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

APPLICATION OF CHEVRON U.S.A. INC. TO REOPEN CASE NO. 24185 (ORDER NO. R-23684 (E.G.L. RESOURCES, INC.) AND CASE NO. 24886 (ORDER NO. R-23685 PBEX, LLC) TO REQUIRE SUBMISSION OF PROPER STATEMENTS OF WELL COSTS BY OPERATOR AND RECOGNIZE THE CONSENTING STATUS OF CHEVRON. **CASE NO. 25878**

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served upon the following counsel of record by electronic mail on May 7, 2026.

Earl E. DeBrine, Jr.
Deana M. Bennett
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Attorneys for Chevron U.S.A. Inc.

/s/ Dana S. Hardy
Dana S. Hardy

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

APPLICATION OF CHEVRON U.S.A. INC. TO REOPEN CASE NO. 24185 (ORDER NO. R-23684 (E.G.L. RESOURCES, INC.) AND CASE NO. 24886 (ORDER NO. R-23685 PBEX, LLC) TO REQUIRE SUBMISSION OF PROPER STATEMENTS OF WELL COSTS BY OPERATOR AND RECOGNIZE THE CONSENTING STATUS OF CHEVRON.

CASE NO. 25878

SELF-AFFIRMED STATEMENT
OF RUTH PELZEL

1. I am a Senior Landman with PBEX, LLC ("PBEX"). I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division (the "Division"), and my credentials as an expert in petroleum land matters were accepted and made a matter of record. A copy of my resume is attached as **Exhibit A-1**.

2. As a Senior Landman, I handle petroleum land matters, including title issues, well proposals and elections, pooling proceedings, and communications with interest owners in relation to pooling proceedings. I offer this testimony in response to the claims raised by Chevron U.S.A. Inc. ("Chevron") in this matter.

I. Background regarding the Bond Wells

3. PBEX and Chevron have communicated regarding the Bond Wells since 2023. PBEX initially transmitted well proposals to Chevron on October 2, 2023, followed in December 2023 by a proposed form of Joint Operating Agreement ("JOA") for the North Bond Wells, a proposed form of JOA for the South Bond Wells, and communitization agreements. Delivery

Case No. 25878
PBEX, LLC
Exhibit A

records reflect that Chevron received those materials on December 5, 2023. Copies of that correspondence and the associated delivery records are attached as **Exhibit A-2**.

4. On September 19, 2024, PBEX notified Chevron that it was rescinding its original North Bond well proposals and proposing revised North Bond Wells to increase the spacing unit size from 640 acres to 800 acres. Attached as **Exhibit A-3** is the PBEX revised proposed JOA and communitization agreement, which Chevron received on September 23, 2024. Thereafter, PBEX continued to provide Chevron with information regarding the Bond Wells and made multiple inquiries regarding whether Chevron intended to execute a JOA. Chevron did not execute a JOA.

5. PBEX filed pooling applications for the Bond Wells on February 5, 2024, in Case Nos. 24185 and 24886. Chevron received notice of the applications and hearings but did not enter an appearance. PBEX communicated with Chevron regarding the hearing and again inquired whether Chevron wanted to sign a JOA, but Chevron did not respond.

6. PBEX's hearing exhibits identified Chevron as a pooled working interest owner and provided PBEX's calculation of Chevron's working interest in the wells at the time of the hearing. Copies of the ownership interest exhibits from Case Nos. 24185 and 24886 are attached as **Exhibit A-4.**

7. The Division issued Order Nos. R-23684 and R-23685 (the "Pooling Orders") on February 19, 2025.[1] Copies of the Pooling Orders are attached as **Exhibit A-5**.

[1] Order No. R-23684 approved an 640-acre, standard horizontal spacing unit within the Bone Spring formation comprised of the S/2 of Sections 33 and 34, Township 18 South, Range 32 East in Lea County and dedicated the unit to the Bond 33-34 Fed Com 104H; Bond 33-34 Fed Com 105H; Bond 33-34 Fed Com 106H; Bond 33-34 Fed Com 207H; Bond 33-34 Fed Com 209H; and the Bond 33-34 Fed Com 211H wells (collectively, the "South Bond Wells"). Order No. R-23685 approved an 800-acre, standard horizontal spacing unit within the Bone Spring formation comprised of the NE/4 of Section 32 and the N/2 of Sections 33 and 34, Township 18 South, Range 32 East in Lea County and dedicated the unit to the Bond 32-34 Fed Com 101H; Bond 32-34 Fed Com 102H; Bond 32-34 Fed Com 103H; Bond 32-34 Fed Com 201H; Bond 32-34 Fed Com 203H; and the Bond 32-34 Fed Com 205H wells (collectively, the "North Bond Wells"). The South Bond Wells and the North Bond Wells are referenced collectively as "the Bond Wells."

II. Chevron unconditionally elected to participate in the Bond Wells at the locations and depths drilled but is a non-consenting pooled party under the Pooling Orders because it failed to pay its share of the Estimated Well Costs.

8. Following issuance of the Pooling Orders, on August 7, 2025, PBEX transmitted post-order well proposals to Chevron pursuant to Paragraph 24 of the Pooling Orders, which states:

> Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").

9. The Pooling Orders do not set out specific criteria that apply to the itemized schedule of Estimated Well Costs and do not require the schedule to be provided in the form of an Authorization for Expenditure ("AFE").

10. In accordance with Paragraph 24 of the Pooling Orders, PBEX's correspondence to Chevron included AFEs for each well that provided a detailed cost breakdown for each well. The well proposal also referenced the applicable Pooling Orders and advised Chevron that elections were due within thirty (30) days. The well proposal and AFEs identified the specific footages and depths of each well. Copies of the proposal and AFEs, as sent to, and received by, Chevron are attached as **Exhibit A-6.**

11. On August 12, 2025, Chevron acknowledged receipt of the well proposal and AFEs and requested confirmation of its working interest in the Bond Wells. PBEX responded on August 14, 2025, advising that Chevron's interest in the South Bond Wells was correct and that Chevron's interest in the North Bond Wells could be slightly lower than that set forth in the pooling exhibit. Chevron's landman, Scott Sabrsula, specifically stated that Chevron was requesting the information so it could make an "informed election". On August 19, 2025, prior to expiration of the election period, PBEX confirmed Chevron's working interest percentages. A copy of this correspondence is attached as **Exhibit A-7.**

12. On August 18, 2025, prior to the expiration of the election period, I provided a gun barrel diagram to Chevron that specifically identified the depth and location of each of the Bond Wells. *See* **Exhibit A-8.**

13. At no time did PBEX refuse to provide any information requested by Chevron regarding its working interest in the Bond Wells or its election status, nor did Chevron ever request an extension of its election deadline or raise any concerns with the information it was provided, including the locations and depths of the wells to be drilled.

14. Chevron received, reviewed, and ultimately executed elections for the Bond Wells. On August 27, 2025, Chevron submitted a written election to participate in all Bond Wells proposed by PBEX under the Pooling Orders. Chevron's election was unconditional and did not raise any objection to or reservation regarding the August 7, 2025 post-order well proposals. Chevron did not raise any concern that the locations and depths of the wells differed from those included in the Pooling Orders and did not raise any concern that PBEX sent the well proposal letter. A copy of Chevron's signed election letter is attached as **Exhibit A-9**.

15. In completing the election, Andrew M. Ampriester, General Manager North American NOJV and Royalty for Chevron, signed the AFE for each of the Bond Wells, which specifically identified the location and depth of each well.

16. As discussed by PBEX witness Brianna Aylesworth, PBEX has drilled the Bond Wells at the locations provided in the post-order proposal and AFEs, consistent with its authority under the Pooling Orders.

17. Under Paragraph 25 of the Pooling Orders, Chevron was required to pay its share of the Estimated Well Costs within thirty (30) days of its election:

> No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the

> Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. **An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."**

Thus, Chevron's payment was due on September 26, 2025.

18. Chevron did not request an extension to pay its share of the Estimated Well Costs and did not submit its share of the Estimated Well Costs prior to the September 26, 2025, deadline nor did it initiate any communications indicating that it desired any other arrangement.

19. *To date, Chevron has still not paid its share of the Estimated Well Costs.*

20. It is my understanding that Chevron is an experienced and sophisticated operator in New Mexico, is familiar with the requirements of the Division's pooling orders, and has an expansive "Operated by Others" ("OBO") program.

21. Based on Division records, Chevron currently operates over 1,000 wells in New Mexico and is a working interest owner in an untold number of OBO wells.

22. In my experience, interest owners may elect to participate under a pooling order, but decline to pay their share of the Estimated Well Costs, for various reasons, including that they do not wish to make an advance payment to the operator to finance the wells and would prefer to receive proceeds after payout. Here, Chevron's internal correspondence shows that it intended to sell this acreage.

23. Moreover, given Chevron's sophistication as an operator of numerous wells subject to pooling orders issued by the Division, Chevron is aware that it can submit an election under protest. On March 20, 2026, PBEX proposed the Bond 32-34 303H Fed Com to the working interest owners therein, including Chevron. *See* **Exhibit A-10**. On April 17, 2026, Chevron

submitted an election under protest. *See* **Exhibit A-11**. Chevron did not do so with respect to the August 7, 2025 post-order well proposal.

III. Chevron's claims that PBEX treated it unfairly have no merit.

24. Despite Chevron's vast experience in New Mexico, it claims that PBEX somehow treated it unfairly. Specifically, Chevron alleges that PBEX proposed the wells to other interest owners at a different time and rescinded the so-called "Phase II" wells for other interest owners. Neither claim has merit.

25. Regarding timing, PBEX sent post-order well proposals to Chevron approximately two weeks before sending proposals to other working interest owners because Chevron held the largest working interest in the Bond Units. I am not aware of any requirement that an operator submit well proposals to all interest owners at the same time, and there was a legitimate reason for PBEX to send the proposals to Chevron first.

26. Regarding the alleged rescission of the "Phase II" wells, Chevron's claim is wrong and without any basis.

27. At one point, PBEX communicated with MRC Permian Company and MRC Delaware Resources, LLC (collectively, "Matador") regarding a potential trade and agreed to defer Matador's election pursuant to an existing letter agreement between PBEX and Matador. Chevron was not subject to any such letter agreement or similar arrangement, nor did it at any time request any other arrangement other than that provided for under the terms of the Pooling Orders.

28. Those discussions with Matador did not constitute a rescission of the "Phase II" wells under the pooling Orders or post-order proposals and, indeed, the "Phase II" wells were not rescinded for any working interest owners. At the time of the post-order proposals, PBEX had contemplated drilling the wells in two phases but ultimately spud all of the wells at the same time.

29. Interest owners have different interests and are subject to different considerations by the Operator in evaluating potential transactions with such parties.

30. All wells approved under the Pooling Orders, including the "Phase II" wells, have now been drilled. Additional testimony regarding the spud dates and drilling timeline for these wells is provided by Brianna Aylesworth.

31. 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 electronic signature below.

Ruth Pelzel

5/6/26
Date

RUTH PELZEL
3602 Trinity Meadows PL
Midland, TX 79707
ruthpelzel@gmail.com
432-894-4625

EDUCATION:

Texas Tech University School of Law; Lubbock, TX: 2005-2008; Juris Doctor.

Brigham Young University; Provo, UT: 2000-2004; BA International Studies; Minor in Russian Studies (low fluency speaking Russian, writing, and reading Cyrillic).

LICENSURE/CERTIFICATE:

Attorney: State Bar of Texas May 2010

Mediator: completed intensive alternative dispute resolution training in August 2007.

EXPERIENCE/SKILLS:

PBEX LLC: Sr. Land Negotiator: November 2024-Present

- Work Potash and Northern Lea County operated assets.
- Negotiate strategic transactions to acquire, trade, and/or divest undeveloped and developed leasehold.
- Defend acreage related to nonoperated proposals through strategic counter proposals, working with the OCD, Regulatory groups and communication/negotiations with other companies.
- Draft and review oil and gas agreements affecting leasehold.
- Clear title for drilling and division order purposes.
- Manage and maintain oil and gas contracts.
- Prepare and submit various state and federal filings, including Communization Agreements, state lease extensions, assignments of record title and transfers of operating rights.
- Collaborate with technical teams including geologists, engineers, and regulatory specialists to plan and facilitate successful operations in my area.
- Work closely with the BLM and SLO related to drilling of wells and maintaining leases.
- Review down wells and communicate with production engineers to ensure timely production to avoid cancellation of leases.

ConocoPhillips: Sr. Land Negotiator; August 2022-Present

- Work Potash and Northern Lea County operated assets.
- Negotiate strategic transactions to acquire, trade, and/or divest undeveloped and developed leasehold.

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PBEX, LLC
Exhibit A-1

- Defend acreage related to nonoperated proposals through strategic counter proposals, working with the OCD, Regulatory groups and communication/negotiations with other companies.
- Draft and review oil and gas agreements affecting leasehold.
- Clear title for drilling and division order purposes.
- Manage and maintain oil and gas contracts.
- Prepare and submit various state and federal filings, including Communization Agreements, state lease extensions, assignments of record title and transfers of operating rights.
- Collaborate with technical teams including geologists, engineers, and regulatory specialists to plan and facilitate successful operations in my area.
- Work closely with the BLM and SLO related to drilling of wells and maintaining leases.
- Review down wells and communicate with production engineers to ensure timely production to avoid cancellation of leases.

Concho Resources: Land Specialist II/Sr. Land Negotiator March 2019- August 2022 (merged with ConocoPhllips January 2021)

- Review title opinions and cure title defects that impact drilling in the Eastern Delaware Basin, namely Lea County, NM; Loving County and Winkler County
- Alleviate possible excessive interest penalties for title issues related to the New Mexico statute for Oil and Gas Proceeds which is more stringent compared to royalty owners in Texas
- Familiar with New Mexico title issues related to the BLM and Ancillary Probate
- Supervise, communicate and oversee brokers on any assigned curative work
- Examine various documents included but not limited to Farm Out Assignments, Joint Operating Agreements, Oil and Gas Leases, and Pooling Agreements
- Prepare title curative memos with my asset team to ensure clear title on new drilling
- Conduct research with various resources including the NMOCD, BLM, Texas Railroad Commission, Texas General Land Office and Drilling Info.Com
- Work with General Counsel and the legal department when needed to prepare curative documents
- Interact with and provide asset teams with land support and information critical to ongoing development of properties
- Coordinate with landmen on ordering title opinions
- Research difficult title issues that may occur with owners
- Assist the Division Order Department with owner related issues.

SOUTHWEST ROYALTIES, INC., Land Manager: April 2018-March 2019

- Perform all land functions for the company including but not limited to researching current lease positions, drafting and/or reviewing legal documents related to acquisitions, joint ventures or divestitures.
- Maintains all division order functions including reviewing conveyances for transfers.
- Researches and communicates offers of acquisitions and divestitures for the owners of the company.
- Works to cure title defects during divestitures.

EOG Resources: Contract Attorney: August 2017-February 2018

- Reviews all internal documents for EOG in a timely manner. Documents are from all disciplines at EOG and may range from a gas compressor agreement to a bill of sale.
- Attends land and drilling meetings on a weekly basis in order to stay ahead of the rig line.
- Counsels and works closely with land department.

Clayton Williams Energy Inc.: Sr. Division Order Analyst: January 2013-July 2017

- Oversees the entire division order department for the company
- Reviews title opinions for accuracy
- Determines resolutions to title issues and works with landmen to cure title defects; if due to time constraints, I will cure the title issues myself
- Reviews landman curative work to determine whether title is clear
- Communicates with attorneys, owners, oil companies etc. as a representative of the company to ensure the transfer of accurate information in a timely manner
- Setup and maintain revenue decks
- Extensive review of conveyance and probate documents for ownership changes
- Examination of lease agreements for exemptions on post production clauses
- Assist with acquisitions and divestitures

Foster and Harvey PC: Title Attorney; October 2011-November 2012.

- Drafts drilling title opinions with experience primarily in South and West Texas.
- Examines abstracts of titles, leases, contracts, and other legal documents to determine ownership of land, gas, oil, and mineral rights.
- Draws up legal documents covering oil, gas, and mineral rights, including affidavits such as Non-Production Affidavits, Use and Possession Affidavits, Stipulation of Interests and Ratifications.
- Locates and plats subject land, right of ways and roads through the use of metes and bounds and lot and blocks.

OGM Land Company: Landman; Hallettsville TX: August 2011-October 2011

- Basic training in running mineral title.
- Reads and reviews oil and gas leases for possible reconfigurations that may be necessary for additional drilling.

VOLUNTEER/EXTRACURRICULAR EXPERIENCES

Women's Energy Network Permian Basin: October 2015 to present

Campfire West Texas; Board Member January 2013- August 2018

Young Professionals in Energy; member, April 2012- August 2018

References available upon request.

From: Sabrsula, Scott
To: Matthew Langhoff
Cc: Mattiza, Valerie; Ashley Roush
Subject: RE: Bond Well Proposals
Date: Thursday, February 29, 2024 7:25:06 AM
Attachments: image002.png
image003.png

Do you have any estimates on spud, completions, and POP timing for these wells?

Thank you,

Scott Sabrsula
Land Representative
Mid-Continent Business Unit
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
HOU140/45130
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Matthew Langhoff <mlanghoff@pbex.com>
Sent: Thursday, October 19, 2023 3:03 PM
To: Sabrsula, Scott <ScottSabrsula@chevron.com>
Cc: Nguyen, Christina Goloway <CGolowayNguyen@chevron.com>; Ashley Roush <aroush@pbex.com>; Willis, Kyle <Kyle.Willis@chevron.com>
Subject: [**EXTERNAL**] Re: Bond Well Proposals

Be aware this external email contains an attachment and/or link.
Ensure the email and contents are expected. If there are concerns, please submit suspicious messages to the Cyber Intelligence Center using the Report Phishing button.

Scott,

Please see the BHL below, I will forward the updated C-102s when I have them.

101/201 – 440’ FNL and 100’ FEL Section 34
102/202 – 1320’ FNL and 100’ FEL Section 34
103/203 – 2200’ FNL and 100’ FEL Section 34
104/204 – 2200’ FSL and 100’ FEL Section 34
105/205 – 1320’ FSL and 100’ FEL Section 34
106/206 – 440’ FSL and 100’ FEL Section 34

I should have the C-102s tomorrow or early next week.

Thanks,

Case No. 25878
PBEX, LLC
Exhibit A-2

Matthew Langhoff
Landman III
223 W. Wall St, Ste 900
Midland, TX 79705
Cell: (432) 894-0967

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From: Sabrsula, Scott <ScottSabrsula@chevron.com>
Date: Thursday, October 19, 2023 at 1:00 PM
To: Matthew Langhoff <mlanghoff@pbex.com>
Cc: Nguyen, Christina Goloway <CGolowayNguyen@chevron.com>, Ashley Roush <aroush@pbex.com>, Willis, Kyle <Kyle.Willis@chevron.com>
Subject: RE: Bond Well Proposals

Matthew,

Could you provide me with the BHL footages for the Bond wells?

Thank you,

Scott Sabrsula
Land Representative

Chevron
Mid-Continent Business Unit
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
HOU140/45130
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Matthew Langhoff <mlanghoff@pbex.com>
Sent: Wednesday, October 18, 2023 3:06 PM
To: Sabrsula, Scott <ScottSabrsula@chevron.com>
Cc: Nguyen, Christina Goloway <CGolowayNguyen@chevron.com>; Ashley Roush <aroush@pbex.com>
Subject: [**EXTERNAL**] Re: Bond Well Proposals

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Scott,

Thanks for reaching out on this unit. We currently have the Bond wells to be drilled Q1-early Q2 of 2025 with completion date in Q2 2025. As for POP we currently have that scheduled for Q3 2025.

Let me know if there is anything else you would like to see or discuss on this unit.

Thank you, and we look forward to working with you.

Matthew Langhoff
Landman III
223 W. Wall St, Ste 900
Midland, TX 79705
Cell: (432) 894-0967

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From: Sabrsula, Scott <ScottSabrsula@chevron.com>
Date: Wednesday, October 18, 2023 at 1:27 PM
To: Matthew Langhoff <mlanghoff@pbex.com>
Cc: Nguyen, Christina Goloway <CGolowayNguyen@chevron.com>
Subject: Bond Well Proposals

Matt,

I received the subject AFEs. Do you know estimated spud, completions, and POP timing for these well proposals?

Thank you,

Scott Sabrsula
Land Representative
Chevron
Mid-Continent Business Unit
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
HOU140/45130
Cell: (281) 520-1114
scottsabrsula@chevron.com

E.G. L. Resources, Inc.

October 2, 2023

Via Certified Mail, Return Receipt Requested
POTENTIAL WORKING INTEREST OWNERS

Re: **Bond 33-34 Fed Com 101H, 102H, 103H, 104H, 105H, 106H**
Bond 33-34 Fed Com 201H, 203H, 205H, 207H, 209H, 211H
Sections 33 & 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

E.G.L. Resources, Inc. ("E.G.L.") on behalf of PBEX, LLC ("PBEX") hereby proposes the drilling of the Bond 33-34 Fed Com 101H, 102H, 103H, 104H, 105H, 106H, 201H, 203H, 205H, 207H, 209H, and 211H wells in Sections 33 & 34, Township 18 South, Range 32 East, Lea County, New Mexico. These wells will have a target zone within the Bone Spring formation. Please review the attached Authority for Expenditure ("AFE") with the gross estimated total cost to drill and complete each of the referenced wells.

- **BOND 33-34 FED COM 101H:** To be drilled from a proposed surface hole location at a legal location in Unit E of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit A of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 8,500' and a Measured Depth of approximately 18,715'.

- **BOND 33-34 FED COM 102H:** To be drilled from a proposed surface hole location at a legal location in Unit E of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit A of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 8,500' and a Measured Depth of approximately 18,715'.

- **BOND 33-34 FED COM 103H:** To be drilled from a proposed surface hole location at a legal location in Unit E of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit H of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 8,500' and a Measured Depth of approximately 18,715'.

- **BOND 33-34 FED COM 104H:** To be drilled from a proposed surface hole location at a legal location in Unit M of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit I of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 8,500' and a Measured Depth of approximately 18,715'.

- **BOND 33-34 FED COM 105H:** To be drilled from a proposed surface hole location at a legal location in Unit M of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit I of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 8,500' and a Measured Depth of approximately 18,715'.

- **BOND 33-34 FED COM 106H:** To be drilled from a proposed surface hole location at a legal location in Unit M of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit P of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 8,500' and a Measured Depth of approximately 18,715'.

- **BOND 33-34 FED COM 201H:** To be drilled from a proposed surface hole location at a legal location in Unit E of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit A of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 9,500' and a Measured Depth of approximately 19,715'.

- **BOND 33-34 FED COM 203H:** To be drilled from a proposed surface hole location at a legal location in Unit E of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit A of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 9,500' and a Measured Depth of approximately 19,715'.

- **BOND 33-34 FED COM 205H:** To be drilled from a proposed surface hole location at a legal location in Unit E of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit H of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 9,500' and a Measured Depth of approximately 19,715'.

- **BOND 33-34 FED COM 207H:** To be drilled from a proposed surface hole location at a legal location in Unit M of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit I of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 9,500' and a Measured Depth of approximately 19,715'.

- **BOND 33-34 FED COM 209H:** To be drilled from a proposed surface hole location at a legal location in Unit M of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit I of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 9,500' and a Measured Depth of approximately 19,715'.

- **BOND 33-34 FED COM 2011H:** To be drilled from a proposed surface hole location at a legal location in Unit M of Section 33-T18S-R32E, and a proposed bottom hole location at a legal location in Unit P of Section 34, T18S-R32E. The well will have a target interval within the Bone Spring formation, drilled horizontally with a Total Vertical Depth of approximately 9,500' and a Measured Depth of approximately 19,715'.

E.G.L. and PBEX reserve the right to modify the locations and drilling plans described above in order to address topography, environmental concerns, regulatory conflicts, technical advantages, among other reasons. E.G.L. and/or PBEX shall, however, advise of such modifications. E.G.L. is proposing these wells under the terms of a new modified 1989 AAPL form of Operating Agreement, dated October 15, 2023, by

and between E.G.L. Resources, Inc., as Operator and PBEX, LLC, as Non-Operator which will follow this letter in a separate packet. The following provisions will be included:

- 100/300 Non-consent Penalty
- $9,000/$900 Overhead Rates
- E.G.L. Resources, Inc. named as Operator.

According to a cursory title review, you could be the owner of a certain working interest in the wells, the amount of which will be subject to title verification. Please indicate your election in the area marked below, sign and return one (1) copy of this letter, along with one (1) signed copy of the enclosed AFE(s) and a copy of your geological well requirements, to my attention at the letterhead address within thirty (30) days of receipt of this notice.

As an alternative to participation, E.G.L. would be open to discussing Sale/Assignment options, subject to mutually agreeable terms, execution of a mutually acceptable form of Assignment and verification of your interest. If a sale/assignment is the preferred choice, please contact us to discuss the details of this option.

In the interest of time, if we are unable to reach an agreement within thirty (30) days from the date of this letter, E.G.L./PBEX will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Pursuant to 19.15.15.12 and 19.15.16.15 NMAC, you are being provided notice of our intention to drill and complete the wells described above wholly or partially within a spacing unit containing an existing well or wells in which you own an interest, described below. **Should you wish to object, a written statement must be delivered to E.G.L. Resources, LLC, within 20 days of the date of this notice.**

EXISTING WELL:
McKay West Federal #001
API No. 30-025-24931
Operator: RAYBAW Operating, LLC
TVD = 13,090'
Producing Spacing Unit: SENW Section 34, T18S-R32E, Lea County, New Mexico
Producing Formation: Upper Bone Spring

Should you have any questions or want to discuss any details, please contact me at (432) 894-0967 or by email at mlanghoff@pbex.com.

We look forward to working with you,

E.G.L. Resources, Inc.

Matt Langhoff
Landman III

WELL NAME	Elect TO PARTICIPATE for proportionate share of costs	Elect NOT TO PARTICIPATE for proportionate share of costs
Bond 33-34 Fed Com 101H		
Bond 33-34 Fed Com 102H		
Bond 33-34 Fed Com 103H		
Bond 33-34 Fed Com 104H		
Bond 33-34 Fed Com 105H		
Bond 33-34 Fed Com 106H		
Bond 33-34 Fed Com 201H		
Bond 33-34 Fed Com 203H		
Bond 33-34 Fed Com 205H		
Bond 33-34 Fed Com 207H		
Bond 33-34 Fed Com 209H		
Bond 33-34 Fed Com 211H		

Company: _____

Signed: _____

Name: _____

Title: _____

Date: _____

Authority For Expenditure (AFE)

AFE #

Project: **Bond**
Field: Bone Spring
Well: Bond 33-34 Fed Com #101H
Location: SHL Unit E of Section 33, T18S-R32E
BHL Unit A of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD)**:** 18,715 ft MD
TVD: 8,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 17 days spud - RR $30,000 per day		510,000							510,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 7 days $2,000 per day		14,000							14,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		149,600		561,600					711,200
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 15 days spud - RR $15,000 per day, repairs		225,000							225,000
Wellsite Supervisor		42,500		40,000					82,500
JOA Overhead 9000/mo		9,000		9,000					18,000
Open Hole Logs									0
Solids Control Equipment $4,000 per day		68,000							68,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		85,000		280,000					365,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		101,505		266,205		5,500		2,500	375,710
TOTAL INTANGIBLES		**2,131,605**		**5,590,304**		**115,500**		**52,500**	**7,889,909**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 18,715 5 1/2 20# P110 Semi-Prem Smls $38.00		711,170							711,170
Tubing 7,900 2 7/8 6.5# L80 EUE $13.00						102,700			102,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		110,157		3,000		22,770		19,438	155,365
TOTAL TANGIBLES		**1,211,727**		**33,000**		**519,220**		**229,438**	**1,993,385**
TOTAL WELL COST		**Drilling 3,343,332**		**Completion 5,623,304**		**Production 634,720**		**Facilities 281,938**	**Total 9,883,294**

Prepared By: Kelvin Fisher **Date:** **6/16/23** **Drill & Complete** **8,966,636**

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Received by OCD: 5/7/2026 8:10:56 AM

Authority For Expenditure (AFE) **AFE #**

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #102H
Location: SHL Unit E of Section 33, T18S-R32E
BHL Unit A of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD)**:** 18,655 ft MD
TVD: 8,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 17 days spud - RR $30,000 per day		510,000							510,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 7 days $2,000 per day		14,000							14,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		149,600		561,600					711,200
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 15 days spud - RR $15,000 per day, repairs		225,000							225,000
Wellsite Supervisor		42,500		40,000					82,500
JOA Overhead 9000/mo		9,000		9,000					18,000
Open Hole Logs									0
Solids Control Equipment $4,000 per day		68,000							68,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		85,000		280,000					365,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		101,505		266,205		5,500		2,500	375,710
TOTAL INTANGIBLES		**2,131,605**		**5,590,304**		**115,500**		**52,500**	**7,889,909**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 18,655 5 1/2 20# P110 Semi-Prem Smls $38.00		708,890							708,890
Tubing 7,900 2 7/8 6.5# L80 EUE $13.00						102,700			102,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		109,929		3,000		22,770		19,438	155,137
TOTAL TANGIBLES		**1,209,219**		**33,000**		**519,220**		**229,438**	**1,990,877**
		Drilling		**Completion**		**Production**		**Facilities**	**Total**
TOTAL WELL COST		**3,340,824**		**5,623,304**		**634,720**		**281,938**	**9,880,786**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 8,964,128

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Released to Imaging: 5/7/2026 11:59:14 AM

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #103H
Location: SHL Unit E of Section 33, T18S-R32E
BHL Unit H of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD): 18,715 ft MD
TVD: 8,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 17 days spud - RR $30,000 per day		510,000							510,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 7 days $2,000 per day		14,000							14,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		149,600		561,600					711,200
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 15 days spud - RR $15,000 per day, repairs		225,000							225,000
Wellsite Supervisor		42,500		40,000					82,500
JOA Overhead 9000/mo		9,000		9,000					18,000
Open Hole Logs									0
Solids Control Equipment $4,000 per day		68,000							68,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		85,000		280,000					365,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		101,505		266,205		5,500		2,500	375,710
TOTAL INTANGIBLES		**2,131,605**		**5,590,304**		**115,500**		**52,500**	**7,889,909**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 18,715 5 1/2 20# P110 Semi-Prem Smls $38.00		711,170							711,170
Tubing 7,900 2 7/8 6.5# L80 EUE $13.00						102,700			102,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		110,157		3,000		22,770		19,438	155,365
TOTAL TANGIBLES		**1,211,727**		**33,000**		**519,220**		**229,438**	**1,993,385**
TOTAL WELL COST		**Drilling 3,343,332**		**Completion 5,623,304**		**Production 634,720**		**Facilities 281,938**	**Total 9,883,294**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 8,966,636

