BFEBFB4AD 6/10/2024

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

APPLICATION OF LARIO OPERATING LLC FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO.

CASE NO. 24493

SELF-AFFIRMED STATEMENT OF DAKOTA NAHM

1. I am a Senior Landman for Lario Oil and Gas Co. ("Lario"). 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 not previously testified before the New Mexico Oil Conservation Division ("Division").

2. I attended Metropolitan State University of Denver, where I received a bachelor's degree in Sports Industry Operations with a minor in Management.

3. I have worked as a Landman since 2010. I initially worked for GFL & Associates, LLC as a title Landman from July 2010 to June 2011. Following that, I served as a Project Manager at Ironhorse Resources, LLC from June 2011 to January 2016. In January 2016, I established an oil and gas land brokerage, Gemini Titan Consulting, LLC, where I worked until August 2021. Currently, I am employed at Lario Oil & Gas Co. as a Landman, focusing on land matters in the Permian Basin since August 2021. In my role at Lario, I handle tasks including title examination, ownership verification, and leasing activities. Additionally, I work with our exploration team to streamline Lario's leasehold positions and negotiate agreements aimed at strengthening our operational position.

4. I have been directly involved in the development of the horizontal spacing units that are the subject of Lario's applications.

5. A copy of Lario's application and proposed notice is attached as Exhibit A-1.

6. Lario seeks an order: (1) establishing a 960-acre, more or less, non-standard horizontal spacing unit comprised of the S/2 of Section 12 and all of Section 13 of Township 18 South, Range 34 East, Lea County, New Mexico ("Unit"). The Unit will be dedicated to the following wells ("Wells"):

-Close Encounters State Com 101H (API 30-025-52808), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SW/4 (Unit L) of Section 12, Township 18 South, Range 34 East;

-Close Encounters State Com 102H (API 30-025-52809), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SW/4 (Unit K) of Section 12, Township 18 South, Range 34 East

-Close Encounters State Com 103H (API 30-025-52810), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 34 East;

-Close Encounters State Com 104H (API 30-025-52811), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SE/4 (Unit I) of Section 12, Township 18 South, Range 34 East;

-Close Encounters State Com 301H (API 30-025-52945), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 34 East;

-Close Encounters State Com 302H (API 30-025-52946), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 12, Township 18 South, Range 34 East;

-Close Encounters State Com 303H (API 30-025-52947), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 34 East; and

-Close Encounters State Com 304H (API 30-025-52948), to be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 12, Township 18 South, Range 34 East.

7. The proposed wells will be completed from south to north, with intervals completed according to standard practices.

8. The wells are located in the WC-025 G-06 S183518A; Bone Spring; Pool (Code 97930). Regarding well setback requirements, this pool adheres to the statewide horizontal well rules outlined in NMAC 19.15.16.15. Spacing in this pool is based on quarter-quarter sections, and the unit is constructed accordingly.

9. The C-102 forms for the wells are attached as Exhibit A-2.

10. A plat of the tracts included in the unit and the associated ownership interests is attached as Exhibit A-3. This exhibit also identifies the ownership in each tract, and includes a unit recapitulation.

11. Lario owns 91.52% of the working interest in its proposed unit. Highland (Texas) Energy Company has chosen to participate in this development. Lario has reached an agreement with XTO Holding Inc., whereby XTO will either participate or convey their interest in this unit to Lario.

12. There are no unlocatable interests, as Lario believes it has identified a valid address for each party.

13. Lario seeks to develop the S/2 of Section 12 and all of Section 13. Allowing Lario to develop these sections is the most prudent approach and will prevent waste. This strategy enables Lario to coordinate development within the unit and implement operational efficiencies such as batch drilling and consolidated surface facilities.

14. Lario's comprehensive development plan also protects correlative rights and prevents the drilling of unnecessary wells. Lario can optimally locate its wells within each spacing unit, and the plan to drill one-and-a-half-mile laterals will efficiently produce the underlying reserves without the setback limitations associated with shorter laterals.

15. Lario's proposal to drill one-and-a-half-mile laterals will minimize the need for surface facilities. Lario plans to complete eight wells (four in the 1st Bone Spring and four in the 3rd Bone Spring), with the 1st Bone Spring wells being 1.5 miles long and the 3rd Bone Spring wells being 1.25 miles long in the S/2 of Section 12 and all of Section 13. The wells will be drilled and operated from a single pad in the S/2 of Section 13. This proposal to fully develop the

1st and 3rd Bone Spring formations from one well pad will reduce environmental, surface, and economic waste.

16. Lario seeks approval of a non-standard spacing unit to obtain flexibility regarding the placement of surface facilities and to consolidate those facilities as much as possible. Exhibit A-4 is a map showing the location of the proposed surface facilities for the wells, outlined in purple and brown. The map indicates a central tank battery located in the S/2. Without approval of a non-standard spacing unit, Lario would need multiple tank batteries or would have to seek commingling approval, which may not be granted. The ability to consolidate surface facilities reduces surface, environmental, and economic waste.

17. Exhibit A-5 is a map depicting the non-standard spacing unit in relation to a standard spacing unit. It also identifies the interest owners in the tracts surrounding the proposed unit, who were notified of Lario's application.

18. Approval of a non-standard spacing unit gives Lario the flexibility to optimally locate its proposed wells. Lario has determined that the optimal spacing between wells results in them being located within 330 feet of the internal quarter-quarter section lines. Applying for separate standard spacing units would require approval of unorthodox well locations, which may not be granted. Approval of a non-standard spacing unit ensures Lario can optimally locate its wells, preventing waste and protecting correlative rights.

19. Lario has contracts in place for the takeaway of gas and water.

20. Exhibit A-6 includes a sample well proposal letter and AFEs sent to working interest owners in the wells. The estimated cost of the wells is fair, reasonable, and comparable to the cost of other wells of similar depth and length drilled in Lea County, NM.

21. A summary of Lario's contacts with the pooled parties is provided in Exhibit A-7. XTO Holdings Inc. has agreed to either participate in this unit or transfer their interest to Lario, ensuring that there are no working interest pooled parties in this unit.

22. Lario requests overhead and administrative rates of \$10,000 per month during drilling and \$1,000 per month during production. These rates are fair and comparable to those charged by Lario and other operators in the vicinity.

23. Lario requests to be designated as the operator of the wells.

24. Lario also requests that a 200% risk charge be assessed against the uncommitted interests if they are non-consenting working interest owners. There are no non-consenting working interest owners in this proposed unit.

25. For the reasons set out above, it is my opinion that granting Lario's applications would best prevent waste, protect correlative rights, and prevent the drilling of unnecessary wells. Lario should be permitted to proceed with its development plan.

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

27. I understand this Self-Affirmed Statement will be used as written testimony in the subject cases. I affirm that my testimony above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date next to my signature below.

Dakota Nahm

June 13, 2024 Date 2581 S. Jersey, Denver, CO 80222 •720-231-3802 •dnahm@msn.com

Dakota Nahm

Professional Profile

Accomplished Landman with fourteen years of expertise in the oil and gas industry. Specializes in title work, lease and surface negotiations, contract preparation and negotiations, and project management. Proven track record in leading large leasing projects and negotiating contracts. Experienced across diverse geographic regions, including Texas, New Mexico, North Dakota, Colorado, Wyoming, and Kansas.

Professional Experience

Senior Landman

Lario Oil & Gas Company Denver, CO August 2021 - Present

- Review and analyze leases and contracts to ensure all obligations are understood and met.
- Examine title opinions for ownership and address title requirements.
- Negotiate Oil and Gas Leases, Surface Use Agreements, and Right-of-Way terms with mineral and surface owners.
- Direct brokers and Field Landmen according to prospect strategies and deadlines.
- Review and report on Fee, State, and Federal titles, including chains from patent to present, lease take-offs, cursory titles, and development of abstracts.
- Prepare and analyze various contracts including Lease Agreements, exchange agreements, term assignments, Surface Use Agreements, ROW Agreements, Communitization Agreements, Unitization Agreements, Joint Operating Agreements, Farmout Agreements, Assignments, and curative documents.
- Negotiate potential trades, acquisitions, and divestitures with third parties.
- Assist accounting and division orders with confirming ownership and setting up JIB accounts.
- Review, negotiate, and extend upcoming lease expirations.

Partner

Gemini Titan Consulting Denver, CO January 2016 - August 2021

- Coordinated several large leasing projects from take-off to title opinion curative and surface negotiations.
- Acquired and renewed leases in highly competitive prospect areas.

- Researched and reviewed public records, leases, and agreements to ascertain mineral, surface ownership, working interest, and net revenue interests.
- Conducted title research and land abstracts in county, federal, and state records.
- Reviewed County Clerk's office, Assessor's office, and Probate Court records.
- Prepared ownership reports, negotiated and acquired oil and gas leases.
- Managed and facilitated title, data, and lease acquisition costs and expenses for clients.
- Managed and supervised title and lease acquisition crews.
- Performed extensive qualitative field title research in Federal, State, and County Records.

Project Manager

Ironhorse Resources, LLC Denver, CO June 2011 - January 2016

- Managed leasing and title teams on assignments in Colorado, Wyoming, and Kansas.
- Contacted mineral owners to negotiate lease terms, cure title defects, and surface use.
- Conducted extensive title research to determine leasehold, mineral, and surface ownership.
- Reviewed field title for accuracy before client submission.
- Participated in due diligence projects to determine the accuracy of acreage in lease acquisitions.
- Reviewed and interpreted title opinions to satisfy curative requirements.
- Generated interested parties lists to notify royalty and working interest owners for spacing and pooling applications.
- Mentored and trained new Landmen.

Field Landman

GFL & Associates, LLC Parker, CO July 2010 - June 2011

- Conducted extensive title research from patent to present.
- Identified current surface and mineral owners and prepared detailed title reports.
- Performed lease checks to identify open acreage in multiple counties.

Education

Bachelor of Arts in Sports Industry Operations/Management

Metro State University of Denver, 2005-2009

• Metro State University Baseball Team - Captain

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

APPLICATION OF LARIO OIL AND GAS COMPANY FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO

CASE NO.

APPLICATION

In accordance with NMSA 1978, § 70-2-17 and NMAC 19.15.16.15(B)(5), Lario Oil & Gas Company ("Lario" or "Applicant"), through its undersigned attorneys, files this application with the Oil Conservation Division ("Division") seeking an order to approve: (1) establishing a 960-acre, more or less, non-standard Bone Spring horizontal spacing unit comprised of the S/2 of Section 12 and all of Section 13 of Township 18 South, Range 34 East, Lea County, New Mexico ("Unit"); and (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying the Unit. In support of this application, Lario states the following.

1. Applicant (OGRID No. 13089) is a working interest owner in the Unit and has the right to drill and operate a well thereon.

- 2. Applicant seeks to dedicate the Unit to the following proposed wells ("Wells"):
- a. Close Encounters State Com 101H (API 30-025-52808), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SW/4 (Unit L) of Section 12, Township 18 South, Range 34 East;
- b. Close Encounters State Com 102H (API 30-025-52809), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SW/4 (Unit K) of Section 12, Township 18 South, Range 34 East;

- c. Close Encounters State Com 103H (API 30-025-52810), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 34 East;
- d. Close Encounters State Com 104H (API 30-025-52811), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SE/4 (Unit I) of Section 12, Township 18 South, Range 34 East;
- e. Close Encounters State Com 301H, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 34 East;
- f. Close Encounters State Com 302H, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 12, Township 18 South, Range 34 East;
- g. Close Encounters State Com 303H, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 34 East; and
- h. Close Encounters State Com 304H, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 12, Township 18 South, Range 34 East.
- 3. The wells will be drilled to a depth sufficient to test the Bone Spring formation. The wells will be horizontally drilled, and, if the non-standard unit application is

approved the completed intervals of the Wells are expected to be orthodox.

4. The completed intervals for the Wells are expected to be less than 330-feet from adjoining tracts, which will be a standard location if the non-standard unit application is approved.

5. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the Unit.

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

7. Approval of a non-standard horizontal spacing unit is necessary to prevent waste and protect correlative rights.

8. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the proposed horizontal wells and the Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 13, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving a non-standard horizontal spacing unit pursuant to 19.15.16.15(B)(5)
 NMAC;
- B. Pooling all uncommitted interests in the Unit;
- C. Approving the initial wells in the Unit;
- D. Designating Applicant as the operator of the Unit and the horizontal wells to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- F. Approving the actual operating charges and costs of supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

KEARNEY, MCWILLIAMS & DAVIS, PLLC

/s/ Joshua D. Cochran

Joshua D. Cochran Christopher W. Lawyer 55 Waugh Suite 150 Houston, Texas 77007 Phone: (888) 855-1276 x 109 jcochran@kmd.law clawyer@kmd.law Counsel for Lario Oil & Gas Company Received by OCD: 6/14/2024 10242048PAM

DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-0720 DISTRICT II 811 S. Frat St., Artesia, NM 88210 Phone: (575) 748-1283 Fac: (575) 748-9720 Phone: (575) 3748-1283 Fac: (575) 748-9720 Phone: (505) 3748-178 Fac: (505) 374-07 Phone: (505) 374-178 Fac: (505) 374-070 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3460 Fac: (505) 476-3462

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

Exhibit A-2 Form C-102 Revised August 1, 2011 Submit one copy to appropriate District Office

Page 19 26 139

Lario Oil & Gas Co.

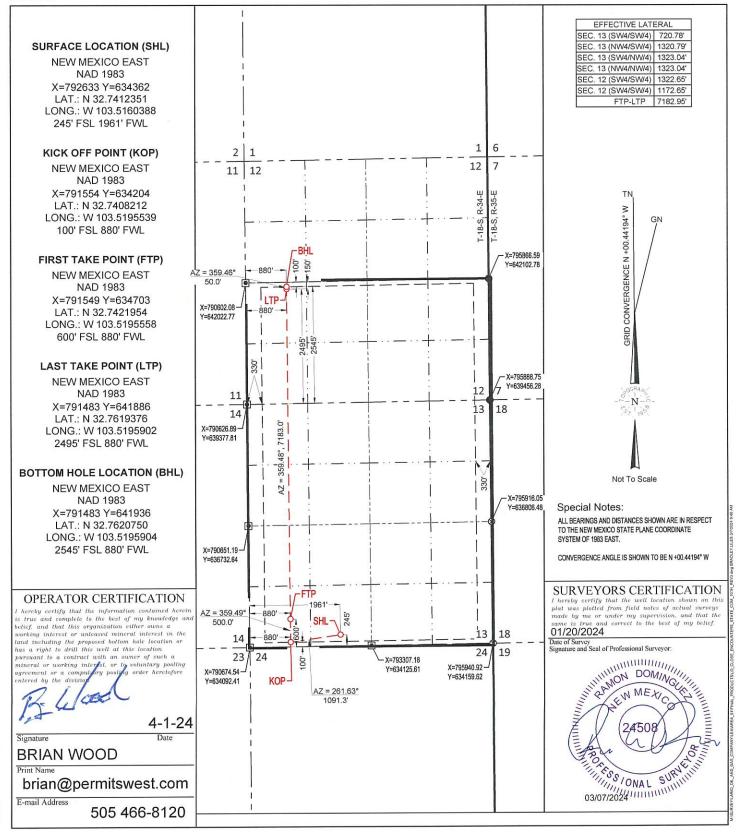
Case No. 24493

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

	API Number 30-025- 52	2808	Pool Code WC-025 Pool Name 97930 G-06 \$183518A; BONE \$PRING				G		
Property C	ode		Property Name CLOSE ENCOUNTERS STATE COM						nber 1H
OGRID 1 1308					Operator Name	GAS		Elevation 3977'	
a.1	Surface Location								
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Ν	13	18-S	34-E	-	245'	SOUTH	1961'	WEST	LEA
			Bott	om Hole I	Location If Diffe	erent From Surfac	ce		
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	12	18-S	34-E	-	2545'	SOUTH	880'	WEST	LEA
Dedicated Acres 960.00	Joint or	Infill	Consolidated Coc C	le Orde	r 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.

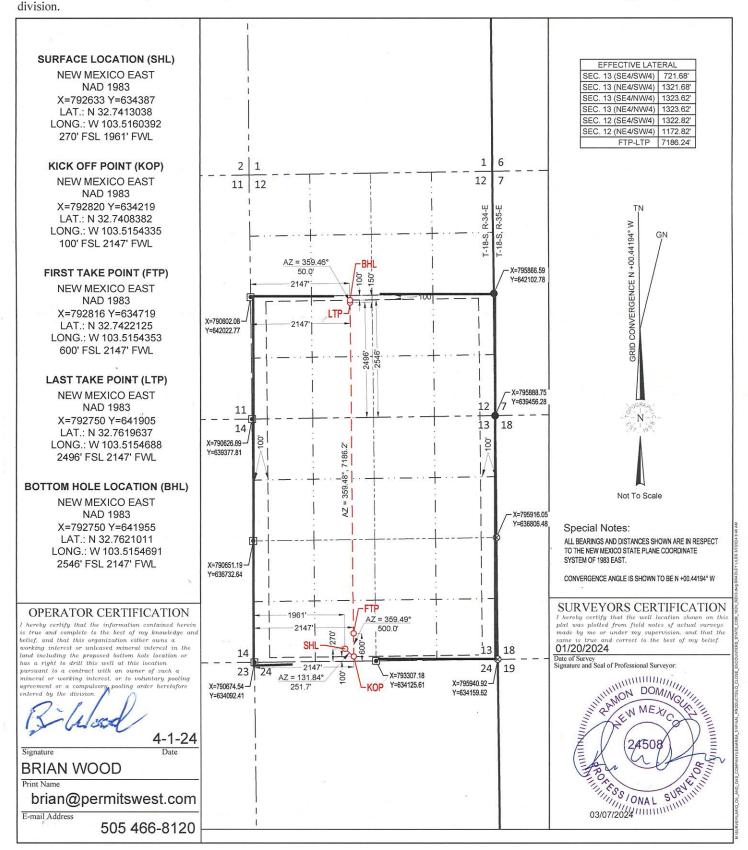


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DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fac: (575) 393-0720 DISTRICT II 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1285 Fac: (575) 748-9720 DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone: (505) 334-6178 Fac: (505) 334-6170 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3460 Fac: (505) 476-3460 State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505 Form C-102 Revised August 1, 2011 Submit one copy to appropriate District Office

□ AMENDED REPORT

	WELL LOCATION AND ACREAGE DEDICATION PLAT								
А	PI Number			Pool Code	WC	-025	Pool Name		14 1
3	30-025-52	2809		97930	G-0	6 S183518A;	BONE SPRING		
Property C	ode				Property Name	2		Well Nun	nber
				CLOSE	ENCOUNTER	S STATE COM		10	2H
OGRID N	No.				Operator Nam	e		Elevatio	on
13089	9				LARIO OIL 8	GAS		39	77'
					Surface Loca	ation			
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	13	18-S	34-E	34-E - 270' SOUTH 1961'				WEST	LEA
			Bott	om Hole	Location If Dif	ferent From Surfa	ice		
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
К	12	18-S	34-E	34-E - 2546' SOUTH 2147'					LEA
Dedicated Acres	Joint or	Infill	Consolidated Co	de Or	der No.				L
960.00	960.00 C								
No allowable w	ill be assig	ned to this	s completion u	intil all in	terests have been	consolidated or a ne	on-standard unit has	been approved b	y the



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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 Rd, Aztee, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Phone: (505) 374-6346 Fax: (505) 476-3462

960.00

State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505 Form C-102 Revised August 1, 2011 Submit one copy to appropriate District Office

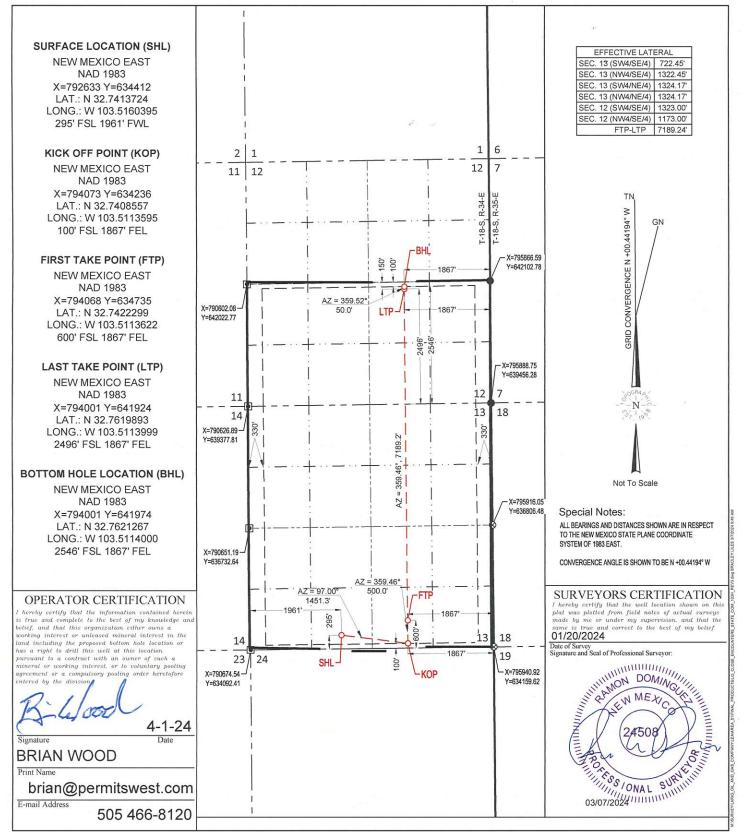
Page 21 26 139

□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT API Number WC-025 30-025- 52810 97930 G-06 S183518A; BONE SPRING operty Name Property Code Well Numbe CLOSE ENCOUNTERS STATE COM 103H OGRID No Operator Name Elevation LARIO OIL & GAS 3977' 13089 Surface Location Township Range UL or lot no Section Lot Idn Feet from the Feet from the East/West line County N 13 18-S 34-E 295' SOUTH 1961' WEST LEA Bottom Hole Location If Different From Surface UL or lot no Lot Idn Feet from the Feet from the East/West line Section Townshir Range North/South line County 34-E 2546' SOUTH 1867' EAST J 12 18-S LEA Dedicated Acre Joint or Infil 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.

C



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DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-0161 Fas: (575) 393-0720 DISTRICT II 811 S. Fins St., Artesia, NM 88210 Phone: (575) 748-9720 DISTRICT III 1000 Rio Brazos Rd., Aznec, NM 87410 Phone: (505) 374-0178 Fas: (505) 3745-346-177 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Phone: (505) 7476-3406 Fas: (505) 376-3462

960.00

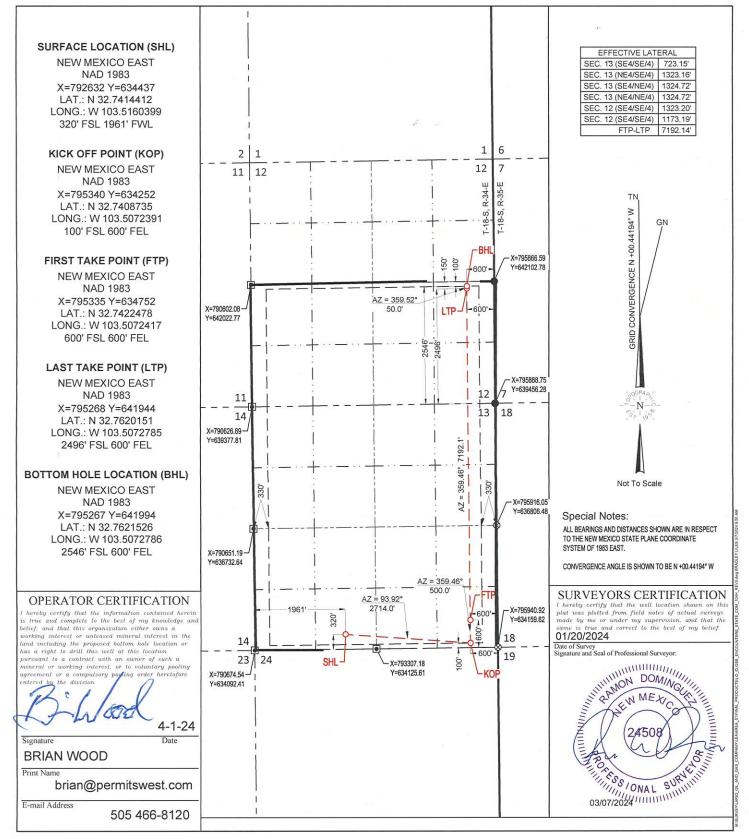
State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505 Form C-102 Revised August 1, 2011 Submit one copy to appropriate District Office

□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT API Number WC-025 30-025- 52811 97930 G-06 S183518A; BONE SPRING Property Code Property Name Well Number CLOSE ENCOUNTERS STATE COM 104H OGRID No. Operator Name Elevation LARIO OIL & GAS 3976 13089 Surface Location UL or lot no Lot Idr Feet from the Feet from the East/West lin County Section Townshir Rang N 13 18-S 34-E 320' SOUTH 1961' WEST LEA Bottom Hole Location If Different From Surface UL or lot no Lot Idn Feet from the eet from the East/West line Range North/South line County ï 12 18-S 34-E 2546' SOUTH 600' EAST LEA icated Acres Joint or Inf 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.