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #104H
Location: SHL Unit M of Section 33, T18S-R32E
BHL Unit I of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD): 18,715 ft MD
TVD: 8,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 17 days spud - RR $30,000 per day		510,000							510,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 7 days $2,000 per day		14,000							14,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		149,600		561,600					711,200
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 15 days spud - RR $15,000 per day, repairs		225,000							225,000
Wellsite Supervisor		42,500		40,000					82,500
JOA Overhead 9000/mo		9,000		9,000					18,000
Open Hole Logs									0
Solids Control Equipment $4,000 per day		68,000							68,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		85,000		280,000					365,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		101,505		266,205		5,500		2,500	375,710
TOTAL INTANGIBLES		**2,131,605**		**5,590,304**		**115,500**		**52,500**	**7,889,909**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 18,715 5 1/2 20# P110 Semi-Prem Smls $38.00		711,170							711,170
Tubing 7,900 2 7/8 6.5# L80 EUE $13.00						102,700			102,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		110,157		3,000		22,770		19,438	155,365
TOTAL TANGIBLES		**1,211,727**		**33,000**		**519,220**		**229,438**	**1,993,385**
TOTAL WELL COST		**Drilling 3,343,332**		**Completion 5,623,304**		**Production 634,720**		**Facilities 281,938**	**Total 9,883,294**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 8,966,636

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: **Bond**
Field: Bone Spring
Well: Bond 33-34 Fed Com #105H
Location: SHL Unit M of Section 33, T18S-R32E
BHL Unit I of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD)**:** 18,715 ft MD
TVD: 8,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 17 days spud - RR $30,000 per day		510,000							510,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 7 days $2,000 per day		14,000							14,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		149,600		561,600					711,200
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 15 days spud - RR $15,000 per day, repairs		225,000							225,000
Wellsite Supervisor		42,500		40,000					82,500
JOA Overhead 9000/mo		9,000		9,000					18,000
Open Hole Logs									0
Solids Control Equipment $4,000 per day		68,000							68,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		85,000		280,000					365,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		101,505		266,205		5,500		2,500	375,710
TOTAL INTANGIBLES		**2,131,605**		**5,590,304**		**115,500**		**52,500**	**7,889,909**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 18,715 5 1/2 20# P110 Semi-Prem Smls $38.00		711,170							711,170
Tubing 7,900 2 7/8 6.5# L80 EUE $13.00						102,700			102,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		110,157		3,000		22,770		19,438	155,365
TOTAL TANGIBLES		**1,211,727**		**33,000**		**519,220**		**229,438**	**1,993,385**
TOTAL WELL COST		**Drilling 3,343,332**		**Completion 5,623,304**		**Production 634,720**		**Facilities 281,938**	**Total 9,883,294**

Prepared By: Kelvin Fisher **Date:** **6/16/23** **Drill & Complete** **8,966,636**

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

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Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #106H
Location: SHL Unit M of Section 33, T18S-R32E
BHL Unit P of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD)**:** 18,715 ft MD
TVD: 8,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 1st Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 17 days spud - RR $30,000 per day		510,000							510,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 7 days $2,000 per day		14,000							14,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		149,600		561,600					711,200
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 15 days spud - RR $15,000 per day, repairs		225,000							225,000
Wellsite Supervisor		42,500		40,000					82,500
JOA Overhead 9000/mo		9,000		9,000					18,000
Open Hole Logs									0
Solids Control Equipment $4,000 per day		68,000							68,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		85,000		280,000					365,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		101,505		266,205		5,500		2,500	375,710
TOTAL INTANGIBLES		**2,131,605**		**5,590,304**		**115,500**		**52,500**	**7,889,909**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 18,715 5 1/2 20# P110 Semi-Prem Smls $38.00		711,170							711,170
Tubing 7,900 2 7/8 6.5# L80 EUE $13.00						102,700			102,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		110,157		3,000		22,770		19,438	155,365
TOTAL TANGIBLES		**1,211,727**		**33,000**		**519,220**		**229,438**	**1,993,385**
TOTAL WELL COST		**Drilling 3,343,332**		**Completion 5,623,304**		**Production 634,720**		**Facilities 281,938**	**Total 9,883,294**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 8,966,636

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

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Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #201H
Location: SHL Unit E of Section 33, T18S-R32E
BHL Unit A of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD): 19,715 ft MD
TVD: 9,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 2nd Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 18 days spud - RR $30,000 per day		540,000							540,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 8 days $2,000 per day		16,000							16,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		158,400		561,600					720,000
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 16 days spud - RR $15,000 per day, repairs		240,000							240,000
Wellsite Supervisor		45,000		40,000					85,000
JOA Overhead 8500/mo		9,000		900					9,900
Open Hole Logs									0
Solids Control Equipment $4,000 per day		72,000							72,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		90,000		280,000					370,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		104,870		265,800		5,500		2,500	378,670
TOTAL INTANGIBLES		**2,202,270**		**5,581,799**		**115,500**		**52,500**	**7,952,069**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.					Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars	Length	Size	Description	Price/ft FOB Loc									
Surface	1,300	13 3/8	54.5# J55 BTC ERW	$60.00		78,000							78,000
1st Intermediate	4,500	9 5/8	40# J55/HCK ERW BTC	$43.00		193,500							193,500
1st Intermediate	300	9 5/8	40# HCL-80 ERW BTC	$63.00		18,900							18,900
Production						-							0
Production	19,715	5 1/2	20# P110 Semi-Prem Smls	$38.00		749,170							749,170
Tubing	8,900	2 7/8	6.5# L80 EUE	$13.00						115,700			115,700
Wellhead Equipment						25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.						75,000							75,000
Liner hanger, Packer, TAC, other Tools										20,000			20,000
													0
Flowlines, Valves, Fittings, pipeline												9,375	9,375
												0	0
Tanks 4 oil, 4 water (750 bbl)												43,750	43,750
Battery: Pumps /Valves/Connections												68,750	68,750
Battery: Meters, Automation												31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater										85,000		16,250	101,250
Compressors/Dehydrators												0	0
Gas Meter Run, flare, VRU, Combustor										20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.												0	0
Spill Containment												6,250	6,250
Artificial Lift ESP purchase, rental drive.										250,000		0	250,000
Electrical Installation										18,750		9,375	28,125
												0	0
Contingencies, taxes 10%						113,957		3,000		24,070		19,438	160,465
TOTAL TANGIBLES						**1,253,527**		**33,000**		**533,520**		**229,438**	**2,049,485**
TOTAL WELL COST						**Drilling 3,455,797**		**Completion 5,614,799**		**Production 649,020**		**Facilities 281,938**	**Total 10,001,554**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 9,070,596

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #203H
Location: SHL Unit E of Section 33, T18S-R32E
BHL Unit A of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD): 19,715 ft MD
TVD: 9,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 2nd Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 18 days spud - RR $30,000 per day		540,000							540,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 8 days $2,000 per day		16,000							16,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		158,400		561,600					720,000
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 16 days spud - RR $15,000 per day, repairs		240,000							240,000
Wellsite Supervisor		45,000		40,000					85,000
JOA Overhead 8500/mo		9,000		900					9,900
Open Hole Logs									0
Solids Control Equipment $4,000 per day		72,000							72,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		90,000		280,000					370,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		104,870		265,800		5,500		2,500	378,670
TOTAL INTANGIBLES		**2,202,270**		**5,581,799**		**115,500**		**52,500**	**7,952,069**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.				Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars	Length	Size	Description	Price/ft FOB Loc								
Surface	1,300	13 3/8	54.5# J55 BTC ERW	$60.00	78,000							78,000
1st Intermediate	4,500	9 5/8	40# J55/HCK ERW BTC	$43.00	193,500							193,500
1st Intermediate	300	9 5/8	40# HCL-80 ERW BTC	$63.00	18,900							18,900
Production					-							0
Production	19,715	5 1/2	20# P110 Semi-Prem Smls	$38.00	749,170							749,170
Tubing	8,900	2 7/8	6.5# L80 EUE	$13.00					115,700			115,700
Wellhead Equipment					25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.					75,000							75,000
Liner hanger, Packer, TAC, other Tools									20,000			20,000
												0
Flowlines, Valves, Fittings, pipeline											9,375	9,375
											0	0
Tanks 4 oil, 4 water (750 bbl)											43,750	43,750
Battery: Pumps /Valves/Connections											68,750	68,750
Battery: Meters, Automation											31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater									85,000		16,250	101,250
Compressors/Dehydrators											0	0
Gas Meter Run, flare, VRU, Combustor									20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.											0	0
Spill Containment											6,250	6,250
Artificial Lift ESP purchase, rental drive.									250,000		0	250,000
Electrical Installation									18,750		9,375	28,125
											0	0
Contingencies, taxes 10%					113,957		3,000		24,070		19,438	160,465
TOTAL TANGIBLES					**1,253,527**		**33,000**		**533,520**		**229,438**	**2,049,485**
TOTAL WELL COST					**Drilling 3,455,797**		**Completion 5,614,799**		**Production 649,020**		**Facilities 281,938**	**Total 10,001,554**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 9,070,596

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: **Bond**
Field: Bone Spring
Well: Bond 33-34 Fed Com #205H
Location: SHL Unit E of Section 33, T18S-R32E
BHL Unit H of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD)**:** 19,715 ft MD
TVD: 9,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 2nd Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 18 days spud - RR $30,000 per day		540,000							540,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 8 days $2,000 per day		16,000							16,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		158,400		561,600					720,000
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 16 days spud - RR $15,000 per day, repairs		240,000							240,000
Wellsite Supervisor		45,000		40,000					85,000
JOA Overhead 8500/mo		9,000		900					9,900
Open Hole Logs									0
Solids Control Equipment $4,000 per day		72,000							72,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		90,000		280,000					370,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		104,870		265,800		5,500		2,500	378,670
TOTAL INTANGIBLES		**2,202,270**		**5,581,799**		**115,500**		**52,500**	**7,952,069**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.	Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars Length Size Description Price/ft FOB Loc									
Surface 1,300 13 3/8 54.5# J55 BTC ERW $60.00		78,000							78,000
1st Intermediate 4,500 9 5/8 40# J55/HCK ERW BTC $43.00		193,500							193,500
1st Intermediate 300 9 5/8 40# HCL-80 ERW BTC $63.00		18,900							18,900
Production		-							0
Production 19,715 5 1/2 20# P110 Semi-Prem Smls $38.00		749,170							749,170
Tubing 8,900 2 7/8 6.5# L80 EUE $13.00						115,700			115,700
Wellhead Equipment		25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.		75,000							75,000
Liner hanger, Packer, TAC, other Tools						20,000			20,000
									0
Flowlines, Valves, Fittings, pipeline								9,375	9,375
								0	0
Tanks 4 oil, 4 water (750 bbl)								43,750	43,750
Battery: Pumps /Valves/Connections								68,750	68,750
Battery: Meters, Automation								31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater						85,000		16,250	101,250
Compressors/Dehydrators								0	0
Gas Meter Run, flare, VRU, Combustor						20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.								0	0
Spill Containment								6,250	6,250
Artificial Lift ESP purchase, rental drive.						250,000		0	250,000
Electrical Installation						18,750		9,375	28,125
								0	0
Contingencies, taxes 10%		113,957		3,000		24,070		19,438	160,465
TOTAL TANGIBLES		**1,253,527**		**33,000**		**533,520**		**229,438**	**2,049,485**
TOTAL WELL COST		**Drilling 3,455,797**		**Completion 5,614,799**		**Production 649,020**		**Facilities 281,938**	**Total 10,001,554**

Prepared By: Kelvin Fisher **Date:** **6/16/23** **Drill & Complete** **9,070,596**

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

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Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #207H
Location: SHL Unit M of Section 33, T18S-R32E
BHL Unit I of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD): 19,715 ft MD
TVD: 9,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 2nd Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 18 days spud - RR $30,000 per day		540,000							540,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 8 days $2,000 per day		16,000							16,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		158,400		561,600					720,000
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 16 days spud - RR $15,000 per day, repairs		240,000							240,000
Wellsite Supervisor		45,000		40,000					85,000
JOA Overhead 8500/mo		9,000		900					9,900
Open Hole Logs									0
Solids Control Equipment $4,000 per day		72,000							72,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		90,000		280,000					370,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		104,870		265,800		5,500		2,500	378,670
TOTAL INTANGIBLES		**2,202,270**		**5,581,799**		**115,500**		**52,500**	**7,952,069**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.				Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars	Length	Size	Description	Price/ft FOB Loc								
Surface	1,300	13 3/8	54.5# J55 BTC ERW	$60.00	78,000							78,000
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1st Intermediate	300	9 5/8	40# HCL-80 ERW BTC	$63.00	18,900							18,900
Production					-							0
Production	19,715	5 1/2	20# P110 Semi-Prem Smls	$38.00	749,170							749,170
Tubing	8,900	2 7/8	6.5# L80 EUE	$13.00					115,700			115,700
Wellhead Equipment					25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.					75,000							75,000
Liner hanger, Packer, TAC, other Tools									20,000			20,000
												0
Flowlines, Valves, Fittings, pipeline											9,375	9,375
											0	0
Tanks 4 oil, 4 water (750 bbl)											43,750	43,750
Battery: Pumps /Valves/Connections											68,750	68,750
Battery: Meters, Automation											31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater									85,000		16,250	101,250
Compressors/Dehydrators											0	0
Gas Meter Run, flare, VRU, Combustor									20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.											0	0
Spill Containment											6,250	6,250
Artificial Lift ESP purchase, rental drive.									250,000		0	250,000
Electrical Installation									18,750		9,375	28,125
											0	0
Contingencies, taxes 10%					113,957		3,000		24,070		19,438	160,465
TOTAL TANGIBLES					**1,253,527**		**33,000**		**533,520**		**229,438**	**2,049,485**
TOTAL WELL COST					**Drilling 3,455,797**		**Completion 5,614,799**		**Production 649,020**		**Facilities 281,938**	**Total 10,001,554**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 9,070,596

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

Authority For Expenditure (AFE)

AFE #

Project: Bond
Field: Bone Spring
Well: Bond 33-34 Fed Com #209H
Location: SHL Unit M of Section 33, T18S-R32E
BHL Unit I of Section 34, T18S-R32E
Lea County, New Mexico

TD (MD): 19,715 ft MD
TVD: 9,500 ft
Drilled Lateral Length: 10,460 ft VS
Completed Lateral Length: 10,360 ft
Target: 2nd Bone Spring

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural/regulatory or any other surface use contraint.

Prognosis: 2 mi lateral w/ on-lease SHL. Completion: 10,360' perf interval x 2500 lb/ft (25.9MM lb), 2500 gal/ft (617k bbl), 80 bpm. 199' stages = 52 stages, plug & perf frac. Rigless prep w/ acid crew. ESP for artifical lift.	Code	Drilling Intangibles	Code	Completion Intangibles	Code	Production Intangibles	Code	Facilities Intangibles	Total Cost
Permits/ Well Signs		12,000							12,000
Damages/ Right of Way									0
Title & Abstracts, Drilling Title Opinion									0
Survey and Stake Location		6,000							6,000
Locations and Roads - shared with 4 wells		50,000							50,000
Frac Pit Shared w/ 4 wells				37,500					37,500
Conductor (drilled & set)		20,000							20,000
Mobilization / Demobilization 5 days pre-spud + trucks & cranes / shared w/ 4 wells		92,500							92,500
Drilling (Day Work) 18 days spud - RR $30,000 per day		540,000							540,000
Bits		50,000		3,000					53,000
Downhole drilling tools & stabilization, survey tool		50,000							50,000
Mud Logging 8 days $2,000 per day		16,000							16,000
Open Hole Surveys/ Gyro									0
Water well, pump & line, water transfer		5,000		100,000					105,000
Water/Brine/Mud Hauling		10,000		20,000					30,000
Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
Brine Water		10,000							10,000
Fuel $ 4.00 2,200 gal/day 52 Stages		158,400		561,600					720,000
Mud & Chemicals Water based mud in lateral.		200,000		25,000					225,000
Tubular Inspection DP: Cat IV on 1 string / 4 wells. Casing: clean, drift, visual 3 strings.		30,000							30,000
Drill string rental									0
Casing Crew & LD Machine, CRT		50,000							50,000
Welding		1,500							1,500
Cementing		200,000							200,000
Directional Drilling 16 days spud - RR $15,000 per day, repairs		240,000							240,000
Wellsite Supervisor		45,000		40,000					85,000
JOA Overhead 8500/mo		9,000		900					9,900
Open Hole Logs									0
Solids Control Equipment $4,000 per day		72,000							72,000
Cuttings Haul-off & Disposal		80,000							80,000
Surface Rental Equipment $5,000 /d Drilling. Frac stack, light towers, generators, housing.		90,000		280,000					370,000
BOP Rental, stripper head									0
Pulling Unit 5 days, 4000/d						20,000			20,000
Acidizing Acid crew to prep toe.				20,000					20,000
Frac Frac: see Prognosis above.				2,400,000					2,400,000
Water Transfer				50,000					50,000
Completion Tools 51 frac plugs				76,500					76,500
Cased Hole Wireline & Perforating 52 stages, 10k lube.				384,000		15,000			399,000
Coiled Tubing / Snubbing Unit + Tools, Nitrogen				250,000					250,000
Flowback & Well Testing						75,000			75,000
Trucking		30,000		30,000					60,000
Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		104,870		265,800		5,500		2,500	378,670
TOTAL INTANGIBLES		**2,202,270**		**5,581,799**		**115,500**		**52,500**	**7,952,069**

Prognosis: 3 string casing program. Tank battery allocated for 8 wells.				Code	Drilling Tangibles	Code	Completion Tangibles	Code	Production Tangibles	Code	Facilities Tangibles	Total Cost
Tubulars	Length	Size	Description	Price/ft FOB Loc								
Surface	1,300	13 3/8	54.5# J55 BTC ERW	$60.00	78,000							78,000
1st Intermediate	4,500	9 5/8	40# J55/HCK ERW BTC	$43.00	193,500							193,500
1st Intermediate	300	9 5/8	40# HCL-80 ERW BTC	$63.00	18,900							18,900
Production					-							0
Production	19,715	5 1/2	20# P110 Semi-Prem Smls	$38.00	749,170							749,170
Tubing	8,900	2 7/8	6.5# L80 EUE	$13.00					115,700			115,700
Wellhead Equipment					25,000		30,000					55,000
Float Equipment & Centralizers, Wet Shoe.					75,000							75,000
Liner hanger, Packer, TAC, other Tools									20,000			20,000
												0
Flowlines, Valves, Fittings, pipeline											9,375	9,375
											0	0
Tanks 4 oil, 4 water (750 bbl)											43,750	43,750
Battery: Pumps /Valves/Connections											68,750	68,750
Battery: Meters, Automation											31,250	31,250
Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater									85,000		16,250	101,250
Compressors/Dehydrators											0	0
Gas Meter Run, flare, VRU, Combustor									20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.											0	0
Spill Containment											6,250	6,250
Artificial Lift ESP purchase, rental drive.									250,000		0	250,000
Electrical Installation									18,750		9,375	28,125
											0	0
Contingencies, taxes 10%					113,957		3,000		24,070		19,438	160,465
TOTAL TANGIBLES					**1,253,527**		**33,000**		**533,520**		**229,438**	**2,049,485**
TOTAL WELL COST					**Drilling 3,455,797**		**Completion 5,614,799**		**Production 649,020**		**Facilities 281,938**	**Total 10,001,554**

Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 9,070,596

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Joint Operating Agreement.

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Authority For Expenditure (AFE)

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Fresh Water $ 1.50 10,000 bbl drilling 678,333 bbl compl'n (10% excess)		15,000		1,017,500					1,032,500
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Environmental				10,000					10,000
Materials & Supplies		5,000							5,000
Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction		10,000		10,000				50,000	70,000
Contingencies 5%		104,870		265,800		5,500		2,500	378,670
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Flowlines, Valves, Fittings, pipeline											9,375	9,375
											0	0
Tanks 4 oil, 4 water (750 bbl)											43,750	43,750
Battery: Pumps /Valves/Connections											68,750	68,750
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Separation Equipment: 6' x 15' tester, (2) 8' x 20' Heater Treater									85,000		16,250	101,250
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Gas Meter Run, flare, VRU, Combustor									20,000		25,000	45,000
LACT Pipeline LACT supplied by oil buyer.											0	0
Spill Containment											6,250	6,250
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											0	0
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Prepared By: Kelvin Fisher **Date:** 6/16/23 **Drill & Complete** 9,070,596

Approval: _____ **Date:**
Kelvin Fisher

Partner Approval **Amount:**
Joint Owner:
Working Interest: **Joint Owner Approval:** _____

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Agree to decline coverage, provide proof, and hold harmless:

By:_____ Date: _____

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

December 15 , **2023** ,
Year

OPERATOR **E.G.L. Resources, Inc.**

CONTRACT AREA **N2 OF SECTIONS 33 & 34, T18S-R32E**

CONTAINING 640.00 ACRES, MORE OR LESS.

COUNTY ~~OR PARISH~~ OF **LEA** , STATE OF **NEW MEXICO**

BOND 33-34 UNIT
-N2 BONE SPRING-

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 – 1989

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between E.G.L. Resources, Inc., hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, **fracing** / perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall **, with respect to a vertical well,** / mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. **The term Deepen shall also mean a single operation whereby a Horizontal Well is drilled to a targeted horizontal distance beyond the horizontal distance in which the well was previously drilled, or beyond the targeted horizontal distance proposed in the associated AFE, whichever is the lesser.**

E. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation, and for which the Consenting Parties have not been fully reimbursed, as provided in Article VI.B.2,.

J. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation in order to attempt a Completion in a shallower Zone. When used in connection with a Horizontal Well, the term “Plug Back” shall mean an operation to test or Complete the well at a straigraphically shallower Zone than the Zone in which the well has been or is being Completed and which is not in an existing Lateral.

O. The term "Recompletion" or "Recomplete" shall mean an operation to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole **or** / to overcome other mechanical difficulties. When used in connection with a Horizontal Well, the term “Sidetrack” shall mean the directional control and deviation of a well outside the existing Lateral(s) so as to change the Zone or the direction of a Lateral from the approved proposal unless done to straighten the hole or drill around junk in the hole or to overcome other mechanical difficulties.

Received by OCD: 5/7/2026 8:10:56 AM

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

S. See Article XVI.A. for additional definitions.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.

EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

X A. Exhibit "A," shall include the following information:

(1) Description of lands subject to this agreement,

(2) Restrictions, if any, as to depths, formations, substances, or wells,

(3) Parties to agreement with addresses and telephone numbers for notice purposes,

(4) Percentages or fractional interests of parties to this agreement,

(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement.

(6) Burdens on production.

~~B. Exhibit "B," Form of Lease.~~

X C. Exhibit "C," Accounting Procedure.

X D. Exhibit "D," Insurance.

X E. Exhibit "E," Gas Balancing Agreement.

X F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.

~~G. Exhibit "G," Tax Partnership.~~

X H. Other: **Memorandum of Operating Agreement, Mortgage and Financing Statement**

~~I. Geological and Geophysical Requirements~~

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If any provision of any exhibit, except Exhibits "E," "F" ~~and "G",~~ is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.

INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B," and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations ~~on the Contract Area~~ **as conducted under this agreement** / shall be owned, by the parties as their interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or caused to be paid or delivered, all burdens on its share of production from the Contract Area up to, but not in excess of _22.5%__, and shall indemnify, defend and hold the other parties free from any liability thereof. on its share of production from any Oil and Gas Lease or Oil and Gas Interest contributed by such party to the Contract Area, and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

C. Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A,"**and/or is not filed of record with County Clerk**/ such burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest. ~~/~~ **See also Article XVI.G**

ARTICLE IV.

TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and if ~~a majority in interest of the Drilling Parties so request or~~ Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. ~~The opinion~~ **Such examination** / will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing

Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys / **and outside landmen** for title examination (including preliminary, supplemental, shut-in royalty opinions / **curative work,** and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by **the Operator** ~~all of the Drilling Parties/~~ in such well.

B. Loss or Failure of Title:

1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,

(a) The party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to such party) shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the parties contained on Exhibit "A" shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose Lease or Interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the Lease or Interest failed;

(c) If the proportionate interest of the other parties hereto in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the party who bore the costs incurred in connection with such well attributable to the Lease or Interest which has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well attributable to such failed Lease or Interest;

(d) Should any person not a party to this agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;

(e) Any liability to account to a person not a party to this agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each party (including a predecessor to a current party) who received production for which such accounting is required based on the amount of such production received, and each such party shall severally indemnify, defend and hold harmless all other parties hereto for any such liability to account;

(f) No charge shall be made to the joint account for legal expenses, fees or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the party contributing such Lease or Interest hereto elects to defend its title it shall bear all expenses in connection therewith; and

(g) If any party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production therefrom, such party's absence of interest in the remainder

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of the Contract Area shall be considered a Failure of Title as to such remaining Contract Area unless that absence of interest is reflected on Exhibit "A."

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. If the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of such Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or Interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which as a result of such Lease or Interest termination is credited to other parties, the proceeds of said portion of the Oil and Gas to be contributed by the other parties in proportion to their respective interests reflected on Exhibit "A"; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses of Leases or Interests committed to this agreement, other than those set forth in Articles IV.B.1. and IV.B.2. above, or those surrendered under Article VIII.A, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

4. Curing Title: In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any party hereto (other than the party whose interest has failed or was lost) during the ninety (90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to such acquisition.

ARTICLE V.

OPERATOR

A. Designation and Responsibilities of Operator:

E.G.L. Resources, Inc. shall be the Operator of the Contract Area, and shall conduct **conducted under this agreement** and direct and have full control of all operations ~~on the Contract Area~~ / as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties, **or any of their respective officers, employees or agents** / for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct. / **See also Article XVI.H.**

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns ~~an~~ / **working** interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest **and its affiliates**

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based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator and its affiliates /; such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's working / interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning ~~an~~ working / interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself or for its affiliates /, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned and its affiliates /. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

C. Employees and Contractors:

The number of employees or contractors used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: All wells drilled under this agreement / ~~on the Contract Area~~ shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling and completion / of wells, but its charges therefor shall not exceed the prevailing rates in the area ~~and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced~~, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to Exhibit "C" / ~~written agreement~~, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in

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respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied or those provided in Article VII.B.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each / ~~Non-Operator~~ **Consenting Party** or its duly authorized representative, at the / ~~Non-Operator's~~ **Consenting Party's** sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each / ~~Non-Operator~~ **Consenting Party** upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the / ~~Non-Operator~~ **Consenting Party** seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C." **See also Article XVI.C. Except as provided in Article VII.D.1., prior to payout a Non-Consenting Party shall be entitled to review the joint account records pertaining to a non-consent operation, to the extent necessary to conduct an audit of the payout account. Such audit will be conducted in accordance with Exhibit "C".**

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting / ~~Non-Operator~~ **Consenting Party** not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well / **, except as provided in Article VII.D.1.** :

(a) Operator will promptly advise / ~~Non-Operators~~ **~~Consenting Parties~~ Non Operators** of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send to / ~~Non-Operators~~ **Consenting Parties** such reports, test results and notices regarding the progress of operations on the well as the / ~~Non-Operators~~ **Consenting Parties** shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered that are in the Contract Area which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, / ~~that~~ **to the extent not prohibited by any Oil and Gas Lease the** Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." ~~To the extent the parties are required to carry any insurance under the terms of any Oil and Gas Lease and the terms thereof prohibits any party from self-insuring such required insurance coverages, then~~ Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

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ARTICLE VI.

DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 15th day of June , 2025, Operator shall commence **operations for** / the drilling of the Initial Well at the following location:

N2 of Sections 33 & 34, T18S-R32E, Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a vertical depth sufficient to test the Bone Spring formation The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

B. Subsequent Operations:

other than a party that is in default hereunder and has received a notice of such default from another party

1. Proposed Operations: If any party / hereto should desire to drill any well on the Contract Area ~~other than the Initial Well~~, or **other than a party that is in default hereunder and has received a notice of such default form another party** if any party / should desire to Rework, Sidetrack, Deepen, / Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, ~~the~~ / party desiring to drill, / Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, / Recomplete, Plug Back or Deepen may be given by telephone / and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, / or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement. **provided however, Operator shall not be required to do so,**

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If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that ~~participated in the drilling, / Deepening or Sidetracking of~~ **Re-fracing have the right to participate in future operations in** / the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, / Sidetracked, Deepened, **Re-fraced** Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in / ~~proportion to their respective interests~~ **the proportions agreed to by the Consenting Parties**, all of such Non-Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking, / Sidetracking, Deepening, **Re-fracing** Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

(i) **100** % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) **300** % of (a) that portion of the costs and expenses of drilling, Reworking, **Re-fracing** / Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone **or with respect to a Horizontal Well, the Total Measured Depth,** / described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each

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Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a **or with respect to a Horizontal Well, the Total Measured Depth,** shallower Zone than the deepest objective Zone / proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

Re-fracing

(c) Reworking, / Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any **Re-fracing** / Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such **Re-fracing,** Reworking, / Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties **300** % of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, **/Re-fracing,** / Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

(d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.C.

Re-fracing,

In the case of any Reworking, / Sidetracking, Plugging Back, Recompleting or Deepening operation, except as provided in Articles VI.B.4, VI.B.5, and VI.C.1 Option 2, if applicable, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all **Re-fracing,** such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, / Sidetracking, Plugging Back, Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to **Re-fracing,** the well, and an itemized statement of the cost of drilling, Sidetracking, / Deepening, Plugging Back, testing, Completing, Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking, **Re-fracing,** Deepening, / Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and Exhibit "C" attached hereto.

, Sidetracked,

3. Stand-By Costs: When a well which has been drilled / or Deepened has reached its authorized depth and all tests have been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise **Re-fracing,** terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a / Reworking, Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required

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under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2. (a), shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's cost-bearing interest as shown on Exhibit "A" bears to the total cost-bearing interest as shown on Exhibit "A" of all the electing parties.

4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon, Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

(a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling and equipping of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well, other than equipping costs, in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective (including production casing and surface equipment), calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well that are attributable to the Non-Consenting Party's working interest. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening. The parties that participated in drilling to the Initial Objective shall continue to be entitled to recoup, out of proceeds attributable to the Non-Consenting Party's working interest share of production from the non-consent portion of the well, any balance remaining as provided in Article VI.B.2, less the amount paid by the Non-Consenting Party under this Article VI.B.4.

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F **, however, this Article VI.B.4 shall not apply to a Deepening operation within an existing Lateral or a Horizontal Well /.**

5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

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(a) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling and equipping of the well down to the depth at which the Sidetracking operation is initiated.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above, less any costs recovered by the Consenting Parties from proceeds attributable to the sale of the Non-Consenting Party's working interest share of production from such well. Such party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C. **This Article VI.B.5 shall not apply to operations in an existing Lateral of a Horizontal Well.**

including, but not limited to, Article XVI.B

6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement /, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the ~~then-existing~~ well spacing pattern / for such Zone **or has been approved for drilling, Completion in or production from such Zone by order of the regulatory agency with responsibility for such matters.**

or an approved exception thereto

8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of all parties that have not relinquished interests in the well at the time of such operation.

C. Completion of Wells; Reworking and Plugging Back:

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

Re-fracing

☒ Option No. 1: All necessary expenditures for the drilling, / Deepening or Sidetracking, testing, Completing and equipping of the / well, including necessary tankage and/or surface facilities. **Completion operations shall be included in the proposed drilling operations for such well.**

Horizontal

vertical

☒ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the / well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof / ~~furnished~~ **made available** to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.B.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging

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Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well **or on the Well Pad** / pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

2. Rework, **Re-frac** /Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking, Recompleting **Re-fracing** / or Plugging Back of a well shall include all necessary expenditures in conducting such operations and Completing and equipping of said well, including necessary tankage and/or surface facilities.

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **One Hundred Thousand and no/100** Dollars ($ **100,000.00**) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of **One Hundred Thousand and no/100** Dollars ($**100,000.00**). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any ~~party or~~ **two or more unaffiliated** / parties owning at least **51** % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled **, Sidetracked,** / or Deepened pursuant to Article VI.B.2., any well which has been drilled **, Sidetracked,** / or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling **Re-fracing, Sidetracking, Re-working** / or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable./ **to the extent such costs are not increased as a result of operations by the parties that took over the well.**

2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been

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conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has **that consented to and participated in the drilling, Re-fracing, Re-Working, Sidetracking or Deepening of such well, as applicable** been completed as a producer shall not be plugged and abandoned without the consent of all parties /. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. Failure of a party to reply within sixty (60) days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well.

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on / ~~the~~ **a mutually agreeable** form. ~~attached as Exhibit "B."~~ The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing Zone assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b)**, to the extent such costs are not increased as a result of the Consenting Parties subsequent operations. If Operator does not receive a written response from any Non-Operator within thirty (30) days after delivering notice of proposed abandonment, then such Non-Operator shall be deemed to have consented to the proposal.**

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of / **two or more unaffiliated parties** parties bearing 51% of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

☒ **Option No. 1: Gas Balancing Agreement Attached**

☐ **Option No. 2: No Gas Balancing Agreement**

Each party shall / **have the right but not the obligation to** take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and

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treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. ~~Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.~~

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil **and Gas** / produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil **and Gas** / or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least **thirty (30)** / ~~ten (10)~~ days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least **thirty (30)** / ~~ten (10)~~ days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil **and Gas** / not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of Oil **and Gas** / shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil **and Gas** / under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least **thirty (30)** / ~~ten (10)~~ days written notice of such intended purchase and the price to be paid or the pricing basis to be used.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

In the event one or more parties' separate disposition of its share of the Gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas **production available for** / sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with any Gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E" or is a separate agreement. Operator shall give notice to all parties of the first sales of Gas from any well under this agreement. **Each party electing to take in-kind or separately dispose of its proportionate share of the production from the Contract Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. To the extent that Non-Operator can furnish the information without violating any confidentiality obligations, Non-Operator shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder, excluding sale price, whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.**

☐ ~~**Option No. 2: No Gas Balancing Agreement:**~~

~~Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditures incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.~~

~~Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.~~

~~If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil and/or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator~~

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~~to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) -day period. Any purchase or sale by Operator of any other party's share of Oil and/or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.~~

~~Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.~~

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expenses or other financial obligations under this agreement, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording **in the form attached hereto as Exhibit "H"** supplement / ~~and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof,~~ and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest granted hereunder. Any party may file / **a recording supplement in the form attached hereto as Exhibit "H"** ~~this agreement, the recording supplement executed herewith~~, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each ~~party represents and warrants to the other parties hereto that the lien and security interest granted by such party to~~ **the**

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~~the other parties shall be a first and prior lien, and each~~ party hereby agrees to maintain the priority of ~~said~~ / lien and security granted pursuant to this agreement interest / against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interests, ~~or~~ fees, / or upon the improper use **or other financial obligations under this agreement** of funds by / **a party** ~~the Operator~~, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any party fails to pay its share of cost within one hundred twenty (120) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within Thirty (30) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

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1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to / elect to **propose or** participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-Consenting defaulting / parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid, or cause to be paid, by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article

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IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C."

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole **; provided, however, no consent shall be required to release an Oil and Gas Lease which has terminated or expired by its own terms** or in part unless all parties consent thereto / .

However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment acquired by the parties under this agreement and used exclusively for the lease being surrendered, and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, / such lease to be on / ~~the form attached hereto as Exhibit "B."~~ **or lands pooled or allocated therewith, a mutually agreeable form** Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement but shall be deemed subject to an Operating Agreement / ~~in the form of~~ this agreement /. **identical to and modified to reflect the ownership of the acquiring parties**

B. Renewal or Extension of Leases:

If any party secures a renewal, / or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties / shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, **top lease who participated in the ownership of the Oil and Gas Lease(s) being renewed or replaced**

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promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party without warranty of title, except as to claims arising by, through, or under the acquiring party.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease , shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this agreement.

See also Article XVI.D.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases. /

C. Acreage or Cash Contributions:

While this agreement is in force, if any party / ~~contracts for~~ **receives** a contribution of cash towards the drilling of a well or any other Operation / ~~on the Contract Area~~ **conducted under this agreement**, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation / ~~on the Contract Area~~ **conducted under this agreement**. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of **a** / well drilled inside Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Assignment; ~~Maintenance of Uniform Interest~~:

~~For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:~~

~~1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or~~

~~2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.~~

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after / ~~they have~~ **the Operator** received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion,

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may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**F. Preferential Right to Purchase:**~~

~~☐ (Optional; Check if applicable.)~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after the notice is delivered, to purchase for the stated consideration on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to transfer title to its interests to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, or to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which such party owns a majority of the stock.~~

ARTICLE IX.

INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.

CLAIMS AND LAWSUITS

Operator may settle any single / uninsured third party damage claim(s) or suit(s) arising from operations hereunder if the aggregate **or related group of**

Expenditure does not exceed **One-Hundred Thousand and no/100** Dollars **($100,000.00)** and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto that participated in the operation from which the claim or suit arose shall assume and take over **by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A"** the further handling of the claim or suit, unless such authority is delegated to Operator /. All costs and expenses of handling settling, **at** or otherwise discharging such claim or suit shall be / ~~a~~ the joint expense of the parties participating in the operation from which the **, except as provided in Article V.A.** claim or suit arises /. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.

FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other

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than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term "force majeure," as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightening, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

ARTICLE XII.

NOTICES

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, **email,** / telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the **email address,** / telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by **email,** / telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, **email,** / telex, telecopy or other facsimile within such period. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice. **See Article XVI.T.**

ARTICLE XIII.

TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

☐ ~~Option No. 1: So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.~~

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of **90** days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within **90** days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs. **This agreement will terminate if the Initial Well is not commenced on or before June 15, 2025.**

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this

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Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.

COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. ~~If the Contract Area is in two or more states, the law of the state of _____ shall govern.~~.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to the operations hereunder, Non-Operators agree to release Operator from **sole liability for** / any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies, or any governmental authority having jurisdiction, to the extent such interpretation or application was made in good faith and does not **or willful misconduct** / constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

ARTICLE XV.

MISCELLANEOUS

A. Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds with drilling operations for the Initial Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the Initial Well which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

B. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

C. Counterparts:

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

D. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, **for the purpose of bankruptcy proceedings,**

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this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and / the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

ARTICLE XVI.
OTHER PROVISIONS

A. Additional Definitions.

1. The term "Horizontal Well" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean a well containing one or more Laterals which are drilled, Completed or Recompleted in a manner in which the horizontal component of the Completion interval (1) extends at least one hundred feet (100') in the objective formation(s) and (2) exceeds the vertical component of the Completion interval in the objective formation(s).

2. The term "Lateral" shall mean that portion of a wellbore that deviates from approximate vertical orientation to approximate horizontal orientation and all wellbore beyond such deviation to Total Measured Depth.

3. The term "Total Measured Depth", when used in connection with a Horizontal Well, shall mean the distance from the surface of the ground to the terminus, as measured along and including the vertical component of the well and Lateral(s). When the proposed operation(s) is the drilling of, or operation on, a Horizontal Well, the terms "depth" or "total depth" wherever used in this agreement shall be deemed to read "Total Measured Depth" insofar as it applies to such well.

4. "Refrac" or "Re-frac" shall mean any hydraulic fracture stimulation operation conducted in the wellbore of a well in order to improve or optimize production in a Zone which is currently open to production in the existing wellbore.

5. The term "well" shall mean and include all wells, however drilled, whether vertically, horizontally, directionally or otherwise, in an endeavor to obtain the production of Oil and Gas.

6. The term "Well Pad" shall mean a drill-ready surface location from which one or more wells are drilled and any related surface equipment, appurtenances and facilities related to and solely servicing such location.

B. Priority of Operations.

1. *Vertical Wells*. If the parties participating in the drilling of any vertical well under this agreement cannot mutually agree upon the conduct of further operations, the operations proposed to be conducted shall be governed by the following sequence of priority:

   a. A proposal to do additional logging, coring, or testing; then

   b. A proposal to attempt to complete the well at the objective depth; then

   c. A proposal to Plug Back the vertical well and to attempt a Completion in an ascending order above the objective depth; then

   d. A proposal to Deepen the vertical well to a new objective depth, in order of ascending depth; then

   e. A proposal to Sidetrack the vertical well.

2. *Horizontal Wells*. A proposal to plug a Horizontal Well that has been drilled to the authorized depth and all test have been completed and the results thereof furnished to the Consenting Parties, and such parties cannot agree upon the sequence and timing of further operations regarding said Horizontal Well, the operations proposed to be conducted shall be governed by the following sequence of priority:

   a. A proposal to do additional logging, coring, or testing; then

   b. A proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner set forth in the AFE (i.e., in accordance with the casing stimulation and other completion programs set forth in the AFE); then

   c. A proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner different than as set forth in the AFE; then

   d. A proposal to extend the length of the Lateral hole for a specified number of feet in the direction it is drilling, with priority given in ascending order to objects above the authorized depth, and then in descending order to objectives below the authorized depth; then

   e. A proposal to drill a new Lateral in a different direction at the authorized depth; then

   f. A proposal to drill new Lateral in a different depth, with priority given in ascending order to objectives above the Authorized Depth, and then in descending order to objectives below the authorized depth; then

   g. A proposal to Plug Back and attempt to complete the Horizontal well at a depth shallower than the authorized depth, with priority given to objectives in ascending order up the hole; then

   h. A proposal to Deepen the Horizontal well below the authorized depth; then

   i. A proposal to Sidetrack the Horizontal well to a new target objective, with priority given first in ascending order to objectives above the authorized depth, and then in descending order to objectives below, the authorized depth.

   As to any possible conflicts that may arise during the Completion phase of a Horizontal Well, priority shall be given first to a Lateral of the authorized depth, and then to objective formations in ascending order above the authorized depth, and then to objective formations in descending order below the authorized depth. In a Horizontal Well, the Operator shall have the right to cease drilling at any time, for any reason, after it has drilled a Horizontal Well to the objective formation and has drilled horizontally for a distance which is at least equal to fifty percent (50%) of the length of the total horizontal displacement (displacement from true vertical) proposed for the operation, unless mutually agreed by the parties.

3. If at the time the parties are considering a proposed operation, the well is in such condition, in the Operator's judgment, that a reasonably prudent operator would not conduct such operation for fear of mechanical difficulties, placing the hole, property, equipment or personnel in danger of loss, injury or death, or fear of loss of hole or the well for any reason without being able to attempt a Completion at the authorized depth, then the proposal shall be given no priority to any proposed operation except for plugging and abandoning the well.

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4. The parties hereto acknowledge and agree that nothing in this Article XVI.B shall relieve a party, in whole or in part, from its obligation to pay all necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of such an authorized well (including necessary tankage and/or surface facilities) to the extent required pursuant to Article VI.

C. Access to Contract Area and Information.

A Non-Consenting Party under Article VI.B or Article VI.C.1, shall not have access to the well site with respect to the applicable operation, and such Non-Consenting Party shall not be entitled to receive, and shall not be given or provided with any information relating to that operation, including any notices, applications, reports, or similar information under Article V.D.5, until the Consenting Parties have recouped the non-consent penalty provided for in Article VI.B with respect to that operation. Except as provided in Article VII.D.1, prior to payout, a Non-Consenting Party shall be entitled to review the joint account records pertaining to the non-consent operation(s), to the extent necessary to conduct an audit of the payout account. Such audit will be conducted in accordance with Exhibit C.

D. Renewal or Extension of Leases. Notwithstanding anything herein to the contrary, each party committing any Lease or Leases or any undivided interest therein or portion thereof to this agreement shall have the sole option prior to the expiration of each such Lease to renew or extend such Lease with respect to all of such party's interest therein and to bear the renewal or extension costs and expenses incurred in connection therewith and thereby retain its interest and title in said Lease. If any such party does not timely exercise its option and procure a renewal or extension of its interest in such Lease, then any replacement Lease taken covering such interest will thereafter be subject to the terms of Article VIII.B. The provisions of this section shall only apply to Leases or portions of Leases located in the Contract Area.

as permitted by Section III.1.A(ii) of Exhibit C

E. Costs Associated with Use of Consultants. Operator may charge the reasonable costs of consultants, including outside attorneys,/ ~~necessary to secure regulatory permits and approvals for drilling wells, laying pipelines, collecting and discharging water and any other matters related to the Contract Area~~.

F. Creation of Subsequent Interests. If after the date hereof any party hereto creates an overriding royalty, production payment or any other burden against its working interest production, and if any party or parties shall conduct non-consent operations pursuant to any provisions of this agreement, and as a result, become entitled to receive the working interest production otherwise belonging to the Non-Consenting Party, the party or parties entitled to receive the working interest production of the Non-Consenting Party shall receive such production free and clear of burdens against such production that may have been created subsequent to the effective date of this agreement. In this regard, any such interest that may have been created subsequent to the effective date of this agreement shall ipso facto terminate and vest in the Consenting Parties unless such interest is referenced on Exhibit "A", attached hereto.

G. Additional Language to Article V.A - Operator. THE FOLLOWING PROVISIONS SHALL BE DEEMED CLEAR AND CONSPICUOUS AND SATISFY THE EXPRESS NEGLIGENCE RULE. ANYTHING TO THE CONTRARY NOTWITHSTANDING, OPERATOR SHALL HAVE NO LIABILITY ABOVE AND BEYOND ITS PROPORTIONATE SHARE FOR LOSSES RESULTING FROM OPERATOR'S ORDINARY NEGLIGENCE IN OPERATIONS ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT (INCLUDING WITHOUT LIMITATION THE ADMINISTRATION OF THIS AGREEMENT OR OPERATIONS HEREUNDER), EXCEPT FOR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF OPERATOR.

H. Additional Language to Article VII.A - Liabilities of Parties. NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM SUCH PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, BREACH OF CONTRACT OR OTHER FAULT OR RESPONSIBILITY. For purposes of the foregoing, actual damages may, however, include indirect, special, consequential, incidental or indirect losses or exemplary or punitive damages to the extent (i) the injuries or losses resulting in or giving rise to such damages are incurred or suffered by a third party which is not a party to this agreement and (ii) such damages are recovered against such party by a third party which is not a party hereto. This Article XVI.I shall operate only to limit a party's liability and shall not operate to increase or expand any contractual obligation of a party hereunder.

I. Bankruptcy. If any party becomes insolvent or files for relief under the United States Bankruptcy Code and all or any part of this agreement is held to be an executory contract, then the Operator, or (if the Operator is the debtor in bankruptcy) any other party, shall be entitled to a determination by the debtor in possession or any trustee as to the rejection or assumption of this agreement within thirty (30) days from the date an order for relief is entered to seek adequate assurances as to the future performance of the debtor's obligations hereunder, and the protection of all interests affected thereby. To the extent permitted by order of the Bankruptcy Courts the debtor party shall satisfy its obligation to provide adequate assurances by advancing payments or depositing funds or appropriate legal instruments pursuant to a mutually acceptable escrow agreement.

J. De-Spaced and Re-Spaced Unit(s). If a proration or spacing unit comprising all or part of the Contract Area is reduced in size by a governmental agency, or by court order, or by the terms of the applicable Oil and Gas Lease(s) which have been contributed to the unit, or by agreement of the parties hereto, or by completion of a unit well in a formation different than that originally contemplated by the Consenting Parties when the well was commenced, then the parties' interests in the Contract Area, as shown on Exhibit "A", will remain unchanged, subject to the payment of royalties as follows: The parties agree to pay their share of all royalties, overriding royalties, production payments and all other burdens not excepted by Article III.C herein, in proportion to their interests as shown in Exhibit "A", regardless of which party(s) contributed the Oil and Gas Lease(s) on which the royalty and other burdens are due.

K. Early Commencement of Operations. Notwithstanding anything to the contrary in this agreement, Operator shall have the right to commence activities preliminary to actual drilling operations including, without limitation, building location, roads and pits, delivering materials and equipment to the well site, rigging up a drilling rig, and/or any other actual drilling operations, at any time either before or after giving the notice of proposed operations required by said Articles. Operator's commencement of the foregoing prior to the expiration of the notice period shall not impair any other party's right to utilize the full 30 day notice period (or 48 hour period if a drilling rig is on location) for submittal of its participation election, provided that once a party has submitted its participation election, it shall not have the right to change its election without the approval of all Consenting Parties.

L. Miscellaneous

1. *Conflict of Terms*. In the event of a conflict between the typewritten portions and printed portions of this agreement, the typewritten portions shall prevail. In the event of a conflict between the terms of this Article XVI and any other portion of this agreement, the terms of Article XVI shall govern, control and prevail.

2. *Invalid Provisions*. In the event any provision contained in this agreement is contrary to any law, rule, regulation or order and is held to be invalid, void, illegal or unenforceable in any respect, the parties shall either modify the provision to properly conform with such law, rule, regulation or order or delete such provision from this agreement, and in either case the remaining provisions hereof shall remain unaffected and will continue in full force and effect. Furthermore, in lieu of such invalid, void, illegal or unenforceable provision there automatically shall be added as part of this agreement a provision as closely resembling such provision as shall then be valid, legal and enforceable so long as such provision does not have a material adverse effect on the rights of any party to this agreement.

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~~3. *COPAS Interpretation*. The provisions of Exhibit "C" attached hereto shall be interpreted as recommended by the Council of Petroleum Accountants Societies of North America, Accounting Procedure for Joint Operations, after giving effect to special changes and provisions noted herein and in the provisions of Exhibit "C", if any.~~

4. *JOA Preparation*. Each party acknowledges and agrees that such party has been represented or had the opportunity to be represented by attorneys of its own choosing and therefore, for the purposes of construing this agreement, each party shall be deemed to have participated equally in the preparation and drafting of this agreement. If any ambiguity is contained in this agreement, no weight shall be given in favor or against any party in resolving that ambiguity on account of that party's drafting of this agreement.

M. Regulatory Expense. Should it be necessary to conduct hearings before governmental agencies for the securing of orders, or for certifying new gas, within the Contract Area of this Operating Agreement, the costs attributable to such hearings as well as fees paid to outside attorneys and third-party witnesses, shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A".

N. Supersede. This operating agreement will supersede and replace all other existing operating agreements, if applicable, for the period of this operating agreement, insofar as the Contract Area. The foregoing notwithstanding, nothing in this Agreement shall act to reduce, enlarge or eliminate any existing contractual interest owned by any party under the prior Operating Agreements covering all or any part of the Contract Area.

O. Existing Wellbores. This Operating Agreement specifically excludes producing wellbores, associated equipment, associated production including the operating of such existing wellbores as of the date of this Operating Agreement.

P. Email Notices. An email notice shall be deemed delivered only when affirmatively acknowledged by email reply from the receiving party. Automatic delivery receipts issued, without direct acknowledgment of the email notice, are not evidence of Receipt for purposes of this agreement. If the receiving party fails or declines to affirmatively acknowledge an email notice, then Receipt of the notice shall only be deemed to have occurred when received by the party as otherwise provided in Article XII. Notwithstanding anything to the contrary in this agreement, default notices under Article VII.D may not be delivered soley by email.

Q. Exhibit "A" Ownership Changes. Exhibit "A" shall be amended by the Operator to reflect transfers of ownership and changes in the addresses of parties pursuant to Article VIII.D. ~~Non-Operators may request a change in ownership percentages listed on Exhibit "A" by submitting credible evidence of more accurate title. The Operator shall then circulate a revised Exhibit "A" to Non-Operators, and all parties shall have 30 days to object. If no timely objections are raised, the revised Exhibit "A" shall be adopted.~~ Upon request by a Non-Operator, Operator shall amend Exhibit "A" to reflect transfers of ownership pursuant to Article VIII.D or changes in the addresses of the parties within 30 days after the request.

R. Operator Owns No Interest. The parties to this agreement acknowledge that E.G.L. Resources, Inc. does not own an interest in the Contract Area. Notwithstanding anything in this agreement to the contrary, the parties agree that E.G.L. Resources, Inc. shall serve as Operator even though it owns no interest in the Contract Area.

E.G.L. Resources, Inc. owns no leasehold in the Contract Area, but executes this agreement to accept the designation as Operator and to agree to perform all the duties of Operator as set forth in and in compliance with this agreement. Notwithstanding Article V.B.2, during such time as E.G.L. Resources, Inc. is designated and acting as Operator, Article V.B.2 is deemed amended as follows: (1) E.G.L. Resources, Inc. shall not be deemed to have resigned as Operator under this Operating Agreement simply because it owns no interest in the Contract Area; and (2) E.G.L. Resources, Inc. may be removed at any time by a vote of one or more Non-Operators. Any lien and security interest rights reserved by Non-Operators against E.G.L. Resources, Inc. as Operator is deemed to apply to and burden the interests of PBEX, LLC in the Contract Area, equipment, and production. E.G.L. Resources, Inc. has no right to propose operations or vote under this agreement. E.G.L. Resources, Inc. may not assign or convey its operatorship or any other rights, duties, or obligations under this agreement. If E.G.L. Resources, Inc. resigns or is removed as Operator, Article V.B.6 will apply as stated in the body of the Operating Agreement; however, E.G.L. Resources, Inc. shall not be relieved of liability under this agreement, if any, for matters arising with respect to the period during which it acted as Operator.

The obligations and liabilities of E.G.L. Resources, Inc. and PBEX, LLC under this agreement are joint and several, and each of them shall be jointly and severally responsible for their obligations as set forth in this agreement for any costs, expenses, and liabilities incurred pursuant to the terms and provisions of this agreement or the exhibits attached to this agreement allocable to the interest of Operator (and any of its Affiliates owning an interest) together with those for which Operator is solely responsible under the Operating Agreement. E.G.L. Resources, Inc. is joining in this agreement in its own capacity as Operator and independently from the interest of PBEX, LLC. If PBEX, LLC transfers or assigns all of its interest under this agreement or in the Contract Area, E.G.L. Resources, Inc. will be deemed to have resigned without any action by Non-Operators, except the selection of a successor Operator.

S. Production Facilities: Production Facilities that exclusively serve the Contract area may be proposed, constructed, owned and operated by the parties under this agreement.

The construction, ownership, and operation by parties to this agreement of a Production Facility that will handle any Outside Substances is outside the scope of this agreement. If a party proposes to use an existing Production Facility owned by the parties under this agreement to handle Outside Substances, such use will require a separate agreement among the parties to this agreement and the parties owning such Outside Substances.

"Outside Substances" means Oil, Gas, or Water produced from or attributable to land other than the Contract Area.

"Production Facilities" means facilities necessary to produce, measure, treat, gather, or transport production from the wells subject to this agreement, including but not limited to meters, flowlines, gathering lines, pipelines, separators, compressors, and other production handling facilities.

T. Marketing Fees: If Operator markets Oil or Gas for a non-taking party, Operator may only charge a non-taking party the non-taking party's proportionate share of reasonable costs incurred by the Operator for (i) gathering, transportation, compression or treating, and (ii) marketing fees paid to third parties who are not an Affiliate of the Operator.

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

IN WITNESS WHEREOF, this agreement shall be effective as of the **15th** day of **December**, **2023**.

~~_____, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____, have been made to the form.~~

ATTEST OR WITNESS:

_____

_____

OPERATOR

E.G.L. Resources, Inc.

By _____

_____
Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

NON-OPERATOR(S)

_____

_____

By _____

_____
Type or print name

Title Attorney-in-fact

Date _____

Tax ID or S.S. No. _____

ACKNOWLEDGMENTS

Acknowledgment in individual capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on _____ by _____as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023 , by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

CONTRACT AREAS & DEPTH RESTRICTIONS

Township 18 South, Range 32 East, N.M.P.M.
Section 33: N/2
Section 34: N/2
Lea County, New Mexico
Containing 640.00 acres, more or less

Limited to the Bone Spring formation

PARTIES TO AGREEMENT

E.G.L. Resources, Inc. **PBEX, LLC** 223 West Wall Street, Suite 900 Midland, TX 79701	**Additional Parties** **To Be Determined**

INTERESTS*:

Subject to review by attorney licensed in State of New Mexico.

WORKING INTEREST OWNER	WORKING INTEREST
To Be Determined	To Be Determined
TOTAL	**1.00000000**

OIL AND GAS LEASES SUBJECT TO AGREEMENT:

Date:	May 1, 1973
Lessor:	United States of America NMNM 018232
New Serial No.:	NMNM105468369
Current Lessee:	XTO Holdings LLC
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NW4 Lea County, New Mexico

Date:	February 1, 1965
Lessor:	United States of America NMNM 0556094
New Serial No.:	NMNM105444857
Current Lessee:	XTO Holdings LLC
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NE4 Section 34: SWNW Lea County, New Mexico

Date:	May 1, 1973
Lessor:	United States of America NMNM 018302
New Serial No.:	NMNM105510555
Current Lessee:	Unknown
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 34: NE4, E2NW4, NWNW Lea County, New Mexico

I. BURDENS ON PRODUCTION:

Of record as of the effective date of this agreement.

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Exhibit "C"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among EGL Resources, Inc, as Operator, and PBEX, LLC, et al as Non-Operator.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

IF THE PARTIES FAIL TO SELECT EITHER ONE OF COMPETING "ALTERNATIVE" PROVISIONS, OR SELECT ALL THE COMPETING "ALTERNATIVE" PROVISIONS, ALTERNATIVE 1 IN EACH SUCH INSTANCE SHALL BE DEEMED TO HAVE BEEN ADOPTED BY THE PARTIES AS A RESULT OF ANY SUCH OMISSION OR DUPLICATE NOTATION.

IN THE EVENT THAT ANY "OPTIONAL" PROVISION OF THIS ACCOUNTING PROCEDURE IS NOT ADOPTED BY THE PARTIES TO THE AGREEMENT BY A TYPED, PRINTED OR HANDWRITTEN INDICATION, SUCH PROVISION SHALL NOT FORM A PART OF THIS ACCOUNTING PROCEDURE, AND NO INFERENCE SHALL BE MADE CONCERNING THE INTENT OF THE PARTIES IN SUCH EVENT.

1. DEFINITIONS

All terms used in this Accounting Procedure shall have the following meaning, unless otherwise expressly defined in the Agreement:

"Affiliate" means for a person, another person that controls, is controlled by, or is under common control with that person. In this definition, (a) control means the ownership by one person, directly or indirectly, of more than fifty percent (50%) of the voting securities of a corporation or, for other persons, the equivalent ownership interest (such as partnership interests), and (b) "person" means an individual, corporation, partnership, trust, estate, unincorporated organization, association, or other legal entity.

"Agreement" means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting Procedure is attached.

"Controllable Material" means Material that, at the time of acquisition or disposition by the Joint Account, as applicable, is so classified in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies (COPAS).

"Equalized Freight" means the procedure of charging transportation cost to the Joint Account based upon the distance from the nearest Railway Receiving Point to the property.

"Excluded Amount" means a specified excluded trucking amount most recently recommended by COPAS.

"Field Office" means a structure, or portion of a structure, whether a temporary or permanent installation, the primary function of which is to directly serve daily operation and maintenance activities of the Joint Property and which serves as a staging area for directly chargeable field personnel.

"First Level Supervision" means those employees whose primary function in Joint Operations is the direct oversight of the Operator's field employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may include, but are not limited to:

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
- Responsibility for day-to-day direct oversight of rig operations
- Responsibility for day-to-day direct oversight of construction operations
- Coordination of job priorities and approval of work procedures
- Responsibility for optimal resource utilization (equipment, Materials, personnel)
- Responsibility for meeting production and field operating expense targets
- Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor's operating responsibilities
- Responsibility for all emergency responses with field staff
- Responsibility for implementing safety and environmental practices

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- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

"Joint Account" means the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be shared by the Parties, but does not include proceeds attributable to hydrocarbons and by-products produced under the Agreement.

"Joint Operations" means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.

"Joint Property" means the real and personal property subject to the Agreement.

"Laws" means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted, promulgated or issued.

"Material" means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

"Non-Operators" means the Parties to the Agreement other than the Operator.

"Offshore Facilities" means platforms, surface and subsea development and production systems, and other support systems such as oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of offshore operations, all of which are located offshore.

"Off-site" means any location that is not considered On-site as defined in this Accounting Procedure.

"On-site" means on the Joint Property when in direct conduct of Joint Operations. The term "On-site" shall also include that portion of Offshore Facilities, Shore Base Facilities, fabrication yards, and staging areas from which Joint Operations are conducted, or other facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

"Operator" means the Party designated pursuant to the Agreement to conduct the Joint Operations.

"Parties" means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as "Party."

"Participating Interest" means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees, or is otherwise obligated, to pay and bear.

"Participating Party" means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of the costs and risks of conducting an operation under the Agreement.

"Personal Expenses" means reimbursed costs for travel and temporary living expenses.

"Railway Receiving Point" means the railhead nearest the Joint Property for which freight rates are published, even though an actual railhead may not exist.

"Shore Base Facilities" means onshore support facilities that during Joint Operations provide such services to the Joint Property as a receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication, scheduling and dispatching center; and other associated functions serving the Joint Property.

"Supply Store" means a recognized source or common stock point for a given Material item.

"Technical Services" means services providing specific engineering, geoscience, or other professional skills, such as those performed by engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator's Affiliate, Non-

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Operator, Non-Operator Affiliates, and/or third parties.

2. STATEMENTS AND BILLINGS

The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified and fully described in detail, or at the Operator's option, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written notice to the Operator.

3. ADVANCES AND PAYMENTS BY THE PARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within Thirty (30) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within Thirty (30) days of receipt of such written request.

B. Except as provided below, each Party shall pay its proportionate share of all bills in full within Thirty (30) days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day ~~of the month in which the~~ following the / payment ~~was~~ due date /. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

(1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working interest or Participating Interest, as applicable; or

(2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved or is not otherwise obligated to pay under the Agreement; or

(3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty (30) day period following the Operator's receipt of such written notice; or

(4) charges outside the adjustment period, as provided in Section I.4 (*Adjustments*).

4. ADJUSTMENTS

A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure Audits*).

B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section I.4.B, are limited to the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared

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on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month period are limited to adjustments resulting from the following:

(1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or

(2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Operator relating to another property, or

(3) a government/regulatory audit, or

(4) a working interest ownership or Participating Interest adjustment.

5. EXPENDITURE AUDITS

A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Section I.4 (*Adjustments*). Any Party that is subject to payout accounting under the Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the volumes of hydrocarbons produced and saved and proceeds received for such hydrocarbons as they pertain to payout accounting required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner that will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

The Non-Operator leading the audit (hereinafter "lead audit company") shall issue the audit report within ninety (90) days after completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month requirement for taking specific detailed written exception as required in Section I.4.A (*Adjustments*) above. All claims shall be supported with sufficient documentation.