С



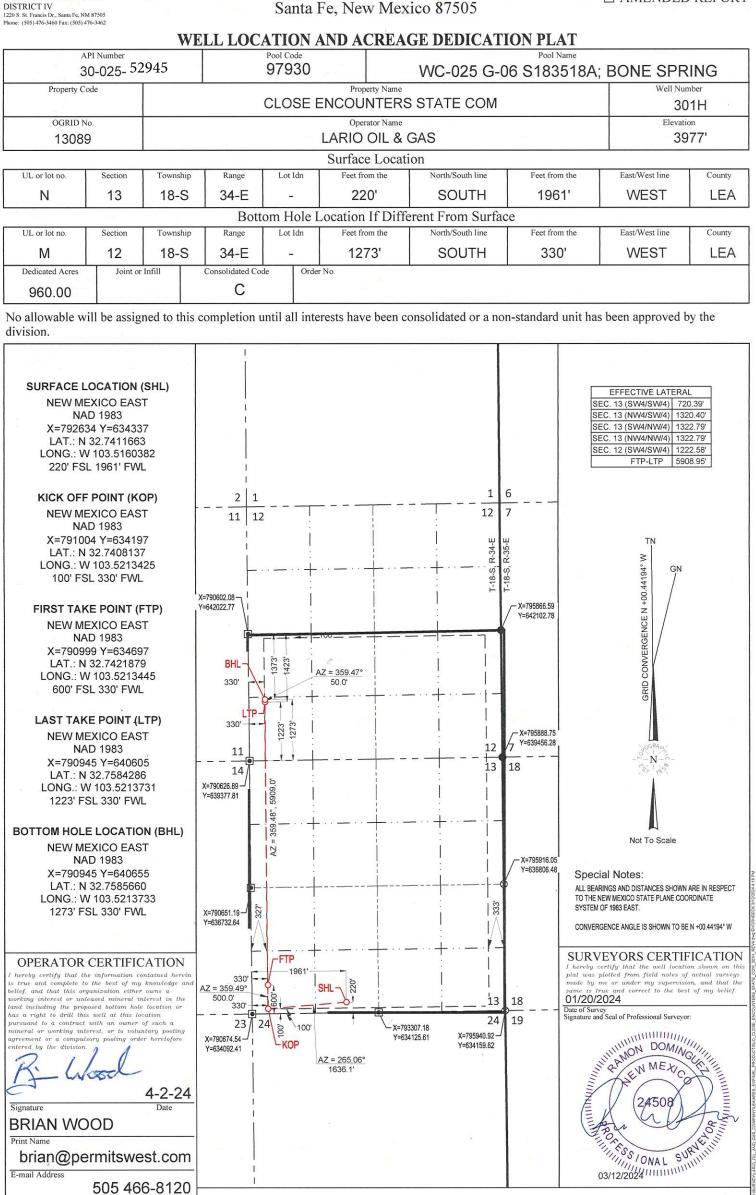
Page 22 *df* 139

DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone: (573) 393-6161 Farc: (375) 393-0720 DISTRICT II 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Farc: (575) 748-9720 DISTRICT III 1000 Rio Brazos Rd., Aztee, NM 87410 Phone: (505) 334-6170 DISTRICT IV 1220 S. St. Francis Dr., Sante Fe, NM 87505 Phone: (505) 476-3460 Fax: (505) 476-3462

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DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-061 Fax: (575) 393-0720 DISTRICT II 811 S. Frint St., Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 DISTRICT III 1000 Rio Brazos Rd., Azae, NM 87410 Phone: (505) 334-6178 Fax: (505) 343-6170 DISTRICT IV 1220 S. St. Francis Dr., Santi Fe, NM 87505 Phone: (505) 746-3460 Fax: (505) 3476-3462

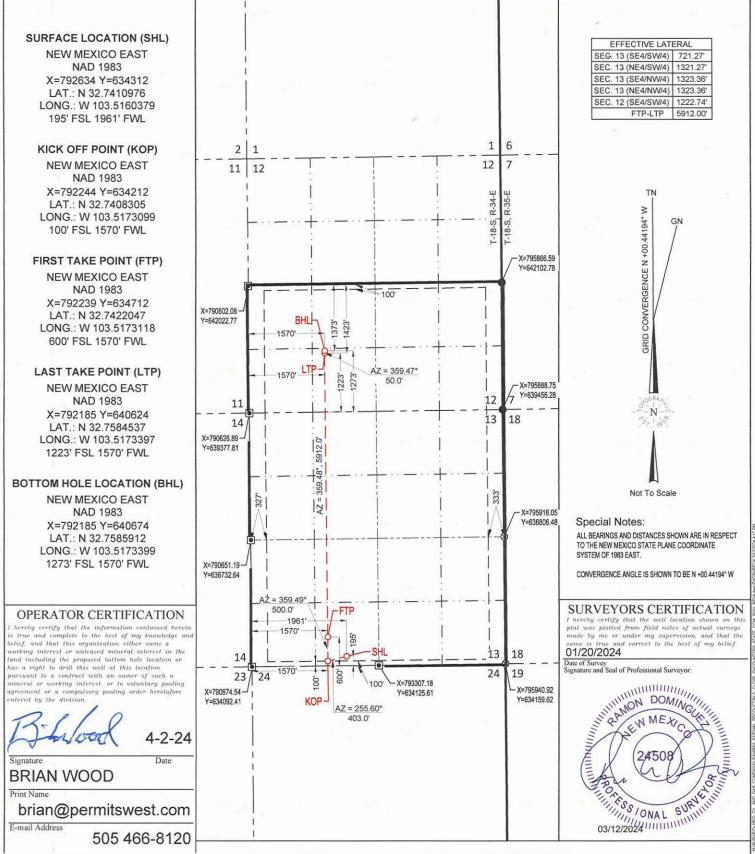
State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

Page 24 of 139 Form C-102 Revised August 1, 2011 Submit one copy to appropriate District Office

□ AMENDED REPORT

		WE	LL LOC.	ATION	AND ACREA	GE DEDICAT	TION PLAT		
	PI Number			Pool Code	WC-	025	Pool Name		
3	0-025- 52	2946		97930	G-06	S183518A;	BONE SPRING		
Property Code			CLOSE	Property Name	S STATE COM		Well Nut 30	^{nber})2H	
OGRID N 13089	OGRID No.			Operator Name	GAS		Elevati 30	on)77'	
1000	Surface Location								
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	13	18-S	34-E - 195' SOUTH 1961'		1961'	WEST	LEA		
		2	Bott	om Hole	Location If Diff	erent From Surfa	ace		1
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	12	18-S	34-E	67 	1273'	SOUTH	1570'	WEST	LEA
Dedicated Acres	Joint or	Infill	Consolidated Cod	ie Ord	er No.				
960.00			С						

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.



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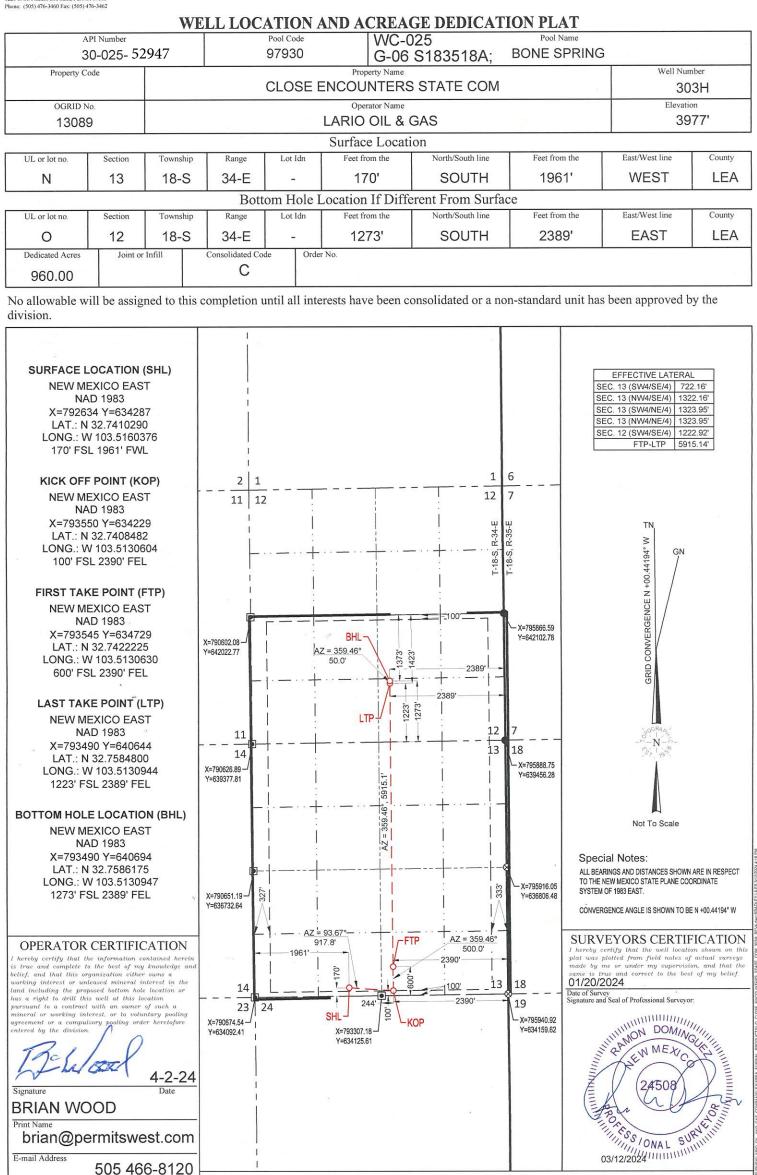
DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fac: (575) 393-0720 DISTRICT II 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Fac: (575) 748-0720 DISTRICT III 1000 Rio Brazos Rd., Aztee, NM 87410 Phone: (505) 343-6178 Fac: (505) 376-346127 DISTRICT IV 1220 S. 81. Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3460 Fac: (505) 476-3462

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

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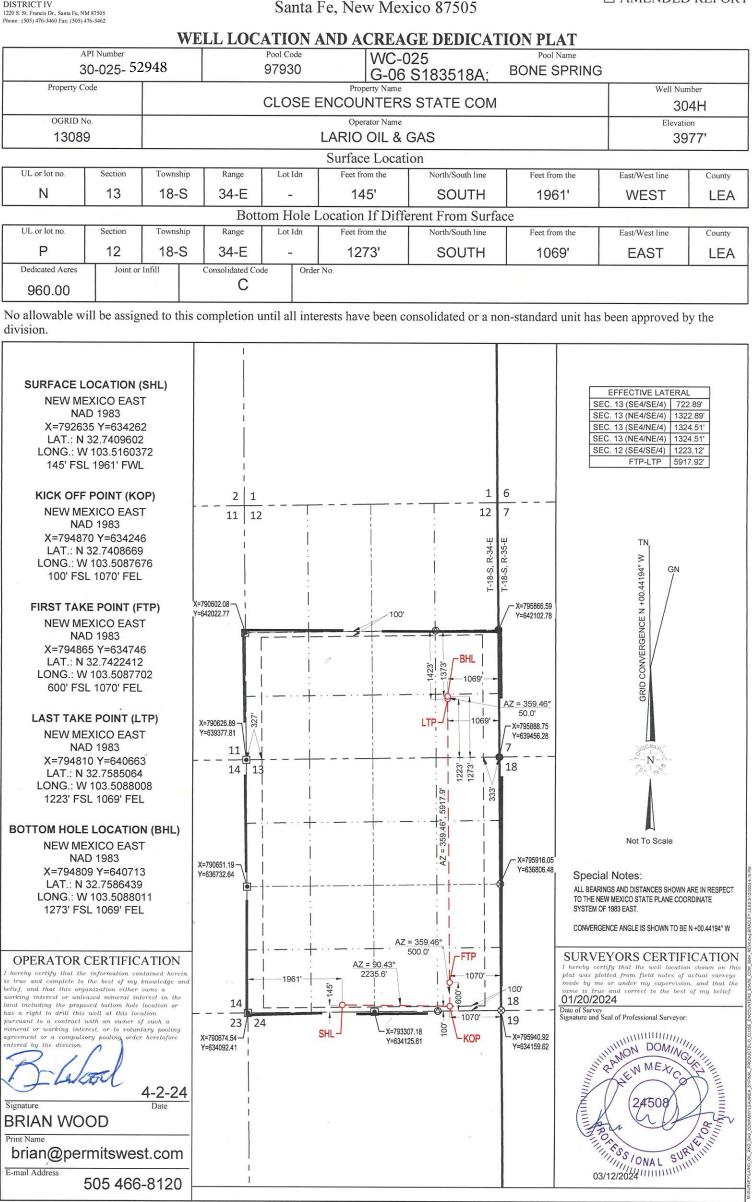


DISTRICT I tc25 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fac: (575) 393-0720 DISTRICT II 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Fac: (575) 748-9720 DISTRICT III 1000 Rio Brazos Rd., Aztee, NM 87410 Phone: (505) 374-46178 Fac: (505) 374-6170 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3460 Fac: (505) 476-3462

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State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Page 26 bf 139

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EXHIBIT A-3

Close Encounters State Com S/2 of Section 12 & ALL of 13 Section, T18S R34E BONE SPRING 301H, 302H, 303H, 304H, 101H, 102H, 103H & 104H 960 Acres in Spacing Unit						
Tract 3 NM State B012580003 SW/4 12-18S-34E 160 ac.	NM 5 B0093 N/2 12-18 80 Tra NM 5 B0093 S/2 12-18	ct 1 State 60026 SE/4 S-34E ac. ct 2 State 60026 SE/4 S-34E ac.				
Tract 7 NM State VC11940000 SW/4 13-18S-34E 160 ac.	Tract 5 NM State VC06380003 W/2NE/4 13-18S-34E 80 ac.	Tract 4 NM State V065640000 E/2NE/4 13-18S-34E 80 ac.				
Tract 6 NM State VC06370003 S/2 13-18S-34E 320 ac.						

Recapitulation							
Tract Number	Number of Acres Committed	Percentage of Interest in Communitized Area					
1	80	0.083333333					
2	80	0.083333333					
3	160	0.166666667					
4	80	0.083333333					
5	80	0.083333333					
6	320	0.333333333					
7	160	0.166666667					
TOTAL:	960	1					

EXHIBIT A-3 CONTINUED

	Tract 1	Tract 2	Tract 3	Tract 4	Tract 5	Tract 6	Tract 7
	B009360026	B009360026	B012580003	V065640000	VC06380003	VC06370003	VC11940000
Leasehold Interest by Tract	N/2SE/4	S/2SE/4	SW/4	E/2NE/4	W/2NE/4	S/2	NW/4
	12-18S-34E	12-18S-34E	12-18S-34E	13-18S-34E	13-18S-34E	13-18S-34E	13-18S-34E
	80 ac.	80 ac.	160 ac.	80 ac.	80 ac.	320 ac.	160 ac.
Depths	Bone Spring Fromation	ALL DEPTHS	Bone Spring Fromation	Bone Spring Formation	ALL DEPTHS	ALL DEPTHS	ALL DEPTHS
XTO Holdings Inc.		1.00000000					
Lario Oil & Gas Company	1.00000000		1.00000000	0.98250000	1.00000000	1.00000000	1.00000000
Highland (Texas) Energy Company				0.01750000			
TOTALS:	1.00000000	1.00000000	1.00000000	1.00000000	1.00000000	1.00000000	1.00000000

UNIT WORKING INTEREST OWNERS TOTAL UNIT -960 AC.	WORKING INTEREST	NET REVENUE INTEREST
Lario Oil & Gas Company	0.91520834	0.69473960
XTO Holdings Inc.	0.08333333	0.06458333
Highland (Texas) Energy Company	0.00145833	0.00119340
TOTAL:	1.00000000	0.76051633

UNIT ROYALTY INTEREST OWNERS TOTAL UNIT -960 AC.	NET REVENUE INTEREST
State of New Mexico	0.17222222
TOTAL:	0.17222222

UNIT OVERRIDING ROYALTY INTEREST OWNERS TOTAL UNIT -960 AC.	NET REVENUE INTEREST
XTO Holdings, LLC	0.01666666
The Allar Company	0.00284722
Cross Timbers Energy, LLC	0.00208333
Morningstar Operating, LLC	0.02083333
Cornerstone Family Trust	0.00062500
CrownRock Minerals, LP	0.00062500
Cavalry Resources, LLC	0.00694444
DSD Energy Resources, LLC	0.00694444
Loma Hombre Energy, LLC	0.00694444
Strategic Energy Income Fund IV, LP	0.00274757
TOTAL:	0.06726144

PARITES TO POOL	TYPE OF INTEREST
The Allar Company	ORRI
Cross Timbers Energy, LLC	ORRI
Morningstar Operating, LLC	ORRI
Cornerstone Family Trust	ORRI
CrownRock Minerals, LP	ORRI
Cavalry Resources, LLC	ORRI
DSD Energy Resources, LLC	ORRI
Loma Hombre Energy, LLC	ORRI
Strategic Energy Income Fund IV, LP	ORRI

EXHIBIT A-4

Close Encounters State Com Well Pad T18SR35E 18SR34E

Exhibit A-5

	S2NW 12- NMSLO B			18S-R34E 0-0936-27	Lot 2 (SWSW) 7-18S-35E NMSLO E0-6002-7
SWNW, E2SW 11- 18S-34E NMSLO B0-1258-3		S/2 of Section Lea C	12-T18S-R34E ounty		Lot 3 (NWSW), Lot 4 (SWSW) 7-18S-35E NMSLO E0-6002-6
E2NE 11-18S-34E NMSLO VC-1195		ALL of Section	13-T18S-R34E		Lot 1 (NWNW), Lot 2 (SWNW), Lot 3 (NWSW),
E2SE 11-18S-34E NMSLO B0-3011-3		Lea C	ounty		Lot 4 (SWSW) 18-18S-35E NMSLO VB-1325
NENE 23-18S-34E NMSLO VB-2276-1		Lot 1 (NWNW) 19-18S-35E NMSLO VB-1499-4			

960 ACRE NON STANDARD SPACING UNIT
S2 12-18S-34E, AND ALL 13-18S-34E
S2NW 12-18S-R34E & SWNW, E2SW 11-18S-34E
NMSLO - B0-1258-3 Lario Oil & Gas Co. WI
Cross Timbers Energy LLC ORRI
Bisco Inc. ORRI
State of New Mexico RI
MorningStar Operating, LLC ORRI
S2NE 12-18S-35E
NMSLO - BO-0936-27
XTO Holdings, LLC WI
State of New Mexico RI
Lot 2 (SWSW) 7-18S-35E
NMSLO - E0-6002-7
Chase Oil Corporation WI
DiaKan Minerals, LLC WI
Ventana Minerals, LLC WI
RDC Minerals, LLC WI
State of New Mexico RI
ot 3 (NWSW), Lot 4 (SWSW) 7-18S-35E NMSLO - E0-6002-6
Chase Oil Corporation WI
DiaKan Minerals, LLC WI
Ventana Minerals, LLC WI
RDC Minerals, LLC WI
State of New Mexico RI
.ot 1 (NWNW), Lot 2 (SWNW), Lot 3 (NWSW), Lot 4 (SWSW)
18-18S-35E NMSLO - VB-1325
Loma Hombre Energy, LLC WI
DSD Energy II, LLC WI
Cavalry Resources LLC WI Broken Arrow Royalties, LLC ORRI
State of New Mexico RI
Lot 1 (NWNW) 19-18S-35E
NMSLO - VB-1499-4
Franklin Mountain Energy 3, LLC WI T.H. McElvain Oil & Gas, LLLP WI
Thomaston, LLC WI
N2N2 24-18S-34E
NMSLO - VB-1876-3
Franklin Mountain Energy 3, LLC WI
T.H. McElvain Oil & Gas LLLP WI
Steven W. Shefte WI
Thomaston, LLC WI
Franklin Mountain Royalty Investments 3, LLC WI
NENE
23-18S-34F

L

23-18S-34E NMSLO - VB-2276-1 Matador Resources Company WI Marathon Oil Permian, LLC WI State of New Mexico RI

E2SE 11-18S-34E NMSLO - B0-3011-3 Lario Oil & Gas Co. WI Cross Timbers Energy LLC ORRI Bisco Inc. ORRI MorningStar Operating LLC ORBI

Promingotal Operating, LLO ORNI

E2NE 11-18S-34E NMSLO - VC-1195 Lario Oil & Gas Co. WI State of New Mexico RI

LARIO OIL & GAS COMPANY

MAILING ADDRESS: POST OFFICE BOX 29 DENVER, COLORADO 80201-0029

260 N JOSEPHINE, SUITE 400 DENVER, COLORADO 80206 (303) 595-8030 FAX (303) 595-4849

January 19, 2023

Via Certified Mail

Highland (Texas) Energy Company 11886 Greenville Avenue Dallas, TX 75243 Attn: Land Department, Permian Basin

RE: Close Encounters State Com Well Proposals South-Half of Section 12, Township 18 South, Range 34 East ALL of Section 13, Township 18 South, Range 34 East Lea County, New Mexico

To whom it may concern:

Lario Oil & Gas Company ("Lario") is proposing the drilling and completion of the Close Encounters State Com #301H, 302H, 303H, 304H, 101H, 102H, 103H, and 104H wells. These wells are situated in Section 12, Township 18 South, Range 34 East, and Section 13, Township 18 South, Range 34 East, Lea County, New Mexico, with the objective of testing the Bone Spring Formation. Lario is currently finalizing reports, and preliminary title research indicates that you may have an interest in the referenced lands.

In relation to the above, please take note of the details described below:

- The projected expenses for drilling, testing, completing, and equipping each well are outlined in the attached Authority for Expenditures ("AFE").
- Close Encounters State Com #301H: This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 9,902' TVD and will be drilled horizontally to a Measured Depth of approximately 17,122'.
- **Close Encounters State Com #302H:** This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 9,902' TVD and will be drilled horizontally to a Measured Depth of approximately 17,122'.
- Close Encounters State Com #303H: This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 9,902' TVD and will be drilled horizontally to a Measured Depth of approximately 17,122'.
- Close Encounters State Com #304H: This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 9,902' TVD and will be drilled horizontally to a Measured Depth of approximately 17,122'.
- Close Encounters State Com #101H: This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 8,450' TVD and will be drilled horizontally to a Measured Depth of approximately 16,572'.

- **Close Encounters State Com #102H:** This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 8,450' TVD and will be drilled horizontally to a Measured Depth of approximately 16,572'.
- Close Encounters State Com #103H: This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 8,450' TVD and will be drilled horizontally to a Measured Depth of approximately 16,572'.
- Close Encounters State Com #104H: This well is slated to be drilled from a legal location in Section 13-18S-34E. It aims to target an interval within the Bone Spring formation at a depth of approximately 8,450' TVD and will be drilled horizontally to a Measured Depth of approximately 16,572'.

Lario retains the right to adjust the locations and drilling plans outlined above to accommodate factors such as topography, cultural considerations, or environmental concerns, among other reasons.

Lario is proposing the drilling of the mentioned wells under the terms of a modified 1989 AAPL form of Operating Agreement ("JOA"). This JOA will be forwarded to you subsequent to this proposal and will include the following general provisions:

- 100%/300%/300% non-consent penalty
- \$10,000/\$1,000 drilling and producing monthly overhead rates
- Contract Area covering S2 of Section 12-T18S-R34E and ALL of Section 13-T18S-R34E
- This proposed Operating Agreement will supersede any and all existing Operating Agreements concerning all depths on all horizontal wells drilled after the effective date of the JOA.

To proceed with your election, kindly indicate your election in the designated area on the following pages. If you decide to participate in the drilling and completion of the proposed wells, please sign and return a copy of this letter, along with the enclosed AFEs, to Dakota Nahm at <u>Dakota@lario.net</u> or to P.O. Box 29 Denver, CO 80201, within thirty (30) days of receiving this proposal.

In the interest of time, if we are unable to reach an agreement within thirty (30) days Lario will file an application(s) with the New Mexico Oil Conservation Division to compulsorily pool any uncommitted owners into a horizontal spacing unit for the proposed wells, facilitating the development of these lands.

If you opt not to partake in this proposed development and are interested in selling your interest, please inform us accordingly. For any inquiries, please reach out to the undersigned at dakota@lario.net or (720) 573-9816.