A timely filed written exception or audit report containing written exceptions (hereinafter "written exceptions") shall, with respect to the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with the additional deadlines in Section I.5.B or I.5.C, the Operator's waiver of its rights to assert a statute of limitations defense against the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations, provided that such waiver shall not lapse in the event that the Operator has failed to comply with the deadlines in Section I.5.B or I.5.C.

B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive response to an exception within this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

C. The lead audit company shall reply to the Operator's response to an audit report within ninety (90) days of receipt, and the Operator shall reply to the lead audit company's follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator shall have the right to represent itself if it disagrees with the lead audit company's position or believes the lead audit company is not adequately fulfilling its duties. Unless otherwise provided for in Section I.5.E, if the Operator fails to provide substantive response to an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with

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authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60) days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

E. ☐ ***(Optional Provision – Forfeiture Penalties)***

~~*If the Non-Operators fail to meet the deadline in Section I.5.C, any unresolved exceptions that were not addressed by the Non-Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been withdrawn by the Non-Operators. If the Operator fails to meet the deadlines in Section I.5.B or I.5.C, any unresolved exceptions that were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made, without interest, to the Joint Account.*~~

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the

Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

This Section I.6.A applies to specific situations of limited duration where a Party proposes to change the accounting for charges from that prescribed in this Accounting Procedure. This provision does not apply to amendments to this Accounting Procedure, which are covered by Section I.6.B.

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of _____two_____ (___2___) or more Parties, one of which is the Operator, having a combined working interest of at least _____ninety_____ percent (__90__%), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. AFFILIATES

For the purpose of administering the voting procedures of Sections I.6.A and I.6.B, if Parties to this Agreement are Affiliates of each other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating Interest of such Affiliates.

For the purposes of administering the voting procedures in Section I.6.A, if a Non-Operator is an Affiliate of the Operator, votes under Section I.6.A shall require the majority in interest of the Non-Operator(s) after excluding the interest of the Operator's Affiliate.

II. DIRECT CHARGES

The Operator shall charge the Joint Account with the following items:

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1. RENTALS AND ROYALTIES

Lease rentals and royalties paid by the Operator, on behalf of all Parties, for the Joint Operations.

2. LABOR

A. Salaries and wages, including incentive compensation programs , other than burdens on production, as set forth in COPAS MFI-37 ("Chargeability of Incentive Compensation Programs"), for:

(1) Operator's field employees directly employed On-site in the conduct of Joint Operations,

(2) Operator's employees directly employed on Shore Base Facilities, Offshore Facilities, or other facilities serving the Joint Property if such costs are not charged under Section II.6 (*Equipment and Facilities Furnished by Operator*) or are not a function covered under Section III (*Overhead*),

(3) Operator's employees providing First Level Supervision,

(4) Operator's employees providing On-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*),

(5) Operator's employees providing Off-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*).

Charges for the Operator's employees identified in Section II.2.A may be made based on the employee's actual salaries and wages, or in lieu thereof, a day rate representing the Operator's average salaries and wages of the employee's specific job category.

Charges for personnel chargeable under this Section II.2.A who are foreign nationals shall not exceed comparable compensation paid to an equivalent U.S. employee pursuant to this Section II.2, unless otherwise approved by the Parties pursuant to Section I.6.A (*General Matters*).

B. Operator's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Section II.2.A, excluding severance payments or other termination allowances. Such costs under this Section II.2.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Section II.2.A. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.

D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

E. Reasonable relocation costs incurred in transferring to the Joint Property personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a Party, or that are for the primary benefit of the Operator, shall not be chargeable to the Joint Account. Extraordinary relocation costs, such as those incurred as a result of transfers from remote locations, such as Alaska or overseas, shall not be charged to the Joint Account unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

F. Training costs as specified in COPAS MFI-35 ("Charging of Training Costs to the Joint Account") for personnel whose salaries and wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are available.

G. Operator's current cost of established plans for employee benefits, as described in COPAS MFI-27 ("Employee Benefits Chargeable to Joint Operations and Subject to Percentage Limitation"), applicable to the Operator's labor costs chargeable to the Joint Account under Sections II.2.A and B based on the Operator's actual cost not to exceed the employee benefits limitation percentage most recently recommended by COPAS.

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H. Award payments to employees, in accordance with COPAS MFI-49 ("Awards to Employees and Contractors") for personnel whose salaries and wages are chargeable under Section II.2.A.

3. MATERIAL

Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV (Material *Purchases, Transfers, and Dispositions*). Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. TRANSPORTATION

A. Transportation of the Operator's, Operator's Affiliate's, or contractor's personnel necessary for Joint Operations.

B. Transportation of Material between the Joint Property and another property, or from the Operator's warehouse or other storage point to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material from the Joint Property to the Operator's warehouse or other storage point shall be paid for by the Joint Property using one of the methods listed below:

(1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property. The Operator shall consistently apply the selected alternative.

(2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged directly to the Joint Property and shall not be included when calculating the Equalized Freight.

5. SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and utilities covered by Section III (*Overhead*), or Section II.7 (*Affiliates*), or excluded under Section II.9 (*Legal Expense*). Awards paid to contractors shall be chargeable pursuant to COPAS MFI-49 ("Awards to Employees and Contractors").

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed _____eight_____ percent (_8.00%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators

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may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 50,000 . If the total costs for an Affiliate's goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the charges exceed $ 50,000 in a given calendar year.

C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however, documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*).

If the Parties fail to designate an amount in Sections II.7.A or II.7.B, in each instance the amount deemed adopted by the Parties as a result of such omission shall be the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be zero dollars ($ 0.00).

8. DAMAGES AND LOSSES TO JOINT PROPERTY

All costs or expenses necessary for the repair or replacement of Joint Property resulting from damages or losses incurred, except to the extent such damages or losses result from a Party's or Parties' gross negligence or willful misconduct, in which case such Party or Parties shall be solely liable.

The Operator shall furnish the Non-Operator written notice of damages or losses incurred as soon as practicable after a report has been received by the Operator.

9. LEGAL EXPENSE

Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens incurred in or resulting from operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs of the Operator's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the Parties pursuant to Section I.6.A (*General Matters*) or otherwise provided for in the Agreement.

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

All taxes and permitting fees of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the penalties and interest result from the Operator's gross negligence or willful misconduct.

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

Charges to the Joint Account resulting from sales/use tax audits, including extrapolated amounts and penalties and interest, are permitted, provided the Non-Operator shall be allowed to review the invoices and other underlying source documents which served as the basis for tax charges and to determine that the correct amount of taxes were charged to the Joint Account. If the Non-Operator is not permitted to review such documentation, the sales/use tax amount shall not be directly charged unless the Operator can conclusively document the amount owed by the Joint Account.

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11. INSURANCE

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its worker's compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. In the case of offshore operations in federal waters, the manual rates of the adjacent state shall be used for personnel performing work On-site, and such rates shall be adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.

12. COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable.

Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.

14. ABANDONMENT AND RECLAMATION

Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.

15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

III. OVERHEAD

As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section II (*Direct Charges*), the Operator shall charge the Joint Account in accordance with this Section III.

Functions included in the overhead rates regardless of whether performed by the Operator, Operator's Affiliates or third parties and regardless of location, shall include, but not be limited to, costs and expenses of:

- warehousing, other than for warehouses that are jointly owned under this Agreement
- design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
- inventory costs not chargeable under Section V (*Inventories of Controllable Material*)
- procurement
- administration
- accounting and auditing
- gas dispatching and gas chart integration

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- human resources
- management
- supervision not directly charged under Section II.2 (*Labor*)
- legal services not directly chargeable under Section II.9 (*Legal Expense*)
- taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)
- preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing, interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.
- Marketing production for non-taking parties.

Overhead charges shall include the salaries or wages plus applicable payroll burdens, benefits, and Personal Expenses of personnel performing overhead functions, as well as office and other related expenses of overhead functions.

1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this Section III, the Operator shall charge on either:

☑ **(Alternative 1)** Fixed Rate Basis, Section III.1.B.
☐ ~~**(Alternative 2)** Percentage Basis, Section III.1.C.~~

A. TECHNICAL SERVICES

(i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical Services:

☑ **(Alternative 1 – Direct)** shall be charged **direct** to the Joint Account.

☐ ~~**(Alternative 2 – Overhead)** shall be covered by the **overhead** rates.~~

(ii) Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical Services:

☐ **(Alternative 1 – All Overhead)** shall be covered by the **overhead** rates.

☐ **(Alternative 2 – All Direct)** shall be charged **direct** to the Joint Account.

☑ **(Alternative 3 – Drilling Direct)** shall be charged **direct** to the Joint Account, **only** to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator's Affiliates are subject to limitations set forth in Section II.7 (*Affiliates*). Charges for Technical personnel performing non-technical work shall not be governed by this Section III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

B. OVERHEAD—FIXED RATE BASIS

(1) The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month $ **7,500** (prorated for less than a full month)

Producing Well Rate per month $ **750**

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(2) Application of Overhead—Drilling Well Rate shall be as follows:

(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work–days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(3) Application of Overhead—Producing Well Rate shall be as follows:

(a) An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for any portion of the month shall be considered as a one-well charge for the entire month.

(b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is considered a separate well by the governing regulatory authority.

(c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well, unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one-well charge shall be made whether or not the well has produced.

(d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

(e) Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.

(4) The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided, however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the effective date of such rates, in accordance with COPAS MFI-47 (“Adjustment of Overhead Rates”).

C. OVERHEAD—PERCENTAGE BASIS

~~(1) Operator shall charge the Joint Account at the following rates:~~

~~(a) Development Rate _____ percent (_____) % of the cost of development of the Joint Property, exclusive of costs provided under Section II.9 (*Legal Expense*) and all Material salvage credits.~~

~~(b) Operating Rate _____ percent (_____%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.~~

~~(2) Application of Overhead—Percentage Basis shall be as follows:~~

~~(a) The Development Rate shall be applied to all costs in connection with:~~

~~[i] drilling, redrilling, sidetracking, or deepening of a well~~
~~[ii] a well undergoing plugback or workover operations for a period of five (5) or more consecutive work–days~~
~~[iii] preliminary expenditures necessary in preparation for drilling~~
~~[iv] expenditures incurred in abandoning when the well is not completed as a producer~~
~~[v] construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, other than Major Construction or Catastrophe as defined in Section III.2 (*Overhead-Major Construction*~~

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~~*and Catastrophe*).~~

~~(b) The Operating Rate shall be applied to all other costs in connection with Joint Operations, except those subject to Section III.2 (*Overhead-Major Construction and Catastrophe*).~~

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator's expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

Catastrophe is defined as a sudden calamitous event bringing damage, loss, or destruction to property or the environment, such as an oil spill, blowout, explosion, fire, storm, hurricane, or other disaster. The overhead rate shall be applied to those costs necessary to restore the Joint Property to the equivalent condition that existed prior to the event.

A. If the Operator absorbs the engineering, design and drafting costs related to the project:

(1) 5 % of total costs if such costs are less than $100,000; plus

(2) 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2 % of total costs in excess of $1,000,000.

B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:

(1) 5 % of total costs if such costs are less than $100,000; plus

(2) 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single Major Construction project shall not be treated separately, and the cost of drilling and workover wells and purchasing and installing pumping units and downhole artificial lift equipment shall be excluded. For Catastrophes, the rates shall be applied to all costs associated with each single occurrence or event.

On each project, the Operator shall advise the Non-Operator(s) in advance which of the above options shall apply.

For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations directly resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by salvage or insurance recoveries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any other overhead provisions.

In the event of any conflict between the provisions of this Section III.2 and the provisions of Sections II.2 (*Labor*), II.5 (*Services*), or II.7 (*Affiliates*), the provisions of this Section III.2 shall govern.

3. AMENDMENT OF OVERHEAD RATES

The overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and dispositions. The Operator shall provide all Material for use in the conduct of Joint Operations; however, Material may be supplied by the Non-Operators, at the Operator's option. Material furnished by any Party shall be furnished without any express or implied warranties as to quality, fitness for use, or any other matter.

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.

2. TRANSFERS

A transfer is determined to occur when the Operator (i) furnishes Material from a storage facility or from another operated property, (ii) has assumed liability for the storage costs and changes in value, and (iii) has previously secured and held title to the transferred Material. Similarly, the removal of Material from the Joint Property to a storage facility or to another operated property is also considered a transfer; provided, however, Material that is moved from the Joint Property to a storage location for safe-keeping pending disposition may remain charged to the Joint Account and is not considered a transfer. Material shall be disposed of in accordance with Section IV.3 (*Disposition of Surplus*) and the Agreement to which this Accounting Procedure is attached.

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

(1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).

(a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston, Texas, for special end) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B (*Freight*).

(b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply Store nearest the Joint Property where like Material is normally available, or point of manufacture plus transportation costs as defined in Section IV.2.B (*Freight*).

(2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.

(3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12) months from the date of physical transfer.

(4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the Material for Material being transferred from the Joint Property.

B. FREIGHT

Transportation costs shall be added to the Material transfer price using the method prescribed by the COPAS Computerized Equipment Pricing System (CEPS). If not using CEPS, transportation costs shall be calculated as follows:

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing

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Manual") and other COPAS MFIs in effect at the time of the transfer.

(2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point. For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway Receiving Point.

(3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the Railway Receiving Point.

(4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point

Regardless of whether using CEPS or manually calculating transportation costs, transportation costs from the Railway Receiving Point to the Joint Property are in addition to the foregoing, and may be charged to the Joint Account based on actual costs incurred. All transportation costs are subject to Equalized Freight as provided in Section II.4 (*Transportation*) of this Accounting Procedure.

C. TAXES

Sales and use taxes shall be added to the Material transfer price using either the method contained in the COPAS Computerized Equipment Pricing System (CEPS) or the applicable tax rate in effect for the Joint Property at the time and place of transfer. In either case, the Joint Account shall be charged or credited at the rate that would have governed had the Material been a direct purchase.

D. CONDITION

(1) Condition "A" – New and unused Material in sound and serviceable condition shall be priced at one hundred percent (100%) of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). ~~Material transferred from the Joint Property that was not placed in service shall be credited as charged without gain or loss; provided, however, any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking fees charged by the vendor. New and unused Material transferred from the Joint Property may be credited at a price other than the price originally charged to the Joint Account provided such price is approved by the Parties owning such Material, pursuant to Section I.6.A (*General Matters*).~~ All refurbishing costs required or necessary to return the Material to original condition or to correct handling, transportation, or other damages will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material for the receiving property.

(2) Condition "B" – Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by seventy-five percent (75%).

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

~~Unless otherwise agreed to by the Parties that paid for such Material, used Material transferred from the Joint Property that was not placed in service on the property shall be credited as charged without gain or loss.~~

(3) Condition "C" – Material that is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by fifty percent (50%).

The cost of reconditioning may be charged to the receiving property to the extent Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.

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(4) Condition "D" – Material that (i) is no longer suitable for its original purpose but useable for some other purpose, (ii) is obsolete, or (iii) does not meet original specifications but still has value and can be used in other applications as a substitute for items with different specifications, is considered Condition "D" Material. Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing, or drill pipe utilized as line pipe shall be priced at used line pipe prices. Casing, tubing, or drill pipe used as higher pressure service lines than standard line pipe, e.g., power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non-upset basis. For other items, the price used should result in the Joint Account being charged or credited with the value of the service rendered or use of the Material, or as agreed to by the Parties pursuant to Section 1.6.A (*General Matters*).

(5) Condition "E" – Junk shall be priced at prevailing scrap value prices.

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

Subject to Section II (*Direct Charges*) and Section III (*Overhead*) of this Accounting Procedure, costs incurred by the Operator in making Material serviceable including inspection, third party surveillance services, and other similar services will be charged to the Joint Account at prices which reflect the Operator's actual costs of the services. Documentation must be provided to the Non-Operators upon request to support the cost of service. New coating and/or wrapping shall be considered a component of the Materials and priced in accordance with Sections IV.1 (*Direct Purchases*) or IV.2.A (*Pricing*), as applicable. No charges or credits shall be made for used coating or wrapping. Charges and credits for inspections shall be made in accordance with COPAS MFI-38 ("Material Pricing Manual").

(2) Loading and Unloading Costs

Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged in accordance with the methods specified in COPAS MFI-38 ("Material Pricing Manual").

3. DISPOSITION OF SURPLUS

Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operators in surplus Material.

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good faith efforts to dispose of surplus within twelve (12) months through buy/sale agreements, trade, sale to a third party, division in kind, or other dispositions as agreed to by the Parties.

Disposal of surplus Materials shall be made in accordance with the terms of the Agreement to which this Accounting Procedure is attached. If the Agreement contains no provisions governing disposal of surplus Material, the following terms shall apply:

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (*Transfers*).

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

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4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

Whenever Material is available only at inflated prices due to national emergencies, strikes, government imposed foreign trade restrictions, or other unusual causes over which the Operator has no control, for direct purchase the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, making it suitable for use, and moving it to the Joint Property. Material transferred or disposed of during premium pricing situations shall be valued in accordance with Section IV.2 (*Transfers*) or Section IV.3 (*Disposition of Surplus*), as applicable.

B. SHOP-MADE ITEMS

Items fabricated by the Operator's employees, or by contract laborers under the direction of the Operator, shall be priced using the value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's scrap or junk account, the Material shall be priced at either twenty-five percent (25%) of the current price as determined in Section IV.2.A (*Pricing*) or scrap value, whichever is higher. In no event shall the amount charged exceed the value of the item commensurate with its use.

C. MILL REJECTS

Mill rejects purchased as "limited service" casing or tubing shall be priced at eighty percent (80%) of K-55/J-55 price as determined in Section IV.2 (*Transfers*). Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-55 casing or tubing at the nearest size and weight.

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

Adjustments to the Joint Account by the Operator resulting from a physical inventory of Controllable Material shall be made within twelve (12) months following the taking of the inventory or receipt of Non-Operator inventory report. Charges and credits for overages or shortages will be valued for the Joint Account in accordance with Section IV.2 (*Transfers*) and shall be based on the Condition "B" prices in effect on the date of physical inventory unless the inventorying Parties can provide sufficient evidence another Material condition applies.

1. DIRECTED INVENTORIES

Physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators (hereinafter, "directed inventory"); provided, however, the Operator shall not be required to perform directed inventories more frequently than once every five (5) years. Directed inventories shall be commenced within one hundred eighty (180) days after the Operator receives written notice that a majority in interest of the Non-Operators has requested the inventory. All Parties shall be governed by the results of any directed inventory.

Expenses of directed inventories will be borne by the Joint Account; provided, however, costs associated with any post-report follow-up work in settling the inventory will be absorbed by the Party incurring such costs. The Operator is expected to exercise judgment in keeping expenses within reasonable limits. Any anticipated disproportionate or extraordinary costs should be discussed and agreed upon prior to commencement of the inventory. Expenses of directed inventories may include the following:

A. A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel performing the inventory or a rate agreed to by the Parties pursuant to Section I.6.A (*General Matters*). The per diem rate shall also be applied to a reasonable number of days for pre-inventory work and report preparation.

B. Actual transportation costs and Personal Expenses for the inventory team.

C. Reasonable charges for report preparation and distribution to the Non-Operators.

2. NON-DIRECTED INVENTORIES

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A. OPERATOR INVENTORIES

Physical inventories that are not requested by the Non-Operators may be performed by the Operator, at the Operator's discretion. The expenses of conducting such Operator-initiated inventories shall not be charged to the Joint Account.

B. NON-OPERATOR INVENTORIES

Subject to the terms of the Agreement to which this Accounting Procedure is attached, the Non-Operators may conduct a physical inventory at reasonable times at their sole cost and risk after giving the Operator at least ninety (90) days prior written notice. The Non-Operator inventory report shall be furnished to the Operator in writing within ninety (90) days of completing the inventory fieldwork.

C. SPECIAL INVENTORIES

The expense of conducting inventories other than those described in Sections V.1 (*Directed Inventories*), V.2.A (*Operator Inventories*), or V.2.B (*Non-Operator Inventories*), shall be charged to the Party requesting such inventory; provided, however, inventories required due to a change of Operator shall be charged to the Joint Account in the same manner as described in Section V.1 (*Directed Inventories*).

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EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and PBEX LLC, et al, as Non-Operator.

INSURANCE PROVISION

Operator shall, at all times while conducting operations hereunder, maintain in force the following insurance at the expense of and for the benefit of the joint account:

(a) Statutory Worker's Compensation Insurance in accordance with the laws of the state in which the operations are to be conducted, and Employer's Liability Insurance with limits not less than $1,000,000 for any one person, and not less than $1,000,000 for any one accident.

(b) Commercial General Liability with limits of not less than $1,000,000 Combined Single Limit for bodily injury or property damage per occurrence. Policy shall include Contractual Liability and an Underground Resources endorsement.

(c) Pollution Liability with limits of not less than $1,000,000 Combined Single Limit for Bodily Injury, Property Damage and Off-Site Cleanup. Alternatively, Operator may evidence Pollution coverage as an endorsement within the General Liability policy.

(d) Business Automobile Liability Insurance with limits of not less than $1,000,000 combined Single Limit for bodily injury or property damage per accident.

(e) Excess Liability with limits of not less than $10,000,000 Combined Single Limit for bodily injury or property damage per occurrence to apply in excess of Employer's Liability, Commercial General Liability and Business Automobile Liability (or in the absence thereof each Non-Operator shall provide to Operator insurance certificates evidencing coverage of not less than $10,000,000 of such Excess Liability).

In the event any party hereto declines in writing the Commercial General Liability, Pollution Liability, and Excess Liability coverages herein above provided, then, in such event only, nothing concerning the declined coverage(s) will be charged toward such declining party's share of the Joint Account. Earthstone Permian, LLC declines the Commercial General Liability, Pollution Liability, and Excess Liability coverages herein above provided.

It is further understood and agreed that Operator is not a warrantor of the financial responsibility of the insurer with whom such insurance is carried; provided however, that such insurer must have at least an AM Best rating of A-VIII or its equivalent. Except for Operator's failure to comply with the requirements of this Exhibit D or for its willful misconduct or gross negligence, Operator shall not be liable to Non-Operator for any loss suffered on account of the insufficiency of the insurance carried, or of insurer with whom carried. Operator shall not be liable to Non-Operator for any loss accruing by reason of Operator's inability to procure or maintain the insurance above mentioned. Operator agrees that if at any time during the life of this agreement it is unable to obtain or maintain such insurance, it shall immediately notify in writing Non-Operators of such fact.

Operator shall require each and every drilling contractor or drilling subcontractor or all other contractors or subcontractors conducting operations hereunder to carry insurance of such types and in such amounts as Operator deems adequate to protect the parties hereto. No liability shall attach to Operator in the exercise of its good-faith judgment as to the types and amounts of insurance, if any, to be required of such contractors or subcontractors.

Any other insurance desired by a party hereto shall be carried by such party at its own cost and expense.

~~Operator shall provide all well control insurance or self-insurance, including underground blow out, seepage, and pollution caused by well blowout, on behalf of Non-Operators, and those costs and fees shall be billed to the joint account accordingly.~~

Each party hereto to be insured hereunder shall provide copies of certificates or letters of self-insurance evidencing the above insurance coverage(s) upon written request of any other party. In the event any party hereto elects to self-insure, then in such event, it must obtain a Certificate of Financial Responsibility from the applicable Federal and/or State Agencies, provide an acceptable letter of self-insurance or otherwise furnish appropriate acceptable evidence of same relating to said guidelines to the other parties hereto.

End of Exhibit "D"

EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and, PBEX LLC, et al, as Non-Operator.

GAS BALANCING

The Parties recognize that imbalances may occur from time to time between them in their separate disposition of Gas. The Parties hereby agree to handle such Gas imbalances as follows:

ARTICLE I – Definitions

1.01 As used in this Agreement, the terms set forth below shall have the following meanings:

(a) "Balance" is the condition existing when a Party has disposed of a cumulative volume of Gas from a Well which is equal to such Party's Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well.

(b) "Gas" shall mean the total volume of gaseous hydrocarbons in Btu's available to the Parties to this Agreement at the Measurement Point from a Well remaining after removal of all liquids by primary field separation and the extraction of any liquid hydrocarbons upstream of the Measurement Point, less gas vented, flared, lost, or used in joint operations.

(c) "Make-up Gas" refers to that incremental volume of Gas, which an Underproduced Party is entitled to under this Agreement in order to achieve a Balance.

(d) "Measurement Point" shall mean, unless otherwise agreed to in writing between the Parties, the point at the gas discharge side of the primary field separation facility where a meter for measurement of Gas to be disposed of is installed, unless such separation facilities are not installed, in which event the point shall be the meter at the wellhead of each Well.

(e) "Operator" shall mean the operator designated in the Operating Agreement.

(f) "Overproduced" is the condition existing when a Party has disposed of a greater cumulative volume of Gas from a Well at anytime than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. Reference to "overproduction" is to such greater volume.

(g) The "Percentage Ownership" of each Party is equal to that Party's interest in Gas produced from a Well as determined under the terms of the Operating Agreement.

(h) "Underproduced" is the condition occurring when a Party has disposed of a lesser cumulative volume of Gas from a Well at any time than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. Reference to "underproduction" is to such lesser volume.

(i) "Well" means a well drilled on the lands and leases covered by the Operating Agreement and capable of producing Gas. For the purposes hereof, a Well separately produced and measured from more than one zone will be considered a separate Well for each zone.

(j) To "dispose of" Gas or Gas "disposed of" shall mean all methods of disposition of Gas, including taking in kind, delivering in kind to a Lessor, sales to a Party or third party or affiliate, or Gas used by a Party for purposes other than joint operations.

1.02 Terms not defined in this Exhibit "E" or in the operating Agreement shall have the meaning commonly ascribed to them in the natural gas sales industry.

ARTICLE II - Scope and Term

2.01 This Agreement establishes a separate gas balancing agreement for each Well.

2.02 This Agreement shall be effective as of the date of first Gas sales by a Party from any Well, or, if sooner, the date of the Operating Agreement. This Agreement shall terminate separately as to each Well when Gas production from such Well permanently ceases and the Gas accounts for such Well are brought into Balance pursuant to this Agreement or settled under Article VI of this Exhibit "E".

ARTICLE III - Right to Produce and Ownership of Gas

3.01 During any month when a Party ("Non-Selling Party") does not dispose of its full Percentage Ownership of Gas, the Parties ("Selling Parties") that dispose of their Percentage Ownership shall

be entitled to dispose of all or any portion of such Underproduced Gas. To the extent the Parties desire to dispose of more Underproduced Gas than is available, they shall share in such Gas in the proportion that each such Party's Percentage Ownership bears to the combined Percentage Ownership of all Parties desiring to dispose of such Gas. However, unless otherwise approved by all Parties, no Party shall be entitled to dispose of more than three hundred percent (300%) of its Percentage Ownership of Gas that month.

3.02 Each Party shall own and be entitled to the Gas disposed of by such Party pursuant to this Agreement, and the proceeds thereof, including constituents contained therein that are recovered downstream from the Measurement Point. If a Party is Underproduced with respect to a Well, its underproduction shall be deemed to remain in the reservoir subject to the right of disposal of such Underproduced Gas at a later time.

3.03 Nothing in this Agreement shall require or permit any production from a Well in excess of the maximum efficient rate at which such Well can be produced for a sustained period of time without resulting in underground waste in the form of reduced ultimate recovery of hydrocarbons.

ARTICLE IV - Make-Up Gas

4.01 Each Underproduced Party in a Well shall have the right to dispose of Make-Up Gas, and each overproduced Party shall have the obligation to furnish Make-Up Gas, as follows:

(a) An Underproduced Party shall provide at least twenty (20) days written notice to the operator of its intent to dispose of Make-Up Gas and specify the period of such make up which, in no event, shall be less than one calendar month. Make-Up Gas shall not be made available to an Underproduced Party until the first day of the month following notice to the operator.

(b) An Overproduced Party shall not be required to furnish Make-Up gas unless an Underproduced Party is first disposing of its Percentage Ownership of Gas.

(c) An Overproduced Party shall not be required to provide as Make-Up Gas more than twenty-five percent (25%) of its Percentage Ownership of Gas during the month of January, February, November, and December. For all other months an Overproduced Party shall not be required to provide as Make-Up Gas more than fifty percent (50%) of its Percentage Ownership of the Gas.

(d) It there is more than one Overproduced Party, the Make-Up Gas will be furnished by the Overproduced Parties in the proportion that each Overproduced Party's Percentage Ownership in a Well bears to the total Percentage Ownership of all Overproduced Parties in the Well.

(e) Likewise, if there is more than one Underproduced Party able to dispose of Make-up Gas in a month, each Underproduced Party will share in the Make-up Gas in the proportion which its Percentage Ownership in a Well bears to the total Percentage Ownership of all Underproduced Parties in that Well disposing of Make-up Gas that month.

4.02 Nothing herein shall be construed to deny any Party the right from time to time to dispose of its Percentage Ownership of Gas in a Well for the purpose of conducting deliverability tests required pursuant to its gas purchase contracts; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after 30 days' prior written notice to the Operator and shall last no longer than 72 hours.

ARTICLE V - Balancing of Gas Accounts

5.01 The operator shall have the duty of administering the provisions of this Agreement. The operator shall use its good faith efforts to cause Gas to be delivered as may be required to give effect to the intent that there be a Balance between the Parties in accordance with the provisions hereof. The Operator shall only be liable for its failure to make deliveries of Gas in accordance with the terms of this Agreement if such failure is due to its gross negligence or willful misconduct.

5.02 Each month the operator will furnish each Party a report showing for the prior month the total volume of Gas in Btu's produced from each Well, including the volumes vented, flared, lost, or used in joint operations; the volume of Gas disposed by each Party; each Party's overproduction or underproduction for the month; and the cumulative overproduction or underproduction of each Party in each Well. In the event that production from each well is not separately measured, then the Operator will allocate production to each Well on the basis of periodic tests or such other methods as are commonly used and accepted in the industry. Make-up Gas disposed of by an Underproduced Party shall offset underproduction in the order in which such underproduction accrued, i.e., First in, First out.

5.03 During the term of this Agreement and for a period of two (2) years thereafter, each Party shall retain all data, information and records pertaining to the Gas disposed of by such Party in a Well.

Each Party shall have the right to audit the records retained hereunder. Any audit shall be conducted at the expense of the Party or Parties desiring such audit after reasonable notice and during normal business hours in the office of the Party whose records are being audited. No more than one audit of a Party shall be conducted in any twelve (12) month period.

ARTICLE VI - Cash Settlement of Imbalance

6.01 When Gas production from a Well permanently ceases, there shall be a cash settlement between the Parties hereto for any Gas not in Balance. Any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Within sixty (60) days after notice calling for cash settlement the Operator will distribute to each Party a final gas settlement statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month(s) to which such Overproduction is attributed. Within 60 days after receipt of the Final Gas Settlement Statement, each Overproduced Party shall pay to each Underproduced Party the proceeds received by the Overproduced party for the overproduction which remains accrued to such Party, less taxes actually paid thereon by such Overproduced Party and any royalty actually paid by the Overproduced Party to an Underproduced Party's royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's royalty obligation, as well as any reasonable compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment. Any past due payments by Overproduced Parties shall bear interest at the prime rate of interest in effect from time to time of J.P. Morgan Chase Bank, N.A., plus two percent (2%), from the date due until date paid. Interest will be borne by the ~~Operator or any~~ Overproduced Party in the proportion that their respective delays beyond the deadlines set out in this paragraph contributed to the accrual of the interest.

6.02 The price of Gas for cash settlement by an Overproduced Party shall be the price actually or constructively received for the overproduction. If a portion of an Overproduced Party's Gas production is disposed of for its own use, the price for such Gas will be the price received for any Gas disposed of by such Party in arm's length transactions during the period that such production was used by the Overproduced Party. During periods when an Overproduced Party disposed of Gas for its own use and had no gas sales, overproduction will be valued at the weighted average price received by all Overproduced Parties for gas disposed of in arm's length transactions during such period. If no Party sold Gas when the overproduction occurred then the price shall be the last price received by a Party making sales. A price determined for Gas production not sold by the Overproduced Party shall be deemed to have been constructively received by such Party.

6.03 If any portion of the price which is to be paid to an Underproduced Party is subject to refund by a governmental authority, then the Overproduced Party may withhold the amount subject to refund until that portion of the price is finally approved. If, after cash balancing has occurred with respect to a Well, any governmental agency requires an Overproduced Party to refund any portion of a price used to make payment hereunder, then the Underproduced Parties shall reimburse the Overproduced Parties for such refund, including any interest. This Paragraph 6.03 shall survive the termination of this Agreement.

ARTICLE VII - Costs and Ownership of Liquids

All operating costs, expenses and liabilities shall be borne and paid by the Parties in accordance with the provisions of the operating Agreement, regardless of which Parties are disposing of Gas from a Well at any given time. Liquid hydrocarbons separated from the Gas upstream of the Measurement Point shall be owned by all Parties in accordance with their Percentage Ownership in the Well from which the Gas was produced.

ARTICLE VIII – Indemnity

Each Party hereby indemnifies and agrees to hold the other Parties harmless from all claims, costs and liabilities arising out of the operation of this Agreement and the performance of obligations hereunder by the indemnifying Party.

ARTICLE IX - Payment of Lease Burdens

9.01 Each Party shall be responsible for and shall pay or cause to be paid all royalties, production payments and other encumbrances due on the cumulative volume of Gas disposed of by that Party in each month from a Well and shall hold the other Parties free from any liability therefor. The Parties disposing of Gas from a Well shall pay or cause to be paid all production, severance, ad valorem or any other taxes, fees or levies on such production.

9.02 In the event that any governmental authority requires that royalty payments be made on any other basis than that provided for in paragraph 9.01, each Party agrees to make such royalty payments

accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

ARTICLE X - Binding Effect

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, provided, that this Agreement may not be assigned without the prior written consent of all other Parties.

ARTICLE XI – Notices

Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the Party to whom the same is directed at the addresses and in the manner then provided under the Operating Agreement.

ARTICLE XII – Assignment

12.01 Subject to the provisions of 12.02 and 12.03 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Well when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Make-up Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

12.02 Notwithstanding anything in this Agreement (including but not limited to the provisions of paragraph 12.01 or in the Operating Agreement to the contrary, and subject to the provisions of paragraph 12.03 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Well, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Well of such fact at least 30 days prior to closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within 15 days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Well. The Operator shall be notified of any such demand and of any cash settlement pursuant to this paragraph 12, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this paragraph 12, shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Well on the same basis as otherwise set forth in Article VI of this Exhibit, and shall bear interest at the rate set forth in paragraph 6.01, beginning 60 days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Well for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Well, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of paragraph 12.01.

12.02 The provisions of this Article 12 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator.

NON-DISCRIMINATION AND CERTIFICATION OF NON-SEGREGATED FACILITIES

1. <u>During the performance of this Contract, the Operator agrees as follows</u>:

A. The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting office setting forth the provisions of this non-discrimination clause.

B. The Operator will, in all solicitations or advertisements for employees places by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

C. The Operator will send to each labor union or representative or workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting office, advising the labor union or worker's representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

D. The Operator will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and relevant orders of the Secretary of Labor.

E. The Operator will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

F. In the event of Operator's non-compliance with the non-discrimination of this contract or with any of such rules, regulations or orders, this contract may be canceled, terminated or suspended, or in whole or in part, and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rules, regulation or order of the Secretary of Labor, or as otherwise provided by law.

G. The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each contractor or vendor. The Operator will take such action with respect to any contract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the even the Operator becomes involved in or is threatened with litigation with a contractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interest of the United States.

2. <u>Equal Employment Opportunity Reporting</u>.

The Operator, unless exempt, agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within thirty (30) days after the signing of this Agreement or the award of any such purchase order, as the case may be, (unless such a report has

been filed in the last 12 months), and agrees to continue to file such reports annual, on or before March 31st. (41 CFR 60-1.7(a)).

3. Affirmative Action Compliance Program.

The Operator agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended (41 CFR 60-01.40).

4. Veteran's Employment.

In the event the agreement to which this exhibit is attached is for the purpose of carrying with any department or agency of the United States for the procurement of personal property and non-personal services (including construction) for the United States as provided by Section 2012 of Title 38 USC, Operator agrees to give special emphasis to the employment of qualified disabled veterans and veterans of the Vietnam era and to list immediately with the appropriate local employment service office all of its suitable employment openings.

5. Equal Opportunity in Employment Certification of Non-Segregated Facilities.

Operator, by entering into the contract to which this Exhibit F is attached, certifies that he does not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants, and other eating areas, time clocks, locker rooms, and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color or national origin, because of habit, local custom, or otherwise. He further agrees that (except where he has obtained identical certifications from proposed contracts for specific time periods) he will obtain identical certifications from proposed contractors prior to the award of contracts exceeding $10,00.00 which are not exempt from the provisions of the Equal Opportunity clause, that he will retain such certifications in his files; and that he will forward the following notice to such proposed contractors (except where the proposed contractors have submitted identical certifications for specific time periods):

6. Notice to Prospective Contractors of Requirement for Certifications of Facilities.

A Certification of Non-Segregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract exceeding $10,000.00 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract or for all contracts during a period (i.e., quarterly, semi-annually, or annually).

EXHIBIT "H"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

MEMORANDUM OF OPERATING AGREEMENT, MORTGAGE AND FINANCING STATEMENT

STATE OF NEW MEXICO §
§
COUNTY OF LEA §

WHEREAS, E.G.L. Resources, Inc., as "Operator", and PBEX, LLC, et al, as "Non-Operator(s)", entered into that certain Operating Agreement dated December 15, 2023, covering oil and gas operations on those certain oil, gas and mineral leases and fee mineral leases described on Exhibit "A" (the "Contract Area"), attached hereto and made a part hereof, as said Exhibit "A" may be amended from time to time. Operator and Non-Operator(s) are sometimes referred to collectively as the "Parties" and individually as a "Party"; and

WHEREAS, Operator and Non-Operator(s) desire to give third parties notice of the existence of the Operating Agreement, and of the rights and obligations of Operator and Non-Operator(s) thereunder.

NOW, THEREFORE, for and consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Operator and Non-Operator(s) hereby stipulate and agree as follows:

I.

The Operating Agreement is an A.A.P.L. Form 610-1989 Model Form Operating Agreement, as amended by the parties, plus exhibits.

II.

Article VI.G. provides that each party to the Operating Agreement shall have the right but not the obligation to take in kind its proportionate share of all oil and gas produced from the Contract Area. Additionally, the Parties have agreed to be bound by a volumetric Gas Balancing Agreement which is attached as Exhibit "E" to the Operating Agreement.

III.

Pursuant to Article VII.B., Non-Operator(s) mortgages to Operator, and grants to Operator a lien upon, its oil and gas leasehold estates and "oil and gas interests", as that term is defined in Article I. thereof, in the Contract Area, and grants to Operator a security interest in its share of oil or gas when extracted from the Contract Area and its interests in all equipment located thereon to secure payment of its share of expense under the Operating Agreement, together with interest thereon in accordance with the Operating Agreement, in addition to any other remedies available to Operator in law or pursuant to the Operating Agreement. Upon default by Non-Operator(s) in the payment of its share of financial obligations pursuant to this agreement or the Operating Agreement, without prejudice to any other rights and remedies, Operator shall have the right to collect from the purchaser of production from the Contract Area the proceeds from the sale of Non-Operator(s)' share of oil or gas produced and sold from the Contract Area until the amount owed by Non-Operator(s), including interest, has been paid. Each purchaser of oil and gas produced from the Contract Area shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like mortgage, lien and security interest to Non-Operator(s) to secure payment of Operator's proportionate share of financial obligations.

This Memorandum shall constitute a Mortgage and Financing Statement covering oil and gas extracted from the Contract Area to the extent that such oil and gas is owned by a defaulting party under the Operating Agreement. Upon its own motion or upon the request of any Non-Operator(s), this Mortgage and Financing Statement shall be filed by Operator in the real estate records of any county or parish in which the Contract Area is situated and/or the records of the Secretary of State. The undersigned Non-Operator(s) shall be considered as both a debtor, to the extent that Non-Operator has failed to pay its share of expense pursuant to the Joint Operating Agreement, and as a secured party and mortgagee.

Operator, upon the consent of all Parties, may terminate the effect of this Memorandum as to all or any portion of the Contract Area by recording a full or partial release hereof.

Notwithstanding anything to the contrary in this agreement or the Operating Agreement, the liabilities of EGL Resources Inc. and PBEX, LLC for all matters arising under this agreement and the

Released to Imaging: 5/7/2026 11:59:14 AM

Operating Agreement are joint and several, and both are jointly and severally responsible and liable for obligations arising under the Operating Agreement. Further, the lien and security interest granted herein by PBEX, LLC as an owner of record in the Contract Area secures not only its obligations and liabilities under the Operating Agreement, but also any and all obligations of EGL Resources, Inc., as Operator under the Operating Agreement.

IV.

Any third party requiring additional information concerning the rights and obligations of the Parties under the Operating Agreement may contact the Operator as the following address:

OPERATOR: **E.G.L. Resources, Inc.**
223 W. Wall Street, Suite 900
Midland, TX 79701

V.

This Memorandum of Operating Agreement, Mortgage and Financing Statement may be executed in any number of counterparts, each of which shall be considered an original for all purposes and shall be binding upon the heirs, successors and assigns of the Parties. The Operator is hereby authorized to compile the signature and notary pages from each of the counterparts in order to have one instrument containing signature and notarial acknowledgments of all Parties for recording purposes.

IN WITNESS WHEREOF, this Memorandum of Operating Agreement, Mortgage and Financing Statement is executed effective on this 15th day of December, 2023.

OPERATOR:

E.G.L. RESOURCES, INC.

_____
By: Mark Cody, Vice President of Land

NON-OPERATORS:

Company: _____

By:_____

Name: _____

Title: _____

ACKNOWLEDGMENTS

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on _____, by **Mark Cody, Vice President of Land of E.G.L. Resources, Inc.**, on behalf of same.

_____
Notary Public, State of Texas

STATE OF _____§
§
COUNTY OF _____§

This instrument was acknowledged before me on _____, by _____ _____(name) as _____(title), of _____ _____, on behalf of same.

_____
Notary Public, State of _____

STATE OF _____§
§
COUNTY OF _____§

This instrument was acknowledged before me on _____, by ___ _____(name).

_____
Notary Public, State of _____

EXHIBIT "A" to "H"

Attached to and made a part of that certain Memorandum of Operating Agreement, Mortgage and Financing Statement dated December 15, 2023_, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

I. CONTRACT AREAS & DEPTH RESTRICTIONS

Township 18 South, Range 32 East, N.M.P.M.
Section 33: N/2
Section 34: N/2
Lea County, New Mexico
Containing 640.00 acres, more or less

Limited to the Bone Spring formation

II. PARTIES TO AGREEMENT

E.G.L. Resources, Inc.
PBEX, LLC
223 West Wall Street, Suite 900
Midland, TX 79701

To Be Determined

III. OIL AND GAS LEASES SUBJECT TO AGREEMENT:

Date:	May 1, 1973
Lessor:	United States of America NMNM 018232
New Serial No.:	NMNM105468369
Current Lessee:	XTO Holdings LLC
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NW4 Lea County, New Mexico

Date:	February 1, 1965
Lessor:	United States of America NMNM 0556094
New Serial No.:	NMNM105444857
Current Lessee:	XTO Holdings LLC
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NE4 Section 34: SWNW Lea County, New Mexico

Date:	May 1, 1973
Lessor:	United States of America NMNM 018302
New Serial No.:	NMNM105510555
Current Lessee:	Unknown
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 34: NE4, E2NW4, NWNW Lea County, New Mexico

IV. BURDENS ON PRODUCTION:

Of record as of the effective date of this agreement.

E. G. L. Resources, Inc.

December 1, 2023

Via Certified Mail, Return Receipt Requested
No. 9589 0710 5270 0583 5199 27
Chevron U.S.A. Inc.
6301 Deauville Blvd
Midland, TX 79706

Re: S2 Bond 33-34 Fed Com Unit
Sections 33 & 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

E.G.L. Resources, Inc. ("E.G.L.") on behalf of PBEX, LLC ("PBEX") previously proposed the drilling of the Bond 33-34 Fed Com Unit Bone Spring wells located in the S2 of Sections 33 & 34, T18S-R32E, Lea County, New Mexico. Accordingly, please find the following documents for your review and execution:

1. Modified 1989 AAPL form Operating Agreement, dated December 15, 2023, by and between E.G.L., as Operator and PBEX, LLC, et al, as Non-Operator(s), covering the S2 of Sections 33 & 34, T18S-R32E, Lea County, New Mexico, as to the Bone Spring formation only. Parties and working interests will be updated pending title and elections;

2. Federal Communitization Agreement for the S2 of Sections 33 & 34, T18S-R32E, Lea County, New Mexico, as to the Bone Spring formation.

Please execute the signature pages where indicated, and return to my attention in the enclosed envelope.

As a reminder, E.G.L. is happy to discuss Sale/Assignment options (subject to mutually agreeable terms, execution of a mutually acceptable form of Assignment and verification of your interest). If a sale/assignment is the preferred choice, please contact me to discuss the details of this option.

Should you have any questions or want to discuss any details, please contact me at (432) 894-0967 or by email at mlanghoff@pbex.com.

Thank you,

E.G.L. Resources, Inc.

//Matt Langhoff//

Matt Langhoff
Landman III

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron U.S.A. Inc.
6301 Deauville Blvd
Midland, TX 79706

BOND

2. Article Number (Transfer from service label)

9589 0710 5270 0583 5199 27

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X
☐ Agent
☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

12/5

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☒ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Insured Mail
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

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

---

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dan W. & Sandra Lynn Snow
PO Box 596
Andrews, TX 79714

BOND

2. Article Number (Transfer from service label)

9589 0710 5270 0583 5199 34

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X
☐ Agent
☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

TEXAS 79714 USPS

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☒ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

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

---

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Gary Rogers and Mary Rogers
2810 Beverly Avenue
Roswell, NM 88201

BOND

2. Article Number (Transfer from service label)

9589 0710 5270 0583 5199 41

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X
☐ Agent
☐ Addressee

B. Received by (Printed Name) | C. Date of Delivery
12-6

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☒ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Insured Mail
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

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

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

December 15 , **2023** ,
Year

OPERATOR **E.G.L. Resources, Inc.**

CONTRACT AREA **S2 OF SECTIONS 33 & 34, T18S-R32E**

CONTAINING 640.00 ACRES, MORE OR LESS.

COUNTY ~~OR PARISH~~ OF **LEA** , STATE OF **NEW MEXICO**

BOND 33-34 UNIT
-S2 BONE SPRING-

COPYRIGHT 1989 – ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 – 1989

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between E.G.L. Resources, Inc., hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, **fracing** / perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall **, with respect to a vertical well,** / mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. **The term Deepen shall also mean a single operation whereby a Horizontal Well is drilled to a targeted horizontal distance beyond the horizontal distance in which the well was previously drilled, or beyond the targeted horizontal distance proposed in the associated AFE, whichever is the lesser.**

E. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation, and for which the Consenting Parties have not been fully reimbursed, as provided in Article VI.B.2,.

J. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation in order to attempt a Completion in a shallower Zone. When used in connection with a Horizontal Well, the term “Plug Back” shall mean an operation to test or Complete the well at a straigraphically shallower Zone than the Zone in which the well has been or is being Completed and which is not in an existing Lateral.

O. The term "Recompletion" or "Recomplete" shall mean an operation to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole **or** / to overcome other mechanical difficulties. When used in connection with a Horizontal Well, the term “Sidetrack” shall mean the directional control and deviation of a well outside the existing Lateral(s) so as to change the Zone or the direction of a Lateral from the approved proposal unless done to straighten the hole or drill around junk in the hole or to overcome other mechanical difficulties.

R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

S. See Article XVI.A. for additional definitions.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.

EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

X A. Exhibit "A," shall include the following information:

(1) Description of lands subject to this agreement,

(2) Restrictions, if any, as to depths, formations, substances, or wells,

(3) Parties to agreement with addresses and telephone numbers for notice purposes,

(4) Percentages or fractional interests of parties to this agreement,

(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement.

(6) Burdens on production.

~~B. Exhibit "B," Form of Lease.~~

X C. Exhibit "C," Accounting Procedure.

X D. Exhibit "D," Insurance.

X E. Exhibit "E," Gas Balancing Agreement.

X F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.

~~G. Exhibit "G," Tax Partnership.~~

X H. Other: **Memorandum of Operating Agreement, Mortgage and Financing Statement**

~~I. Geological and Geophysical Requirements~~

If any provision of any exhibit, except Exhibits "E," "F" ~~and "G",~~ is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.

INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B," and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations ~~on the Contract Area~~ **as conducted under this agreement** / shall be owned, by the parties as their interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or caused to be paid or delivered, all burdens on its share of production from the Contract Area up to, but not in excess of _22.5%__, and shall indemnify, defend and hold the other parties free from any liability thereof. on its share of production from any Oil and Gas Lease or Oil and Gas Interest contributed by such party to the Contract Area, and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

C. Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A,"**and/or is not filed of record with County Clerk**/ such burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest. ~~/~~ **See also Article XVI.G**

ARTICLE IV.

TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and if ~~a majority in interest of the Drilling Parties so request or~~ Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. ~~The opinion~~ **Such examination** / will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing

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Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys **and outside landmen** / for title examination (including preliminary, supplemental, shut-in royalty **curative work,** opinions / and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by **the Operator** ~~all of the Drilling Parties/~~ in such well.

B. Loss or Failure of Title:

1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,

(a) The party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to such party) shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the parties contained on Exhibit "A" shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose Lease or Interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the Lease or Interest failed;

(c) If the proportionate interest of the other parties hereto in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the party who bore the costs incurred in connection with such well attributable to the Lease or Interest which has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well attributable to such failed Lease or Interest;

(d) Should any person not a party to this agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;

(e) Any liability to account to a person not a party to this agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each party (including a predecessor to a current party) who received production for which such accounting is required based on the amount of such production received, and each such party shall severally indemnify, defend and hold harmless all other parties hereto for any such liability to account;

(f) No charge shall be made to the joint account for legal expenses, fees or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the party contributing such Lease or Interest hereto elects to defend its title it shall bear all expenses in connection therewith; and

(g) If any party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production therefrom, such party's absence of interest in the remainder

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of the Contract Area shall be considered a Failure of Title as to such remaining Contract Area unless that absence of interest is reflected on Exhibit "A."

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. If the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of such Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or Interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which as a result of such Lease or Interest termination is credited to other parties, the proceeds of said portion of the Oil and Gas to be contributed by the other parties in proportion to their respective interests reflected on Exhibit "A"; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses of Leases or Interests committed to this agreement, other than those set forth in Articles IV.B.1. and IV.B.2. above, or those surrendered under Article VIII.A, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

4. Curing Title: In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any party hereto (other than the party whose interest has failed or was lost) during the ninety (90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to such acquisition.

ARTICLE V.

OPERATOR

A. Designation and Responsibilities of Operator:

E.G.L. Resources, Inc. shall be the Operator of the Contract Area, and shall conduct **conducted under this agreement** and direct and have full control of all operations ~~on the Contract Area~~ / as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties, **or any of their respective officers, employees or agents** / for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct. / **See also Article XVI.H.**

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns ~~an~~ / **working** interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest **and its affiliates**

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based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator and its affiliates /; such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's working / interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning ~~an~~ working / interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself or for its affiliates /, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned and its affiliates /. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

C. Employees and Contractors:

The number of employees or contractors used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: All wells drilled under this agreement / ~~on the Contract Area~~ shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling and completion / of wells, but its charges therefor shall not exceed the prevailing rates in the area ~~and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced~~, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to Exhibit "C" / ~~written agreement~~, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in

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respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied or those provided in Article VII.B.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each / ~~Non-Operator~~ **Consenting Party** or its duly authorized representative, at the / ~~Non-Operator's~~ **Consenting Party's** sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each / ~~Non-Operator~~ **Consenting Party** upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the / ~~Non-Operator~~ **Consenting Party** seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C." **See also Article XVI.C. Except as provided in Article VII.D.1., prior to payout a Non-Consenting Party shall be entitled to review the joint account records pertaining to a non-consent operation, to the extent necessary to conduct an audit of the payout account. Such audit will be conducted in accordance with Exhibit "C".**

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting / ~~Non-Operator~~ **Consenting Party** not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well / **, except as provided in Article VII.D.1.** :

(a) Operator will promptly advise / ~~Non-Operators~~ **~~Consenting Parties~~ Non Operators** of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send to / ~~Non-Operators~~ **Consenting Parties** such reports, test results and notices regarding the progress of operations on the well as the / ~~Non-Operators~~ **Consenting Parties** shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered that are in the Contract Area which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, / ~~that~~ **to the extent not prohibited by any Oil and Gas Lease the** Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." ~~To the extent the parties are required to carry any insurance under the terms of any Oil and Gas Lease and the terms thereof prohibits any party from self-insuring such required insurance coverages, then~~ Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

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ARTICLE VI.

DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 15th day of June , 2025, Operator shall commence **operations for** / the drilling of the Initial Well at the following location:

S2 of Sections 33 & 34, T18S-R32E, Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a vertical depth sufficient to test the Bone Spring formation The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

B. Subsequent Operations:

other than a party that is in default hereunder and has received a notice of such default from another party

1. Proposed Operations: If any party / hereto should desire to drill any well on the Contract Area ~~other than the Initial Well~~, or **other than a party that is in default hereunder and has received a notice of such default form another party** if any party / should desire to Rework, Sidetrack, Deepen, / Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, ~~the~~ / party desiring to drill, / Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, / Recomplete, Plug Back or Deepen may be given by telephone / and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, / or (ii) designate one of the Consenting Parties as Operator to perform such work. **provided however, Operator shall not be required to do so,** The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

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If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that ~~participated in the drilling, / Deepening or Sidetracking of~~ **Re-fracing have the right to participate in future operations in** / the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, / Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in / ~~proportion to their respective interests~~ **the proportions agreed to by the Consenting Parties**, all of such Non-Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking, / Sidetracking, Deepening, Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

(i) **100** % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) **300** % of (a) that portion of the costs and expenses of drilling, Reworking, / Sidetracking, Deepening, **Re-fracing** Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone / **or with respect to a Horizontal Well, the Total Measured Depth,** described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each

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Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a shallower Zone than the deepest objective Zone / proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

or with respect to a Horizontal Well, the Total Measured Depth,

Re-fracing

(c) Reworking, / Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any / Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such Reworking, / Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties **300** % of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, / Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

Re-fracing,

Re-fracing,

/Re-fracing,

(d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.C.

Re-fracing,

In the case of any Reworking, / Sidetracking, Plugging Back, Recompleting or Deepening operation, except as provided in Articles VI.B.4, VI.B.5, and VI.C.1 Option 2, if applicable, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, / Sidetracking, Plugging Back, Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Re-fracing,

Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, Sidetracking, / Deepening, Plugging Back, testing, Completing, Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking,

Re-fracing,

Deepening, / Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and Exhibit "C" attached hereto.

, Sidetracked,

3. Stand-By Costs: When a well which has been drilled / or Deepened has reached its authorized depth and all tests have been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a / Reworking, Sidetracking,

Re-fracing,

Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required

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under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2. (a), shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's cost-bearing interest as shown on Exhibit "A" bears to the total cost-bearing interest as shown on Exhibit "A" of all the electing parties.

4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon, Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

(a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling and equipping of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well, other than equipping costs, in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective (including production casing and surface equipment), calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well that are attributable to the Non-Consenting Party's working interest. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening. The parties that participated in drilling to the Initial Objective shall continue to be entitled to recoup, out of proceeds attributable to the Non-Consenting Party's working interest share of production from the non-consent portion of the well, any balance remaining as provided in Article VI.B.2, less the amount paid by the Non-Consenting Party under this Article VI.B.4.

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F **, however, this Article VI.B.4 shall not apply to a Deepening operation within an existing Lateral or a Horizontal Well /.**

5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

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(a) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling and equipping of the well down to the depth at which the Sidetracking operation is initiated.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above, less any costs recovered by the Consenting Parties from proceeds attributable to the sale of the Non-Consenting Party's working interest share of production from such well. Such party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C. **This Article VI.B.5 shall not apply to operations in an existing Lateral of a Horizontal Well.**

6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement **including, but not limited to, Article XVI.B** /, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the ~~then-existing~~ well spacing pattern / for such Zone **or an approved exception thereto has been approved for drilling, Completion in or production from such Zone by order of the regulatory agency with responsibility for such matters.**

8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of all parties that have not relinquished interests in the well at the time of such operation.

C. Completion of Wells; Reworking and Plugging Back:

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

☒ Option No. 1: All necessary expenditures for the drilling, / Deepening or Sidetracking, testing, Completing and equipping of the / well, including necessary tankage and/or surface facilities. **Re-fracing Horizontal Completion operations shall be included in the proposed drilling operations for such well.**

☒ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the / well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof / ~~furnished~~ **made available** to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.B.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging **vertical**

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Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well **or on the Well Pad** / pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

2. Rework, **Re-frac** /Recomplete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking, **Re-fracing** Recompleting / or Plugging Back of a well shall include all necessary expenditures in conducting such operations and Completing and equipping of said well, including necessary tankage and/or surface facilities.

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **One Hundred Thousand and no/100** Dollars ($ **100,000.00**) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of **One Hundred Thousand and no/100** Dollars ($**100,000.00**). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any ~~party or~~ **two or more unaffiliated** / parties owning at least **51** % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled **, Sidetracked,** / or Deepened pursuant to Article VI.B.2., any well which has been drilled **, Sidetracked,** / or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling **Re-fracing, Sidetracking, Re-working** / or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable. **to the extent such costs are not increased as a result of operations by the parties that took over the well.** /

2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been

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conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has **that consented to and participated in the drilling, Re-fracing, Re-Working, Sidetracking or Deepening of such well, as applicable** been completed as a producer shall not be plugged and abandoned without the consent of all parties /. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. Failure of a party to reply within sixty (60) days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well.

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on / ~~the~~ **a mutually agreeable** form. ~~attached as Exhibit "B."~~ The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing Zone assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b)**, to the extent such costs are not increased as a result of the Consenting Parties subsequent operations. If Operator does not receive a written response from any Non-Operator within thirty (30) days after delivering notice of proposed abandonment, then such Non-Operator shall be deemed to have consented to the proposal.**

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of / **two or more unaffiliated parties** parties bearing 51% of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

☒ **Option No. 1: Gas Balancing Agreement Attached**

☐ **Option No. 2: Each party shall have the right but not the obligation to** / take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and

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treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. ~~Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.~~

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil **and Gas** / produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil **and Gas** / or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least **thirty (30)** / ~~ten (10)~~ days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least **thirty (30)** / ~~ten (10)~~ days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil **and Gas** / not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of Oil **and Gas** / shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil **and Gas** / under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least **thirty (30)** / ~~ten (10)~~ days written notice of such intended purchase and the price to be paid or the pricing basis to be used.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

In the event one or more parties' separate disposition of its share of the Gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas **production available for** / sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with any Gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E" or is a separate agreement. Operator shall give notice to all parties of the first sales of Gas from any well under this agreement. **Each party electing to take in-kind or separately dispose of its proportionate share of the production from the Contract Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. To the extent that Non-Operator can furnish the information without violating any confidentiality obligations, Non-Operator shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder, excluding sale price, whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.**

☐ ~~**Option No. 2: No Gas Balancing Agreement:**~~

~~Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditures incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.~~

~~Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.~~

~~If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil and/or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator~~

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~~to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) -day period. Any purchase or sale by Operator of any other party's share of Oil and/or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.~~

~~Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non-taking party's share of production under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non-taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.~~

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

B. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expenses or other financial obligations under this agreement, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording **in the form attached hereto as Exhibit "H"** supplement / ~~and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof,~~ and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest granted hereunder. Any party may file / **a recording supplement in the form attached hereto as Exhibit "H"** ~~this agreement, the recording supplement executed herewith~~, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each ~~party represents and warrants to the other parties hereto that the lien and security interest granted by such party to~~ **the**

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~~the other parties shall be a first and prior lien, and each~~ party hereby agrees to maintain the priority of ~~said~~ / lien and security granted pursuant to this agreement interest / against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interests, ~~or~~ fees, / or upon the improper use **or other financial obligations under this agreement** of funds by / ~~the Operator~~**a party**, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any party fails to pay its share of cost within one hundred twenty (120) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within Thirty (30) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

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1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to / elect to **propose or** participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-Consenting defaulting / parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid, or cause to be paid, by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article

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IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C."

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole **; provided, however, no consent shall be required to release an Oil and Gas Lease which has terminated or expired by its own terms** or in part unless all parties consent thereto / .

However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment acquired by the parties under this agreement and used exclusively for the lease being surrendered, and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, / such lease to be on / ~~the form attached hereto as Exhibit "B."~~ **or lands pooled or allocated therewith, a mutually agreeable form** Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement but shall be deemed subject to an Operating Agreement / ~~in the form of~~ **identical to and modified to reflect the ownership of the acquiring parties** this agreement /.

B. Renewal or Extension of Leases:

If any party secures a renewal, / or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties / shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, **top lease who participated in the ownership of the Oil and Gas Lease(s) being renewed or replaced**

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promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party without warranty of title, except as to claims arising by, through, or under the acquiring party.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease , shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this agreement.

See also Article XVI.D.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases. /

C. Acreage or Cash Contributions:

While this agreement is in force, if any party / ~~contracts for~~ **receives** a contribution of cash towards the drilling of a well or any other Operation / ~~on the Contract Area~~ **conducted under this agreement**, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation / ~~on the Contract Area~~ **conducted under this agreement**. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of **a** / well drilled inside Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Assignment; ~~Maintenance of Uniform Interest~~:

~~For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:~~

~~1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or~~

~~2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.~~

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after / ~~they have~~ **the Operator** received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion,

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may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**F. Preferential Right to Purchase:**~~

~~☐ (Optional; Check if applicable.)~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after the notice is delivered, to purchase for the stated consideration on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to transfer title to its interests to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, or to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which such party owns a majority of the stock.~~

ARTICLE IX.

INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.

CLAIMS AND LAWSUITS

Operator may settle any single / uninsured third party damage claim(s) or suit(s) arising from operations hereunder if the aggregate **or related group of**
Expenditure does not exceed **One-Hundred Thousand and no/100** Dollars **($100,000.00)** and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto that participated in the operation from which the claim or suit arose shall assume and take over **by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A"** the further handling of the claim or suit, unless such authority is delegated to Operator /. All costs and expenses of handling settling, **at**
or otherwise discharging such claim or suit shall be / ~~a~~ the joint expense of the parties participating in the operation from which the **, except as provided in Article V.A.**
claim or suit arises /. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.

FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other

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than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term "force majeure," as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightening, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

ARTICLE XII.

NOTICES

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, **email,** / telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the **email address,** / telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by **email,** / telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, **email,** / telex, telecopy or other facsimile within such period. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice. **See Article XVI.T.**

ARTICLE XIII.

TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

☐ ~~Option No. 1: So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.~~

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of **90** days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within **90** days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs. **This agreement will terminate if the Initial Well is not commenced on or before June 15, 2025.**

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this

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Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.

COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. ~~If the Contract Area is in two or more states, the law of the state of _____ shall govern.~~.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to the operations hereunder, Non-Operators agree to release Operator from **sole liability for** / any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies, or any governmental authority having jurisdiction, to the extent such interpretation or application was made in good faith and does not constitute gross negligence **or willful misconduct** /. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

ARTICLE XV.

MISCELLANEOUS

A. Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds with drilling operations for the Initial Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the Initial Well which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

B. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

C. Counterparts:

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

D. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, **for the purpose of bankruptcy proceedings,**

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this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and / the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

ARTICLE XVI.
OTHER PROVISIONS

A. Additional Definitions.

1. The term "Horizontal Well" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean a well containing one or more Laterals which are drilled, Completed or Recompleted in a manner in which the horizontal component of the Completion interval (1) extends at least one hundred feet (100') in the objective formation(s) and (2) exceeds the vertical component of the Completion interval in the objective formation(s).

2. The term "Lateral" shall mean that portion of a wellbore that deviates from approximate vertical orientation to approximate horizontal orientation and all wellbore beyond such deviation to Total Measured Depth.

3. The term "Total Measured Depth", when used in connection with a Horizontal Well, shall mean the distance from the surface of the ground to the terminus, as measured along and including the vertical component of the well and Lateral(s). When the proposed operation(s) is the drilling of, or operation on, a Horizontal Well, the terms "depth" or "total depth" wherever used in this agreement shall be deemed to read "Total Measured Depth" insofar as it applies to such well.

4. "Refrac" or "Re-frac" shall mean any hydraulic fracture stimulation operation conducted in the wellbore of a well in order to improve or optimize production in a Zone which is currently open to production in the existing wellbore.

5. The term "well" shall mean and include all wells, however drilled, whether vertically, horizontally, directionally or otherwise, in an endeavor to obtain the production of Oil and Gas.

6. The term "Well Pad" shall mean a drill-ready surface location from which one or more wells are drilled and any related surface equipment, appurtenances and facilities related to and solely servicing such location.

B. Priority of Operations.

1. *Vertical Wells.* If the parties participating in the drilling of any vertical well under this agreement cannot mutually agree upon the conduct of further operations, the operations proposed to be conducted shall be governed by the following sequence of priority:

   a. A proposal to do additional logging, coring, or testing; then

   b. A proposal to attempt to complete the well at the objective depth; then

   c. A proposal to Plug Back the vertical well and to attempt a Completion in an ascending order above the objective depth; then

   d. A proposal to Deepen the vertical well to a new objective depth, in order of ascending depth; then

   e. A proposal to Sidetrack the vertical well.

2. *Horizontal Wells*. A proposal to plug a Horizontal Well that has been drilled to the authorized depth and all test have been completed and the results thereof furnished to the Consenting Parties, and such parties cannot agree upon the sequence and timing of further operations regarding said Horizontal Well, the operations proposed to be conducted shall be governed by the following sequence of priority:

   a. A proposal to do additional logging, coring, or testing; then

   b. A proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner set forth in the AFE (i.e., in accordance with the casing stimulation and other completion programs set forth in the AFE); then

   c. A proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner different than as set forth in the AFE; then

   d. A proposal to extend the length of the Lateral hole for a specified number of feet in the direction it is drilling, with priority given in ascending order to objects above the authorized depth, and then in descending order to objectives below the authorized depth; then

   e. A proposal to drill a new Lateral in a different direction at the authorized depth; then

   f. A proposal to drill new Lateral in a different depth, with priority given in ascending order to objectives above the Authorized Depth, and then in descending order to objectives below the authorized depth; then

   g. A proposal to Plug Back and attempt to complete the Horizontal well at a depth shallower than the authorized depth, with priority given to objectives in ascending order up the hole; then

   h. A proposal to Deepen the Horizontal well below the authorized depth; then

   i. A proposal to Sidetrack the Horizontal well to a new target objective, with priority given first in ascending order to objectives above the authorized depth, and then in descending order to objectives below, the authorized depth.

   As to any possible conflicts that may arise during the Completion phase of a Horizontal Well, priority shall be given first to a Lateral of the authorized depth, and then to objective formations in ascending order above the authorized depth, and then to objective formations in descending order below the authorized depth. In a Horizontal Well, the Operator shall have the right to cease drilling at any time, for any reason, after it has drilled a Horizontal Well to the objective formation and has drilled horizontally for a distance which is at least equal to fifty percent (50%) of the length of the total horizontal displacement (displacement from true vertical) proposed for the operation, unless mutually agreed by the parties.

3. If at the time the parties are considering a proposed operation, the well is in such condition, in the Operator's judgment, that a reasonably prudent operator would not conduct such operation for fear of mechanical difficulties, placing the hole, property, equipment or personnel in danger of loss, injury or death, or fear of loss of hole or the well for any reason without being able to attempt a Completion at the authorized depth, then the proposal shall be given no priority to any proposed operation except for plugging and abandoning the well.

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4. The parties hereto acknowledge and agree that nothing in this Article XVI.B shall relieve a party, in whole or in part, from its obligation to pay all necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of such an authorized well (including necessary tankage and/or surface facilities) to the extent required pursuant to Article VI.

C. Access to Contract Area and Information.

A Non-Consenting Party under Article VI.B or Article VI.C.1, shall not have access to the well site with respect to the applicable operation, and such Non-Consenting Party shall not be entitled to receive, and shall not be given or provided with any information relating to that operation, including any notices, applications, reports, or similar information under Article V.D.5, until the Consenting Parties have recouped the non-consent penalty provided for in Article VI.B with respect to that operation. Except as provided in Article VII.D.1, prior to payout, a Non-Consenting Party shall be entitled to review the joint account records pertaining to the non-consent operation(s), to the extent necessary to conduct an audit of the payout account. Such audit will be conducted in accordance with Exhibit C.

D. Renewal or Extension of Leases. Notwithstanding anything herein to the contrary, each party committing any Lease or Leases or any undivided interest therein or portion thereof to this agreement shall have the sole option prior to the expiration of each such Lease to renew or extend such Lease with respect to all of such party's interest therein and to bear the renewal or extension costs and expenses incurred in connection therewith and thereby retain its interest and title in said Lease. If any such party does not timely exercise its option and procure a renewal or extension of its interest in such Lease, then any replacement Lease taken covering such interest will thereafter be subject to the terms of Article VIII.B. The provisions of this section shall only apply to Leases or portions of Leases located in the Contract Area.

as permitted by Section III.1.A(ii) of Exhibit C

E. Costs Associated with Use of Consultants. Operator may charge the reasonable costs of consultants, including outside attorneys,/ ~~necessary to secure regulatory permits and approvals for drilling wells, laying pipelines, collecting and discharging water and any other matters related to the Contract Area~~.

F. Creation of Subsequent Interests. If after the date hereof any party hereto creates an overriding royalty, production payment or any other burden against its working interest production, and if any party or parties shall conduct non-consent operations pursuant to any provisions of this agreement, and as a result, become entitled to receive the working interest production otherwise belonging to the Non-Consenting Party, the party or parties entitled to receive the working interest production of the Non-Consenting Party shall receive such production free and clear of burdens against such production that may have been created subsequent to the effective date of this agreement. In this regard, any such interest that may have been created subsequent to the effective date of this agreement shall ipso facto terminate and vest in the Consenting Parties unless such interest is referenced on Exhibit "A", attached hereto.

G. Additional Language to Article V.A - Operator. THE FOLLOWING PROVISIONS SHALL BE DEEMED CLEAR AND CONSPICUOUS AND SATISFY THE EXPRESS NEGLIGENCE RULE. ANYTHING TO THE CONTRARY NOTWITHSTANDING, OPERATOR SHALL HAVE NO LIABILITY ABOVE AND BEYOND ITS PROPORTIONATE SHARE FOR LOSSES RESULTING FROM OPERATOR'S ORDINARY NEGLIGENCE IN OPERATIONS ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT (INCLUDING WITHOUT LIMITATION THE ADMINISTRATION OF THIS AGREEMENT OR OPERATIONS HEREUNDER), EXCEPT FOR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF OPERATOR.

H. Additional Language to Article VII.A - Liabilities of Parties. NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM SUCH PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, BREACH OF CONTRACT OR OTHER FAULT OR RESPONSIBILITY. For purposes of the foregoing, actual damages may, however, include indirect, special, consequential, incidental or indirect losses or exemplary or punitive damages to the extent (i) the injuries or losses resulting in or giving rise to such damages are incurred or suffered by a third party which is not a party to this agreement and (ii) such damages are recovered against such party by a third party which is not a party hereto. This Article XVI.I shall operate only to limit a party's liability and shall not operate to increase or expand any contractual obligation of a party hereunder.

I. Bankruptcy. If any party becomes insolvent or files for relief under the United States Bankruptcy Code and all or any part of this agreement is held to be an executory contract, then the Operator, or (if the Operator is the debtor in bankruptcy) any other party, shall be entitled to a determination by the debtor in possession or any trustee as to the rejection or assumption of this agreement within thirty (30) days from the date an order for relief is entered to seek adequate assurances as to the future performance of the debtor's obligations hereunder, and the protection of all interests affected thereby. To the extent permitted by order of the Bankruptcy Courts the debtor party shall satisfy its obligation to provide adequate assurances by advancing payments or depositing funds or appropriate legal instruments pursuant to a mutually acceptable escrow agreement.

J. De-Spaced and Re-Spaced Unit(s). If a proration or spacing unit comprising all or part of the Contract Area is reduced in size by a governmental agency, or by court order, or by the terms of the applicable Oil and Gas Lease(s) which have been contributed to the unit, or by agreement of the parties hereto, or by completion of a unit well in a formation different than that originally contemplated by the Consenting Parties when the well was commenced, then the parties' interests in the Contract Area, as shown on Exhibit "A", will remain unchanged, subject to the payment of royalties as follows: The parties agree to pay their share of all royalties, overriding royalties, production payments and all other burdens not excepted by Article III.C herein, in proportion to their interests as shown in Exhibit "A", regardless of which party(s) contributed the Oil and Gas Lease(s) on which the royalty and other burdens are due.

K. Early Commencement of Operations. Notwithstanding anything to the contrary in this agreement, Operator shall have the right to commence activities preliminary to actual drilling operations including, without limitation, building location, roads and pits, delivering materials and equipment to the well site, rigging up a drilling rig, and/or any other actual drilling operations, at any time either before or after giving the notice of proposed operations required by said Articles. Operator's commencement of the foregoing prior to the expiration of the notice period shall not impair any other party's right to utilize the full 30 day notice period (or 48 hour period if a drilling rig is on location) for submittal of its participation election, provided that once a party has submitted its participation election, it shall not have the right to change its election without the approval of all Consenting Parties.

L. Miscellaneous

1. *Conflict of Terms*. In the event of a conflict between the typewritten portions and printed portions of this agreement, the typewritten portions shall prevail. In the event of a conflict between the terms of this Article XVI and any other portion of this agreement, the terms of Article XVI shall govern, control and prevail.

2. *Invalid Provisions*. In the event any provision contained in this agreement is contrary to any law, rule, regulation or order and is held to be invalid, void, illegal or unenforceable in any respect, the parties shall either modify the provision to properly conform with such law, rule, regulation or order or delete such provision from this agreement, and in either case the remaining provisions hereof shall remain unaffected and will continue in full force and effect. Furthermore, in lieu of such invalid, void, illegal or unenforceable provision there automatically shall be added as part of this agreement a provision as closely resembling such provision as shall then be valid, legal and enforceable so long as such provision does not have a material adverse effect on the rights of any party to this agreement.

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~~3. *COPAS Interpretation*. The provisions of Exhibit "C" attached hereto shall be interpreted as recommended by the Council of Petroleum Accountants Societies of North America, Accounting Procedure for Joint Operations, after giving effect to special changes and provisions noted herein and in the provisions of Exhibit "C", if any.~~

4. *JOA Preparation*. Each party acknowledges and agrees that such party has been represented or had the opportunity to be represented by attorneys of its own choosing and therefore, for the purposes of construing this agreement, each party shall be deemed to have participated equally in the preparation and drafting of this agreement. If any ambiguity is contained in this agreement, no weight shall be given in favor or against any party in resolving that ambiguity on account of that party's drafting of this agreement.

M. Regulatory Expense. Should it be necessary to conduct hearings before governmental agencies for the securing of orders, or for certifying new gas, within the Contract Area of this Operating Agreement, the costs attributable to such hearings as well as fees paid to outside attorneys and third-party witnesses, shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A".

N. Supersede. This operating agreement will supersede and replace all other existing operating agreements, if applicable, for the period of this operating agreement, insofar as the Contract Area. The foregoing notwithstanding, nothing in this Agreement shall act to reduce, enlarge or eliminate any existing contractual interest owned by any party under the prior Operating Agreements covering all or any part of the Contract Area.

O. Existing Wellbores. This Operating Agreement specifically excludes producing wellbores, associated equipment, associated production including the operating of such existing wellbores as of the date of this Operating Agreement.

P. Email Notices. An email notice shall be deemed delivered only when affirmatively acknowledged by email reply from the receiving party. Automatic delivery receipts issued, without direct acknowledgment of the email notice, are not evidence of Receipt for purposes of this agreement. If the receiving party fails or declines to affirmatively acknowledge an email notice, then Receipt of the notice shall only be deemed to have occurred when received by the party as otherwise provided in Article XII. Notwithstanding anything to the contrary in this agreement, default notices under Article VII.D may not be delivered soley by email.

Q. Exhibit "A" Ownership Changes. Exhibit "A" shall be amended by the Operator to reflect transfers of ownership and changes in the addresses of parties pursuant to Article VIII.D. ~~Non-Operators may request a change in ownership percentages listed on Exhibit "A" by submitting credible evidence of more accurate title. The Operator shall then circulate a revised Exhibit "A" to Non-Operators, and all parties shall have 30 days to object. If no timely objections are raised, the revised Exhibit "A" shall be adopted.~~ Upon request by a Non-Operator, Operator shall amend Exhibit "A" to reflect transfers of ownership pursuant to Article VIII.D or changes in the addresses of the parties within 30 days after the request.

R. Operator Owns No Interest. The parties to this agreement acknowledge that E.G.L. Resources, Inc. does not own an interest in the Contract Area. Notwithstanding anything in this agreement to the contrary, the parties agree that E.G.L. Resources, Inc. shall serve as Operator even though it owns no interest in the Contract Area.

E.G.L. Resources, Inc. owns no leasehold in the Contract Area, but executes this agreement to accept the designation as Operator and to agree to perform all the duties of Operator as set forth in and in compliance with this agreement. Notwithstanding Article V.B.2, during such time as E.G.L. Resources, Inc. is designated and acting as Operator, Article V.B.2 is deemed amended as follows: (1) E.G.L. Resources, Inc. shall not be deemed to have resigned as Operator under this Operating Agreement simply because it owns no interest in the Contract Area; and (2) E.G.L. Resources, Inc. may be removed at any time by a vote of one or more Non-Operators. Any lien and security interest rights reserved by Non-Operators against E.G.L. Resources, Inc. as Operator is deemed to apply to and burden the interests of PBEX, LLC in the Contract Area, equipment, and production. E.G.L. Resources, Inc. has no right to propose operations or vote under this agreement. E.G.L. Resources, Inc. may not assign or convey its operatorship or any other rights, duties, or obligations under this agreement. If E.G.L. Resources, Inc. resigns or is removed as Operator, Article V.B.6 will apply as stated in the body of the Operating Agreement; however, E.G.L. Resources, Inc. shall not be relieved of liability under this agreement, if any, for matters arising with respect to the period during which it acted as Operator.

The obligations and liabilities of E.G.L. Resources, Inc. and PBEX, LLC under this agreement are joint and several, and each of them shall be jointly and severally responsible for their obligations as set forth in this agreement for any costs, expenses, and liabilities incurred pursuant to the terms and provisions of this agreement or the exhibits attached to this agreement allocable to the interest of Operator (and any of its Affiliates owning an interest) together with those for which Operator is solely responsible under the Operating Agreement. E.G.L. Resources, Inc. is joining in this agreement in its own capacity as Operator and independently from the interest of PBEX, LLC. If PBEX, LLC transfers or assigns all of its interest under this agreement or in the Contract Area, E.G.L. Resources, Inc. will be deemed to have resigned without any action by Non-Operators, except the selection of a successor Operator.

S. Production Facilities: Production Facilities that exclusively serve the Contract area may be proposed, constructed, owned and operated by the parties under this agreement.

The construction, ownership, and operation by parties to this agreement of a Production Facility that will handle any Outside Substances is outside the scope of this agreement. If a party proposes to use an existing Production Facility owned by the parties under this agreement to handle Outside Substances, such use will require a separate agreement among the parties to this agreement and the parties owning such Outside Substances.

"Outside Substances" means Oil, Gas, or Water produced from or attributable to land other than the Contract Area.

"Production Facilities" means facilities necessary to produce, measure, treat, gather, or transport production from the wells subject to this agreement, including but not limited to meters, flowlines, gathering lines, pipelines, separators, compressors, and other production handling facilities.

T. Marketing Fees: If Operator markets Oil or Gas for a non-taking party, Operator may only charge a non-taking party the non-taking party's proportionate share of reasonable costs incurred by the Operator for (i) gathering, transportation, compression or treating, and (ii) marketing fees paid to third parties who are not an Affiliate of the Operator.

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

IN WITNESS WHEREOF, this agreement shall be effective as of the **15th** day of **December**, **2023**, _____, ~~who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____, have been made to the form.~~

ATTEST OR WITNESS:

_____

_____

OPERATOR

E.G.L. Resources, Inc.

By _____

_____
Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

NON-OPERATOR(S)

_____

By _____

_____
Type or print name

Title Attorney-in-fact

Date _____

Tax ID or S.S. No. _____

ACKNOWLEDGMENTS

Acknowledgment in individual capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on _____ by _____as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023 , by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

I. CONTRACT AREAS & DEPTH RESTRICTIONS

Township 18 South, Range 32 East, N.M.P.M.
Section 33: S/2
Section 34: S/2
Lea County, New Mexico
Containing 640.00 acres, more or less

Limited to the Bone Spring formation

II. PARTIES TO AGREEMENT

E.G.L. Resources, Inc.
PBEX, LLC
223 West Wall Street, Suite 900
Midland, TX 79701

To Be Determined

III. INTERESTS*:

WORKING INTERERST OWNER	WORKING INTEREST*
PBEX LLC	0.08889438
Chevron USA Inc.	0.45681250
MRC Delaware Resources LLC	0.11000000
Judith A. West	0.06718750
COG Operating LLC	0.05937500
Snow Oil & Gas Inc.	0.05234375
Judah Oil LLC	0.03108958
Levi Oil and Gas LLC	0.02392917
MRC Permian Company	0.02218750
Marathon Oil Permian LLC	0.02203125
Magnum Hunter Production Inc.	0.01562500
Centennial LLC	0.01250000
Sherrfive LP	0.01025391
Double R Oil & Gas LLC	0.00561094
Dan W. & Sandra Lynn Snow	0.00546875
MRC Explorers Resources LLC	0.00500000
MRC Spiral Resources	0.00500000
Robinson Resources	0.00468750
Billy Smartt	0.00390625
Gerry Tucker	0.00390625
McKay Living Trust	0.00365625
Concho Oil & Gas LLC	0.00312500
Norton LLC	0.00312500
Read & Stevens Inc.	0.00292969
McKay Petroleum Corporation	0.00292188
Deborah Badger	0.00260417
Monica Celeste Mann	0.00260417
Long LLC	0.00229688
Hazel Vance & Lloyd Wayne, JTWROS	0.00187500
Double R Pipe & Supply	0.00187031
Schultz Properties LLC	0.00184375

MTT LLC	0.00178125
Martha L. Roberts Trust	0.00125000
Prospector LLC	0.00125000
Mackinnon Dean Campbell	0.00098438
Aimee Lane Campbell	0.00084375
Krista Leigh Culberson	0.00084375
Carol Louise Johnson Rev Trust	0.00062500
Halstead Trust	0.00042188
Robert Garcia	0.00042188
St. Edward Catholic School	0.00014063
TOTAL	**1.00000000**

Subject to review by attorney licensed in State of New Mexico.

IV. OIL AND GAS LEASES SUBJECT TO AGREEMENT:

Date: November 1, 1975
Lessor: United States of America NMNM 026690
New Serial No.: NMNM105555929
Current Lessee: Chevron USA Inc.
Recording: N/A
Description: Insofar and only insofar as to
Township 18 South, Range 32 East, N.M.P.M.
Section 33: W2SW, SESW
Lea County, New Mexico

Date: August 1, 1975
Lessor: United States of America NMNM 025877
New Serial No.: NMNM105449809
Current Lessee: Snow Oil & Gas Inc.
Recording: N/A
Description: Township 18 South, Range 32 East, N.M.P.M.
Section 33: NESW
Lea County, New Mexico

Date: March 1, 1975
Lessor: United States of America NMNM 024161
New Serial No.: NMNM105371853
Current Lessee: Chevron USA Inc.
Recording: N/A
Description: Township 18 South, Range 32 East, N.M.P.M.
Section 33: SE4
Lea County, New Mexico

Date: March 1, 1996
Lessor: United States of America NMNM 096235
New Serial No.: NMNM105465864
Current Lessee: COG Operating LLC / Concho Oil & Gas LLC
Recording: N/A
Description: Township 18 South, Range 32 East, N.M.P.M.
Section 34: NWSW
Lea County, New Mexico

Date: May 1, 1973
Lessor: United States of America NMNM 018302
New Serial No.: NMNM105510555
Current Lessee: Unknown
Recording: N/A
Description: Insofar and only insofar as to
Township 18 South, Range 32 East, N.M.P.M.
Section 34: NESW, N2SE4

Lea County, New Mexico

Date:	April 1, 1987
Lessor:	United States of America NMNM 067988
New Serial No.:	NMNM105321179
Current Lessee:	Nadel and Gussman Capitan LLC Spiral Inc.
Recording:	N/A
Description:	Township 18 South, Range 32 East, N.M.P.M. Section 34: S2SW4, SESE Lea County, New Mexico

Date:	February 1, 1965
Lessor:	United States of America NMNM 0556094
New Serial No.:	NMNM105444857
Current Lessee:	XTO Holdings LLC
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 34: SWSE Lea County, New Mexico

V. BURDENS ON PRODUCTION:

Of record as of the effective date of this agreement.

END OF EXHIBIT “A”

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Exhibit "C"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among EGL Resources, Inc, as Operator, and PBEX, LLC, et al as Non-Operator.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

IF THE PARTIES FAIL TO SELECT EITHER ONE OF COMPETING "ALTERNATIVE" PROVISIONS, OR SELECT ALL THE COMPETING "ALTERNATIVE" PROVISIONS, ALTERNATIVE 1 IN EACH SUCH INSTANCE SHALL BE DEEMED TO HAVE BEEN ADOPTED BY THE PARTIES AS A RESULT OF ANY SUCH OMISSION OR DUPLICATE NOTATION.

IN THE EVENT THAT ANY "OPTIONAL" PROVISION OF THIS ACCOUNTING PROCEDURE IS NOT ADOPTED BY THE PARTIES TO THE AGREEMENT BY A TYPED, PRINTED OR HANDWRITTEN INDICATION, SUCH PROVISION SHALL NOT FORM A PART OF THIS ACCOUNTING PROCEDURE, AND NO INFERENCE SHALL BE MADE CONCERNING THE INTENT OF THE PARTIES IN SUCH EVENT.

1. DEFINITIONS

All terms used in this Accounting Procedure shall have the following meaning, unless otherwise expressly defined in the Agreement:

"Affiliate" means for a person, another person that controls, is controlled by, or is under common control with that person. In this definition, (a) control means the ownership by one person, directly or indirectly, of more than fifty percent (50%) of the voting securities of a corporation or, for other persons, the equivalent ownership interest (such as partnership interests), and (b) "person" means an individual, corporation, partnership, trust, estate, unincorporated organization, association, or other legal entity.

"Agreement" means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting Procedure is attached.

"Controllable Material" means Material that, at the time of acquisition or disposition by the Joint Account, as applicable, is so classified in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies (COPAS).

"Equalized Freight" means the procedure of charging transportation cost to the Joint Account based upon the distance from the nearest Railway Receiving Point to the property.

"Excluded Amount" means a specified excluded trucking amount most recently recommended by COPAS.

"Field Office" means a structure, or portion of a structure, whether a temporary or permanent installation, the primary function of which is to directly serve daily operation and maintenance activities of the Joint Property and which serves as a staging area for directly chargeable field personnel.

"First Level Supervision" means those employees whose primary function in Joint Operations is the direct oversight of the Operator's field employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may include, but are not limited to:

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
- Responsibility for day-to-day direct oversight of rig operations
- Responsibility for day-to-day direct oversight of construction operations
- Coordination of job priorities and approval of work procedures
- Responsibility for optimal resource utilization (equipment, Materials, personnel)
- Responsibility for meeting production and field operating expense targets
- Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor's operating responsibilities
- Responsibility for all emergency responses with field staff
- Responsibility for implementing safety and environmental practices

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- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

"Joint Account" means the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be shared by the Parties, but does not include proceeds attributable to hydrocarbons and by-products produced under the Agreement.

"Joint Operations" means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.

"Joint Property" means the real and personal property subject to the Agreement.

"Laws" means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted, promulgated or issued.

"Material" means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

"Non-Operators" means the Parties to the Agreement other than the Operator.

"Offshore Facilities" means platforms, surface and subsea development and production systems, and other support systems such as oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of offshore operations, all of which are located offshore.

"Off-site" means any location that is not considered On-site as defined in this Accounting Procedure.

"On-site" means on the Joint Property when in direct conduct of Joint Operations. The term "On-site" shall also include that portion of Offshore Facilities, Shore Base Facilities, fabrication yards, and staging areas from which Joint Operations are conducted, or other facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

"Operator" means the Party designated pursuant to the Agreement to conduct the Joint Operations.

"Parties" means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as "Party."

"Participating Interest" means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees, or is otherwise obligated, to pay and bear.

"Participating Party" means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of the costs and risks of conducting an operation under the Agreement.

"Personal Expenses" means reimbursed costs for travel and temporary living expenses.

"Railway Receiving Point" means the railhead nearest the Joint Property for which freight rates are published, even though an actual railhead may not exist.

"Shore Base Facilities" means onshore support facilities that during Joint Operations provide such services to the Joint Property as a receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication, scheduling and dispatching center; and other associated functions serving the Joint Property.

"Supply Store" means a recognized source or common stock point for a given Material item.

"Technical Services" means services providing specific engineering, geoscience, or other professional skills, such as those performed by engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator's Affiliate, Non-

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Operator, Non-Operator Affiliates, and/or third parties.

2. STATEMENTS AND BILLINGS

The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified and fully described in detail, or at the Operator's option, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written notice to the Operator.

3. ADVANCES AND PAYMENTS BY THE PARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within Thirty (30) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within Thirty (30) days of receipt of such written request.

B. Except as provided below, each Party shall pay its proportionate share of all bills in full within Thirty (30) days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day ~~of the month in which the~~ following the / payment ~~was~~ due date /. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

(1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working interest or Participating Interest, as applicable; or

(2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved or is not otherwise obligated to pay under the Agreement; or

(3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty (30) day period following the Operator's receipt of such written notice; or

(4) charges outside the adjustment period, as provided in Section I.4 (*Adjustments*).

4. ADJUSTMENTS

A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure Audits*).

B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section I.4.B, are limited to the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared

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on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month period are limited to adjustments resulting from the following:

(1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or

(2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Operator relating to another property, or

(3) a government/regulatory audit, or

(4) a working interest ownership or Participating Interest adjustment.

5. EXPENDITURE AUDITS

A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Section I.4 (*Adjustments*). Any Party that is subject to payout accounting under the Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the volumes of hydrocarbons produced and saved and proceeds received for such hydrocarbons as they pertain to payout accounting required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner that will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

The Non-Operator leading the audit (hereinafter "lead audit company") shall issue the audit report within ninety (90) days after completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month requirement for taking specific detailed written exception as required in Section I.4.A (*Adjustments*) above. All claims shall be supported with sufficient documentation.

A timely filed written exception or audit report containing written exceptions (hereinafter "written exceptions") shall, with respect to the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with the additional deadlines in Section I.5.B or I.5.C, the Operator's waiver of its rights to assert a statute of limitations defense against the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations, provided that such waiver shall not lapse in the event that the Operator has failed to comply with the deadlines in Section I.5.B or I.5.C.

B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive response to an exception within this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

C. The lead audit company shall reply to the Operator's response to an audit report within ninety (90) days of receipt, and the Operator shall reply to the lead audit company's follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator shall have the right to represent itself if it disagrees with the lead audit company's position or believes the lead audit company is not adequately fulfilling its duties. Unless otherwise provided for in Section I.5.E, if the Operator fails to provide substantive response to an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with

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authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60) days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

E. ~~☐ *(Optional Provision – Forfeiture Penalties)*~~

~~*If the Non-Operators fail to meet the deadline in Section I.5.C, any unresolved exceptions that were not addressed by the Non-Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been withdrawn by the Non-Operators. If the Operator fails to meet the deadlines in Section I.5.B or I.5.C, any unresolved exceptions that were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made, without interest, to the Joint Account.*~~

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the

Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

This Section I.6.A applies to specific situations of limited duration where a Party proposes to change the accounting for charges from that prescribed in this Accounting Procedure. This provision does not apply to amendments to this Accounting Procedure, which are covered by Section I.6.B.

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of two (2) or more Parties, one of which is the Operator, having a combined working interest of at least ninety percent (90%), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. AFFILIATES

For the purpose of administering the voting procedures of Sections I.6.A and I.6.B, if Parties to this Agreement are Affiliates of each other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating Interest of such Affiliates.