Sincerely,

Dakota Nahm Landman <u>dakota@lario.net</u> 720-573-9816

Highland (Texas) Energy Company hereby elects to:

WELL NAME	PARTICIPATE for proportionate share of costs	<u>NOT</u> TO PARTICIPATE
Close Encounters State Com 301H		
Close Encounters State Com 302H		
Close Encounters State Com 303H		
Close Encounters State Com 304H		
Close Encounters State Com 101H		
Close Encounters State Com 102H		
Close Encounters State Com 103H		
Close Encounters State Com 104H		

Highland (Texas) Energy Company

Printed Name:	
---------------	--

Title: _____

Date: _____

Contact Number: _____

Page 34 of 139

		Well:	Close Encount	ters State Co	m 101H		State:	New Mexico		
	ARIO	Location:	SHL: Section 13 BHL: Section 12				County:	Lea County		
		Operator:	Lario Oil & Ga	s Company			Field:			
		AFE	Drill and Comple	ete a ~7 500'	horizontal inte	o the 1st Bon	e Springs			
	rilling and Completion AFE	AFE #:	24-001				p			Total Cost
<u> </u>		Well #:	101H		DRILLING			COMPLETION	4	Total Cost
IDC	Intangible Drilling Cost - BCP	Length / # Days	Size		Budget	Supplement		Budget	Supplement	
IDC11	DRILLING AND DAYWORK				1,180,000					1,180,000
IDC13					20,000					20,000
IDC14 IDC15	DIRECTIONAL SERVICES SOLIDS CONTROL EQUIPMENT RENTAL				261,000 20,000					261,000 20,000
IDC16	DOWNHOLE RENTAL EQUIPMENT				79,200					79,200
IDC17 IDC19	SURFACE RENTAL EQUIPMENT			-	105,894					105,894 68,900
IDC19	RIG MOVE AND/OR DOZER STANDBY				68,900 350,000					350,000
IDC21	ROADS, LOCATION, PITS				100,000					100,000
IDC22	CEMENT AND CEMENTING SERVICES				200,000					200,000
IDC23 IDC24	MUD AND OTHER DRILLING FLUIDS WATER, RENTAL PUMPS AND WATER LINES	ļ			180,000 31,700					180,000 31,700
IDC26	CONDUCTOR PIPE (DRILL, INSTALL & CE				15,000					15,000
IDC32	CONTRACT LABOR & WELDING MUD LOGGING				50,000				T	50,000
IDC33 IDC34	MUD LOGGING MUD DISPOSAL				21,825 105,300					21,825
IDC60	OVERHEAD				7,150					7,150
IDC63	CONSULTANTS - CONTRACT ENGINEER				75,000					75,000
IDC64 IDC70	CONSULTANTS - FOREMAN / FIELD SUP HAULING - AUTO AND TRUCK				90,000 32,400					90,000 32,400
IDC70	MISCELLANEOUS AND CONTINGENCIES				300,000					300,000
IDC73	NU/ND/BOP TEST				8,000					8,000
IDC90	FUEL, POWER, REPAIRS, & SUPPLIES				67,500	1				67,500
	Loope and Well Equipment		IDC	Subtotal	\$3,368,869					\$3,368,869
LWE I WE101	Lease and Well Equipment SURFACE CASING	1,850	13.375"		92,500					92,500
	INTERMEDIATE CASING	7,600	9.625"		252,000					252,000
	PRODUCTION CASING	19,100	5.5"		453,600					453,600
LWE202	TCC - TUBING	7,600	2.875"		-			70,000		70,000
	TCC - OTHER WELLHEAD EQUIPMENT				58,000			27,000		85,000
	TCC - SUBMERSIBLE PUMPS				-			115,000		115,000
LWE304	TCC - DOWNHOLE PUMP EQUIP				-			15,000		15,000
			LWE	E Subtotal	\$856,100	LWE	E Subtotal	\$227,000		\$1,083,100
ICC	Intangible Completion Cost - ACP	Length /	Size		Budget	Supplement		Budget	Supplement	
10040		# Days								40.000
ICC12 ICC16	ICC - COMPLETION RIG							18,000	 	18,000 50,000
ICC18	ICC - PUMP, TANK, SWIVEL							154,200		154,200
ICC18	ICC - SURFACE RENTAL EQUIPMENT							118,000		118,000
ICC23	ICC - OTHER COMPLETIONS FLUIDS, MUD	1100						133,500		133,500
ICC24 ICC24A	ICC - WATER, RENTAL PUMPS & WATER PU	MPS						476,250		476,250 146,000
ICC30	ICC - PRODUCTION TESTING							31,500		31,500
ICC32	ICC - CONTRACT LABOR							43,000		43,000
ICC41 ICC42	ICC - ACIDIZING							5,000 2,189,124		5,000 2,189,124
ICC44	ICC - WIRELINE SERVICES							295,100		295,100
ICC60	ICC - FIELD SUP.							70,200		70,200
ICC70 ICC71	ICC - TRUCKING ICC - PUMP DOWN							23,500		23,500
ICC71	ICC - CTU/SWAB UNIT							40,000 200,000		40,000 200,000
ICC90	ICC - FUEL & POWER							510,000		510,000
						ICC	Subtotal	\$4,503,374		\$4,503,374
		Length /				1			1	
LWE	Production Facility	# Days	Size		Budget	Supplement		Budget	Supplement	
LWE401								180000		180000
LWE402						-				0
LWE403	HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS							550000		550000
LWE405	LEASE MISCELLANEOUS VALVES AND FITT							12500		12500
LWE406										C
LWE501 LWE502								12500 175000		12500
LWE600								170000		0
			LW	E Subtotal	\$0	LWI	E Subtota	\$930,000		\$930,000
			Facility Total		rilling Tota		C	ompletion To		Total
Total W	lell Cost		\$930,000		\$4,224,969			\$4,730,374		\$9,885,343
			Chris Dueser	:		lanuanu	10 2024	() ()		
	PPROVAL:	BY	Chris Buscem V. P. Enginee		DATE	January	13, 2024			
LARIO A	PPROVAL: Cybo									and an and a second
This AFE i	s only an estimate of the costs to be incurred for the su		associated with the	activity approv	ed					
This AFE i	s only an estimate of the costs to be incurred for the su if the AFE constitutes approval of the actual costs incur	red for all work		e activity approv	ed.					
This AFE i	s only an estimate of the costs to be incurred for the su			e activity approv	ed.					
This AFE i	s only an estimate of the costs to be incurred for the su f the AFE constitutes approval of the actual costs incur Joint Interest Approval;	wi:						Date:		

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	AND THE REAL PROPERTY OF	Well:	Close Encounter	s State Com 102	H		State:	New Mexico		
	ARIO	Location:	SHL: Section 13 T BHL: Section 12 T				County:	Lea County		
		Operator:	Lario Oil & Gas (Company			Field:			
	rilling and Completion AEE	AFE Desription	Drill and Complete	e a ~7,500' horizont	al int	to the 1st Bon	e Springs			
U	rilling and Completion AFE	AFE #:	24-002	DRILL				COMPLETION		Total Cost
DC	Intangible Drilling Cost - BCP	Well #: Length /	102H Size	Budg		Supplement		Budget		
	DRILLING AND DAYWORK	# Days	UILC	1,180		Cuppionion		Dudget	Supplement	1,180,000
DC13	CASING CREW			20,	000					20,000
DC14 DC15	DIRECTIONAL SERVICES SOLIDS CONTROL EQUIPMENT RENTAL			261	000					261,000 20,000
DC16	DOWNHOLE RENTAL EQUIPMENT			79,	200					79,200
DC17 DC19	SURFACE RENTAL EQUIPMENT BITS			105,	894 900					105,894 68,900
DC20	RIG MOVE AND/OR DOZER STANDBY			350						350,000
	ROADS, LOCATION, PITS			100						100,000
DC22 DC23	CEMENT AND CEMENTING SERVICES MUD AND OTHER DRILLING FLUIDS			200						200,000 180,000
DC24	WATER, RENTAL PUMPS AND WATER LINES				700					31,700
DC26 DC32	CONDUCTOR PIPE (DRILL, INSTALL & CE CONTRACT LABOR & WELDING				000					15,000 50,000
	MUD LOGGING				825					21,825
DC34	MUD DISPOSAL			105	300					105,300
DC60 DC63	OVERHEAD CONSULTANTS - CONTRACT ENGINEER				150					7,150
DC64	CONSULTANTS - FOREMAN / FIELD SUP			90	000					90,000
DC70	HAULING - AUTO AND TRUCK				400					32,400
	MISCELLANEOUS AND CONTINGENCIES NU/ND/BOP TEST				000					300,000 8,000
	FUEL, POWER, REPAIRS, & SUPPLIES				500	1				67,500
			IDC S	ubtotal \$3,368	,869					\$3,368,869
	Lease and Well Equipment SURFACE CASING	1,850	13.375"	02	,500					92,500
	INTERMEDIATE CASING	7,600	9.625"	252	_					252,000
	PRODUCTION CASING	19,100	5.5"	453						453,600
_WE202	TCC - TUBING	7,600	2.875"		-			70,000		70,000
	TCC - OTHER WELLHEAD EQUIPMENT			58	,000			27,000		85,000
	TCC - SUBMERSIBLE PUMPS				-			115,000		115,000
LVVE304	TCC - DOWNHOLE PUMP EQUIP				-			15,000	1	15,000
			LWES	Subtotal \$856	,100	LWE	Subtotal	\$227,000		\$1,083,100
CC	Intangible Completion Cost - ACP	Length / # Days	Size	Budg	et	Supplement		Budget	Supplement	
ICC12	ICC - COMPLETION RIG	# Days						18,000		18,000
ICC16	ICC - DOWNHOLE RENTAL EQUIPMENT							50,000		50,000
CC17	ICC - PUMP, TANK, SWIVEL							154,200		154,200
CC18 CC23	ICC - SURFACE RENTAL EQUIPMENT ICC - OTHER COMPLETIONS FLUIDS, MUD							118,000 133,500		118,000
CC23	ICC - WATER, RENTAL PUMPS & WATER PU	MPS						476,250		476,250
CC24A	ICC - WATER TRANSFER							146,000		146,000
CC30 CC32	ICC - PRODUCTION TESTING ICC - CONTRACT LABOR							31,500 43,000		31,500 43,000
CC41	ICC - ACIDIZING							5,000		43,000
CC42	ICC - FRACTURING							2,189,124		2,189,124
CC44 CC60	ICC - WIRELINE SERVICES ICC - FIELD SUP.							295,100 70,200		295,100
ICC70	ICC - TRUCKING							23,500		23,500
CC71	ICC - PUMP DOWN							40,000		40,000
CC89	ICC - CTU/SWAB UNIT ICC - FUEL & POWER		-					200,000 510,000		200,000
0090	ICC - FOEL & FOWER					ICC	Subtotal	\$4,503,374		510,000 \$4,503,374
								• .,		• 1,000,01
LWE	Production Facility	Length /	Size	Budg	et	Supplement		Budget	Supplement	
LWE401	FLOWLINES	# Days			- 1	pp. constitu		180000		180000
LWE401	TANKS AND WALKWAYS					+		180000		180000
LWE403	HEATER-TREATER, SEPARATORS, FWKO, D							550000		55000
LWE404								40500		(
LWE405 LWE406	LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS		I					12500		12500
LWE501	OTHER EQUIPMENT							12500		12500
LWE502 LWE600								175000		175000
2442000	GALT WATER INVESTMENT		LWES	Subtotal	\$0	LWE	Subtotal	\$930,000		\$930,000
								,		
			Facility Total	Drilling	Tota	al	с	ompletion To	tal	Total
Total W	ell Cost		\$930,000	\$4,224				\$4,730,374		\$9,885,343
LARIO A	PPROVAL:	BY:	Chris Buscemi V. P. Engineerin		DATE	January	19, 2024			
	s only an estimate of the costs to be incurred for the sub f the AFE constitutes approval of the actual costs incurr Joint Interest Approval;			ctivity approved.						

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		Well:	Close Encounter	s State Com 103H		State:	New Mexico		
	ARIO	Location:	SHL: Section 13 T BHL: Section 12 T		Q	County:	Lea County		
		Operator:	Lario Oil & Gas (Company		Field:			
		AFE Desription	Drill and Complete	e a ~7,500' horizontal in	to the 1st Bone	Springs			
D	rilling and Completion AFE	: AFE #:	24-003						Total Cost
DC	Intensible Drilling Cost. BCD	Well #: Length /	103H	DRILLING	Currelement		COMPLETION		
	Intangible Drilling Cost - BCP DRILLING AND DAYWORK	# Days	Size	Budget	Supplement	_	Budget	Supplement	4 400 000
	CASING CREW			1,180,000 20,000					1,180,00
	DIRECTIONAL SERVICES			261,000					261,00
	SOLIDS CONTROL EQUIPMENT RENTAL DOWNHOLE RENTAL EQUIPMENT			20,000 79,200	+				20,00
	SURFACE RENTAL EQUIPMENT			105,894	1				105,89
	BITS			68,900					68,90
	RIG MOVE AND/OR DOZER STANDBY ROADS, LOCATION, PITS			350,000					350,00
	CEMENT AND CEMENTING SERVICES			200,000					200,00
DC23	MUD AND OTHER DRILLING FLUIDS			180,000					180,00
	WATER, RENTAL PUMPS AND WATER LINES			31,700	T				31,70
	CONDUCTOR PIPE (DRILL, INSTALL & CE CONTRACT LABOR & WELDING			15,000	+				15,00
	MUD LOGGING			21,825					21,82
DC34	MUD DISPOSAL			105,300					105,30
	OVERHEAD CONSULTANTS - CONTRACT ENGINEER		ļ	7,150	-				7,15
	CONSULTANTS - CONTRACT ENGINEER CONSULTANTS - FOREMAN / FIELD SUP		<u> </u> −−−− −	90,000	+				75,00
DC70	HAULING - AUTO AND TRUCK			32,400					32,40
	MISCELLANEOUS AND CONTINGENCIES			300,000					300,00
	NU/ND/BOP TEST FUEL,POWER,REPAIRS, &SUPPLIES			8,000	+				8,00
0090	FUEL, FOWER, REPAIRS, & SUPPLIES		IDC S	67,500 Subtotal \$3,368,869					67,50 \$3,368,86
WE	Lease and Well Equipment			Subtotal \$3,300,000	· · · · ·		1		\$3,300,00
	SURFACE CASING	1,850	13.375"	92,500				 	92,50
	INTERMEDIATE CASING	7,600	9.625"	252,000	+ +				252,00
	PRODUCTION CASING	19,100	5.5"	453,600	1 1				453,60
WE202	TCC - TUBING	7,600	2.875"	-			70,000		70,00
	TCC - OTHER WELLHEAD EQUIPMENT			58,000			27,000		85,00
	TCC - SUBMERSIBLE PUMPS			-			115,000		115,00
WE304	TCC - DOWNHOLE PUMP EQUIP			•			15,000		15,00
			LWE S	Subtotal \$856,100	LWE S	Subtotal	\$227,000		\$1,083,10
сс	Intangible Completion Cost - ACP	Length / # Days	Size	Budget	Supplement		Budget	Supplement	
CC12	ICC - COMPLETION RIG						18,000		18,00
CC16	ICC - DOWNHOLE RENTAL EQUIPMENT						50,000		50,00
	ICC - PUMP, TANK, SWIVEL						154,200		154,20
	ICC - SURFACE RENTAL EQUIPMENT ICC - OTHER COMPLETIONS FLUIDS, MUD		<u> </u>		+ +		118,000 133,500		118,00 133,50
	ICC - WATER, RENTAL PUMPS & WATER PU	MPS	<u> </u>		+ +		476,250		476,25
CC24A	ICC - WATER TRANSFER		1				146,000		146,00
	ICC - PRODUCTION TESTING						31,500		31,50
	ICC - CONTRACT LABOR ICC - ACIDIZING		I		+		43,000		43,00
	ICC - FRACTURING		<u> </u>		+ +		5,000		2,189,12
CC44	ICC - WIRELINE SERVICES						295,100		295,10
	ICC - FIELD SUP.		ļ		+ T		70,200		70,20
	ICC - TRUCKING ICC - PUMP DOWN		II-				23,500 40,000		23,50
UC71 I					1				200.00
	ICC - CTU/SWAB UNIT						200,000		
CC89							200,000 510,000		510,00
CC89	ICC - CTU/SWAB UNIT				ICC S	iubtotal	200,000		510,00
CC89 CC90	ICC - CTU/SWAB UNIT ICC - FUEL & POWER	Length /				Subtotal	200,000 510,000 \$4,503,374		510,00
CC89 CC90 WE	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility	Length / # Days	Size	Budget	ICC S	Subtotal	200,000 510,000 \$4,503,374 Budget	Supplement	510,00 \$4,503,3
CC89 CC90 WE _WE401	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES		Size	Budget		Subtotal	200,000 510,000 \$4,503,374	Supplement	510,00 \$4,503,3 1800
WE WE401 WE402	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS		Size	Budget		Subtotal	200,000 510,000 \$4,503,374 Budget	Supplement	510,00 \$4,503,3
WE WE401 WE402 WE403 WE404	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS		Size	Budget		Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000	Supplement	510,00 \$4,503,3 1800 5500
WE WE401 WE402 WE403 WE404 WE404	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT		Size	Budget		Subtotal	200,000 510,000 \$4,503,374 Budget 180000	Supplement	510,00 \$4,503,3 1800 5500
WE WE401 WE402 WE403 WE403 WE404 WE405 WE406	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SVD & INJECTION PUMPS		Size	Budget		Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000 12500	Supplement	510,00 \$4,503,3 1800 5500 125
CC89 CC90 WE WE401 WE402 WE403 WE404 WE405 WE406 WE406 WE501	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS		Size	Budget		Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000	Supplement	510,00 \$4,503,3 1800 5500 125 125
CC89 CC90 WE WE401 WE402 WE403 WE404 WE404 WE406 WE406 WE501 WE502	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS				Supplement		200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500	Supplement	510,00 \$4,503,3 1800 5500 125 125 1750
CC89 CC90 WE WE401 WE402 WE403 WE404 WE404 WE406 WE406 WE501 WE502	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS			Budget	Supplement	Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500	Supplement	510,00 \$4,503,3 1800 5500 125 125 1750
WE WE401 WE402 WE403 WE404 WE404	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS		LWES	Subtotal \$	Supplement	Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500 \$930,000	Supplement	510,00 \$4,503,3 1800 5500 125 125 1750 \$930,0
CC89 CC90 WE WE401 WE402 WE403 WE404 WE404 WE405 WE406 WE501 WE502 WE600	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS				Supplement D LWE S	Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500	Supplement	510,00 \$4,503,3 1800 5500 125 125 1750
C89 C90 WE401 WE402 WE403 WE404 WE405 WE405 WE405 WE405 WE405 WE400 WE501 WE502 WE500	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility TANKS AND WALKWAYS TEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT	# Days	LWE S	Subtotal \$ Drilling Tot \$4,224,96	Supplement D LWE S	Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500 \$930,000 ompletion To	Supplement	510,0 \$4,503,3 1800 5500 125 1750 \$930,0 Total
C89 C90 WE401 WE402 WE402 WE402 WE405 WE405 WE406 WE502 WE502 WE502 WE502 WE502 WE502 WE502 WE502	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility TANKS AND WALKWAYS TEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT	# Days	LWE S Facility Total \$930,000 Chris Buscemi V. P. Engineerin	Subtotal \$ Drilling Tot \$4,224,96 DATE 9	Supplement	Subtotal	200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500 \$930,000 ompletion To	Supplement	510,0 \$4,503,5 180 550 12 12 175 \$930,4 Total
VE WE401 WE402 WE403 WE403 WE404 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE406 WE401 WE4	ICC - CTU/SWAB UNIT ICC - FUEL & POWER Production Facility FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, PWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SVD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT INTANGIBLES INSTALLATION BUDGED	# Days	LWE S Facility Total \$930,000 Chris Buscemi V. P. Engineerin	Subtotal \$ Drilling Tot \$4,224,96 DATE 9	Supplement	Subtotal C	200,000 510,000 \$4,503,374 Budget 180000 550000 12500 12500 12500 \$930,000 ompletion Tc \$4,730,374	Supplement	510,0 \$4,503,1 180 550 12 12 175 \$930,1 Total \$9,885,1

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Image: state section 13 T18SR34E County Lea County Drilling and Completion AFE
Image: contract set of the set o
APE Drilling and Completion AFE APE Description Drill and Complete a ~7,500° horizontal into the 1st Bone Springs :: IDC Intangible Drilling Cost - BCP Length / Bold ORILLING COMPLETION IDC Intangible Drilling Cost - BCP Length / Bold Budget Supplement Budget Supplement IDC1 CASING CREW Intangible Drilling Cost - BCP Length / Bold 20.000 - - IDC15 CASING CREW Intangible Drilling Cost - BCP Length / Bold 20.000 - - IDC15 Soutice Services 10.58.94 - - - - IDC15 Soutice RENTAL EQUIPMENT 105.98.94 -
Drilling and Completion AFE : Weil # 24:004 DRILLING COMPLETION IDC Intangible Drilling Cost - BCP Length / # Days Size Budget Supplement Budget Supplement IDC Intangible Drilling Cost - BCP Length / # Days Size Budget Supplement
Well #; 104H DRLLING COMPLETION IDC Intangible Drilling Cost - BCP Englith Size Budget Supplement Budget Supplement IDC1 IDRLING AND DAYWORK 20.0000 20.000 20.000 <
Lub managene Uning Lost - BC/P # Days Size budget Supprent Budget
IDC11 ORILLING AND DAYWORK 1.180.00 IDC13 CASING CREW 20.000 IDC14 DIRECTIONAL SERVICES 20.000 IDC15 SOLIDS CONTROL EQUIPMENT RENTAL 20.000 IDC16 SOLIDS CONTROL EQUIPMENT 105.894 IDC17 SURFACE RENTAL EQUIPMENT 105.894 IDC18 ROADS, LOCATION, PITS 105.000 IDC20 RIG MOVE AND/OR DOZER STANDBY 350.000 IDC21 ROADS, LOCATION, PITS 100.000 IDC21 ROAD AND OTHER DRILLING ALUIDS 180.000
IDC14 DIRECTIONAL SERVICES 281:000 1 IDC15 SOLIDS CONTROL EQUIPMENT RENTAL 20:000 1 IDC16 DOWNHOLE RENTAL EQUIPMENT 10:58:94 1 IDC17 SURFACE RENTAL EQUIPMENT 10:58:94 1 IDC19 BITS 86:900 1 IDC20 RIG MOVE AND/OR DOZER STANDBY 10:59:90 1 IDC21 ROADS, LOCATION, PITS 10:000 1 IDC22 CREMT AND CEMENTING SERVICES 200:000 1 IDC23 MUD AND OTHER ORILLING SERVICES 13:000 1 IDC24 CONDUCTOR PIPE ORILL, INSTALL & CE 15:000 1 IDC24 CONDUCTOR PIPE ORILL, INSTALL & CE 15:000 1 IDC34 MUD DISPOSAL 110:53:00 1 1 IDC34 MUD DISPOSAL 11:00:00 1 1 IDC34 MUD DISPOSAL 10:00:00 1 1 IDC34 MUD DISPOSAL 10:00:00 1 1 IDC34 MUD DISPOSAL 10:
IDC16 SOLIDS CONTROL EQUIPMENT RENTAL 20.000 IDC16 DOWNHOLE RENTAL EQUIPMENT 195,894 IDC19 SURFACE RENTAL EQUIPMENT 195,894 IDC19 RIS MOVE AND/OR DOZER STANDBY 86,900 IDC21 ROBS, LOCATION, PITS 190,000 IDC22 CEMENT AND CEMENTING SERVICES 200,000 IDC24 MADD OTHER DELLING FLUIDS 180,000 IDC24 MADD OTHER DELLING FLUIDS 180,000 IDC24 WATER, RENTAL PUMPS AND WATER LINES 31,700 IDC24 CONDUCTOR PIPE (DRILLING FLUIDS 105,300 IDC24 CONDUCTOR PIPE (DRILLING FLUIDS 105,300 IDC33 MUD LOGGING 21,825 IDC34 MUD DISPOSAL 105,300 IDC34 MUD DISPOSAL 105,300 IDC34 MUD DISPOSAL 105,300 IDC34 MUD DIGSPOSAL 105,300 IDC34 MUD DIGSPOSAL 105,300 IDC34 MUD DIGSPOSAL 105,300 IDC34 MUD DISPOSAL 7,500 IDC34
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ICC32 ICC - CONTRACT LABOR 43,000
ICC42 ICC - FRACTURING 2,189,124
ICC44 ICC - WIRELINE SERVICES 295,100
ICC60 ICC - FIELD SUP. 70,200 ICC70 ICC - TRUCKING 23,500
ICC71 ICC - PUMP DOWN 23,000 40,000
ICC89 ICC - CTU/SWAB UNIT 200,000
ICC90 ICC - FUEL & POWER 510,000
ICC Subtotal \$4,503,374
LWE Production Facility Length / Size Budget Supplement Budget Supplement
Days
LWE401 FLOWLINES 180000 LWE402 TANKS AND WALKWAYS
LWE402 LANDS AND WALKWAYS 55000
LWE404 COMPRESSORS COMPRESSORS
LWE405 LEASE MISCELLANEOUS VALVES AND FITT 12500
LWE406 SWD & INJECTION PUMPS LWE501 OTHER EQUIPMENT 12500
LWE501 OTHER EQUIPMENT 12500 LWE502 INTANGIBLES INSTALLATION COSTS 175000
LWE600 SALT WATER INVESTMENT
LWE Subtotal \$0 LWE Subtotal \$930,000
Facility Total Drilling Total Completion Total
Total Well Cost \$930,000 \$4,224,969 \$4,730,374
LARIO APPROVAL: V. P. Engineering BY: Chris Buscemi V. P. Engineering
LARIO APPROVAL: DATE: January 19, 2024 V. P. Engineering
LARIO APPROVAL: U. P. Engineering This AFE is only an estimate of the costs to be incurred for the subject activity.
LARIO APPROVAL: BY: Chris Buscemi V. P. Engineering DATE: January 19, 2024 This AFE is only an estimate of the costs to be incurred for the subject activity. Approval of the AFE constitutes approval of the actual costs incurred for all work associated with the activity approved.