For the purposes of administering the voting procedures in Section I.6.A, if a Non-Operator is an Affiliate of the Operator, votes under Section I.6.A shall require the majority in interest of the Non-Operator(s) after excluding the interest of the Operator's Affiliate.

II. DIRECT CHARGES

The Operator shall charge the Joint Account with the following items:

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1. RENTALS AND ROYALTIES

Lease rentals and royalties paid by the Operator, on behalf of all Parties, for the Joint Operations.

2. LABOR

A. Salaries and wages, including incentive compensation programs / as set forth in COPAS MFI-37 (“Chargeability of Incentive Compensation Programs”), for:

, other than burdens on production,

(1) Operator’s field employees directly employed On-site in the conduct of Joint Operations,

(2) Operator’s employees directly employed on Shore Base Facilities, Offshore Facilities, or other facilities serving the Joint Property if such costs are not charged under Section II.6 (*Equipment and Facilities Furnished by Operator*) or are not a function covered under Section III (*Overhead*),

(3) Operator’s employees providing First Level Supervision,

(4) Operator’s employees providing On-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*),

(5) Operator’s employees providing Off-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*).

Charges for the Operator’s employees identified in Section II.2.A may be made based on the employee’s actual salaries and wages, or in lieu thereof, a day rate representing the Operator’s average salaries and wages of the employee’s specific job category.

Charges for personnel chargeable under this Section II.2.A who are foreign nationals shall not exceed comparable compensation paid to an equivalent U.S. employee pursuant to this Section II.2, unless otherwise approved by the Parties pursuant to Section I.6.A (*General Matters*).

B. Operator’s cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Section II.2.A, excluding severance payments or other termination allowances. Such costs under this Section II.2.B may be charged on a “when and as-paid basis” or by “percentage assessment” on the amount of salaries and wages chargeable to the Joint Account under Section II.2.A. If percentage assessment is used, the rate shall be based on the Operator’s cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.

D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

E. Reasonable relocation costs incurred in transferring to the Joint Property personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a Party, or that are for the primary benefit of the Operator, shall not be chargeable to the Joint Account. Extraordinary relocation costs, such as those incurred as a result of transfers from remote locations, such as Alaska or overseas, shall not be charged to the Joint Account unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

F. Training costs as specified in COPAS MFI-35 (“Charging of Training Costs to the Joint Account”) for personnel whose salaries and wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are available.

G. Operator’s current cost of established plans for employee benefits, as described in COPAS MFI-27 (“Employee Benefits Chargeable to Joint Operations and Subject to Percentage Limitation”), applicable to the Operator’s labor costs chargeable to the Joint Account under Sections II.2.A and B based on the Operator’s actual cost not to exceed the employee benefits limitation percentage most recently recommended by COPAS.

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H. Award payments to employees, in accordance with COPAS MFI-49 ("Awards to Employees and Contractors") for personnel whose salaries and wages are chargeable under Section II.2.A.

3. MATERIAL

Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV (Material *Purchases, Transfers, and Dispositions*). Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. TRANSPORTATION

A. Transportation of the Operator's, Operator's Affiliate's, or contractor's personnel necessary for Joint Operations.

B. Transportation of Material between the Joint Property and another property, or from the Operator's warehouse or other storage point to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material from the Joint Property to the Operator's warehouse or other storage point shall be paid for by the Joint Property using one of the methods listed below:

(1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property. The Operator shall consistently apply the selected alternative.

(2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged directly to the Joint Property and shall not be included when calculating the Equalized Freight.

5. SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and utilities covered by Section III (*Overhead*), or Section II.7 (*Affiliates*), or excluded under Section II.9 (*Legal Expense*). Awards paid to contractors shall be chargeable pursuant to COPAS MFI-49 ("Awards to Employees and Contractors").

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed eight percent (8.00%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators

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may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 50,000 . If the total costs for an Affiliate's goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the charges exceed $ 50,000 in a given calendar year.

C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however, documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*).

If the Parties fail to designate an amount in Sections II.7.A or II.7.B, in each instance the amount deemed adopted by the Parties as a result of such omission shall be the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be zero dollars ($ 0.00).

8. DAMAGES AND LOSSES TO JOINT PROPERTY

All costs or expenses necessary for the repair or replacement of Joint Property resulting from damages or losses incurred, except to the extent such damages or losses result from a Party's or Parties' gross negligence or willful misconduct, in which case such Party or Parties shall be solely liable.

The Operator shall furnish the Non-Operator written notice of damages or losses incurred as soon as practicable after a report has been received by the Operator.

9. LEGAL EXPENSE

Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens incurred in or resulting from operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs of the Operator's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the Parties pursuant to Section I.6.A (*General Matters*) or otherwise provided for in the Agreement.

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

All taxes and permitting fees of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the penalties and interest result from the Operator's gross negligence or willful misconduct.

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

Charges to the Joint Account resulting from sales/use tax audits, including extrapolated amounts and penalties and interest, are permitted, provided the Non-Operator shall be allowed to review the invoices and other underlying source documents which served as the basis for tax charges and to determine that the correct amount of taxes were charged to the Joint Account. If the Non-Operator is not permitted to review such documentation, the sales/use tax amount shall not be directly charged unless the Operator can conclusively document the amount owed by the Joint Account.

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11. INSURANCE

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its worker's compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. In the case of offshore operations in federal waters, the manual rates of the adjacent state shall be used for personnel performing work On-site, and such rates shall be adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.

12. COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable.

Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.

14. ABANDONMENT AND RECLAMATION

Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.

15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

III. OVERHEAD

As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section II (*Direct Charges*), the Operator shall charge the Joint Account in accordance with this Section III.

Functions included in the overhead rates regardless of whether performed by the Operator, Operator's Affiliates or third parties and regardless of location, shall include, but not be limited to, costs and expenses of:

- warehousing, other than for warehouses that are jointly owned under this Agreement
- design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
- inventory costs not chargeable under Section V (*Inventories of Controllable Material*)
- procurement
- administration
- accounting and auditing
- gas dispatching and gas chart integration

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- human resources
- management
- supervision not directly charged under Section II.2 (*Labor*)
- legal services not directly chargeable under Section II.9 (*Legal Expense*)
- taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)
- preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing, interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.
- Marketing production for non-taking parties.

Overhead charges shall include the salaries or wages plus applicable payroll burdens, benefits, and Personal Expenses of personnel performing overhead functions, as well as office and other related expenses of overhead functions.

1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this Section III, the Operator shall charge on either:

☑ **(Alternative 1)** Fixed Rate Basis, Section III.1.B.
☐ ~~**(Alternative 2)** Percentage Basis, Section III.1.C.~~

A. TECHNICAL SERVICES

(i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical Services:

☑ **(Alternative 1 – Direct)** shall be charged **direct** to the Joint Account.

☐ ~~**(Alternative 2 – Overhead)** shall be covered by the **overhead** rates.~~

(ii) Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical Services:

☐ **(Alternative 1 – All Overhead)** shall be covered by the **overhead** rates.

☐ **(Alternative 2 – All Direct)** shall be charged **direct** to the Joint Account.

☑ **(Alternative 3 – Drilling Direct)** shall be charged **direct** to the Joint Account, **only** to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator's Affiliates are subject to limitations set forth in Section II.7 (*Affiliates*). Charges for Technical personnel performing non-technical work shall not be governed by this Section III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

B. OVERHEAD—FIXED RATE BASIS

(1) The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month $ **7,500** (prorated for less than a full month)

Producing Well Rate per month $ **750**

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(2) Application of Overhead—Drilling Well Rate shall be as follows:

(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work–days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(3) Application of Overhead—Producing Well Rate shall be as follows:

(a) An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for any portion of the month shall be considered as a one-well charge for the entire month.

(b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is considered a separate well by the governing regulatory authority.

(c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well, unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one-well charge shall be made whether or not the well has produced.

(d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

(e) Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.

(4) The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided, however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the effective date of such rates, in accordance with COPAS MFI-47 (“Adjustment of Overhead Rates”).

C. OVERHEAD—PERCENTAGE BASIS

~~(1) Operator shall charge the Joint Account at the following rates:~~

~~(a) Development Rate _____ percent (_____) % of the cost of development of the Joint Property, exclusive of costs provided under Section II.9 (*Legal Expense*) and all Material salvage credits.~~

~~(b) Operating Rate _____ percent (_____%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.~~

~~(2) Application of Overhead—Percentage Basis shall be as follows:~~

~~(a) The Development Rate shall be applied to all costs in connection with:~~

~~[i] drilling, redrilling, sidetracking, or deepening of a well~~
~~[ii] a well undergoing plugback or workover operations for a period of five (5) or more consecutive work–days~~
~~[iii] preliminary expenditures necessary in preparation for drilling~~
~~[iv] expenditures incurred in abandoning when the well is not completed as a producer~~
~~[v] construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, other than Major Construction or Catastrophe as defined in Section III.2 (*Overhead-Major Construction*~~

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~~*and Catastrophe*).~~

~~(b) The Operating Rate shall be applied to all other costs in connection with Joint Operations, except those subject to Section III.2 (*Overhead-Major Construction and Catastrophe*).~~

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator's expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

Catastrophe is defined as a sudden calamitous event bringing damage, loss, or destruction to property or the environment, such as an oil spill, blowout, explosion, fire, storm, hurricane, or other disaster. The overhead rate shall be applied to those costs necessary to restore the Joint Property to the equivalent condition that existed prior to the event.

A. If the Operator absorbs the engineering, design and drafting costs related to the project:

(1) 5 % of total costs if such costs are less than $100,000; plus

(2) 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2 % of total costs in excess of $1,000,000.

B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:

(1) 5 % of total costs if such costs are less than $100,000; plus

(2) 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single Major Construction project shall not be treated separately, and the cost of drilling and workover wells and purchasing and installing pumping units and downhole artificial lift equipment shall be excluded. For Catastrophes, the rates shall be applied to all costs associated with each single occurrence or event.

On each project, the Operator shall advise the Non-Operator(s) in advance which of the above options shall apply.

For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations directly resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by salvage or insurance recoveries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any other overhead provisions.

In the event of any conflict between the provisions of this Section III.2 and the provisions of Sections II.2 (*Labor*), II.5 (*Services*), or II.7 (*Affiliates*), the provisions of this Section III.2 shall govern.

3. AMENDMENT OF OVERHEAD RATES

The overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

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The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and dispositions. The Operator shall provide all Material for use in the conduct of Joint Operations; however, Material may be supplied by the Non-Operators, at the Operator's option. Material furnished by any Party shall be furnished without any express or implied warranties as to quality, fitness for use, or any other matter.

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.

2. TRANSFERS

A transfer is determined to occur when the Operator (i) furnishes Material from a storage facility or from another operated property, (ii) has assumed liability for the storage costs and changes in value, and (iii) has previously secured and held title to the transferred Material. Similarly, the removal of Material from the Joint Property to a storage facility or to another operated property is also considered a transfer; provided, however, Material that is moved from the Joint Property to a storage location for safe-keeping pending disposition may remain charged to the Joint Account and is not considered a transfer. Material shall be disposed of in accordance with Section IV.3 (*Disposition of Surplus*) and the Agreement to which this Accounting Procedure is attached.

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

(1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).

(a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston, Texas, for special end) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B (*Freight*).

(b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply Store nearest the Joint Property where like Material is normally available, or point of manufacture plus transportation costs as defined in Section IV.2.B (*Freight*).

(2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.

(3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12) months from the date of physical transfer.

(4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the Material for Material being transferred from the Joint Property.

B. FREIGHT

Transportation costs shall be added to the Material transfer price using the method prescribed by the COPAS Computerized Equipment Pricing System (CEPS). If not using CEPS, transportation costs shall be calculated as follows:

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing

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Manual") and other COPAS MFIs in effect at the time of the transfer.

(2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point. For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway Receiving Point.

(3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the Railway Receiving Point.

(4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point

Regardless of whether using CEPS or manually calculating transportation costs, transportation costs from the Railway Receiving Point to the Joint Property are in addition to the foregoing, and may be charged to the Joint Account based on actual costs incurred. All transportation costs are subject to Equalized Freight as provided in Section II.4 (*Transportation*) of this Accounting Procedure.

C. TAXES

Sales and use taxes shall be added to the Material transfer price using either the method contained in the COPAS Computerized Equipment Pricing System (CEPS) or the applicable tax rate in effect for the Joint Property at the time and place of transfer. In either case, the Joint Account shall be charged or credited at the rate that would have governed had the Material been a direct purchase.

D. CONDITION

(1) Condition "A" – New and unused Material in sound and serviceable condition shall be priced at one hundred percent (100%) of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). ~~Material transferred from the Joint Property that was not placed in service shall be credited as charged without gain or loss; provided, however, any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking fees charged by the vendor. New and unused Material transferred from the Joint Property may be credited at a price other than the price originally charged to the Joint Account provided such price is approved by the Parties owning such Material, pursuant to Section I.6.A (*General Matters*).~~ All refurbishing costs required or necessary to return the Material to original condition or to correct handling, transportation, or other damages will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material for the receiving property.

(2) Condition "B" – Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by seventy-five percent (75%).

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

~~Unless otherwise agreed to by the Parties that paid for such Material, used Material transferred from the Joint Property that was not placed in service on the property shall be credited as charged without gain or loss.~~

(3) Condition "C" – Material that is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by fifty percent (50%).

The cost of reconditioning may be charged to the receiving property to the extent Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.

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(4) Condition "D" – Material that (i) is no longer suitable for its original purpose but useable for some other purpose, (ii) is obsolete, or (iii) does not meet original specifications but still has value and can be used in other applications as a substitute for items with different specifications, is considered Condition "D" Material. Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing, or drill pipe utilized as line pipe shall be priced at used line pipe prices. Casing, tubing, or drill pipe used as higher pressure service lines than standard line pipe, e.g., power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non-upset basis. For other items, the price used should result in the Joint Account being charged or credited with the value of the service rendered or use of the Material, or as agreed to by the Parties pursuant to Section 1.6.A (*General Matters*).

(5) Condition "E" – Junk shall be priced at prevailing scrap value prices.

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

Subject to Section II (*Direct Charges*) and Section III (*Overhead*) of this Accounting Procedure, costs incurred by the Operator in making Material serviceable including inspection, third party surveillance services, and other similar services will be charged to the Joint Account at prices which reflect the Operator's actual costs of the services. Documentation must be provided to the Non-Operators upon request to support the cost of service. New coating and/or wrapping shall be considered a component of the Materials and priced in accordance with Sections IV.1 (*Direct Purchases*) or IV.2.A (*Pricing*), as applicable. No charges or credits shall be made for used coating or wrapping. Charges and credits for inspections shall be made in accordance with COPAS MFI-38 ("Material Pricing Manual").

(2) Loading and Unloading Costs

Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged in accordance with the methods specified in COPAS MFI-38 ("Material Pricing Manual").

3. DISPOSITION OF SURPLUS

Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operators in surplus Material.

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good faith efforts to dispose of surplus within twelve (12) months through buy/sale agreements, trade, sale to a third party, division in kind, or other dispositions as agreed to by the Parties.

Disposal of surplus Materials shall be made in accordance with the terms of the Agreement to which this Accounting Procedure is attached. If the Agreement contains no provisions governing disposal of surplus Material, the following terms shall apply:

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (*Transfers*).

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

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4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

Whenever Material is available only at inflated prices due to national emergencies, strikes, government imposed foreign trade restrictions, or other unusual causes over which the Operator has no control, for direct purchase the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, making it suitable for use, and moving it to the Joint Property. Material transferred or disposed of during premium pricing situations shall be valued in accordance with Section IV.2 (*Transfers*) or Section IV.3 (*Disposition of Surplus*), as applicable.

B. SHOP-MADE ITEMS

Items fabricated by the Operator's employees, or by contract laborers under the direction of the Operator, shall be priced using the value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's scrap or junk account, the Material shall be priced at either twenty-five percent (25%) of the current price as determined in Section IV.2.A (*Pricing*) or scrap value, whichever is higher. In no event shall the amount charged exceed the value of the item commensurate with its use.

C. MILL REJECTS

Mill rejects purchased as "limited service" casing or tubing shall be priced at eighty percent (80%) of K-55/J-55 price as determined in Section IV.2 (*Transfers*). Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-55 casing or tubing at the nearest size and weight.

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

Adjustments to the Joint Account by the Operator resulting from a physical inventory of Controllable Material shall be made within twelve (12) months following the taking of the inventory or receipt of Non-Operator inventory report. Charges and credits for overages or shortages will be valued for the Joint Account in accordance with Section IV.2 (*Transfers*) and shall be based on the Condition "B" prices in effect on the date of physical inventory unless the inventorying Parties can provide sufficient evidence another Material condition applies.

1. DIRECTED INVENTORIES

Physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators (hereinafter, "directed inventory"); provided, however, the Operator shall not be required to perform directed inventories more frequently than once every five (5) years. Directed inventories shall be commenced within one hundred eighty (180) days after the Operator receives written notice that a majority in interest of the Non-Operators has requested the inventory. All Parties shall be governed by the results of any directed inventory.

Expenses of directed inventories will be borne by the Joint Account; provided, however, costs associated with any post-report follow-up work in settling the inventory will be absorbed by the Party incurring such costs. The Operator is expected to exercise judgment in keeping expenses within reasonable limits. Any anticipated disproportionate or extraordinary costs should be discussed and agreed upon prior to commencement of the inventory. Expenses of directed inventories may include the following:

A. A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel performing the inventory or a rate agreed to by the Parties pursuant to Section I.6.A (*General Matters*). The per diem rate shall also be applied to a reasonable number of days for pre-inventory work and report preparation.

B. Actual transportation costs and Personal Expenses for the inventory team.

C. Reasonable charges for report preparation and distribution to the Non-Operators.

2. NON-DIRECTED INVENTORIES

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A. OPERATOR INVENTORIES

Physical inventories that are not requested by the Non-Operators may be performed by the Operator, at the Operator's discretion. The expenses of conducting such Operator-initiated inventories shall not be charged to the Joint Account.

B. NON-OPERATOR INVENTORIES

Subject to the terms of the Agreement to which this Accounting Procedure is attached, the Non-Operators may conduct a physical inventory at reasonable times at their sole cost and risk after giving the Operator at least ninety (90) days prior written notice. The Non-Operator inventory report shall be furnished to the Operator in writing within ninety (90) days of completing the inventory fieldwork.

C. SPECIAL INVENTORIES

The expense of conducting inventories other than those described in Sections V.1 (*Directed Inventories*), V.2.A (*Operator Inventories*), or V.2.B (*Non-Operator Inventories*), shall be charged to the Party requesting such inventory; provided, however, inventories required due to a change of Operator shall be charged to the Joint Account in the same manner as described in Section V.1 (*Directed Inventories*).

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EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and PBEX LLC, et al, as Non-Operator.

INSURANCE PROVISION

Operator shall, at all times while conducting operations hereunder, maintain in force the following insurance at the expense of and for the benefit of the joint account:

(a) Statutory Worker's Compensation Insurance in accordance with the laws of the state in which the operations are to be conducted, and Employer's Liability Insurance with limits not less than $1,000,000 for any one person, and not less than $1,000,000 for any one accident.

(b) Commercial General Liability with limits of not less than $1,000,000 Combined Single Limit for bodily injury or property damage per occurrence. Policy shall include Contractual Liability and an Underground Resources endorsement.

(c) Pollution Liability with limits of not less than $1,000,000 Combined Single Limit for Bodily Injury, Property Damage and Off-Site Cleanup. Alternatively, Operator may evidence Pollution coverage as an endorsement within the General Liability policy.

(d) Business Automobile Liability Insurance with limits of not less than $1,000,000 combined Single Limit for bodily injury or property damage per accident.

(e) Excess Liability with limits of not less than $10,000,000 Combined Single Limit for bodily injury or property damage per occurrence to apply in excess of Employer's Liability, Commercial General Liability and Business Automobile Liability (or in the absence thereof each Non-Operator shall provide to Operator insurance certificates evidencing coverage of not less than $10,000,000 of such Excess Liability).

In the event any party hereto declines in writing the Commercial General Liability, Pollution Liability, and Excess Liability coverages herein above provided, then, in such event only, nothing concerning the declined coverage(s) will be charged toward such declining party's share of the Joint Account. Earthstone Permian, LLC declines the Commercial General Liability, Pollution Liability, and Excess Liability coverages herein above provided.

It is further understood and agreed that Operator is not a warrantor of the financial responsibility of the insurer with whom such insurance is carried; provided however, that such insurer must have at least an AM Best rating of A-VIII or its equivalent. Except for Operator's failure to comply with the requirements of this Exhibit D or for its willful misconduct or gross negligence, Operator shall not be liable to Non-Operator for any loss suffered on account of the insufficiency of the insurance carried, or of insurer with whom carried. Operator shall not be liable to Non-Operator for any loss accruing by reason of Operator's inability to procure or maintain the insurance above mentioned. Operator agrees that if at any time during the life of this agreement it is unable to obtain or maintain such insurance, it shall immediately notify in writing Non-Operators of such fact.

Operator shall require each and every drilling contractor or drilling subcontractor or all other contractors or subcontractors conducting operations hereunder to carry insurance of such types and in such amounts as Operator deems adequate to protect the parties hereto. No liability shall attach to Operator in the exercise of its good-faith judgment as to the types and amounts of insurance, if any, to be required of such contractors or subcontractors.

Any other insurance desired by a party hereto shall be carried by such party at its own cost and expense.

~~Operator shall provide all well control insurance or self-insurance, including underground blow out, seepage, and pollution caused by well blowout, on behalf of Non-Operators, and those costs and fees shall be billed to the joint account accordingly.~~

Each party hereto to be insured hereunder shall provide copies of certificates or letters of self-insurance evidencing the above insurance coverage(s) upon written request of any other party. In the event any party hereto elects to self-insure, then in such event, it must obtain a Certificate of Financial Responsibility from the applicable Federal and/or State Agencies, provide an acceptable letter of self-insurance or otherwise furnish appropriate acceptable evidence of same relating to said guidelines to the other parties hereto.

End of Exhibit "D"

EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and, PBEX LLC, et al, as Non-Operator.

GAS BALANCING

The Parties recognize that imbalances may occur from time to time between them in their separate disposition of Gas. The Parties hereby agree to handle such Gas imbalances as follows:

ARTICLE I – Definitions

1.01 As used in this Agreement, the terms set forth below shall have the following meanings:

(a) "Balance" is the condition existing when a Party has disposed of a cumulative volume of Gas from a Well which is equal to such Party's Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well.

(b) "Gas" shall mean the total volume of gaseous hydrocarbons in Btu's available to the Parties to this Agreement at the Measurement Point from a Well remaining after removal of all liquids by primary field separation and the extraction of any liquid hydrocarbons upstream of the Measurement Point, less gas vented, flared, lost, or used in joint operations.

(c) "Make-up Gas" refers to that incremental volume of Gas, which an Underproduced Party is entitled to under this Agreement in order to achieve a Balance.

(d) "Measurement Point" shall mean, unless otherwise agreed to in writing between the Parties, the point at the gas discharge side of the primary field separation facility where a meter for measurement of Gas to be disposed of is installed, unless such separation facilities are not installed, in which event the point shall be the meter at the wellhead of each Well.

(e) "Operator" shall mean the operator designated in the Operating Agreement.

(f) "Overproduced" is the condition existing when a Party has disposed of a greater cumulative volume of Gas from a Well at anytime than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. Reference to "overproduction" is to such greater volume.

(g) The "Percentage Ownership" of each Party is equal to that Party's interest in Gas produced from a Well as determined under the terms of the Operating Agreement.

(h) "Underproduced" is the condition occurring when a Party has disposed of a lesser cumulative volume of Gas from a Well at any time than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. Reference to "underproduction" is to such lesser volume.

(i) "Well" means a well drilled on the lands and leases covered by the Operating Agreement and capable of producing Gas. For the purposes hereof, a Well separately produced and measured from more than one zone will be considered a separate Well for each zone.

(j) To "dispose of" Gas or Gas "disposed of" shall mean all methods of disposition of Gas, including taking in kind, delivering in kind to a Lessor, sales to a Party or third party or affiliate, or Gas used by a Party for purposes other than joint operations.

1.02 Terms not defined in this Exhibit "E" or in the operating Agreement shall have the meaning commonly ascribed to them in the natural gas sales industry.

ARTICLE II - Scope and Term

2.01 This Agreement establishes a separate gas balancing agreement for each Well.

2.02 This Agreement shall be effective as of the date of first Gas sales by a Party from any Well, or, if sooner, the date of the Operating Agreement. This Agreement shall terminate separately as to each Well when Gas production from such Well permanently ceases and the Gas accounts for such Well are brought into Balance pursuant to this Agreement or settled under Article VI of this Exhibit "E".

ARTICLE III - Right to Produce and Ownership of Gas

3.01 During any month when a Party ("Non-Selling Party") does not dispose of its full Percentage Ownership of Gas, the Parties ("Selling Parties") that dispose of their Percentage Ownership shall

be entitled to dispose of all or any portion of such Underproduced Gas. To the extent the Parties desire to dispose of more Underproduced Gas than is available, they shall share in such Gas in the proportion that each such Party's Percentage Ownership bears to the combined Percentage Ownership of all Parties desiring to dispose of such Gas. However, unless otherwise approved by all Parties, no Party shall be entitled to dispose of more than three hundred percent (300%) of its Percentage Ownership of Gas that month.

3.02 Each Party shall own and be entitled to the Gas disposed of by such Party pursuant to this Agreement, and the proceeds thereof, including constituents contained therein that are recovered downstream from the Measurement Point. If a Party is Underproduced with respect to a Well, its underproduction shall be deemed to remain in the reservoir subject to the right of disposal of such Underproduced Gas at a later time.

3.03 Nothing in this Agreement shall require or permit any production from a Well in excess of the maximum efficient rate at which such Well can be produced for a sustained period of time without resulting in underground waste in the form of reduced ultimate recovery of hydrocarbons.

ARTICLE IV - Make-Up Gas

4.01 Each Underproduced Party in a Well shall have the right to dispose of Make-Up Gas, and each overproduced Party shall have the obligation to furnish Make-Up Gas, as follows:

(a) An Underproduced Party shall provide at least twenty (20) days written notice to the operator of its intent to dispose of Make-Up Gas and specify the period of such make up which, in no event, shall be less than one calendar month. Make-Up Gas shall not be made available to an Underproduced Party until the first day of the month following notice to the operator.

(b) An Overproduced Party shall not be required to furnish Make-Up gas unless an Underproduced Party is first disposing of its Percentage Ownership of Gas.

(c) An Overproduced Party shall not be required to provide as Make-Up Gas more than twenty-five percent (25%) of its Percentage Ownership of Gas during the month of January, February, November, and December. For all other months an Overproduced Party shall not be required to provide as Make-Up Gas more than fifty percent (50%) of its Percentage Ownership of the Gas.

(d) It there is more than one Overproduced Party, the Make-Up Gas will be furnished by the Overproduced Parties in the proportion that each Overproduced Party's Percentage Ownership in a Well bears to the total Percentage Ownership of all Overproduced Parties in the Well.

(e) Likewise, if there is more than one Underproduced Party able to dispose of Make-up Gas in a month, each Underproduced Party will share in the Make-up Gas in the proportion which its Percentage Ownership in a Well bears to the total Percentage Ownership of all Underproduced Parties in that Well disposing of Make-up Gas that month.

4.02 Nothing herein shall be construed to deny any Party the right from time to time to dispose of its Percentage Ownership of Gas in a Well for the purpose of conducting deliverability tests required pursuant to its gas purchase contracts; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after 30 days' prior written notice to the Operator and shall last no longer than 72 hours.

ARTICLE V - Balancing of Gas Accounts

5.01 The operator shall have the duty of administering the provisions of this Agreement. The operator shall use its good faith efforts to cause Gas to be delivered as may be required to give effect to the intent that there be a Balance between the Parties in accordance with the provisions hereof. The Operator shall only be liable for its failure to make deliveries of Gas in accordance with the terms of this Agreement if such failure is due to its gross negligence or willful misconduct.

5.02 Each month the operator will furnish each Party a report showing for the prior month the total volume of Gas in Btu's produced from each Well, including the volumes vented, flared, lost, or used in joint operations; the volume of Gas disposed by each Party; each Party's overproduction or underproduction for the month; and the cumulative overproduction or underproduction of each Party in each Well. In the event that production from each well is not separately measured, then the Operator will allocate production to each Well on the basis of periodic tests or such other methods as are commonly used and accepted in the industry. Make-up Gas disposed of by an Underproduced Party shall offset underproduction in the order in which such underproduction accrued, i.e., First in, First out.

5.03 During the term of this Agreement and for a period of two (2) years thereafter, each Party shall retain all data, information and records pertaining to the Gas disposed of by such Party in a Well.

Each Party shall have the right to audit the records retained hereunder. Any audit shall be conducted at the expense of the Party or Parties desiring such audit after reasonable notice and during normal business hours in the office of the Party whose records are being audited. No more than one audit of a Party shall be conducted in any twelve (12) month period.

ARTICLE VI - Cash Settlement of Imbalance

6.01 When Gas production from a Well permanently ceases, there shall be a cash settlement between the Parties hereto for any Gas not in Balance. Any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Within sixty (60) days after notice calling for cash settlement the Operator will distribute to each Party a final gas settlement statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month(s) to which such Overproduction is attributed. Within 60 days after receipt of the Final Gas Settlement Statement, each Overproduced Party shall pay to each Underproduced Party the proceeds received by the Overproduced party for the overproduction which remains accrued to such Party, less taxes actually paid thereon by such Overproduced Party and any royalty actually paid by the Overproduced Party to an Underproduced Party's royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's royalty obligation, as well as any reasonable compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment. Any past due payments by Overproduced Parties shall bear interest at the prime rate of interest in effect from time to time of J.P. Morgan Chase Bank, N.A., plus two percent (2%), from the date due until date paid. Interest will be borne by the ~~Operator or any~~ Overproduced Party in the proportion that their respective delays beyond the deadlines set out in this paragraph contributed to the accrual of the interest.

6.02 The price of Gas for cash settlement by an Overproduced Party shall be the price actually or constructively received for the overproduction. If a portion of an Overproduced Party's Gas production is disposed of for its own use, the price for such Gas will be the price received for any Gas disposed of by such Party in arm's length transactions during the period that such production was used by the Overproduced Party. During periods when an Overproduced Party disposed of Gas for its own use and had no gas sales, overproduction will be valued at the weighted average price received by all Overproduced Parties for gas disposed of in arm's length transactions during such period. If no Party sold Gas when the overproduction occurred then the price shall be the last price received by a Party making sales. A price determined for Gas production not sold by the Overproduced Party shall be deemed to have been constructively received by such Party.

6.03 If any portion of the price which is to be paid to an Underproduced Party is subject to refund by a governmental authority, then the Overproduced Party may withhold the amount subject to refund until that portion of the price is finally approved. If, after cash balancing has occurred with respect to a Well, any governmental agency requires an Overproduced Party to refund any portion of a price used to make payment hereunder, then the Underproduced Parties shall reimburse the Overproduced Parties for such refund, including any interest. This Paragraph 6.03 shall survive the termination of this Agreement.