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33 MUD LOGGING 20:400 1 41 MUD BOPSAL 105:300 1 60 OVERHEAD 6.825 1 60 OVERHEAD 6.825 1 60 OVERHEAD 6.825 1 70 ONDULATITS - CONTRACT ENGINEER 72:000 1 71 MUD LONGON TEST 50:000 1 1 72 NUNDIDOP TEST 80:000 1 1 1 73 NUNDIDOP TEST 80:000 1 1 1 73 NUNDIDOP TEST 80:000 1 1 1 74 NUNDIDOP TEST 80:000 23:400 1 1 72 NUTAR EQUIPMENT 5:5' 49:100 1 13:000 1 75:00 9:207 7:000 2:8:7' 9:000 23:4:00 1 13:000 1 70:01 Contract Restrice Logineerin 10:0:0:0:0:0:0:0:0:0:0:0:0:0:0:0:0:0:0:	15,0						
34 MUD DISPOSAL 105,300 1 1 63 OVERHEAD 105,300 1 1 64 CONSULTANTS - CONTRACT FINGINEER 72,000 1 1 65 CONSULTANTS - CONTRACT FIELD SUP 85,000 1 1 70 HULING AUTO AND TRUCK 33,0400 1 1 70 HULING AUTO AND TRUCK 33,0400 1 1 70 HULING AUTO AND TRUCK 33,0400 1 1 71 HULING AUTO AND TRUCK 33,0400 1 1 70 HULING AUTO REPORT 33,757 30,000 1 1 70 HULING AUTO CASING 18,100 5' 494,100 1 1 700 PODE TOT CORANG 7,800 2,875' 50,000 23,400 1 701 FUEL POWEN LEP UNPES 5' 494,100 1 1 1 702 FORDUTOR CASING 7,800 2,875' 50,000 23,400 1	50,0						
B0 OVERHEAD 6.825 0 B0 CONSULTANTS - CONTRACT ENSINEER 72.000 1 B4 CONSULTANTS - CONTRACT ENSINEER 72.000 1 B4 CONSULTANTS - CONTRACT ENSINEER 30.000 1 CONSULTANTS - CONTRACT ENSINEER 30.000 1 1 CONSULTANTS - CONTRACT ENSINEER 30.000 1 1 SUPPLICATE CASING 13.375' 92.500 1 1 B0 FUELPOWER.REPARE, ASUPPLIES IDC Subtotal \$32.75,068 1 1 E101 SUPFACE CASING 19.100 5.5' 494.100 1 1 E201 PRODUCTION CASING 19.100 5.5' 494.100 1 <td>20,4</td>	20,4						
B3 CONSULTANTS - CONTRACT ENGINEER 72.000 1 B4 CONSULTANTS - CONTRACT ENGINEER 85.000 1 70 HAULING - AUTO AND TRUCK 30.400 1 71 MISCELLANEOUS AND CONTINGENCIES 30.000 1 1 73 MUNDBOP TEST 8.000 1 1 74 MISCELLANEOUS AND CONTINGENCIES 30.000 1 1 75 MUNDBOP TEST 8.000 1 1 1 76 MUNDBOP TEST 8.000 1 <	105,3						
64 CONSULTANTS - FOREMAN / FIELD SUP 71 MIX 85.000 1 71 MAULING AUTO AND TRUCK 30.400 1 1 71 MUNDBOOT FEST 30.000 1 1 80 FUELPOWER.REPAIRS, ASUPPLIES 30.000 1 1 80 FUELPOWER.REPAIRS, ASUPPLIES 10C Subtotal 51.276.068 1 E Less and Well Equipment 10C Subtotal 51.277.068 1 1 E102 INTERMEDIATE CASING 19.100 5.5' 282.000 23.400 1 E201 PRODUCTION CASING 19.100 5.5' 464.100 1 13.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 10.000 1 1.0000 1 1 1 1 1 1 1 1 1 1 1 1 1<	72,0						
T1 MISCELLANEOUS AND CONTINGENCIES 300,000 400 30 FUEL, POWER, REPAIRS, SUPPLIES 63,750 63,750 30 FUEL, POWER, REPAIRS, SUPPLIES 102 Subtotal 53,275,086 E Lease and Well Equipment 13,375 92,500 10 E101 SURFACE CASING 7,600 9,625' 252,000 10 E102 INTERMEDIATE CASING 7,600 2,875' 10 60,667 10 E204 FCOC. TOR CASING 7,800 2,875' 10 99,667 13,000 E303 TCC - SUMERRENELE PUMPS 1 1000 13,000 13,000 E304 TCC - DOWNHOLE PUMP EQUIP 1 1 13,000 13,000 LUEC COMPLETION RIG Imangible Completion Cost - ACP Length / # Days Size Budget Supplement 80,9867 12 ICC - COMPLETION RIG 153,640 115,600 116,700 144,750 12 ICC - COMPLETION RIG 115,700 116,700 144,2760 144,2760	85,0						
UNNOBOOP TEST 0 0.000 0 0 PUEL, POWER, REPAIRS, & SUPPLIES IDC Subtotal \$3,276,086 0 0 E101 SUPFACE, POWER, REPAIRS, & SUPPLIES 0.375° \$2,500 0 0 E102 INTERMEDIATE CASING 18,50 13,37° \$2,500 0 0 E102 INTERMEDIATE CASING 7,600 9,625° 252,000 0 0 E201 PROLICITION CASING 7,600 2,875° - 0 60,667 E204 TCC - OTHER WELLEHAD EQUIPMENT 50,000 12,400 13,000 1 E304 TCC - DOWHOLE PUMP EQUIP - 13,000 1 13,000 LVVE Subtotal \$896,600 LWE Subtotal \$196,733 1 16,000 13,000 1 12 ICC - OMPLETION RIG Longht / # Days Size Budget Supplement Budget Supplement 16,000 10,0297 1 10,0297 1 10,0297 1 10,000 1 1,023	30,4						
BOD FUEL, POWER, REPAIRS, & SUPPLIES IDC UDC SUpplication State IDC E Lesse and Well Equipment 18.50 13.375° 25.00 1 1 E101 SUFACE CASING 18.50 18.50 25.200 1 1 E102 INTERMEDIATE CASING 19.100 5.5° 494.100 1 1 E201 TCC - Otherk WelLHEAD EQUIPMENT 2.875° - 60.667 1 E204 TCC - Otherk WelLHEAD EQUIPMENT 88.000 LWE Subtotal \$196.07 13.000 E304 TCC - OWNHOLE PUMP EQUIP LWE Subtotal \$896.600 LWE Subtotal \$196.73 LIVE Loc - COMPLETION RIG 13.000 LWE Subtotal \$196.73 13.000 12 ICC - COMPLETION RIG 15.56.00 LWE Subtotal \$196.73 13.000 12 ICC - COMPLETION RIG 13.56.40 13.56.40 13.56.40 143.750 12 ICC - COMPLETION RUG 13.56.40 141.57.00 141.57.00 144.100.257	300,0						
IDC Subtotal \$3,276,085 E101 SUFFACE CASING 1.850 13.375" \$25,000 1 E102 INTERMEDIATE CASING 7.600 \$6,65" 252,000 1 E102 INTERMEDIATE CASING 7.600 2.65" 252,000 1 E102 INTERMEDIATE CASING 7.600 2.875" 4 0 60.667 E204 TCC - TURING . 19.000 2.3400 1 10.000 1 E303 TCC - SUMMERSIBLE PUMPS . . 19.9667 1 13.000 1 E304 TCC - DOWHOLDE RENTAL EQUIPMENT . . 19.9667 1 1 13.000 1	8,0 63,7						
E Lesse and Weil Equipment Image: Second Se	\$3,276,0						
ETOI SUBFACE CASING 1.850 13.75° 92.500 E201 NTERMEDATE CASING 7.600 9.625° 252.000	0,210,0						
E201 PRODUCTION CASING 19.100 5.5 494.100 Image: Constraint of the	92,5						
E202 TCC - TUBING 7,600 2.875" - 60.667 E204 TCC - OTHER WELLHEAD EQUIPMENT 58.000 23.400 23.400 E304 TCC - SUBMERSIBLE PUMPS - 99.667 13.000 E304 TCC - DOWNHOLE PUMP EQUIP - 13.000 1 LWE Subtotal \$896,600 LWE Subtotal \$196,733 Intangible Completion Cost - ACP Length / # Days Size Budget Supplement Budget Supplement 12 ICC - COMPLETION RIG - 15.600 1 15.600 1 12 ICC - OOWHOLE RENTAL EQUIPMENT - 102.267 1 1 15.600 13 ICC - SUMP, TANK, SWIVEL - 115.700 1 15.700 24 ICC - VARER, RENTAL POUMPS & WATER PUMPS - 1412.750 1 24 ICC - VARER, RENTAL POUMPS & WATER PUMPS - 142.750 1 24 ICC - VARER, RENTAL POUMPS & WATER PUMPS - 15.001 1 25 ICC	252,0						
E204 CC - OTHER WELLHEAD EQUIPMENT 58,000 23,400 E303 TCC - SUBMERSIBLE PUMPS - 99,667 13,000 LWE Subtotal \$896,600 LWE Subtotal \$196,733 Intangible Completion Cost - ACP Length / # Days Size Budget Supplement Budget Supplement 12 ICC - COMPLETION RIG 15,600 13,5640 135,640 135,640 13 ICC - DUWN HOLE RENTAL EQUIPMENT 135,640 115,700 115,700 13 ICC - OTHER COMPLETIONS FLUIDS, MUD 115,700 112,750 142,750 124 ICC - WATER, RENTAL EQUIPMENT 122,6533 122,6533 122,6533 13 ICC - OTHER COMPLETIONS FLUIDS, MUD 115,700 122,6533 122,6533 124 ICC - WATER, TRANSPER 142,750 144,750 143,300 124 ICC - PRACTURING 143,000 144,300 144,2750 124 ICC - PRACTURING 143,000 144,2750 144,300 124 ICC - PRACTURING 143,000 144,	494,1						
E303 TCC - SUBMERSIBLE PUMPS - 99.667 E304 TCC - DOWNHOLE PUMP EQUIP - 13.000 LWE Subtotal \$896,600 LWE Subtotal \$196,733 c Intangible Completion Cost - ACP Length / # Days Size Budget Supplement Budget Supplement 12 ICC - COMPLETION RIG - 15.600 - 43.333 - 13 ICC - BUMP, TANK, SWVEL - 15.600 - 43.333 - 13 ICC - ORMPLETION RIG - 102.2877 - - 102.2877 13 ICC - ORMPLETION SFLUIDS, MUD - - 115.700 - 14 ICC - WATER, RENTAL PUMPS & WATER PUMPS - 412.750 - - 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS - 43.000 - - 15.60 ICC - ONTRACT LABOR - 43.000 - - - 24.1 ICC - ONTRACT LABOR - - - - - </td <td>60,6</td>	60,6						
E304 TCC - DOWNHOLE PUMP EQUIP Image Ima	81,4						
LWE Subtotal \$956,600 LWE Subtotal \$196,733 2 Intangible Completion Cost - ACP Length / # Days Size Budget Supplement Budget Supplement 112 ICC - COMPLETION RIG 15,600 15,600 135,640 133,640 116 ICC - SURFACE RENTAL EQUIPMENT 102,267 135,640 115,700 124 ICC - WATER, RENTAL EQUIPMENT 115,700 141,2750 142,750 123 ICC - OTHER COMPLETIONS, MUD 115,700 141,2750 141,2750 124 ICC - WATER, RENTAL EQUIPMENT 126,533 10 13,1500 124 ICC - WATER, RENTAL EQUIPMENT 126,533 141 126,533 142,1750 124 ICC - WATER, RENTAL EQUIPMENT 128,533 142,1750 143,400 143,500 122 ICC - ONTRACT LABOR 128,533 142,1750 1442,750 1442,000 142,750 126 ICC - CONTRACT LABOR 19,97,241 144 162,0367 171,023 199,7241 1442,0000 19,97,241 173,333<	99,6						
Intangible Completion Cost - ACP Length / # Days Size Budget Supplement Budget Supplement 112 ICC - COMPLETION RIG 15.600 15.600 15.600 112 ICC - COMPLETION RIG 135.640 135.640 135.640 113 ICC - SURFACE RENTAL EQUIPMENT 135.640 102.267 123 123 ICC - OWHETIONS FLUIDS, MUD 115.700 124.12.750 125.333 124 ICC - WATER TRANSPER 126.533 126.533 126.533 120 ICC - FODUCTION TESTING 131.500 131.500 131.500 121 ICC - CONTRACT LABOR 18.97.241 43.333 142 11 ICC - ACIDIZING 18.97.241 43.333 126.57.533 126.57.533 120 ICC - FRACTURING 13.97.241 134.667 133.97.255.753 136.000 133.467 173.333 173.333 130.000 133.90.000 173.333.31.000 173.333.31.000 173.333.31.000 173.333.31.000 173.333.31.000 173.333.31.000 173.333.31.000 173.333.31.000 </td <td>13,0</td>	13,0						
C: Intangible Completion Cost - ACP Length / # Days Size Budget Supplement Budget Supplement 212 ICC - COMPLETION RIG 15.600 15.600 15.600 216 ICC - DOWNHOLE RENTAL EQUIPMENT 135.640 135.640 102.267 213 ICC - SURFACE RENTAL EQUIPMENT 115.700 112.700 112.700 224 ICC - WATER, RENTAL EQUIPMENT 112.750 123.100 125.533 224 ICC - VATER, RENTAL PUMPS WATER PUMPS 1126.533 126.533 126.533 230 ICC - CONTRACT LABOR 43.330 131.500 131.500 131.500 241 ICC - VATER, RENTAL PUMPS SUPPLY 126.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 126.57.533 127.570.57.57.57.57.57.57.57.57.57.57.57.57.57.	\$1,093,3						
Intangiole Competition Cost - ACP # Days Size Eudget Supprement Budget Supprement 121 ICC - COMPLETION RIG 15.600 1 15.600 1 121 ICC - COMPLETION RIG 135.640 135.640 1 135.640 1 123 ICC - OWHAPCLE RENTAL EQUIPMENT 135.640 135.640 1 15.700 1 123 ICC - OWHAPCLE RENTAL EQUIPMENT 135.640 115.700 1 1 12.700 1 1.7000 1							
216 ICC - DOWNHOLE RENTAL EQUIPMENT 43.333 177 ICC - DUMP, TANK, SWIVEL 135.640 181 ICC - SURFACE RENTAL EQUIPMENT 135.640 123 ICC - OTHER COMPLETIONS FLUIDS, MUD 115.700 124 ICC - WATER, RENTAL EQUIPMENT 141.2750 123 ICC - OWATER, RENTAL POUMPS & WATER PUMPS 141.2750 124 ICC - WATER, RENTAL PUMPS & WATER PUMPS 141.2750 124 ICC - WATER, RENTAL PUMPS & WATER PUMPS 141.2750 124 ICC - WATER, RENTAL PUMPS & WATER PUMPS 141.2750 124 ICC - WATER, RENTAL PUMPS 135.640 124 ICC - NATER, RENTAL PUMPS 141.333 125 ICC - FRODUCTION TESTING 141.10C - ACIDIZING 124 ICC - FRACTURING 141.1987.241 124 ICC - FRACTURING 170.257.753 120 ICC - FRACTURING 20.367 171 ICC - UTISWAB UNIT 102.267 120 ICC - TRUCKING 173.333 130 ICC - TRUCKING 173.333 130 ICC - UTI							
17 ICC - PUMP, TANK, SWIVEL 135,640 18 ICC - SURFACE RENTAL EQUIPMENT 102,267 23 ICC - OTHER COMPLETIONS FLUIDS, MUD 1115,700 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 1126,533 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 1226,533 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 126,533 230 ICC - COUTRACT LABOR 126,533 231 ICC - ACIDIZING 43,000 241 ICC - WATER, RANSFER 43,000 232 ICC - ACIDIZING 43,333 242 ICC - CARACTURING 14,97,241 244 ICC - WIRELINE SERVICES 225,753 250 ICC - FRUCKING 23,4667 271 ICC - FRUCKING 23,4667 289 ICC - SUBVAB UNIT 34,667 290 ICC - FUEL & POWER ICC Subtotal \$3,924,217 ICC Subtotal <t< td=""><td>15,6</td></t<>	15,6						
17 ICC - PUMP, TANK, SWIVEL 135,640 18 ICC - SURFACE RENTAL EQUIPMENT 102,267 21 ICC - OTHER COMPLETIONS FLUIDS, MUD 115,700 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 115,700 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 1226,533 30 ICC - FODUCTION TESTING 126,533 32 ICC - ACIDIZING 43,000 41 ICC - WATER, RENTAL PUMPS 43,000 41 ICC - WATER, RENTAL PUMPS 43,000 32 ICC - ACIDIZING 43,000 41 ICC - WRELINE SERVICES 43,000 42 ICC - FRACTURING 225,753 44 ICC - WRELINE SERVICES 203,977 71 ICC - FRUCKING 70,200 71 ICC - FULS BUP. 126,467 80 ICC - CTU/SWAB UNIT 34,667 81 ICC - FULS APOWER 1173,333 90 ICC - FUEL & POWER 126,570 162 FLOWLINES 1200 16404 FLOWLINES 1200 16405 12000 12500	43,3						
23 ICC - OTHER COMPLETIONS FLUIDS, MUD 115,700 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 412,750 24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 126,533 30 ICC - CONTRACT LABOR 126,533 32 ICC - CONTRACT LABOR 433,000 41 ICC - ACIDIZING 4333 42 ICC - CONTRACT LABOR 4333 42 ICC - FRACTURING 4333 44 ICC - WIRELINE SERVICES 1255,753 50 ICC - FRUCKING 20,367 71 ICC - FRUCKING 170,200 70 ICC - TRUCKING 173,333 90 ICC - FULD SUP. 1173,333 90 ICC - FULS ERVICES 171,333 10 ICC - TRUCKING 173,333 11 ICC - FULS ERVICES 1173,333 10 ICC - FULS ERVICES 1173,333 10 ICC - FULS L& POWER 1180000 12602 TANKS AND WALKWAYS 1180000 12603 IEADER MATCH NEWOR 12500	135,6						
24 ICC - WATER, RENTAL PUMPS & WATER PUMPS 412,750 24A ICC - WATER, RENTRANSFER 126,533 30 ICC - ONTRACT LABOR 131,500 32 ICC - CONTRACT LABOR 43,000 41 ICC - ACIDIZING 43,000 42 ICC - CONTRACT LABOR 43,333 42 ICC - FRACTURING 43,333 42 ICC - FRACTURING 1,897,241 44 ICC - WIRELINE SERVICES 255,753 60 ICC - FIELD SUP. 70,200 70 ICC - CTU/SWAB UNIT 20,367 71 ICC - PUEL & POWN 34,667 80 ICC - CTU/SWAB UNIT 173,333 90 ICC - FUEL & POWER 173,333 90 ICC - SUBOLAN \$3,924,217	102,2						
24A ICC - WATER TRANSFER 126,533 1 30 ICC - PRODUCTION TESTING 31,500 1 31 ICC - CONTRACT LABOR 43,000 4 41 ICC - ACIDZING 4,333 4 42 ICC - FRACTURING 1,897,241 4 42 ICC - FRACTURING 1,897,241 1 44 ICC - VIRELINE SERVICES 255,753 1 60 ICC - FRUCKING 20,367 1 70 ICC - TRUCKING 17,3333 1 90 ICC - FUEL & POWER 173,333 1 190 ICC - FUEL & POWER 180000 1 120 TANKS AND WALKWAYS 1 180000 1240 TANKS AND WALKWAYS 1 1 120 TANKS AND WALKWAYS 1 1 12040 COMPRESSORS 1 1 12404 COMPRESSORS 1 1 12500 1 1 1 1 12500 1	115,7 412,7						
30 ICC - PRODUCTION TESTING 31,500 32 ICC - ONTRACT LABOR 43,000 31 ICC - ACIDIZING 43,000 41 ICC - ACIDIZING 43,33 42 ICC - FRACTURING 1,897,241 44 ICC - WIRELINE SERVICES 255,753 60 ICC - FIELD SUP. 70,200 70 ICC - PUMP DOWN 20,367 71 ICC - PUMP DOWN 34,667 89 ICC - CTU/SWAB UNIT 173,333 90 ICC - TULE & POWER 173,333 90 ICC - TULE & POWER 442,000 ICC Subtotal \$3,924,217	126,5						
41 ICC - ACID/ZING 4.333 42 42 ICC - FRACTURING 1.897,241 4 44 ICC - WIRELINE SERVICES 257,753 1 60 ICC - FIELD SUP. 20,367 1 70 ICC - FRUCKING 20,367 1 71 ICC - PUMP DOWN 34,667 1 89 ICC - TU/SWAB UNIT 1 173,333 1 90 ICC - FUEL & POWER 1 442,000 1 ICC Subtotal \$3,924,217	31,5						
42 ICC - FRACTURING 1.897,241 44 ICC - WIRELINE SERVICES 255,753 60 ICC - FIELD SUP. 70.200 70 ICC - PUMP DOWN 20.367 71 ICC - PUMP DOWN 34.667 89 ICC - CTU/SWAB UNIT 173.333 90 ICC - FUEL & POWER 173.333 90 ICC - SUBOTAL \$3,924,217	43,0						
44 ICC - WIRELINE SERVICES 255.753 60 ICC - FIELD SUP. 70.200 70 ICC - TRUCKING 20.367 71 ICC - FUED SUP. 34.667 89 ICC - CTUSWAB UNIT 33.924,217 1000 ICC - FUEL & POWER 1000 ICC Subtotal \$3,924,217	4,3						
60 ICC - FIELD SUP. 70.200 70.10CC - TRUCKING 20.367 71 ICC - PUMP DOWN 34.667 173.333 1 89 ICC - CTU/SWAB UNIT 173.333 1 173.333 1 90 ICC - FUEL & POWER 173.333 1 142.000 1 143.000 1 ICC Subtotal \$3,924,217 ICC Subtotal \$3,924,217	1,897,2 255,7						
Production Facility Length / # Days Size Budget Supplement Budget Supplement ICC - TRUCKING 1 134.667 1 </td <td>70,2</td>	70,2						
71 ICC - PUMP DOWN 34.667 89 ICC - CTU/SWAB UNIT 173.333 90 ICC - CTU/SWAB UNIT 173.333 90 ICC - FUEL & POWER ICC Subtotal ICC Subtotal S3,924,217	20,3						
ICC - FUEL & POWER ICC Subtotal \$442,000 ICC Subtotal \$3,924,217 E Production Facility Length / # Days Size Budget Supplement Budget Supplement //E401 FLOWLINES 180000 1 Supplement Budget Supplement //E402 TANKS AND WALKWAYS 1 180000 1 //E403 TANKS AND WALKWAYS 1 180000 1 //E404 COMPRESSORS 1 12500 1 //E406 SWD & INJECTION PUMPS 12500 1 12500 1 //E501 OTHER EQUIPMENT 12500 1 1 1 1 1 //E502 INTANGIBLES INSTALLATION COSTS 1 <t< td=""><td>34,6</td></t<>	34,6						
E Production Facility Length / # Days Size Budget Supplement Budget Supplement VE401 VE402 TANKS AND WALKWAYS 1800000 1800000 180000	173,3						
E Production Facility Length / # Days Size Budget Supplement Budget Supplement //E401 FLOWLINES 1800000 180000 1800000 </td <td>442,0 \$3,924,2</td>	442,0 \$3,924,2						
E Production Pacinity # Days Size Budget Supplement Budget Supplement /E401 FLOWLINES 180000 ////////////////////////////////////	43,324,4						
E Production Pacinity # Days Size Budget Supplement IE401 FLOWLINES 180000 1 180000 1 IE402 TANKS AND WALKWAYS 1 180000 1 IE403 HEATER-TREATER, SEPARATORS, FWKO, D 550000 1 1 IE404 COMPRESSORS 1 1 1 1 IE405 LEASE MISCELLANEOUS VALVES AND FITT 1 12500 1 1 IE406 SWD & INJECTION PUMPS 1 12500 1 1 1 IE405 INTANGIBLES INSTALLATION COSTS 1							
E401 FLOWLINES 180000 E402 TANKS AND WALKWAYS 180000 E403 FEATER-TREATER, SEPARATORS, FWKO, D 550000 E404 COMPRESSORS 12500 E405 LEATER.TREATER, SEPARATORS, FWKO, D 12500 E406 SWD & INJECTION PUMPS 12500 E501 OTHER EQUIPMENT 12500 E502 INTANGIBLES INSTALLATION COSTS 175000 E600 SALT WATER INVESTMENT 175000							
E403 HEATER-TREATER, SEPARATORS, FWKO, D 550000 E404 COMPRESSORS 12500 E405 LEASE MISCELLANEOUS VALVES AND FITT 12500 E406 SWD & INJECTION PUMPS 12500 E501 OTHER EQUIPMENT 12500 E602 INTANGIBLES INSTALLATION COSTS 175000 E600 SALT WATER INVESTMENT 175000	180						
Image: Celor Compressons Image: Celor Image: Celor </td <td>550</td>	550						
IE405 IE405 IE405 IE405 SWD & INJECTION PUMPS IE501 IE501 IE501 OTHER EQUIPMENT IE502 INTANGIBLES INSTALLATION COSTS IE501 VE600 SALT WATER INVESTMENT IE502 INTANGIBLES INSTALLATION COSTS VE600 SALT WATER INVESTMENT IE502 IE502 Facility Total Drilling Total Completion Total	550						
VE406 SWD & INJECTION PUMPS Image: Construction Pumps VE501 OTHER EQUIPMENT 12500 VE502 INTANGIBLES INSTALLATION COSTS Image: Construction Pumps VE600 SALT WATER INVESTMENT Image: Construction Pumps LWE Subtotal Facility Total	12						
INTANGIBLES INSTALLATION COSTS 175000 ZE500 SALT WATER INVESTMENT LWE Subtotal \$0 LWE Subtotal \$930,000 Facility Total Drilling Total Completion Total							
VEGOD SALT WATER INVESTMENT LWE Subtotal \$0 LWE Subtotal Facility Total Drilling Total Completion Total	12						
LWE Subtotal \$0 LWE Subtotal \$930,000 Facility Total Drilling Total Completion Total	175						
Facility Total Drilling Total Completion Total	\$930,0						
tal Well Cost \$930,000 \$4,172,686 \$4,120,951	Total						
	\$9,223,6						
RIO APPROVAL: V. P. Engineering V. P. Engineering							
AFE is only an estimate of the costs to be incurred for the subject activity. roval of the AFE constitutes approval of the actual costs incurred for all work associated with the activity approved. Joint Interest Approval: WI:							

		Well:	Close Encounters	State Com 302H	e Com 302H State:			: New Mexico		
	ARIO	Location:	SHL: Section 13 T18 BHL: Section 12 T18			County:	Lea County			
		Operator:	Lario Oil & Gas Co	mpany		Field:				
	rilling and Completion AFE	AFE Desription	Drill and Complete a	ı ∼6,500' horizontal int	o the 3rd Bor	ie Springs				
U	rilling and Completion AFE	AFE #:	24-006	000000					Total Cost	
		Well #: Length /	302H	DRILLING			COMPLETION			
C	Intangible Drilling Cost - BCP	# Days	Size	Budget	Supplement		Budget	Supplement		
C11 C13	DRILLING AND DAYWORK CASING CREW			1.135.000 20,000					1,135,00	
C14	DIRECTIONAL SERVICES			241,000					241,00	
C15	SOLIDS CONTROL EQUIPMENT RENTAL			18,000					18,00	
C16 C17	DOWNHOLE RENTAL EQUIPMENT SURFACE RENTAL EQUIPMENT			74,800					74,80	
C19	BITS			68,900					68,90	
C20	RIG MOVE AND/OR DOZER STANDBY			350,000					350,00	
C21 C22	ROADS, LOCATION, PITS CEMENT AND CEMENTING SERVICES			100,000 200,000					100,00	
C23	MUD AND OTHER DRILLING FLUIDS			180,000					180,00	
C24	WATER, RENTAL PUMPS AND WATER LINES	3		31,700					31,70	
C26	CONDUCTOR PIPE (DRILL, INSTALL & CE CONTRACT LABOR & WELDING			15,000					15,00	
C32 C33	MUD LOGGING			50,000					20,40	
C34	MUD DISPOSAL			105,300					105,30	
C60	OVERHEAD			6,825					6,8	
C63 C64	CONSULTANTS - CONTRACT ENGINEER CONSULTANTS - FOREMAN / FIELD SUP			72,000					72,00	
C64 C70	HAULING - AUTO AND TRUCK			30,400					30,40	
C71	MISCELLANEOUS AND CONTINGENCIES			300,000					300,00	
C73	NU/ND/BOP TEST			8,000					8,00	
C90	FUEL, POWER, REPAIRS, & SUPPLIES			63,750					63,7	
115	Lesse and Well Equipment		IDC Su	btotal \$3,276,086			1	· · · · · ·	\$3,276,0	
/E	Lease and Well Equipment SURFACE CASING	1,850	13.375"	92,500					92,5	
		7,600	9.625"	252,000					252,0	
	PRODUCTION CASING	19,100	5.5"	494,100					494,1	
	TCC - TUBING	7,600	2.875"	-			60,667		60,6	
	TCC - OTHER WELLHEAD EQUIPMENT			58,000			23,400		81,4	
	TCC - SUBMERSIBLE PUMPS			-			99,667		99,6	
VE304	TCC - DOWNHOLE PUMP EQUIP						13,000		13,0	
			LWE Su	btotal \$896,600	LW	E Subtota	\$196,733		\$1,093,3	
		Length /				1			+ - , , -	
С	Intangible Completion Cost - ACP	# Days	Size	Budget	Supplement		Budget	Supplement		
C12	ICC - COMPLETION RIG						15,600		15,6	
C16	ICC - DOWNHOLE RENTAL EQUIPMENT						43,333		43,3	
C17	ICC - PUMP, TANK, SWIVEL						135,640		135,6	
C18 C23	ICC - SURFACE RENTAL EQUIPMENT						102,267	I	102,2	
C24	ICC - WATER, RENTAL PUMPS & WATER PU	MPS					412,750		412,7	
C24A	ICC - WATER TRANSFER						126,533		126,5	
C30	ICC - PRODUCTION TESTING						31,500		31,5	
C32 C41	ICC - CONTRACT LABOR ICC - ACIDIZING						43,000		43,0	
C42	ICC - FRACTURING						1,897,241		1,897,2	
244	ICC - WIRELINE SERVICES						255,753		255,7	
C60	ICC - FIELD SUP.						70,200	+	70,2	
C70 C71	ICC - TRUCKING		<u> </u>		1		20,367 34,667		20,3 34,6	
289	ICC - CTU/SWAB UNIT						173,333		173,3	
290	ICC - FUEL & POWER						442,000		442,0	
					ICC	Subtotal	\$3,924,217		\$3,924,2	
_		Length /	1							
ε	Production Facility	# Days	Size	Budget	Supplement	t	Budget	Supplement		
VE401	FLOWLINES						180000		180	
VE402							550000	I	550	
VE403 VE404	HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS						550000		550	
NE404						1	12500		12	
NE406	SWD & INJECTION PUMPS									
VE501							12500		12	
VE502 VE600			-				1/5000	1	1/5	
-000	SALT WATER INVESTMENT		LWE Su	ibtotal \$0	LW	E Subtota	1 \$930,000		\$930,0	
			Facility Total	Drilling Tota			Completion To		Total	
otal W	/ell Cost		\$930,000	\$4,172,686			\$4,120,951		\$9,223,6	
RIO A	PPROVAL: Cuply	BY	Chris Buscemi V. P. Engineering	DATE	: April 4	, 2024				
AFE i roval c	is only an estimate of the costs to be incurred for the su of the AFE constitutes approval of the actual costs incur	bject activity. red for all work	associated with the acti	vity approved.						
	Joint Interest Approval:	WI:								
Company				Title:			_ Date:			

Well			Close Encounters	State Com 304H	Sta	te: New Mexico	New Mexico		
	ARIO	Location:	SHL: Section 13 T1 BHL: Section 12 T1		Cou	nty: Lea County			
		Operator:	Lario Oil & Gas Co	ompany	Fie	ld:			
Dei	lling and Completion AFF	AFE Desription	Drill and Complete a	a ~6,500' horizontal int	o the 3rd Bone Spri	ngs			
Dri	Iling and Completion AFE	AFE #:	24-008					Total Cost	
		Well #: Length /	304H	DRILLING		COMPLETIO		10101 0031	
	tangible Drilling Cost - BCP	# Days	Size	Budget	Supplement	Budget	Supplement		
	RILLING AND DAYWORK ASING CREW			1,135,000 20,000				1,135,00	
	IRECTIONAL SERVICES			20,000				20,00	
C15 S	OLIDS CONTROL EQUIPMENT RENTAL			18,000			1	18,00	
	OWNHOLE RENTAL EQUIPMENT			74,800				74,80	
	URFACE RENTAL EQUIPMENT			100,011 68,900				100,01 68,90	
	IG MOVE AND/OR DOZER STANDBY			350,000				350,00	
C21 R	OADS, LOCATION, PITS			100,000				100,00	
	EMENT AND CEMENTING SERVICES			200.000				200,00	
	UD AND OTHER DRILLING FLUIDS			180,000			-	180,00	
	ATER, RENTAL PUMPS AND WATER LINES ONDUCTOR PIPE (DRILL, INSTALL & CE			31,700			+	31,70 15,00	
	ONTRACT LABOR & WELDING			50,000			<u> </u>	50,00	
C33 M	UD LOGGING			20,400				20,40	
	UD DISPOSAL			105,300				105,30	
				6,825			+T	6,82	
	ONSULTANTS - CONTRACT ENGINEER ONSULTANTS - FOREMAN / FIELD SUP			72,000			-	72,00	
	AULING - AUTO AND TRUCK			30,400			+	30,40	
	ISCELLANEOUS AND CONTINGENCIES			300,000				300,00	
0C73 N	U/ND/BOP TEST			8,000				8,00	
	UEL, POWER, REPAIRS, & SUPPLIES			63,750				63,75	
			IDC Su	ibtotal \$3,276,086				\$3,276,08	
	ease and Well Equipment								
	URFACE CASING	1,850	13.375"	92,500			+	92,50	
	ITERMEDIATE CASING	7,600	9.625"	252,000				252,00	
	RODUCTION CASING	19,100	5.5"	494,100			+	494,10	
	CC - TUBING	7,600	2.875"	•		60,667		60,66	
	CC - OTHER WELLHEAD EQUIPMENT			58,000		23,400		81,40	
	CC - SUBMERSIBLE PUMPS			-		99,667		99,66	
WE304	CC - DOWNHOLE PUMP EQUIP			-		13,000	1	13,00	
			LWE Su	ıbtotal \$896,600	LWE Sub	total \$196,733	3	\$1,093,33	
C In	tangible Completion Cost - ACP	Length /	Size	Budget	Supplement	Budget	Supplement		
	tangible completion cost - Acr	# Days	5126	Dudger	Supplement	Dudger	Supplement		
	CC - COMPLETION RIG					15,600		15,60	
	CC - DOWNHOLE RENTAL EQUIPMENT					43,333		43,33	
	CC - PUMP, TANK, SWIVEL					135,640		135,64	
	CC - SURFACE RENTAL EQUIPMENT					102,267		102,26	
	CC - WATER, RENTAL PUMPS & WATER PUI	MPS				412,750		412,75	
	C - WATER TRANSFER					126,533		126,53	
C30 IC	CC - PRODUCTION TESTING					31,500		31,50	
	CC - CONTRACT LABOR					43,000		43,00	
	CC - ACIDIZING					4,333		4,33	
	CC - FRACTURING					1,897,241		1,897,24	
CAA In	CC - WIRELINE SERVICES		I			255,753		255,75	
CC60 IC						20.367			
CC60 IC	CC - TRUCKING					20,367		20,36	
CC60 IC CC70 IC CC71 IC CC89 IC	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT					34,667 173,333		20,36 34,66 173,33	
CC60 IC CC70 IC CC71 IC CC89 IC	CC - TRUCKING CC - PUMP DOWN					34,667 173,333 442,000		20,36 34,66 173,33 442,00	
CC60 IC CC70 IC CC71 IC CC89 IC	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT				ICC Subt	34,667 173,333 442,000		20,36 34,66 173,33	
C60 IC C70 IC C71 IC C89 IC C90 IC	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER	enath /				34,667 173,333 442,000 otal \$3,924,217	7	20,36 34,66 173,33 442,00	
C60 IC C70 IC C71 IC C89 IC C90 IC	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT	Length / # Days	Size	Budget	ICC Subt	34,667 173,333 442,000		20,36 34,66 173,33 442,00	
C60 IC C70 IC C71 IC C89 IC C90 IC	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER roduction Facility FLOWLINES	Length / # Days	Size	Budget		34,667 173,333 442,000 otal \$3,924,217	7 Supplement	20,36 34,66 173,33 442,00	
C60 IC C70 IC C71 IC C89 IC C90 IC WE P WE401 WE402	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER roduction Facility FLOWLINES TANKS AND WALKWAYS		Size	Budget		34,667 173,333 442,000 otal \$3,924,217 Budget 180000	7 7 Supplement	20,36 34,66 173,33 442,00 \$3,924,21	
CC60 IC CC70 IC CC71 IC CC89 IC CC90 IC WE P WE401 WE402 WE403 HE403	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER roduction Facility FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D		Size	Budget		34,667 173,333 442,000 otal \$3,924,217 Budget	7 7 Supplement	20,36 34,66 173,33 442,00 \$3,924,21	
CC60 IC CC70 IC CC71 IC CC89 IC CC90 IC WE P WE401 WE402 WE403 HE WE404 HE	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER roduction Facility FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWRO, D COMPRESSORS		Size	Budget		34,667 173,333 442,000 otal \$3,924,217 Budget 18000	7 Supplement	20,36 34,66 173,33 442,00 \$3,924,21 18000 55000	
CC60 IC CC70 IC CC71 IC CC89 IC CC90 IC WE P WE401 WE402 WE403 HE WE404 WE405	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER roduction Facility FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D		Size	Budget		34,667 173,333 442,000 otal \$3,924,217 Budget 180000	7 Supplement	20,36 34,66 173,33 442,00 \$3,924,21	
CC60 IC CC70 IC CC71 IC CC71 IC CC89 IC CC90 IC WE PI WE401 WE402 WE403 HE WE404 HE WE405 LI WE406 LI	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER roduction Facility FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT		Size	Budget		34,667 173,333 442,000 otal \$3,924,217 Budget 18000	7 7 Supplement 0	20,36 34,66 173,33 442,00 \$3,924,2 1800 5500 125	
CC60 IC CC70 IC CC71 IC CC89 IC CC90 IC WE401 WE402 WE402 WE403 WE404 WE404 WE404 WE404 WE405 LI WE406 WWE502	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS		Size	Budget		34,667 173,333 442,000 otal \$3,924,217 Budget 180000 550000	7 7 8 9 0 0 0	20,36 34,66 173,33 442,00 \$3,924,21 18000 55000	
ICC60 ICC CC70 ICC CC71 ICC CC89 ICC CC90 ICC WE401 WE402 WE402 WE403 WE404 WE404 WE404 WWE405 WE405 LI WE406 LI WE406 LI WE406 WE406	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWRO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT				Supplement	34,667 173,333 442,000 otal \$3,924,217 Budget 180000 550000 12500 12500 12500	Supplement 0 0 0 0 0 0	20,36 34,66 173,33 442,00 \$3,924,21 18000 55000 1250 1250 1250	
C60 IC C70 IC C71 IC C89 IC C90 IC WE401 WE402 WE403 HE WE404 WE404 WE404 WE404 WE404 WE404 WE405 LI WE406 WE501	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS		Size			34,667 173,333 442,000 otal \$3,924,217 Budget 180000 550000 12500 12500 12500	Supplement 0 0 0 0 0 0	20,36 34,66 173,33 442,00 \$3,924,2 1800 5500 125 125 1750	
CC60 IC CC70 IC CC71 IC CC89 IC CC90 IC WE401 WE401 WE402 WE404 WE404 WE404 WE404 WE404 WE405 LI WE406 WE501	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS		LWE Su	ıbtotal \$0	Supplement	34,667 173,333 442,000 otal \$3,924,217 Budget 18000 55000 12500 12500 12500 12500 12500 \$930,000	Supplement 0 0 0 0 0 0 0 0 0 0 0	20,36 34,66 173,33 442,00 \$3,924,21 1800 5500 1256 1256 1256 1750 \$930,00	
C60 IC C70 IC C71 IC C89 IC C90 IC WE401 IC WE402 WE402 WE402 WE402 WE402 WE403 HE WE404 WE404 WE406 WE501 WE502 WE600	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT				Supplement	34,667 173,333 442,000 otal \$3,924,217 Budget 180000 550000 12500 12500 12500	Supplement 0	20,36 34,66 173,33 442,00 \$3,924,2 1800 5500 125 125 1750	
C60 IC C70 IC C71 IC C89 IC C90 IC VE P WE401 WE402 WE403 HE WE403 HE WE403 HE WE403 HE WE405 IL WE405 IL WE400 WE400 WE403 HE WE400 HE WE401 HE WE400 HE WE40 HE W	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWRO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT I Cost	# Days	LWE Su Facility Total \$930,000	ıbtotal \$0 Drilling Tota \$4,172,686	Supplement	34.667 173.333 442,000 otal \$3,924,217 Budget 18000 55000 12500 12500 12500 12500 12500 12500 12500 55000 Completion T \$4,120,957	Supplement 0	20,32 34,66 173,33 442,00 \$3,924,2* 1800 5500 125 125 125 1750 \$930,00 Total	
C60 IC C70 IC C71 IC C89 IC C90 IC WE401 WE401 WE402 WE403 HE WE403 HE WE403 HE WE405 IL WE405 IL WE400 WE406 WE406 UC WE501 WE502 WE600	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWRO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT I Cost	# Days	LWE Su Facility Total	ibtotal \$0 Drilling Tota \$4,172,686	Supplement	34.667 173.333 442,000 otal \$3,924,217 Budget 18000 55000 12500 12500 12500 12500 12500 12500 12500 55000 Completion T \$4,120,957	Supplement 0	20,32 34,66 173,33 442,00 \$3,924,2* 1800 5500 125 125 125 1750 \$930,00 Total	
C60 IC C70 IC C71 IC C89 IC C90 IC WE401 WE402 WE403 WE404 WE404 WE403 WE404 WE404 WE404 WE405 LI WE404 WE405 U WE501 WE502 WE600	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT	# Days	LWE Su Facility Total \$930,000 Chris Buscemi	ibtotal \$0 Drilling Tota \$4,172,686	Supplement	34.667 173.333 442,000 otal \$3,924,217 Budget 18000 55000 12500 12500 12500 12500 12500 12500 12500 55000 Completion T \$4,120,957	Supplement 0	20,34 34,66 173,33 442,00 \$3,924,2 1800 5500 125 1750 \$930,0 Total	
C60 IC C70 IC C71 IC C89 IC C90 IC WE401 WE401 WE402 IC WE403 HE WE404 WE403 HE WE404 WE405 IC WE405 WE502 WE502 WE500 Dtal Well	CC - TRUCKING CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT CC - FUEL & POWER FLOWLINES TANKS AND WALKWAYS FLOWLINES TANKS AND WALKWAYS EATER-TREATER, SEPARATORS, FWRO, D COMPRESSORS EASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT I Cost	# Days	LWE Su Facility Total \$930,000 Chris Buscemi V. P. Engineering	ibtotal \$0 Drilling Tota \$4,172,686 DATE	Supplement	34.667 173.333 442,000 otal \$3,924,217 Budget 18000 55000 12500 12500 12500 12500 12500 12500 12500 55000 Completion T \$4,120,957	Supplement 0	20,34 34,66 173,33 442,00 \$3,924,2 1800 5500 125 1750 \$930,0 Total	
C60 IC C70 IC C71 IC C71 IC C89 IC C90 IC WE Pi WE401 WE403 WE403 HE WE404 WE404 WE405 WE502 WE502 WE600 Dotal Well WE402 SAFE Is or proval of th VE302	CC - TRUCKING CC - PUMP DOWN CC - PUMP DOWN CC - CTU/SWAB UNIT CC - TU/SWAB UNIT COMPRESSORS COMPRESSO	# Days	LWE Su Facility Total \$930,000 Chris Buscemi V. P. Engineering associated with the activ	ibtotal \$0 Drilling Tota \$4,172,686 DATE	Supplement	34.667 173.333 442,000 otal \$3,924,217 Budget 18000 55000 12500 12500 12500 12500 12500 12500 12500 55000 Completion T \$4,120,957	Supplement 0	20.3 34.6 173.3 442.0 \$3,924,2 1800 5500 126 125 125 1755 \$930,0 Total	

	ALL THE ALL	Well:	Close Encoun	ters State C	om 303H		State:	New Mexico		
	ARIO	Location:	SHL: Section 1 BHL: Section 1				County:	Lea County		
Operator:			Lario Oil & Gas Company			Field:				
r	Drilling and Completion AFE	AFE Desription	Drill and Comp	ete a ~6,500	horizontal in	to the 3rd Bor	e Springs			
		AFE #: Well #:	24-007		DRILLING			COMPLETION		Total Cost
oc	Intangible Drilling Cost - BCP	Length /	303H Size		Budget	Supplement		Budget	Supplement	
C11	DRILLING AND DAYWORK	# Days	5126			Supplement		Budget	Supplement	
C13	CASING CREW				1,135,000 20,000					1,135,00 20,00
C14	DIRECTIONAL SERVICES				241,000					241,00
C15 C16	SOLIDS CONTROL EQUIPMENT RENTAL DOWNHOLE RENTAL EQUIPMENT				18,000 74,800					18,00
217	SURFACE RENTAL EQUIPMENT				100,011					100,01
C19	BITS				68,900					68,90
C20 C21	RIG MOVE AND/OR DOZER STANDBY ROADS, LOCATION, PITS				350,000					350,00
222	CEMENT AND CEMENTING SERVICES				200,000					200,00
C23	MUD AND OTHER DRILLING FLUIDS				180,000					180,00
C24 C26	WATER, RENTAL PUMPS AND WATER LINES CONDUCTOR PIPE (DRILL, INSTALL & CE	· · · · · · · · · · · · · · · · · · ·			31,700					31,70
C32	CONTRACT LABOR & WELDING				15,000					15,00
C33	MUD LOGGING				20,400					20,40
C34 C60	MUD DISPOSAL OVERHEAD				105,300				L T	105,30
C63	CONSULTANTS - CONTRACT ENGINEER				6,825					6,82
C64	CONSULTANTS - FOREMAN / FIELD SUP				85,000					85,00
C70	HAULING - AUTO AND TRUCK				30,400					30,40
C71 C73	MISCELLANEOUS AND CONTINGENCIES NU/ND/BOP TEST				300,000 8,000				 -	300,00
C90	FUEL, POWER, REPAIRS, & SUPPLIES				63,750					63,75
			IDC	Subtotal	\$3,276,086					\$3,276,0
/E	Lease and Well Equipment	4.050	40.075		00.500					
	SURFACE CASING	1,850 7,600	13.375" 9.625"		92,500				I	92,50
	PRODUCTION CASING	19,100	5.5"		494,100					494,10
	TCC - TUBING	7,600	2.875"					60,667		60,66
/E204			2.010		58,000			23,400		81,40
VE303	TCC - SUBMERSIBLE PUMPS				-			99,667		99,66
VE304	TCC - DOWNHOLE PUMP EQUIP				-			13,000		13,00
			LWE	Subtotal	\$896,600	LWE	Subtotal	\$196,733		\$1,093,3
с	Intangible Completion Cost - ACP	Length /	Size		Budget	Supplement		Budget	Supplement	
		# Days	3126		Duuger	Supplement			Supprement	
C12	ICC - COMPLETION RIG							15,600		15,60
C16 C17	ICC - DOWNHOLE RENTAL EQUIPMENT ICC - PUMP, TANK, SWIVEL							43,333 135,640		43,33
C18	ICC - SURFACE RENTAL EQUIPMENT							102,267	<u> </u>	102,26
C23	ICC - OTHER COMPLETIONS FLUIDS, MUD							115,700		115,70
C24 C24A	ICC - WATER, RENTAL PUMPS & WATER PU ICC - WATER TRANSFER	MPS						412,750		412,75
C30	ICC - WATER TRANSPER							126,533 31,500		126,53
C32	ICC - CONTRACT LABOR							43,000		43,00
C41	ICC - ACIDIZING							4,333		4,33
C42 C44	ICC - FRACTURING ICC - WIRELINE SERVICES							1,897,241 255,753	<u> </u>	1,897,24
C60	ICC - FIELD SUP.							70,200		70,20
C70	ICC - TRUCKING							20,367		20,36
C71 C89	ICC - PUMP DOWN ICC - CTU/SWAB UNIT							34,667 173,333		34,66
C90	ICC - FUEL & POWER							442,000		442,00
						ICC	Subtotal	\$3,924,217		\$3,924,2
									i r	
E	Production Facility	Length / # Days	Size		Budget	Supplement		Budget	Supplement	
-								180000		1800
VE401										
VE401 VE402								550000		5500
NE401 NE402 NE403	HEATER-TREATER, SEPARATORS, FWKO, D									
VE401 VE402 VE403 VE404 VE405	HEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT							12500		125
VE401 VE402 VE403 VE404 VE404 VE405	EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS									
VE401 VE402 VE403 VE404 VE405 VE406 VE406	EATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT S SWD & INJECTION PUMPS OTHER EQUIPMENT							12500 12500 175000		125
VE401 VE402 VE403 VE404 VE405 VE406 VE501 VE502	LEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT S SWD & INJECTION PUMPS S OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS							12500 175000		125 125 1750
VE401 VE402 VE403 VE404 VE405 VE406 VE501 VE502	LEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT S SWD & INJECTION PUMPS S OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS		LWE	Subtotal	\$0	LWE	Subtotal	12500		125 1750
VE401 VE402 VE403 VE404 VE405 VE406 VE501 VE501	LEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT S SWD & INJECTION PUMPS S OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS							12500 175000 \$930,000		125 1750 \$930,0 0
VE401 VE402 VE403 VE404 VE405 VE405 VE501 VE502 VE600	LEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT SWD & INJECTION PUMPS OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS SALT WATER INVESTMENT		Facility Total		orilling Tota	1		12500 175000 \$930,000	tal	125 1750 \$930,0 0 Total
VE401 VE402 VE403 VE404 VE405 VE405 VE501 VE502 VE600	LEATER-TREATER, SEPARATORS, FWKO, D COMPRESSORS LEASE MISCELLANEOUS VALVES AND FITT S SWD & INJECTION PUMPS S OTHER EQUIPMENT INTANGIBLES INSTALLATION COSTS					1		12500 175000 \$930,000	tal	125 1750 \$930,0 0
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		E1111		
Name of Contact	Company	Date	Type of Communication	Discussion Topic
				Well Proposals, Unit Ownership, Drill
Bryan J. Cifuentes	XIO Holdings, LLC	2/6/2024	Email	plans
Cindy Sloan	XIO Holdings, LLC	2/8/2024	Email	Sent out Well Plans
Bryan J. Cifuentes	XIO Holdings, LLC	2/15/2024	Email	Projected Drilling Dates
Bryan J. Cifuentes	XIO Holdings, LLC	2/15/2024	Email	Requested to schedule a technical call
Bryan J. Cifuentes	XIO Holdings, LLC	2/28/2024	Email	Sent over Updated Ownership Attempted to Setup Development meeting
Bryan J. Cifuentes	XIO Holdings, LLC	3/12/2024	Email	Sent term assignment offer
Bryan J. Cifuentes	XIO Holdings, LLC	4/1/2024	Email	Sent APDs
Bryan J. Cifuentes	XIO Holdings, LLC	5/2/2024	Email	Sent updated AFEs
Bryan J. Cifuentes	XIO Holdings, LLC	5/17/2024	Email	Sent Carry offer
Bryan J. Cifuentes	XIO Holdings, LLC	5/24/2024	Email	Followed up on Offer, XIO plans to give us a answer prior to hearing

EXHIBIT A-7

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

APPLICATION OF LARIO OPERATING LLC FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO.

CASE NO. 24493

SELF-AFFIRMED STATEMENT OF KRISTOPHER CLEMONS

- 1. I am a geologist for Lario Oil & Gas Company. I am over 18 years of age, have a personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have not previously testified before the New Mexico Oil Conservation Division ("Division").
- 2. I have a Master of Science in Geology from the University of Kentucky and 15 years of experience in the petroleum industry. My experience has focused on a diverse list of aspects of petroleum geology, including planning, development, and execution of horizontal unconventional reservoir projects in the Permian Basin. A copy of my resume' is attached to this exhibit.
- 3. I am familiar with geologic matters that pertain to the above referenced case.
- 4. Exhibit B-1 is a location map of the proposed horizontal spacing unit ("Unit"). The approximate wellbore paths for the proposed Close Encounters State Com 301H, Close Encounters State Com 302H, Close Encounters State Com 303H, Close Encounters State Com 304H, Close Encounters State Com 101H, Close Encounters State Com 102H, Close Encounters State Com 103H, and Close Encounters State Com 104H wells are represented by dashed lines. Existing producing wells in the targeted formations are represented by solid lines.
- 5. Exhibit B-2a is a subsea structure map for the Third Bone Springs Sand and is representative of the top of the targeted interval for the proposed Close Encounters State Com 301H, Close Encounters State Com 302H, Close Encounters State Com 303H, and Close Encounters State Com 304H. The data points are indicated by crosses. The approximate wellbore paths are depicted by dashed lines. The map demonstrates the formation is moderately dipping to the south in this area. I do not observe significant faulting, pinch-outs, or geologic impediments to developing the targeted intervals with horizontal wells.
- 6. Exhibit B-2b is a subsea structure map for the First Bone Springs Sand and is representative of the top of the targeted interval for the proposed Close Encounters State Com 101H, Close Encounters State Com 102H, Close Encounters State Com 103H, and Close Encounters State Com 104H. The data points are indicated by crosses. The approximate wellbore paths are depicted by dashed lines. The map demonstrates the formation is moderately dipping to the south in this area. I do not observe significant faulting, pinch-outs, or geologic impediments to developing the targeted intervals with horizontal wells.

- 7. Exhibit B-3a is a structural cross-section using the representative wells identified on Exhibits B-2a and B-2b. It contains gamma-ray, resistivity, and porosity logs. The proposed landing zones for the Close Encounters State Com 301H, Close Encounters State Com 302H, Close Encounters State Com 303H, and Close Encounters State Com 304H wells are located on the exhibit. Exhibit B-b is a structural cross-section using the representative wells identified on Exhibits B-2b and B-2b. It contains gamma-ray, resistivity, and porosity logs. The proposed landing zones for the cross-section using the representative wells identified on Exhibits B-2b and B-2b. It contains gamma-ray, resistivity, and porosity logs. The proposed landing zones for the cross-sections demonstrate the target intervals are continuous across the unit.
- 8. In my opinion, a North- South azimuth orientation for the wells is appropriate to properly develop the subject acreage because consistent reservoir properties, maximization of lateral length, and the preferred orientation of induced fracture (Shmax).
- 9. Based on my geologic study of the area, the targeted interval in the unit is suitable for development by horizontal wells and the reacts comprising the unit will contribute roughly equally to the wells production.
- 10. In my opinion, the granting of Lario Oil & Gas Company's application will serve the interests of conservation, the protection of correlative rights, and the prevention of waste.
- 11. The attached exhibits were either prepared by me or under my supervision, or were compiled from company business records.
- 12. I understand this SELF-AFFIRMED STATEMENT will be used as written testimony in the case. I affirm my testimony above is true and correct and is made under the penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date identified next to my signature below.

DocuSigned by: 22

A705072797904D3... Kristopher Clemons

6/7/2024

Date

28610 Pine Drive - Evergreen, CO 80439 859.321.5558 - <u>Clemons.kit@gmail.com</u>

Kristopher (Kit) Clemons

Profile

Vice President of Geoscience with proven management and technical expertise in conventional and unconventional exploration and exploitation business environments. Strong ability to work and coordinate with multiple disciplines (Geoscience, Operations, Marketing, Finance, Accounting, Land, Regulatory, EHS) to meet company objectives and steward full cycle field development. Strengths in stratigraphy, structural geology and geomechanics.

Experience

Vice President Geoscience – Lario Permian LLC, Lario Oil & Gas Company, Denver, CO (2016 - Present) Permian Basin, Mid-Con and Rockies Mountain Regions, Regional Assessment, New Plays and Exploration, Conventional and unconventional play assessment / play mapping. Led the geoscience effort to identify, build, and develop Lario's Midland Basin unconventional position culminating in the successful asset divestiture to Diamondback in 2023 ((\$1.5 B).

Senior Geologist – Lario Oil & Gas Company, Denver, CO (2015 - 2016)

Permian Basin and Rockies Mountain Regions, Regional Assessment, New Plays and Exploration Conventional and unconventional play assessment / play mapping

Senior Geologist – Pioneer Natural Resources, Denver, CO (2013 –2015)

Rockies Mountain Region and Appalachian Basin New Plays and Exploration Conventional and unconventional play assessment / play mapping Lead maturation and prospect development

Geologist II - Pioneer Natural Resources, Irving, TX (2010 – 2013)

Regional assessment of the Gulf Coast and Permian Basin Geomechanical evaluation of unconventional targets Seismic attribute analysis and seismic sweet-spot mapping Exploitation geology – well planning and execution

Geologist I – Pioneer Natural Resources, Irving, TX (2009)

Regional assessment of the Permian Basin Spraberry and Wolfcamp intervals Wolfcamp Lateral well planning Permian geomechanics / fracture stratigraphy

Skill Set

<u>Technical:</u> 2D/3D seismic interpretation, well log correlation, structural analysis, geomechanical evaluation, geochemical evaluation (Oil geochem, RockEval, and x-ray fluorescence), geologic model building, well planning, and geosteering. Designated Technical Key Expert (Jan 2015) <u>Management:</u> Managed multidisciplinary team of geoscientist and engineers in Permian Basin horizontal asset and Midcon conventional asset development with emphasis on efficient and effective resource exploitation.

<u>Mentor:</u> Experience developing continuing education program for Lario geoscience staff. Experience as primary and co-mentor for summer intern program and new hires at Pioneer NRC (2013-2015) <u>Computing:</u> Petra, Kingdom SMT, SES Geosteering, Paradigm, Geographix, Geolog, Arc GIS, Oasis Montage, Rose and Assoc Risking and Spotfire.

Industry related publications and presentations

Pandey, V. Nekrasova, T., **Clemons, K.**, and Six, B. 2020. Prediction of 3-D Facies and Petrophysical Models using Seismic Inversion and Advanced Statistical Data Analytics in Midland Basin Study Area. Unconventional Resources Technology Conference (URTeC) DOI 10.15530/urtec-2020-2442.

Mohamed, A., **Clemons, K.**, Pandey, V., Six, B., Chesser, K., and Swami, V. 2019. Seismic-driven pore and fracture pressure prediction in the Permian Basin, SEG Technical Program Expanded Abstracts : 4947-4951.

Clemons, K. and Havens, J. 2017. High frequency depositional variability in interbedded carbonates and shales affects mechanical heterogeneity: implications for resource exploitation in the Woflcamp Formation, West Texas, USA., 2017 RMAG DWLS Fall Symposium - Geology and Petrophysics of Unconventional Mudrocks, 2017.

Clemons, K. M., Bello, H., Bodziak, R., McChesney, M., Meek, R., and Stephens, A. 2016. Seismic Attributes: Exploiting seismic data to understand heterogeneous reservoir performance in the Eagle Ford Shale, South Texas, USA. AAPG Eagle Ford Memoir 110.

Drake, William R., Pollock, Caleb J., Henk, Bo, Anderson, Justin B., and **Clemons Kristopher M.**, 2015. Evolution of the Southwestern Midcontinent Basin During the Middle Pennsylvanian: Evidence From Sequence Stratigraphy, Core and XRF in Southeastern Colorado* AAPG Annual Convention & Exhibition, Denver, Colorado, May 31-June 3, 2015. Search and Discovery Article #10753 (2015).

Bodziak, R.M., **Clemons, K. M.**, Meek, R., and Stephens, A. 2014. The role of seismic attributes in understanding the 'frac-able' limits and reservoir performance in shale reservoirs: An Example from the Eagle Ford Shale, South Texas, USA. AAPG Bulletin Special Issue: Faulting and Fracturing in Shale and Self-Sourced Reservoirs. AAPG Bulletin, v .98, No. 11, November 2014.

Bello, H.D., Barzola, G., Portis, D., Tinnin, B., **Clemons, K.**, 2013. Multiuse of Seismic and Attribute Mapping for Field Appraisal and Development in the Eagle Ford Shale: Mapping TOC, Porosity and Seal Integrity. Unconventional Resources Technology Conference held in Denver, Colorado, USA, 12-14 August 2013. URTeC #158153. **Clemons, Kristopher**, Bodziak, Robert, Meek, Robert and Stephens, Andy, 2012. Leveraging seismic attributes to understand the "frac-able" limits and reservoir performance in the Eagle Ford Shale, South Texas, USA. AAPG 2013 Annual Convention, Long Beach, CA. AAPG Search and Discovery, http://www.searchanddiscovery.com/abstracts/html/2012/90142ace/abstracts/clemons.htm.

Clemons, Kristopher, 2010. Fracture stratigraphy and mechanical stratigraphy evolution and The implications for fluid migration in tight reservoirs. *2010 West Texas Geological Society Fall Symposium, Pub No. 10-123.*

Clemons, Kristopher, 2010. Recognizing variations in the relationship between the mechanical and fracture stratigraphies of the Pennsylvanian-Permian section, Midland Basin. 2010 West Texas Geological Society Fall Symposium, Pub No. 10-123.

Other publications and presentations

Clemons, Kristopher and Bartley, J.M., 2008. Evidence for Discrete and Distributed Deformation Accommodated by Bookshelf Faulting from the Central Sierra Nevada, California, American Geophysical Union, Fall Meeting 2008, abstract #T41A-1956, AGU Fall meeting.

Clemons, Kristopher, Moecher, D.P., 2008. Re-interpretation of the Deformation History of the Greenbrier Fault, Great Smoky Mountains: Critical Assessment of Previous Work, Southeastern Geology, vol. 45, no. 4, pp.203-224.

Moecher, D. P. and **Clemons, Kristopher**, 2008. Re-examination of the Greenbrier Fault: Post metamorphic Slip on a faulted stratigraphic contact, Geological Society of America Abstracts with Programs, Vol. 40, No. 4, p. 68

Clemons, Kristopher and Bartley, John, M., 2008. Field and petrofabric relations of the Long Lake shear zone and the Treasure Lakes phase, Lamarck Granodiorite, central Sierra Nevada, California. Geological Society of America Abstracts with Programs, Vol. 40, No. 1, p. 52

Moecher, David P., Anderson, Eric D., **Clemons, Kristopher**, and Massey, Matthew A., 2007. The pattern of tectonic overprinting in the Western-Central Blue Ridge by deformation propagating from Eastern Blue Ridge-Inner Piedmont convergence, Geol. Soc. of Am. Abstracts with Programs., Vol. 39, No. 2, p. 79

Southworth, Scott, **Clemons, Kristopher**, Schultz, Art, Kunk, Michael J., Aleinikoff, John N., Naeser, Charles, Naeser, Nancy, and Denenny, Danielle, 2006. The Polygenetic Greenbrier fault, Great Smoky Mountains, TN/NC. Geol. Soc. Abstracts with Programs. Progs. No. 27, T2, 27-6.

Clemons, Kristopher and Moecher, D.P, 2006. Kinematic and Petrofabric Analysis of the Greenbrier Discontinuity, Great Smoky Mountains, North Carolina and Tennessee. Geol. Soc. Am. Abstracts with Programs. No. 27, T2, 27-5.

Clemons, Kristopher and Moecher, D.P., 2004. Petrofabric Analysis of the Great Smoky – Snowbird Group Contact, Cove Creek Area, Eastern Great Smoky Mountains, NC., Geol. Soc. Am. Abstracts with Programs. No. 43, T24, 43-20, 48.

Education

MS Geology (2006) University of Kentucky, Lexington KY. Thesis: Petrofabric and Geochemical Analysis of the Great Smoky – Snowbird Contact, Western Blue Ridge, North Carolina and Tennessee BA Political Science (1996) Eastern Kentucky University, Richmond, KY.

Professional Society Memberships and other professional associations

University of Kentucky Department of Earth and Environmental Sciences Alumni Board Member American Association of Professional Geologists Rocky Mountain Association Geologists West Texas Geological Society Geological Society of America

References

Available upon request

Proposed Location

EXHIBIT B-1a

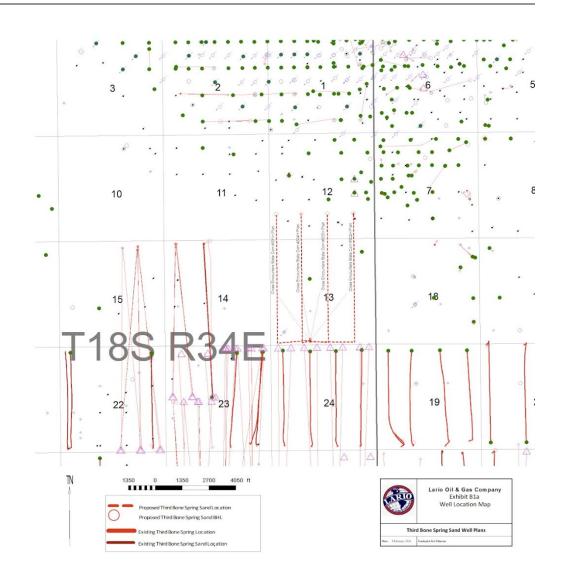
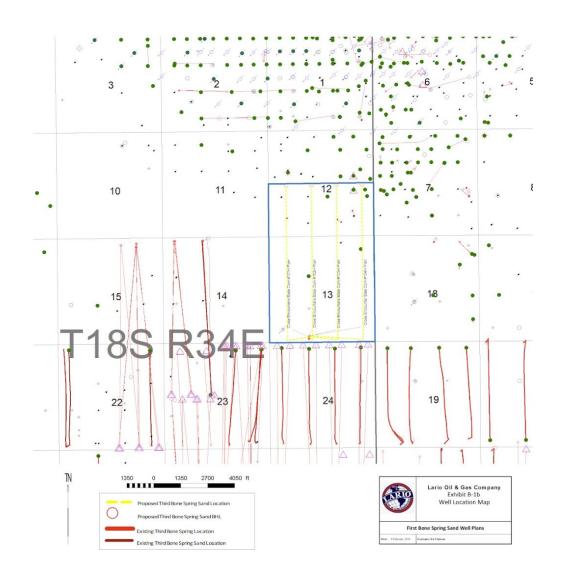


EXHIBIT B-1b

Proposed Location



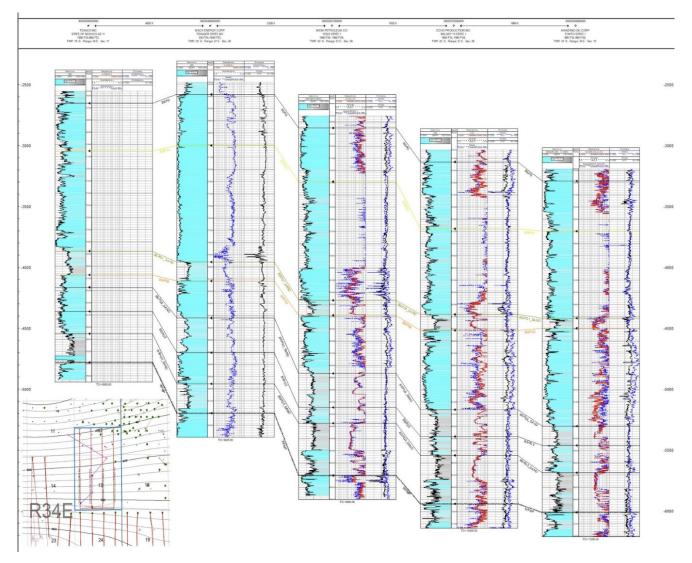
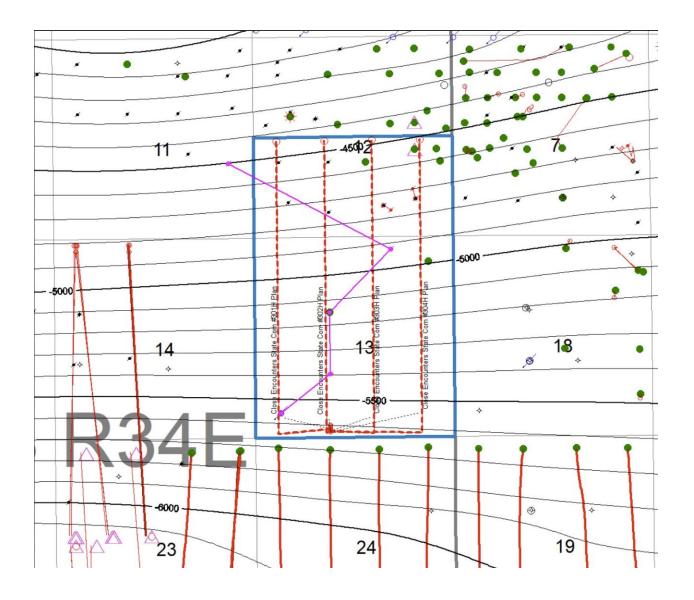
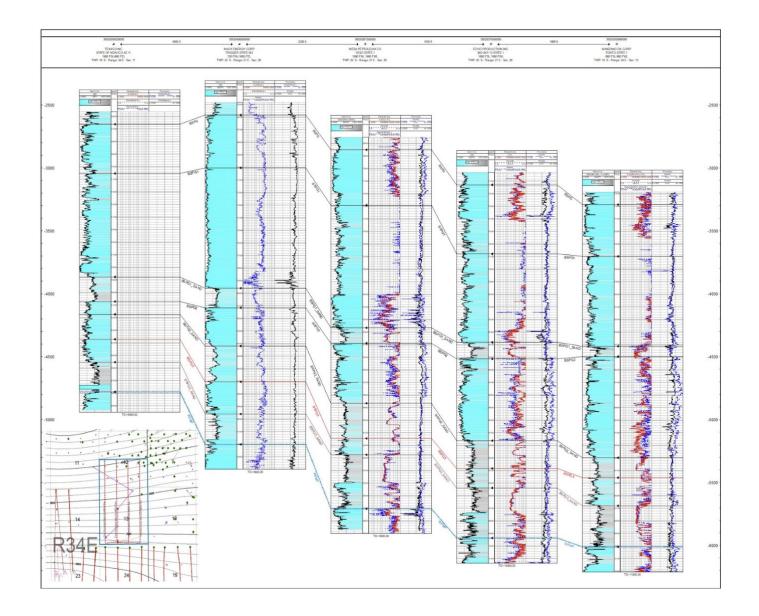
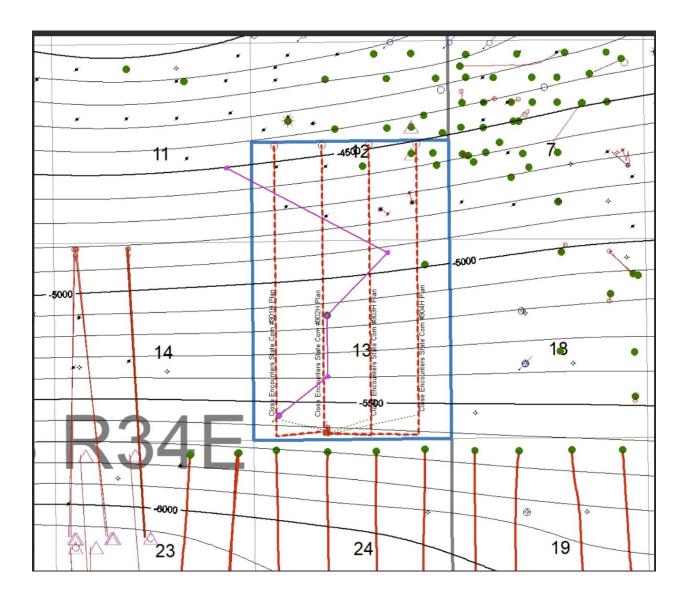


EXHIBIT B-2









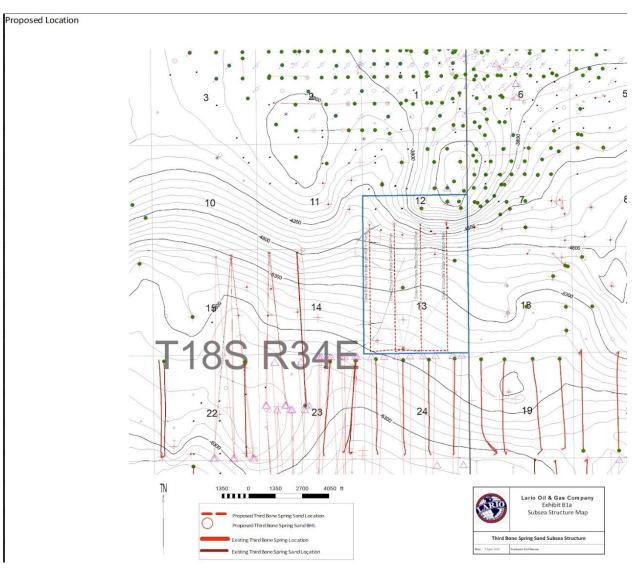


EXHIBIT B-2a

EXHIBIT B-2b

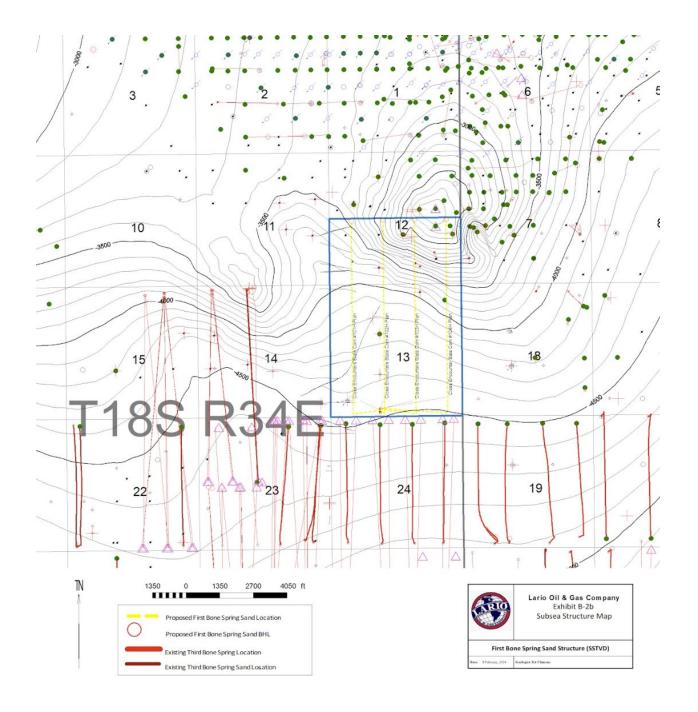
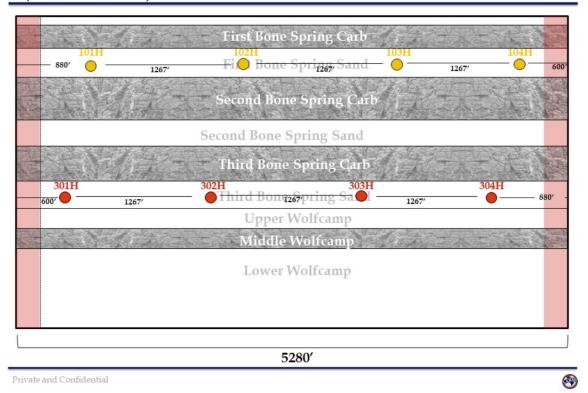


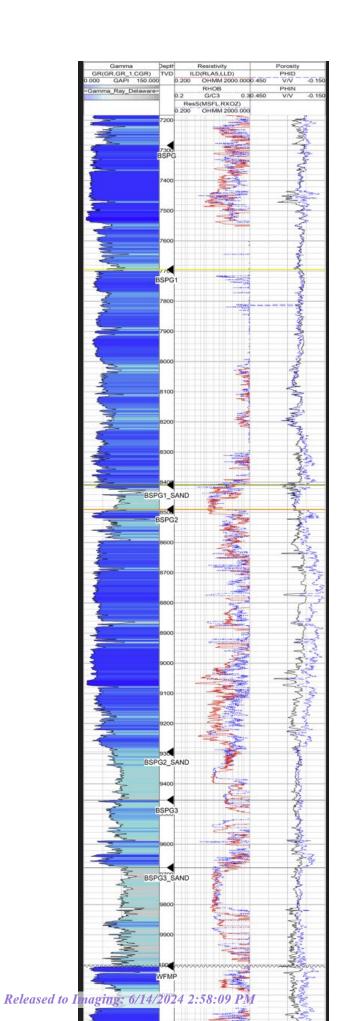
EXHIBIT B-3

Close Encounters State Com Unit Development (Gunbarrel View)



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EXHIBIT B-4



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

APPLICATION OF LARIO OPERATING LLC FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO.

CASE NO. 24493

SELF-AFFIRMED STATEMENT OF CHRISTOPHER BUSCEMI

- I am an engineer for Lario Oil & Gas Company. I am over 18 years of age, have a personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have not previously testified before the New Mexico Oil Conservation Division ("Division").
- 2. I have a bachelor's degree in mechanical engineering from the University of Florida and 14 years of experience in the petroleum industry. I have had a variety of roles in reservoir engineering over my career, with a focus on unconventional horizontal well development. A copy of my resume is attached under exhibit C-3.
- 3. In this case, Lario seeks the approval of a 960-acre non-standard Bone Springs Unit.
- 4. The single non-standard unit would significantly reduce the anticipated costs and surface disturbance compared to 4-standard spacing units.
- Exhibit C-1 illustrates the central tank batteries required in a non-standard unit as opposed to using standard horizontal spacing units. Exhibit C-2 compares the estimated cost and surface disturbance reductions if able to proceed with a non-standard unit.

- Page 62 of 139
- 6. In my opinion, the granting of this non-standard spacing application will allow Lario to limit surface disturbance, allow for effective well spacing across the Bone Springs formation, and locate facilities in the most efficient manner.
- The attached exhibits were either prepared by me or under my supervision, or were compiled from company business records.
- 8. I understand this SELF-AFFIRMED STATEMENT will be used as written testimony in the case. I affirm my testimony above is true and correct and is made under the penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date identified next to my signature below.

Christopher Buscemi

6/10/2024

Date

Case No: 24493

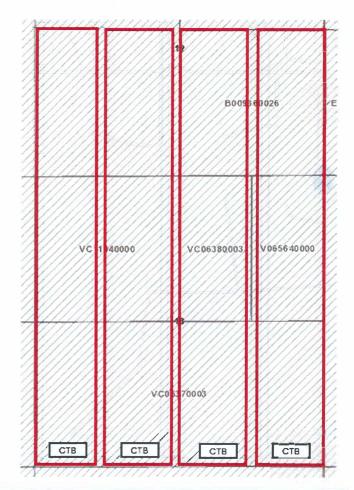
Facilities Comparison Map

Non-Standard Unit; 1 UNIT and 2 CTB

Lease Tract Map: S/2 of Section 12, ALL of Section 13 T18S R34E, Lea County, New Mexico Standard Unit vs. Non-Standard Unit

1111111111111111111111111111111111 8012580003 B0093 60026 State State 12.5% RI 12.5% R V065640000 VC 11940000 VC06380003 State 20% RI State State 16.67% 20% RI RI VC06370003 State 20% RI CTB CTB

Standard Unit; 4 UNIT and 4 CTB



Private and Confidential



Case No: 24493

Facilities Comparison

Scenario	Design Basis per CTB (BOPD)	CTB Cost (\$M)	Pipeline Cost (\$M)	Total Capital (\$M)	CTB and Pipeline Disturbance (Acres)
Four Separate Facilities	2,500	\$8.0	\$1.0	\$9.0	15
Two Pooled Facilities	2,000 / 8,000	\$5.5	\$0.6	\$6.1	9.9
SAVINGS	AND A REAL OF STREET	\$2.5	\$0.4	\$2.9	5.1

Private and Confidential



CHRISTOPHER M. BUSCEMI

Cell:(850)529-0706 cbuscemi2238@gmail.com

PROFESSIONAL SUMMARY

Highly motivated, results-oriented Reservoir Engineer known as a consistent team player with strong technical and leadership abilities.

WORK HISTORY

Page 65 of 139

09/2023 -	VP of Engineering
Present	Lario Oil & Gas Company – Denver, CO
08/2022 -	Exploitation Manager
07/2023	Four Corners Petroleum – Golden, CO
10/2021 -	Staff Reservoir Engineer
05/2022	Great Western Petroleum, LLC – Denver, CO
09/2017 -	Reservoir Engineering Manager – Permian Division
05/2021	QEP Resources – Denver, CO
05/2016 -	Reservoir Engineering, Team Lead
09/2017	QEP Resources – Denver, CO
10/2013 -	Reservoir Engineer – Pinedale
05/2016	QEP Resources - Denver,CO
07/2010 -	Reservoir Engineer
10/2013	ExxonMobil Corporation, US Production Company -Houston, TX
EDUCATI	ON

2010 Bachelor of Science: Mechanical Engineering

University of Florida - Gainesville, FL

• Graduated Magna Cum Laude

Released to Imaging: 6/14/2024 2:58:09 PM

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

APPLICATION OF LARIO OPERATING LLC FOR COMPULSORY POOLING AND APPROVAL OF NON-STANDARD SPACING UNIT, LEA COUNTY, NEW MEXICO.

CASE NO. 24493

AFFIRMATION OF NOTICE

STATE OF NEW MEXICO)
) ss.
COUNTY OF LEA)

I, Christopher W. Lawyer, counsel for and authorized representative of Lario Oil & Gas Company ("Lario"), the Applicant herein, being first duly sworn, upon oath, states the following:

- Notice of the application and hearing in the above referenced case was timely sent by certified mail, return receipt requested, through the United States Postal Service on May 7, 2024, to all interest owners sought to be pooled in this proceeding. Copies of notice letters and evidence of mailing to parties are attached hereto as Exhibits D-1 and D-2.
- Notice was sent to Hobbs News Sun, a newspaper on May 17, 2024, and was timely published on May 22, 2024. See Exhibit D-3.
- 3) During Lario's additional review of title, it was discovered that a working interest owner sold to Matador Resources Company ("Matador"), after which Lario promptly sent an additional letter to Matador on May 13, 2024.
- 4) It is my understanding that Lario 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.

I understand that this Affirmation will be used as written testimony before the Division in Case No. 24493 and affirm my testimony herein is true and made under penalty of perjury under the laws of the State of New Mexico.

DocuSigned by:	
Christopher W. Lawyer	
Christopher W. Lawyer	
Christopher W. Lawyer	

6/7/2024

Date



ATTORNEYS AT LAW

Denver: 1625 Broadway, Suite 2950, Denver, CO 80202 Fort Worth: 777 Main, Suite 600, Fort Worth, TX 76102 Phone: (713) 936-9620 or (720) 863-4012 Houston: 55 Waugh, Suite 150, Houston, TX 77007 San Antonio: 8626 Tesoro, Suite 816, San Antonio, TX 78217 Fax: (713) 936-9621

www.KMD.law

May 7, 2024

State of New Mexico 310 Old Santa Fe Trail Santa Fe, NM 87501

Via Certified Mail

RE: Notice of Compulsory Pooling Hearing Case No. 24493 NMOCD Notice - Rule 19.15.16.15(B)(5)(b) Bone Spring Formation Lea County, NM

To Whom It May Concern;

Pursuant to New Mexico Administrative Code ("NMAC" or the "Division") Rule 19.15.4.12(A) you are receiving this notice because are an owner of interest in the mineral estate or portion of lands proposed to be pooled in Lario Oil & Gas Company's ("Lario") application pursuant to NMAC Rule 19.15.16.15(B)(5)(b) for Compulsory Pooling and approval of a Non-Standard Spacing Unit in the Bons Spring (the "Application") for the following wells situated in Lea County, NM. The Application, attached, was filed with the Division on April 29, 2024 and has been assigned Case No. 24493.

- Close Encounters State Com 101H (API 30-025-52808), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SW/4 (Unit L) of Section 12, Township 18 South, Range 34 East;
- 2) Close Encounters State Com 102H (API 30-025-52809), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SW/4 (Unit K) of Section 12, Township 18 South, Range 34 East;

- 3) Close Encounters State Com 103H (API 30-025-52810), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 34 East;
- 4) Close Encounters State Com 104H (API 30-025-52811), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SE/4 (Unit I) of Section 12, Township 18 South, Range 34 East;
- 5) Close Encounters State Com 301H, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 34 East;
- 6) Close Encounters State Com 302H, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 12, Township 18 South, Range 34 East;
- 7) Close Encounters State Com 303H, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 34 East; and
- 8) Close Encounters State Com 304H, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 12, Township 18 South, Range 34 East.

The matter of the Application will be heard at the Division hearing on June 13, 2024 which will take place at the Division at Pecos Hall, 1220 South Francis, Santa Fe New Mexico, 87505. The hearings typically begin. Should you require any further information regarding the Division hearing process please visit <u>https://www.emnrd.nm.gov/ocd/ocd-announcements-and-notifications/</u>.

Should you wish to protest the Application, you must file your protest in writing with the Division at <u>OCD.Hearings@emnrd.nm.gov</u>, listing the Case No. and details regarding the protest.

Should you have any questions about Lario's Application please contact Dakota Nahm at <u>Dakota@lario.net</u> or at 720-573-9816.

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Recipient	Receipt Confirmation	<u>Undeliverable Receipt</u>
	Received	Received
The Allar Company	05/13/2024	
Broken Arrow Royalties,	05/17/2024	
LLC		
Cavalry Resources, LLC	05/15/2024	
Chase Oil Corporation		
COG Operating LLC	05/13/2024	
Cornerstone Family Trust		
John Kyle Thomas, Trustee		
Cross Timbers Energy LLC	Yes. Date not included	
CrownRock Minerals, LP	05/14/2024	
DENM Holdco LLC	Yes. Date not included	
DiaKan Minerals, LLC		
DSD Energy II, LLC	Yes. Date not included	
DSD Energy Resources, LLC	Yes. Date not included	
Franklin Mountain Energy 3,	Yes. Date not included	
LLC		
Highland (Texas) Energy	05/23/2024	
Company		
Loma Hombre Energy, LLC	Yes. Date not included	
Mack Energy Corporation	05/28/2024	
Marathon Oil Permian, LLC	05/10/2024	
Matador Resources Company	05/20/2024	
MorningStar Operating, LLC	Yes. Date not included	
RDC Minerals, LLC		
State Land Trust of New	Yes. Date not included	
Mexico		
State of New Mexico	Yes. Date not included	
Strategic Energy Income	05/13/2024	
Fund IV, LP		
T.H. McElvain Oil & Gas,	Yes. Date not included	
LLLP		
Thomaston, LLC	Yes. Date not included	
Ventana Minerals, LLC		
XTO Holdings, LLC	Yes. Date not included	

Notice Letter Tracking Spreadsheet

Received by OCD: 6/14/2024 10:42:4814 M 111111 OMPLETE THIS SECTION ON DELIVERY Page 71 of 139 Signature) (Addressee or Agent) -Attach this card to the back of the mailpiece, or on the front if space permits. B.Received By: (Printed Name) C. Date of Delivery D. Is delivery address different from item 1? If YES, enter delivery address below: 1. Article Addressed to: □ Yes **No** MACK ENERGY CORPORATION 11344 LOVINGTON HWY ARTESIA NM 88210-9634 3. Service Type Certified Mail® 9490 9112 0623 9994 6872 84 2. Article Number (Transfer from service label) 9414 7112 0623 9994 6872 42 PS Form 3811 Facsimile, July 2015 (SDC 3930) **Domestic Return Receipt** 19. Released to Imaging: 6/14/2024 2:58:09 PM



Released to Imaging: 6/14/2024 2:58:09 PM

Kearney McWilliams & Davis 55 Waugh Drive Suite 150 HOUSTON TX 77007

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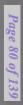
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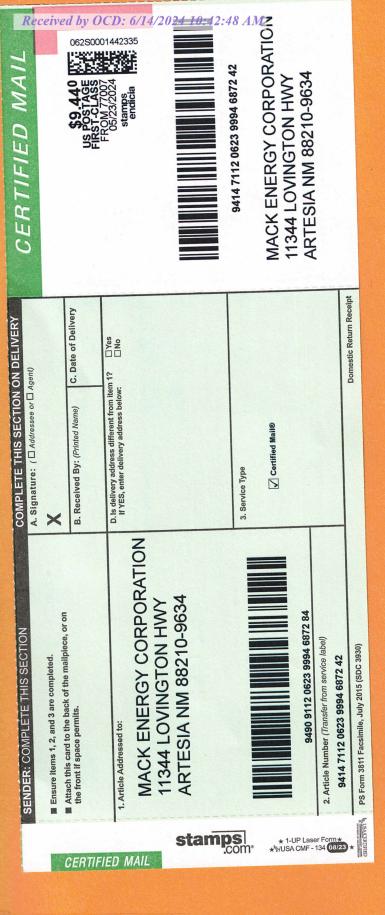




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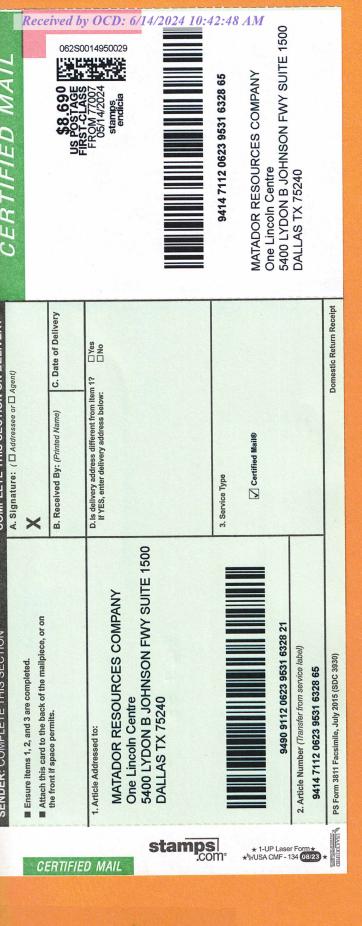




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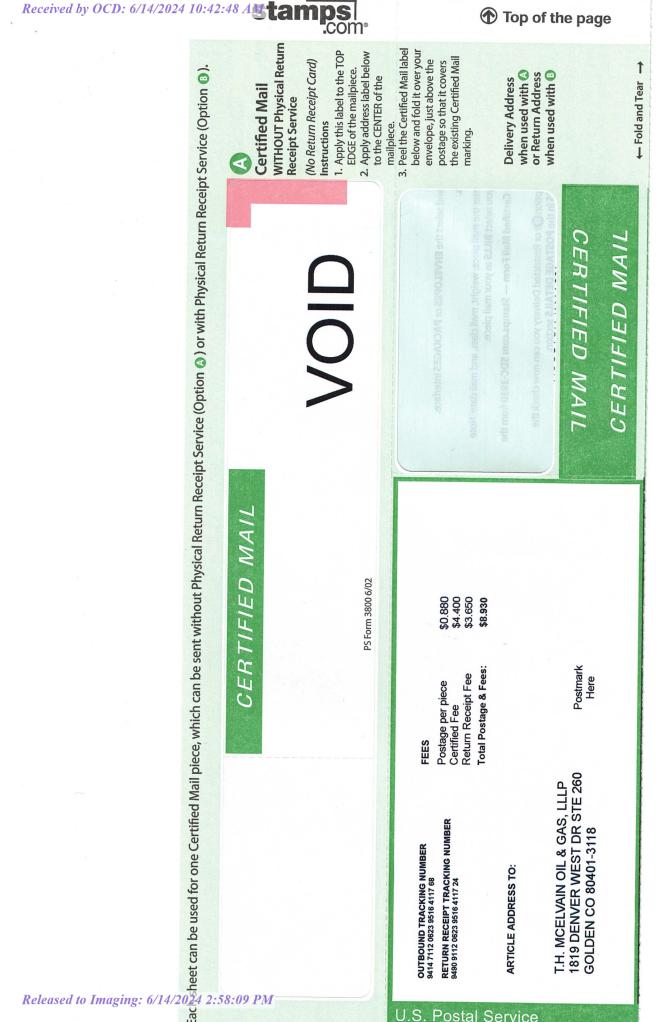


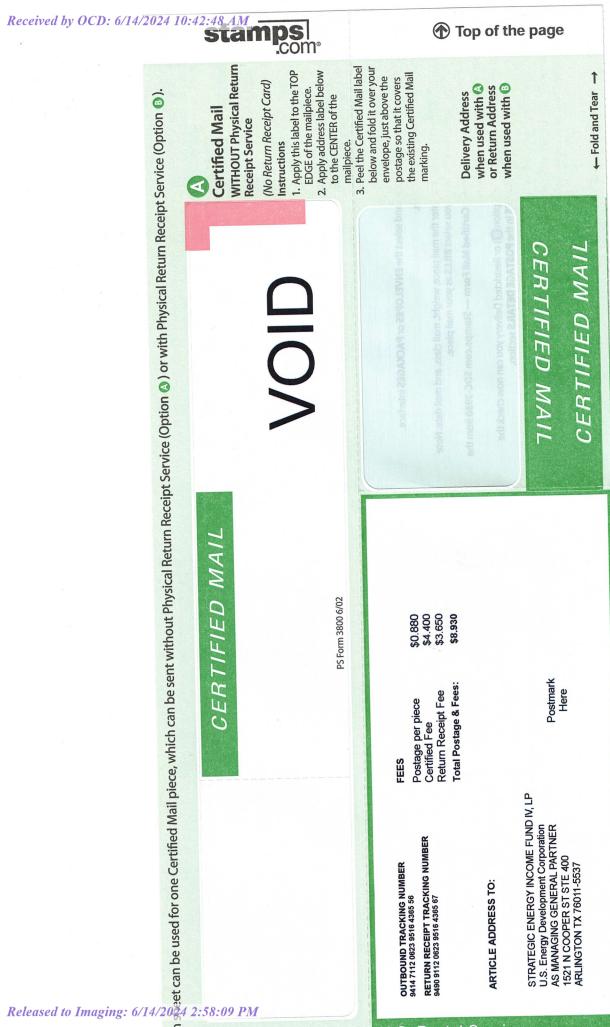
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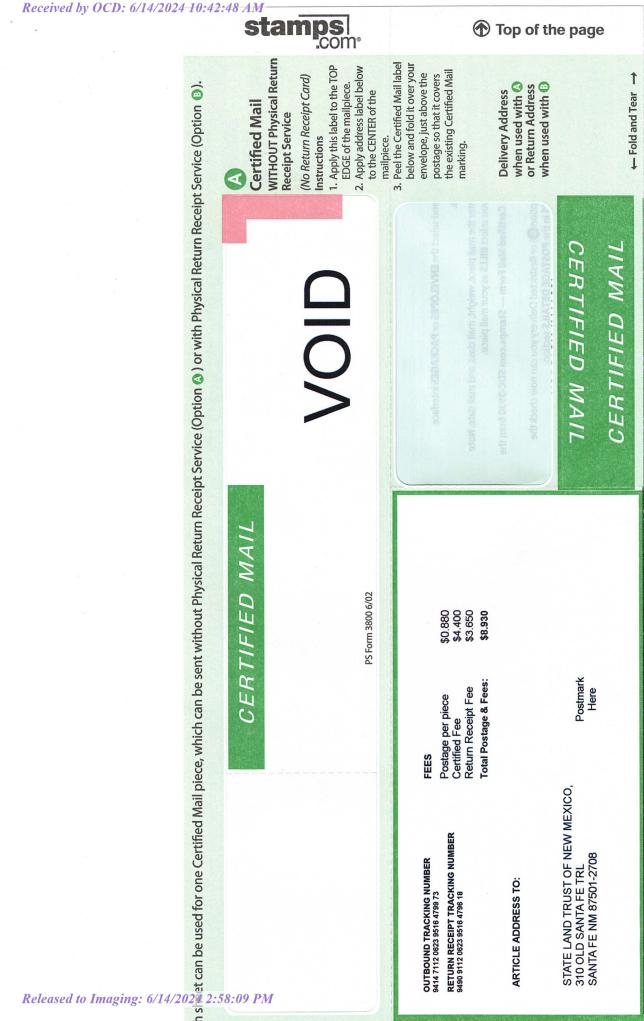
Page 120 of 139

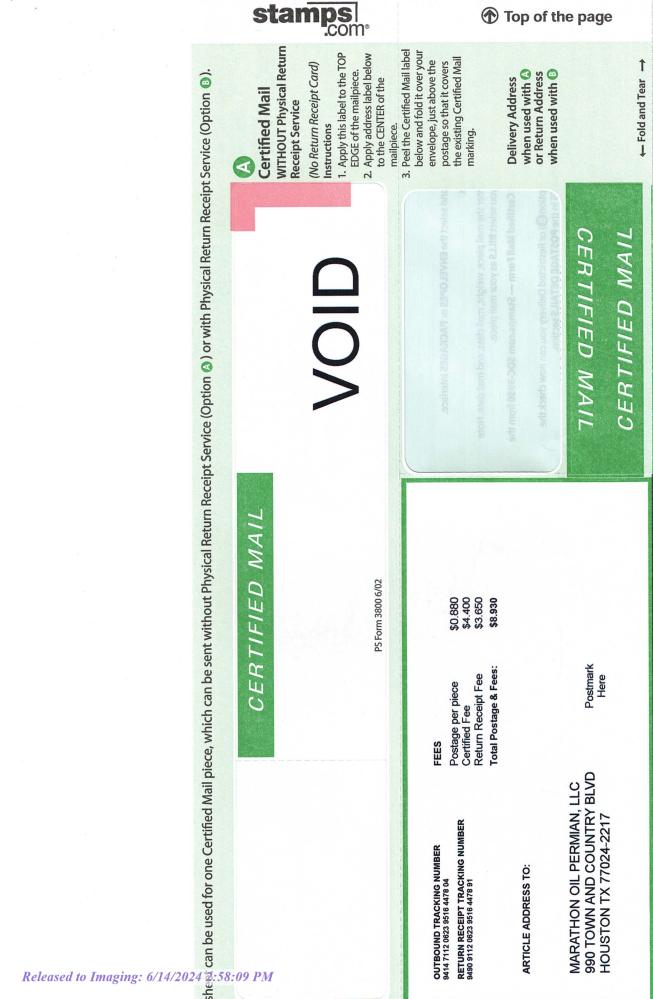


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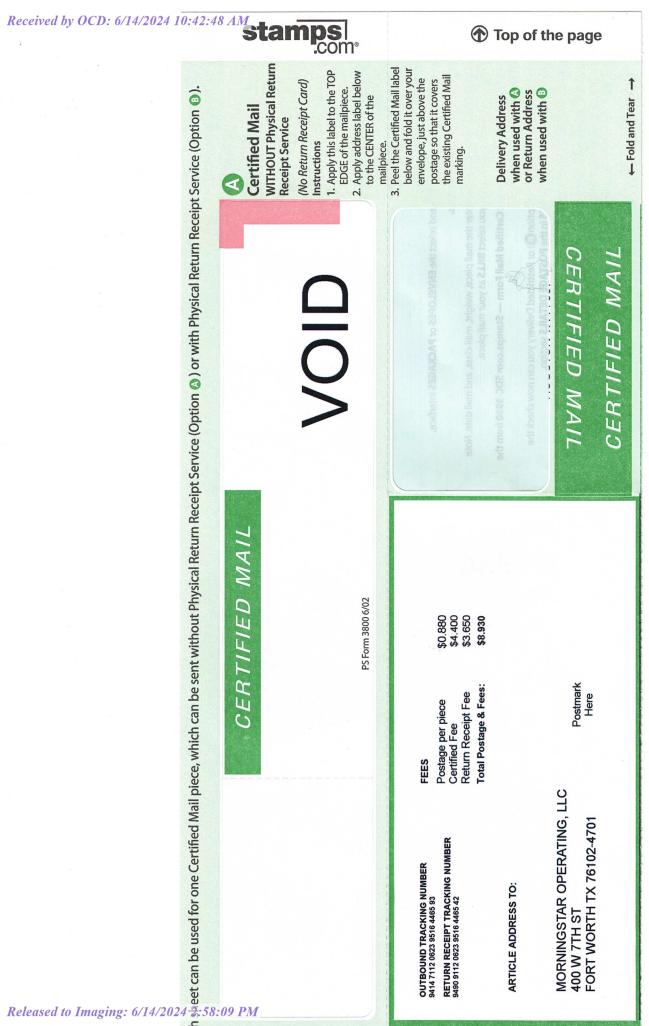
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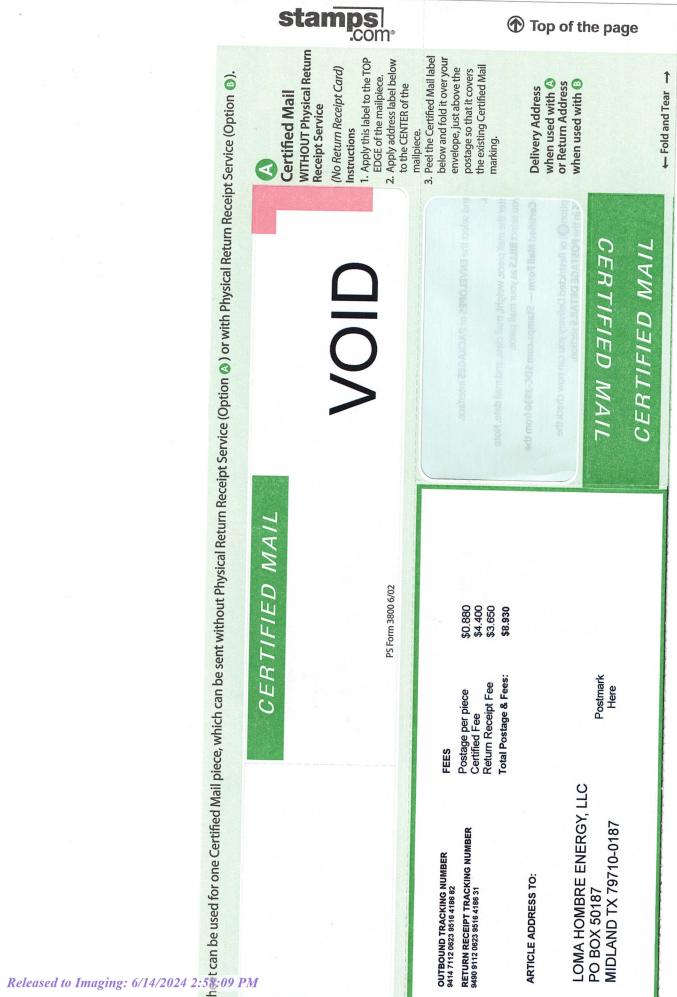


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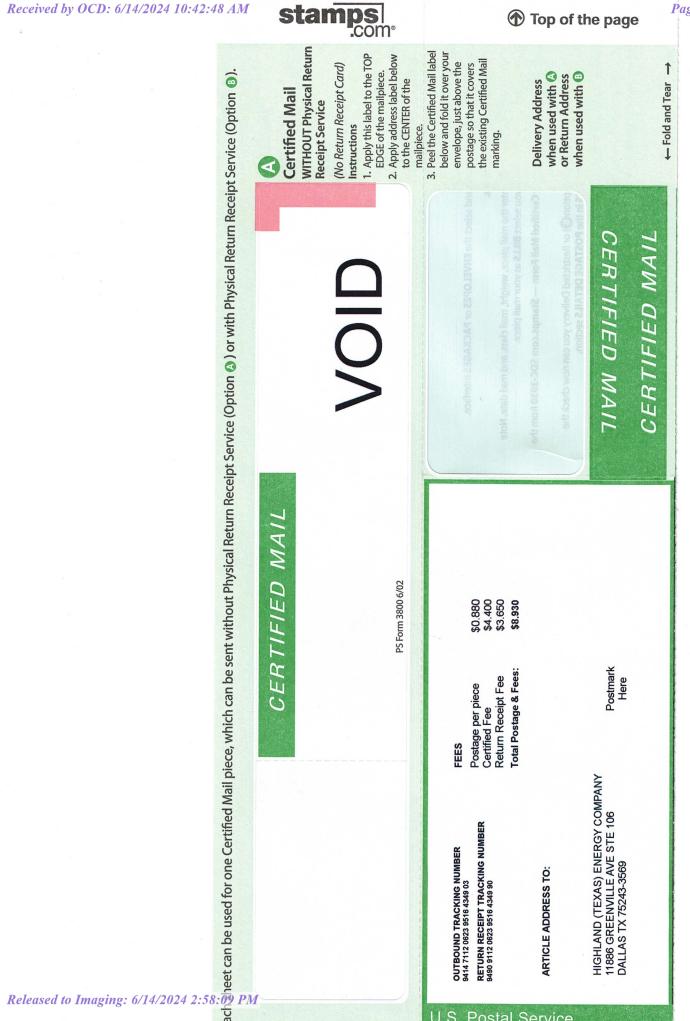


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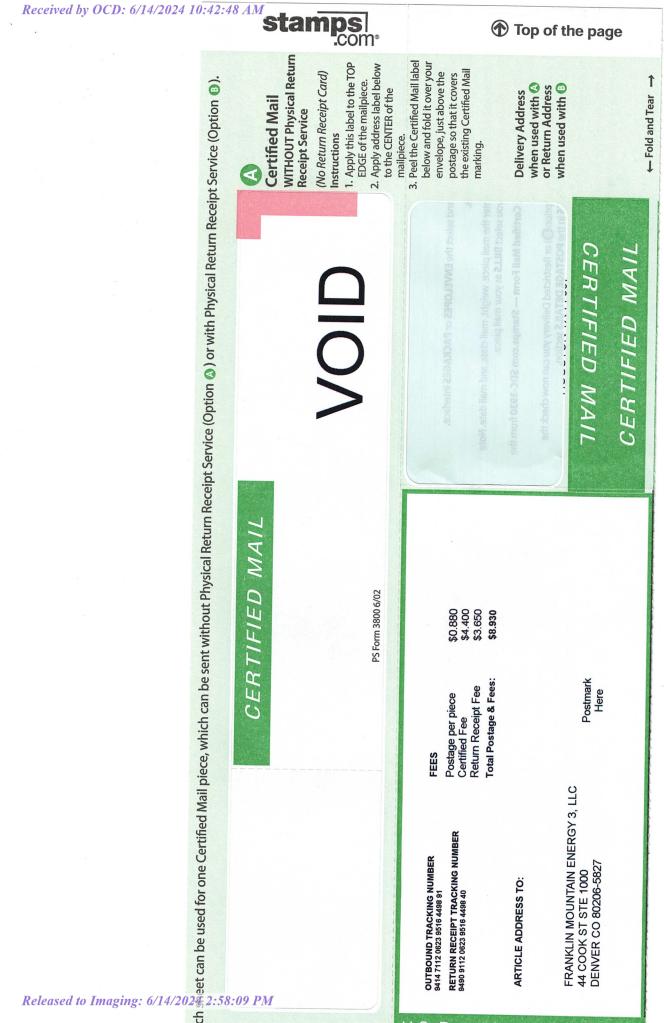
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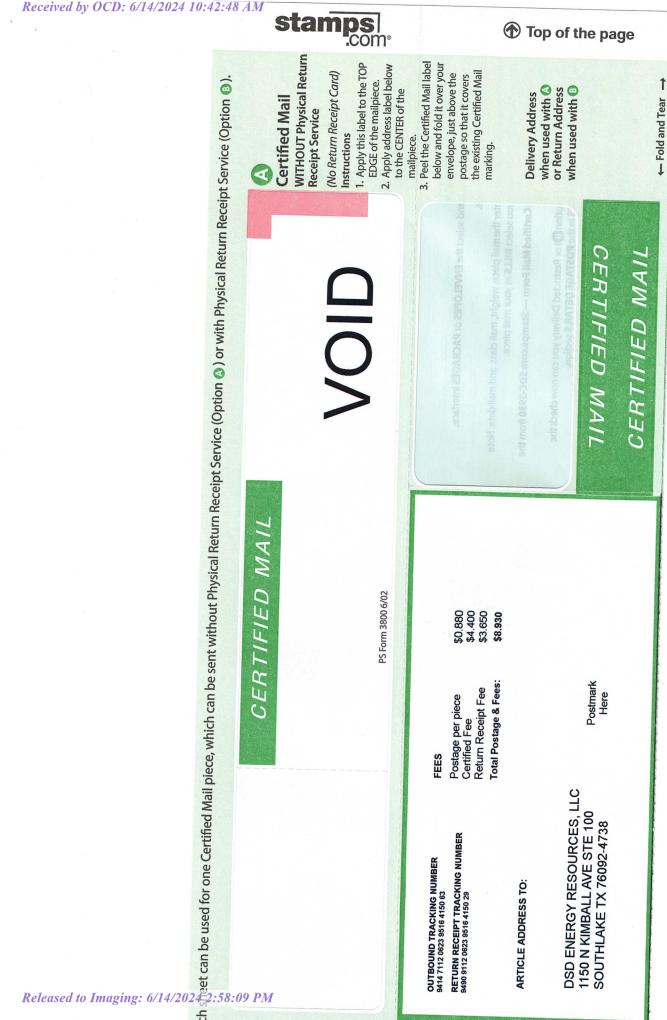


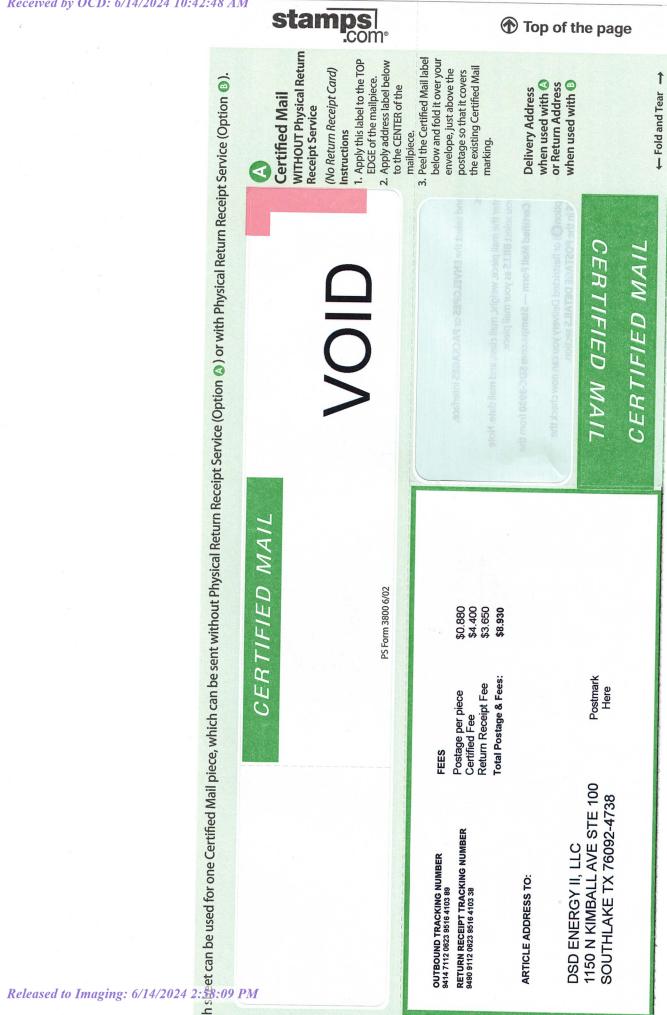
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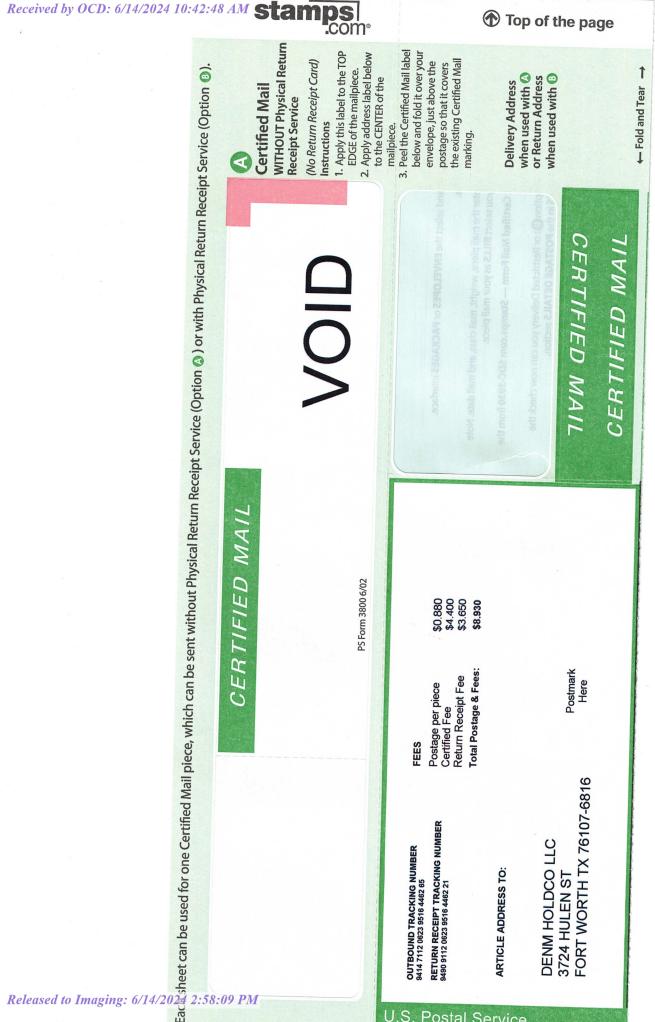


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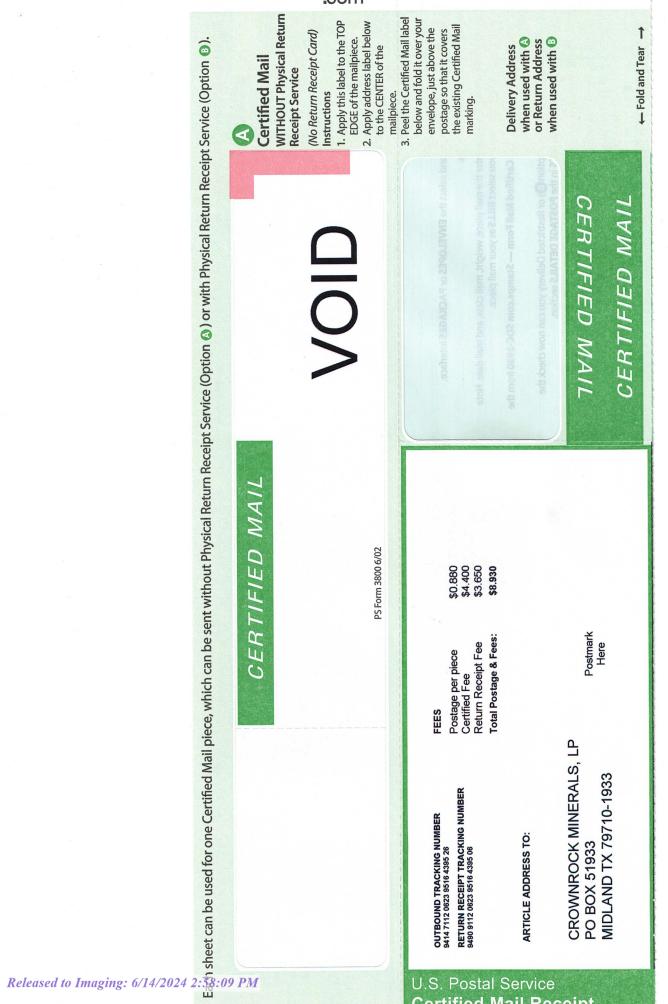






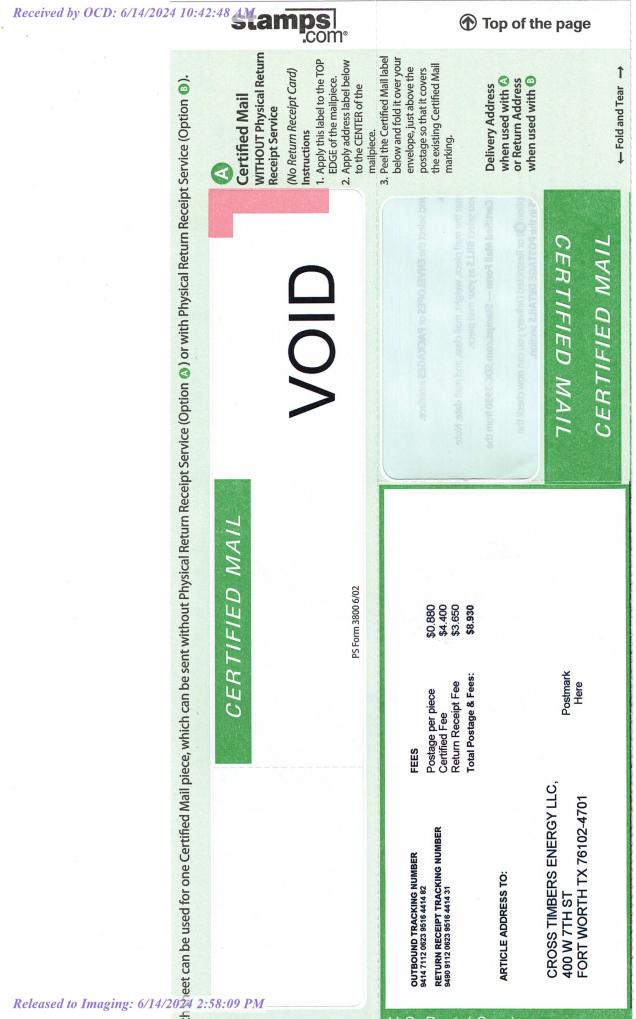


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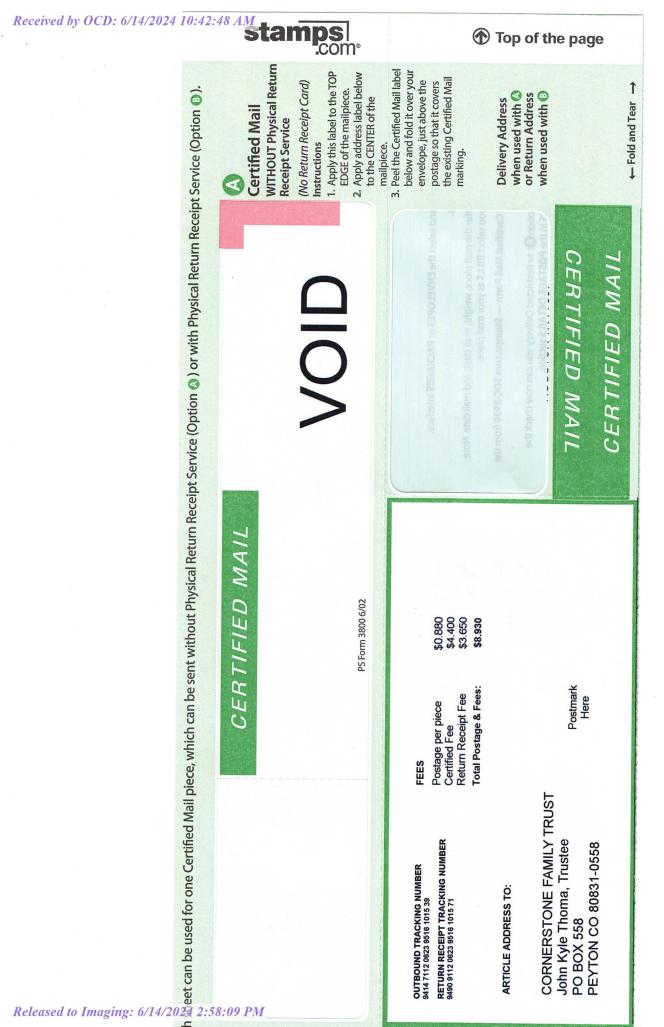
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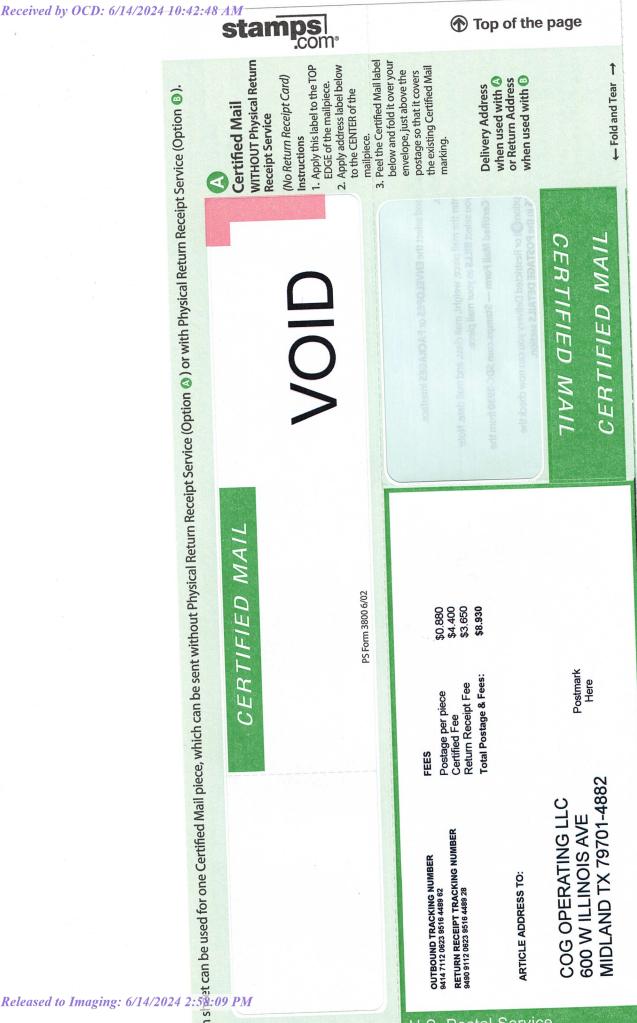
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Postal Servic Page 132 of 139

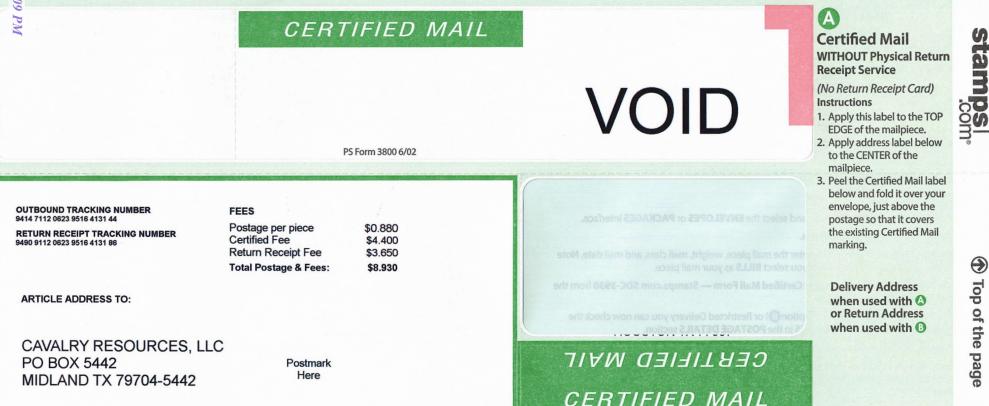




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Page 134 of 139

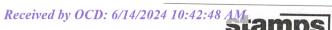
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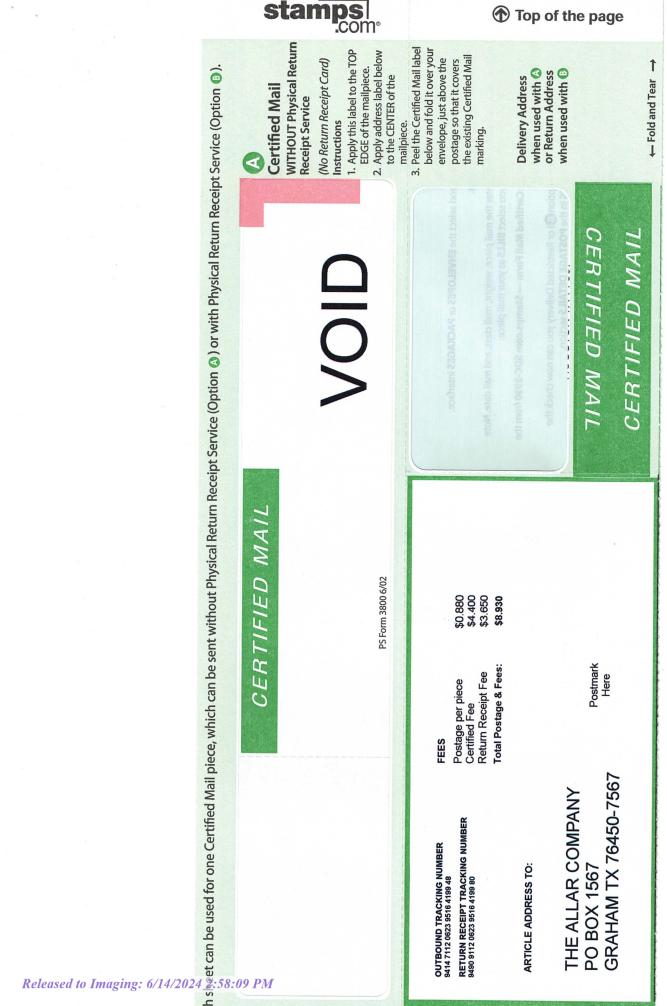


Exhibit D-3 Received by OCD: 6/14/2024 10:42:48 AM

Affidavit of Publication

STATE OF NEW MEXICO COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 16 issue(s).

> Beginning with the issue dated May 22, 2024 and ending with the issue dated June 12, 2024.

here 10

Publisher

Sworn and subscribed to before me this 12th day of June 2024.

Business Manager

My commission expires January 29, 2027

Seal) STATE OF NEW MEXICO NOTARY PUBLIC GUSSIE RUTH BLACK COMMISSION # 1087526 COMMISSION EXPIRES 01/29/2027

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

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 LEGAL
 LEGAL

 LEGAL NOTICE

 May 22, 23, 24, 26, 28, 29, 30, 31 and June 2, 3, 4, 5, 6, 7, 9, 11, 12

 Lario Oil & Gas Company has filed an application, case number 24493, with the with the Oil Conservation Division ("Division") seeking an order to approve:

 establishing a 960-acre, more or less, non-standard Bone Spring horizontal spacing unit comprised of the S/2 of Section 12 and all of Section 13 of Township 18 South, Range 34 East, Lea County, New Mexico ("Unit"); and

(2) pooling all uncommitted mineral interests in the Bone Spring formation underlying the Unit for the following wells:

a. Close Encounters State Com 101H (API 30-025-52808), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SW/4 (Unit L) of Section 12, Township 18 South, Range 34 East;

b. Close Encounters State Com 102H (API 30-025-52809), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SW/4 (Unit K) of Section 12, Township 18 South, Range 34 East;

c. Close Encounters State Com 103H (API 30-025-52810), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NW/4 SE/4 (Unit J) of Section 12, Township 18 South, Range 34 East;

d. Close Encounters State Com 104H (API 30-025-52811), to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the NE/4 SE/4 (Unit I) of Section 12, Township 18 South, Range 34 East;

e. Close Encounters State Com 301H, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 12, Township 18 South, Range 34 East;

f. Close Encounters State Com 302H, to be drilled from a surface hole location in the SE/4 SW/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 12, Township 18 South, Range 34 East;

g. Close Encounters State Com 303H, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 12, Township 18 South, Range 34 East; and

h. Close Encounters State Com 304H, to be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 18 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 12, Township 18 South, Range 34 East.

3. The wells will be drilled to a depth sufficient to test the Bone Spring formation. The wells will be horizontally drilled, and, if the non-standard unit application is approved the completed intervals of the Wells are expected to be orthodox.

The matter of the Application will be heard at the Division hearing on June 13, 2024 which will take place at the Division at Pecos Hall, <u>1220 South Francis</u>, <u>Santa Fe New Mexico</u>, <u>87505</u>. The hearings typically begin. Should you require any further information regarding the Division hearing process please visit https://www.emnrd.nm.gov/ocd/ocd-announcements-and-notifications/.

Should you wish to protest the Application, you must file your protest in writing with the Division at <u>OCD.Hearings@emnrd.nm.gov</u>, listing the Case No. and details regarding the protest.

Should you have any questions about Lario's Application please contact Dakota Nahm at <u>Dakota@lario.net</u> or at 720-573-9816. #00290537

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ARIEANA MARTINEZ KEARNEY, MCWILLIAMS & DAVIS, PLLC 40 NE LOOP 410, #431 SAN ANTONIO, TX 78216

May 21, 22, 23, 24, 26, 28, 29, 30, 31 and June 2, 3, 4, 5, 6, 7, 9, 11, 12

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