ARTICLE VII - Costs and Ownership of Liquids

All operating costs, expenses and liabilities shall be borne and paid by the Parties in accordance with the provisions of the operating Agreement, regardless of which Parties are disposing of Gas from a Well at any given time. Liquid hydrocarbons separated from the Gas upstream of the Measurement Point shall be owned by all Parties in accordance with their Percentage Ownership in the Well from which the Gas was produced.

ARTICLE VIII – Indemnity

Each Party hereby indemnifies and agrees to hold the other Parties harmless from all claims, costs and liabilities arising out of the operation of this Agreement and the performance of obligations hereunder by the indemnifying Party.

ARTICLE IX - Payment of Lease Burdens

9.01 Each Party shall be responsible for and shall pay or cause to be paid all royalties, production payments and other encumbrances due on the cumulative volume of Gas disposed of by that Party in each month from a Well and shall hold the other Parties free from any liability therefor. The Parties disposing of Gas from a Well shall pay or cause to be paid all production, severance, ad valorem or any other taxes, fees or levies on such production.

9.02 In the event that any governmental authority requires that royalty payments be made on any other basis than that provided for in paragraph 9.01, each Party agrees to make such royalty payments

accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

ARTICLE X - Binding Effect

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, provided, that this Agreement may not be assigned without the prior written consent of all other Parties.

ARTICLE XI – Notices

Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the Party to whom the same is directed at the addresses and in the manner then provided under the Operating Agreement.

ARTICLE XII – Assignment

12.01 Subject to the provisions of 12.02 and 12.03 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Well when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Make-up Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

12.02 Notwithstanding anything in this Agreement (including but not limited to the provisions of paragraph 12.01 or in the Operating Agreement to the contrary, and subject to the provisions of paragraph 12.03 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Well, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Well of such fact at least 30 days prior to closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within 15 days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Well. The Operator shall be notified of any such demand and of any cash settlement pursuant to this paragraph 12, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this paragraph 12, shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Well on the same basis as otherwise set forth in Article VI of this Exhibit, and shall bear interest at the rate set forth in paragraph 6.01, beginning 60 days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Well for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Well, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of paragraph 12.01.

12.02 The provisions of this Article 12 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator.

NON-DISCRIMINATION AND CERTIFICATION OF NON-SEGREGATED FACILITIES

1. <u>During the performance of this Contract, the Operator agrees as follows</u>:

A. The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting office setting forth the provisions of this non-discrimination clause.

B. The Operator will, in all solicitations or advertisements for employees places by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

C. The Operator will send to each labor union or representative or workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting office, advising the labor union or worker's representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

D. The Operator will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and relevant orders of the Secretary of Labor.

E. The Operator will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

F. In the event of Operator's non-compliance with the non-discrimination of this contract or with any of such rules, regulations or orders, this contract may be canceled, terminated or suspended, or in whole or in part, and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rules, regulation or order of the Secretary of Labor, or as otherwise provided by law.

G. The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each contractor or vendor. The Operator will take such action with respect to any contract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the even the Operator becomes involved in or is threatened with litigation with a contractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interest of the United States.

2. <u>Equal Employment Opportunity Reporting</u>.

The Operator, unless exempt, agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within thirty (30) days after the signing of this Agreement or the award of any such purchase order, as the case may be, (unless such a report has

been filed in the last 12 months), and agrees to continue to file such reports annual, on or before March 31st. (41 CFR 60-1.7(a)).

3. Affirmative Action Compliance Program.

The Operator agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended (41 CFR 60-01.40).

4. Veteran's Employment.

In the event the agreement to which this exhibit is attached is for the purpose of carrying with any department or agency of the United States for the procurement of personal property and non-personal services (including construction) for the United States as provided by Section 2012 of Title 38 USC, Operator agrees to give special emphasis to the employment of qualified disabled veterans and veterans of the Vietnam era and to list immediately with the appropriate local employment service office all of its suitable employment openings.

5. Equal Opportunity in Employment Certification of Non-Segregated Facilities.

Operator, by entering into the contract to which this Exhibit F is attached, certifies that he does not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants, and other eating areas, time clocks, locker rooms, and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color or national origin, because of habit, local custom, or otherwise. He further agrees that (except where he has obtained identical certifications from proposed contracts for specific time periods) he will obtain identical certifications from proposed contractors prior to the award of contracts exceeding $10,00.00 which are not exempt from the provisions of the Equal Opportunity clause, that he will retain such certifications in his files; and that he will forward the following notice to such proposed contractors (except where the proposed contractors have submitted identical certifications for specific time periods):

6. Notice to Prospective Contractors of Requirement for Certifications of Facilities.

A Certification of Non-Segregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract exceeding $10,000.00 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract or for all contracts during a period (i.e., quarterly, semi-annually, or annually).

EXHIBIT "H"

Attached to and made a part of that certain Operating Agreement dated December 15, 2023, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

MEMORANDUM OF OPERATING AGREEMENT, MORTGAGE AND FINANCING STATEMENT

STATE OF NEW MEXICO §
§
COUNTY OF LEA §

WHEREAS, E.G.L. Resources, Inc., as "Operator", and PBEX, LLC, et al, as "Non-Operator(s)", entered into that certain Operating Agreement dated December 15, 2023, covering oil and gas operations on those certain oil, gas and mineral leases and fee mineral leases described on Exhibit "A" (the "Contract Area"), attached hereto and made a part hereof, as said Exhibit "A" may be amended from time to time. Operator and Non-Operator(s) are sometimes referred to collectively as the "Parties" and individually as a "Party"; and

WHEREAS, Operator and Non-Operator(s) desire to give third parties notice of the existence of the Operating Agreement, and of the rights and obligations of Operator and Non-Operator(s) thereunder.

NOW, THEREFORE, for and consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Operator and Non-Operator(s) hereby stipulate and agree as follows:

I.

The Operating Agreement is an A.A.P.L. Form 610-1989 Model Form Operating Agreement, as amended by the parties, plus exhibits.

II.

Article VI.G. provides that each party to the Operating Agreement shall have the right but not the obligation to take in kind its proportionate share of all oil and gas produced from the Contract Area. Additionally, the Parties have agreed to be bound by a volumetric Gas Balancing Agreement which is attached as Exhibit "E" to the Operating Agreement.

III.

Pursuant to Article VII.B., Non-Operator(s) mortgages to Operator, and grants to Operator a lien upon, its oil and gas leasehold estates and "oil and gas interests", as that term is defined in Article I. thereof, in the Contract Area, and grants to Operator a security interest in its share of oil or gas when extracted from the Contract Area and its interests in all equipment located thereon to secure payment of its share of expense under the Operating Agreement, together with interest thereon in accordance with the Operating Agreement, in addition to any other remedies available to Operator in law or pursuant to the Operating Agreement. Upon default by Non-Operator(s) in the payment of its share of financial obligations pursuant to this agreement or the Operating Agreement, without prejudice to any other rights and remedies, Operator shall have the right to collect from the purchaser of production from the Contract Area the proceeds from the sale of Non-Operator(s)' share of oil or gas produced and sold from the Contract Area until the amount owed by Non-Operator(s), including interest, has been paid. Each purchaser of oil and gas produced from the Contract Area shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like mortgage, lien and security interest to Non-Operator(s) to secure payment of Operator's proportionate share of financial obligations.

This Memorandum shall constitute a Mortgage and Financing Statement covering oil and gas extracted from the Contract Area to the extent that such oil and gas is owned by a defaulting party under the Operating Agreement. Upon its own motion or upon the request of any Non-Operator(s), this Mortgage and Financing Statement shall be filed by Operator in the real estate records of any county or parish in which the Contract Area is situated and/or the records of the Secretary of State. The undersigned Non-Operator(s) shall be considered as both a debtor, to the extent that Non-Operator has failed to pay its share of expense pursuant to the Joint Operating Agreement, and as a secured party and mortgagee.

Operator, upon the consent of all Parties, may terminate the effect of this Memorandum as to all or any portion of the Contract Area by recording a full or partial release hereof.

Notwithstanding anything to the contrary in this agreement or the Operating Agreement, the liabilities of E.G.L. Resources Inc. and PBEX, LLC for all matters arising under this agreement and the

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Operating Agreement are joint and several, and both are jointly and severally responsible and liable for obligations arising under the Operating Agreement. Further, the lien and security interest granted herein by PBEX, LLC as an owner of record in the Contract Area secures not only its obligations and liabilities under the Operating Agreement, but also any and all obligations of E.G.L. Resources, Inc., as Operator under the Operating Agreement.

IV.

Any third party requiring additional information concerning the rights and obligations of the Parties under the Operating Agreement may contact the Operator as the following address:

OPERATOR: **E.G.L. Resources, Inc.**
223 W. Wall Street, Suite 900
Midland, TX 79701

V.

This Memorandum of Operating Agreement, Mortgage and Financing Statement may be executed in any number of counterparts, each of which shall be considered an original for all purposes and shall be binding upon the heirs, successors and assigns of the Parties. The Operator is hereby authorized to compile the signature and notary pages from each of the counterparts in order to have one instrument containing signature and notarial acknowledgments of all Parties for recording purposes.

IN WITNESS WHEREOF, this Memorandum of Operating Agreement, Mortgage and Financing Statement is executed effective on this 15th day of December, 2023.

OPERATOR:

E.G.L. RESOURCES, INC.

_____
By: Mark Cody, Vice President of Land

NON-OPERATORS:

Company: _____

By:_____

Name: _____

Title: _____

ACKNOWLEDGMENTS

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on _____, by **Mark Cody, Vice President of Land of E.G.L. Resources, Inc.**, on behalf of same.

_____
Notary Public, State of Texas

STATE OF _____§
§
COUNTY OF _____§

This instrument was acknowledged before me on _____, by _____ _____(name) as _____(title), of _____ _____, on behalf of same.

_____
Notary Public, State of _____

STATE OF _____§
§
COUNTY OF _____§

This instrument was acknowledged before me on _____, by ___ _____(name).

_____
Notary Public, State of _____

EXHIBIT "A" to "H"

Attached to and made a part of that certain Memorandum of Operating Agreement, Mortgage and Financing Statement dated December 15, 2023_, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

I. CONTRACT AREAS & DEPTH RESTRICTIONS

Township 18 South, Range 32 East, N.M.P.M.
Section 33: S/2
Section 34: S/2
Lea County, New Mexico
Containing 640.00 acres, more or less

Limited to the Bone Spring formation

II. PARTIES TO AGREEMENT

E.G.L. Resources, Inc.
PBEX, LLC
223 West Wall Street, Suite 900
Midland, TX 79701

To Be Determined

III. OIL AND GAS LEASES SUBJECT TO AGREEMENT:

Date:	November 1, 1975
Lessor:	United States of America NMNM 026690
New Serial No.:	NMNM105555929
Current Lessee:	Chevron USA Inc.
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: W2SW, SESW Lea County, New Mexico

Date:	August 1, 1975
Lessor:	United States of America NMNM 025877
New Serial No.:	NMNM105449809
Current Lessee:	Snow Oil & Gas Inc.
Recording:	N/A
Description:	Township 18 South, Range 32 East, N.M.P.M. Section 33: NESW Lea County, New Mexico

Date:	March 1, 1975
Lessor:	United States of America NMNM 024161
New Serial No.:	NMNM105371853
Current Lessee:	Chevron USA Inc.
Recording:	N/A
Description:	Township 18 South, Range 32 East, N.M.P.M. Section 33: SE4 Lea County, New Mexico

Date:	March 1, 1996
Lessor:	United States of America NMNM 096235
New Serial No.:	NMNM105465864
Current Lessee:	COG Operating LLC / Concho Oil & Gas LLC
Recording:	N/A
Description:	Township 18 South, Range 32 East, N.M.P.M. Section 34: NWSW Lea County, New Mexico

Date:	May 1, 1973
Lessor:	United States of America NMNM 018302
New Serial No.:	NMNM105510555
Current Lessee:	Unknown
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 34: NESW, N2SE4 Lea County, New Mexico

Date:	April 1, 1987
Lessor:	United States of America NMNM 067988
New Serial No.:	NMNM105321179
Current Lessee:	Nadel and Gussman Capitan LLC Spiral Inc.
Recording:	N/A
Description:	Township 18 South, Range 32 East, N.M.P.M. Section 34: S2SW4, SESE Lea County, New Mexico

Date:	February 1, 1965
Lessor:	United States of America NMNM 0556094
New Serial No.:	NMNM105444857
Current Lessee:	XTO Holdings LLC
Recording:	N/A
Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 34: SWSE Lea County, New Mexico

IV. BURDENS ON PRODUCTION:

Of record as of the effective date of this agreement.

From: Ashley Roush
To: Sabrsula, Scott
Cc: Matthew Langhoff
Subject: Updated N2 Bond Well Proposal
Date: Thursday, September 19, 2024 2:37:53 PM
Attachments: image001.png
New N2 Bond Well Prop - Chevron USA.docx
Bond 32-34 Fed Com 101H.xlsx
Bond 32-34 Fed Com 102H.xlsx
Bond 32-34 Fed Com 103H.xlsx
Bond 32-34 Fed Com 201H.xlsx
Bond 32-34 Fed Com 203H.xlsx
Bond 32-34 Fed Com 205H.xlsx

Scott,

Please see the attached N2 Bond Proposal. Originals will go out in the mail this afternoon with the JOA and CA. Let me know if you have any questions.

Thanks,
Ashley

Ashley Roush
Land Manager
223 West Wall Street, Ste. 900
Midland, TX 79701
Cell: (432) 230-3388

Case No. 25878
PBEX, LLC
Exhibit A-3

E. G. L. Resources, Inc.

September 19, 2024

Via Certified Mail, Return Receipt Requested
No. 9589 0710 5270 1252 1187 86
Chevron USA Inc.
6301 Deauville Blvd
Midland, TX 79706

Re: **Bond 32-34 Fed Com 101H, 102H, 103H**
Bond 32-34 Fed Com 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

E.G.L. Resources, Inc. ("E.G.L.") on behalf of PBEX, LLC ("PBEX") previously proposed the Bond 33-34 Fed Com 101H, 102H, 103H, 201H, 203H, and 205H wells in the N2 of Sections 33 and 34, Township 18 South, Range 32 East, Lea County, New Mexico, with target zones in the Bone Spring formation. At this time, E.G.L. is rescinding those previous proposals, along with the N/2 Operating Agreement dated December 15, 2023, previously mailed to your attention.

E.G.L. previously had plans to develop its leases with the Bond wells in the Bone Spring and Wolfcamp formations underlying Sections 33 & 34. E.G.L. had an approved onsite for this acreage (dated 5/30/23) but due to the recent listing of the Dune Sagebrush Lizard as endangered, that approved location is now in a restricted habitat area. The BLM requested that E.G.L. pursue off-lease surface locations, which has impacted E.G.L.'s planned development area. At this time, E.G.L. is proposing the following wells in the Bone Spring formation, located in the NE4 of Section 32, N2 of Section 33, and N2 of Section 34, T18S-R32E, Lea County, New Mexico.

BOND 32-34 FED COM 101H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2110' FWL, or at a legal location in Unit F
FTP - Sec. 32: 330' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 330' FNL & 10' FEL, or a legal location in Unit A
Formation - 1BS TVD - 8,450' MD - 22,450'

BOND 32-34 FED COM 102H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2390' FWL, or at a legal location in Unit F
FTP - Sec. 32: 1254' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 1254' FNL & 10' FEL, or a legal location in Unit A
Formation - 1BS TVD - 8,450' MD - 22,450'

BOND 32-34 FED COM 103H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E

September 19, 2024
N/2 BOND 32-34 101H-103H, 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E, Lea County, NM

SHL - Sec. 32: 1640' FSL & 1200' FEL, or at a legal location in Unit I
FTP - Sec. 32: 2178' FNL & 2540' FEL, or a legal location in Unit G
BHL - Sec. 34: 2178' FNL & 10' FEL, or a legal location in Unit H
Formation - 1BS TVD - 8,450' MD - 22,450'

BOND 32-34 FED COM 201H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2130' FWL, or at a legal location in Unit F
FTP - Sec. 32: 330' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 330' FNL & 10' FEL, or a legal location in Unit A
Formation - 2BS TVD - 9,320' MD - 23,320'

BOND 32-34 FED COM 203H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2410' FWL, or at a legal location in Unit F
FTP - Sec. 32: 1254' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 1254' FNL & 10' FEL, or a legal location in Unit A
Formation - 2BS TVD – 9,320' MD – 23,320'

BOND 32-34 FED COM 205H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1620' FSL & 1200' FEL, or at a legal location in Unit I
FTP - Sec. 32: 2200' FNL & 2540' FEL, or a legal location in Unit G
BHL - Sec. 34: 2200' FNL & 10' FEL, or a legal location in Unit H
Formation - 2BS TVD – 9,320' MD – 23,320'

E.G.L. and PBEX reserve the right to modify the locations and drilling plans described above in order to address topography, environmental concerns, regulatory conflicts, technical advantages, among other reasons. E.G.L. and/or PBEX shall, however, advise of such modifications.

E.G.L. is proposing these wells under the terms of a new modified 1989 AAPL form of Operating Agreement, dated December 1, 2024, by and between E.G.L. Resources, Inc., as Operator and PBEX, LLC, as Non-Operator which has been included with this letter. The following provisions are included:

- 100/300 Non-consent Penalty
- $10,000/$1000 Overhead Rates
- E.G.L. Resources, Inc. named as Operator.

According to a cursory title review, you could be the owner of a certain working interest in the wells, the amount of which will be subject to title verification. Please indicate your election in the area marked below, sign and return one (1) copy of this letter, along with one (1) signed copy of the enclosed AFE(s) and a copy of your geological well requirements, to my attention at the letterhead address within thirty (30) days of receipt of this notice.

As an alternative to participation, E.G.L. would be open to discussing Sale/Assignment options, subject to mutually agreeable terms, execution of a mutually acceptable form of Assignment and verification of your interest. If a sale/assignment is the preferred choice, please contact us to discuss the details of this option.

September 19, 2024
N/2 BOND 32-34 101H-103H, 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E, Lea County, NM

In the interest of time, if we are unable to reach an agreement within thirty (30) days from the date of this letter, E.G.L./PBEX will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Pursuant to 19.15.15.12 and 19.15.16.15 NMAC, you are being provided notice of our intention to drill and complete the wells described above wholly or partially within a spacing unit containing an existing well or wells in which you own an interest, described below. **Should you wish to object, a written statement must be delivered to E.G.L. Resources, LLC, within 20 days of the date of this notice.**

EXISTING WELLS

McKay West Fed #001
API No. 30-025-24931
Operated by RAYBAW Operating LLC
Producing Spacing Unit: SENW Sec 34, T18S-R32E
Producing Formation: Upper Bone Spring

Hulkster #003
API No. 30-025-39570
Operated by RAYBAW Operating LLC
Producing Spacing Unit: NWNE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Hulkster #004
API No. 30-025-39571
Operated by RAYBAW Operating LLC
Producing Spacing Unit: NENE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Hulkster #005
API No. 30-025-39572
Operated by RAYBAW Operating LLC
Producing Spacing Unit: SENE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Max State #001
API No. 30-025-26754
Operated by RAYBAW Operating LLC
Producing Spacing Unit: SWNE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Additionally, as a potential working interest owner, it is necessary for you to execute a Communitization Agreement ("CA") for submission to the appropriate agency. Enclosed is a CA and signature page for you approval agreeing to the communitized spacing unit.

Should you have any questions or want to discuss any details, please contact me at 432.230.3388 or by email at aroush@pbex.com.

Sincerely,

E.G.L. Resources, Inc.

//Ashley Roush//

Ashley Roush
Land Manager

AR:bh
Enc

September 19, 2024
N/2 BOND 32-34 101H-103H, 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E, Lea County, NM

WELL NAME	**Elect TO PARTICIPATE for proportionate share of costs**	**Elect NOT TO PARTICIPATE for proportionate share of costs**
Bond 32-34 Fed Com 101H		
Bond 32-34 Fed Com 102H		
Bond 32-34 Fed Com 103H		
Bond 32-34 Fed Com 201H		
Bond 32-34 Fed Com 203H		
Bond 32-34 Fed Com 205H		

Company: _____

Signed: _____

Name: _____

Title: _____

Date: _____

E.G.L. Resources LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 101H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1675 FNL & 2110 FWL (or Unit F)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 330 FNL & 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,143,323.13**	**$150,000.00**	**$850,000.00**	**$2,143,323.13**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

E.G.L. Resources LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 102H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1675 FNL & 2390 FWL (or Unit F)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 1254 FNL & 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,143,323.13**	**$150,000.00**	**$850,000.00**	**$2,143,323.13**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

E.G.L. Resources LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 103H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1640 FSL & 1200 FEL (or Unit I)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 2178 FNL & 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,143,323.13**	**$150,000.00**	**$850,000.00**	**$2,143,323.13**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

E.G.L. Resources LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 201H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1675 FNL & 2130 FWL (or Unit F)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FNL & 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 23,320' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	**$150,000.00**	**$850,000.00**	**$2,146,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

E.G.L. Resources LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 203H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1675 FNL & 2410 FWL (or Unit F)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 1254 FNL & 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 23,320' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	**$150,000.00**	**$850,000.00**	**$2,146,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

E.G.L. Resources LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 205H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1620 FSL & 1200 FEL (or Unit I)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 2200 FNL & 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 23,320' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	**$150,000.00**	**$850,000.00**	**$2,146,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

E. G. L. Resources, Inc.

September 19, 2024

Via Certified Mail, Return Receipt Requested
No. 9589 0710 5270 1252 1187 86
Chevron USA Inc.
6301 Deauville Blvd
Midland, TX 79706

Re: **Bond 32-34 Fed Com 101H, 102H, 103H**
Bond 32-34 Fed Com 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

E.G.L. Resources, Inc. ("E.G.L.") on behalf of PBEX, LLC ("PBEX") previously proposed the Bond 33-34 Fed Com 101H, 102H, 103H, 201H, 203H, and 205H wells in the N2 of Sections 33 and 34, Township 18 South, Range 32 East, Lea County, New Mexico, with target zones in the Bone Spring formation. At this time, E.G.L. is rescinding those previous proposals, along with the N/2 Operating Agreement dated December 15, 2023, previously mailed to your attention.

E.G.L. previously had plans to develop its leases with the Bond wells in the Bone Spring and Wolfcamp formations underlying Sections 33 & 34. E.G.L. had an approved onsite for this acreage (dated 5/30/23) but due to the recent listing of the Dune Sagebrush Lizard as endangered, that approved location is now in a restricted habitat area. The BLM requested that E.G.L. pursue off-lease surface locations, which has impacted E.G.L.'s planned development area. At this time, E.G.L. is proposing the following wells in the Bone Spring formation, located in the NE4 of Section 32, N2 of Section 33, and N2 of Section 34, T18S-R32E, Lea County, New Mexico.

BOND 32-34 FED COM 101H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2110' FWL, or at a legal location in Unit F
FTP - Sec. 32: 330' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 330' FNL & 10' FEL, or a legal location in Unit A
Formation - 1BS TVD - 8,450' MD - 22,450'

BOND 32-34 FED COM 102H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2390' FWL, or at a legal location in Unit F
FTP - Sec. 32: 1254' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 1254' FNL & 10' FEL, or a legal location in Unit A
Formation - 1BS TVD - 8,450' MD - 22,450'

BOND 32-34 FED COM 103H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E

September 19, 2024
N/2 BOND 32-34 101H-103H, 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E, Lea County, NM

SHL - Sec. 32: 1640' FSL & 1200' FEL, or at a legal location in Unit I
FTP - Sec. 32: 2178' FNL & 2540' FEL, or a legal location in Unit G
BHL - Sec. 34: 2178' FNL & 10' FEL, or a legal location in Unit H
Formation - 1BS TVD - 8,450' MD - 22,450'

BOND 32-34 FED COM 201H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2130' FWL, or at a legal location in Unit F
FTP - Sec. 32: 330' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 330' FNL & 10' FEL, or a legal location in Unit A
Formation - 2BS TVD - 9,320' MD - 23,320'

BOND 32-34 FED COM 203H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1675' FNL & 2410' FWL, or at a legal location in Unit F
FTP - Sec. 32: 1254' FNL & 2540' FEL, or a legal location in Unit B
BHL - Sec. 34: 1254' FNL & 10' FEL, or a legal location in Unit A
Formation - 2BS TVD – 9,320' MD – 23,320'

BOND 32-34 FED COM 205H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL - Sec. 32: 1620' FSL & 1200' FEL, or at a legal location in Unit I
FTP - Sec. 32: 2200' FNL & 2540' FEL, or a legal location in Unit G
BHL - Sec. 34: 2200' FNL & 10' FEL, or a legal location in Unit H
Formation - 2BS TVD – 9,320' MD – 23,320'

E.G.L. and PBEX reserve the right to modify the locations and drilling plans described above in order to address topography, environmental concerns, regulatory conflicts, technical advantages, among other reasons. E.G.L. and/or PBEX shall, however, advise of such modifications.

E.G.L. is proposing these wells under the terms of a new modified 1989 AAPL form of Operating Agreement, dated December 1, 2024, by and between E.G.L. Resources, Inc., as Operator and PBEX, LLC, as Non-Operator which has been included with this letter. The following provisions are included:

- 100/300 Non-consent Penalty
- $10,000/$1000 Overhead Rates
- E.G.L. Resources, Inc. named as Operator.

According to a cursory title review, you could be the owner of a certain working interest in the wells, the amount of which will be subject to title verification. Please indicate your election in the area marked below, sign and return one (1) copy of this letter, along with one (1) signed copy of the enclosed AFE(s) and a copy of your geological well requirements, to my attention at the letterhead address within thirty (30) days of receipt of this notice.

As an alternative to participation, E.G.L. would be open to discussing Sale/Assignment options, subject to mutually agreeable terms, execution of a mutually acceptable form of Assignment and verification of your interest. If a sale/assignment is the preferred choice, please contact us to discuss the details of this option.

September 19, 2024
N/2 BOND 32-34 101H-103H, 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E, Lea County, NM

In the interest of time, if we are unable to reach an agreement within thirty (30) days from the date of this letter, E.G.L./PBEX will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Pursuant to 19.15.15.12 and 19.15.16.15 NMAC, you are being provided notice of our intention to drill and complete the wells described above wholly or partially within a spacing unit containing an existing well or wells in which you own an interest, described below. **Should you wish to object, a written statement must be delivered to E.G.L. Resources, LLC, within 20 days of the date of this notice.**

EXISTING WELLS

McKay West Fed #001
API No. 30-025-24931
Operated by RAYBAW Operating LLC
Producing Spacing Unit: SENW Sec 34, T18S-R32E
Producing Formation: Upper Bone Spring

Hulkster #003
API No. 30-025-39570
Operated by RAYBAW Operating LLC
Producing Spacing Unit: NWNE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Hulkster #004
API No. 30-025-39571
Operated by RAYBAW Operating LLC
Producing Spacing Unit: NENE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Hulkster #005
API No. 30-025-39572
Operated by RAYBAW Operating LLC
Producing Spacing Unit: SENE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Max State #001
API No. 30-025-26754
Operated by RAYBAW Operating LLC
Producing Spacing Unit: SWNE Sec 32, T18S-R32E
Producing Formation: Bone Spring, North

Additionally, as a potential working interest owner, it is necessary for you to execute a Communitization Agreement ("CA") for submission to the appropriate agency. Enclosed is a CA and signature page for you approval agreeing to the communitized spacing unit.

Should you have any questions or want to discuss any details, please contact me at 432.230.3388 or by email at aroush@pbex.com.

Sincerely,

E.G.L. Resources, Inc.

//Ashley Roush//

Ashley Roush
Land Manager

AR:bh
Enc

September 19, 2024
N/2 BOND 32-34 101H-103H, 201H, 203H, 205H
NE4 Sec 32, N2 Sec 33 & N2 Sec 34, T18S-R32E, Lea County, NM

WELL NAME	Elect TO PARTICIPATE for proportionate share of costs	Elect NOT TO PARTICIPATE for proportionate share of costs
Bond 32-34 Fed Com 101H		
Bond 32-34 Fed Com 102H		
Bond 32-34 Fed Com 103H		
Bond 32-34 Fed Com 201H		
Bond 32-34 Fed Com 203H		
Bond 32-34 Fed Com 205H		

Company: _____

Signed: _____

Name: _____

Title: _____

Date: _____

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron USA Inc.
6301 Deauville Blvd
Midland, TX 79706
NEW N2 BOND

2. Article Number (Transfer from service label)
9589 0710 5270 1252 1187 86

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

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) Ashland Nixon C. Date of Delivery 9/25/24

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☑ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Insured Mail
☐ Insured Mail Restricted Delivery
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

9589 0710 5270 1252 1187 86

PS Form 3800, January 2023 PSN 7530-02-000-9047 See Reverse for Instructions

---

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Rick & Sharon Coll
5081 Saquero
Roswell, NM 88201
NEW N2 BOND

2. Article Number (Transfer from service label)
9589 0710 5270 1252 1187 93

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

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X Sharon Coll ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No
9/23/24

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☑ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

9589 0710 5270 1252 1187 93

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Cullins Energy LP
20008 Champion Forest Dr, Suite 404
Spring, TX 77379
NEW N2 BOND

2. Article Number (Transfer from service label)
9589 0710 5270 1252 1188 09

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

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No
9/24

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☑ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Insured Mail
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

9589 0710 5270 1252 1188 09

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A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

December 1 , **2024** ,
Year

OPERATOR **E.G.L. Resources, Inc.**

CONTRACT AREA **SEE EXHIBIT "A"**

COUNTY ~~OR PARISH~~ OF **LEA** , STATE OF **NEW MEXICO**

N/2 BOND 32-34 FED COM UNIT
BONE SPRING

COPYRIGHT 1989 – ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 – 1989

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between E.G.L. Resources, Inc., hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

B. The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, **fracing** / perforating, well stimulation and production testing conducted in such operation.

C. The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

D. The term "Deepen" shall **, with respect to a vertical well,** / mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser. **The term Deepen shall also mean a single operation whereby a Horizontal Well is drilled to a targeted horizontal distance beyond the horizontal distance in which the well was previously drilled, or beyond the targeted horizontal distance proposed in the associated AFE, whichever is the lesser.**

E. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

F. The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

G. The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

H. The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

I. The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation, and for which the Consenting Parties have not been fully reimbursed, as provided in Article VI.B.2,.

J. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

K. The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

L. The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

M. The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

N. The term "Plug Back" shall mean a single operation in order to attempt a Completion in a shallower Zone. When used in connection with a Horizontal Well, the term "Plug Back" shall mean an operation to test or Complete the well at a straigraphically shallower Zone than the Zone in which the well has been or is being Completed and which is not in an existing Lateral.

O. The term "Recompletion" or "Recomplete" shall mean an operation to attempt a Completion in a different Zone within the existing wellbore.

P. The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Q. The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole **or** / to overcome other mechanical difficulties. When used in connection with a Horizontal Well, the term "Sidetrack" shall mean the directional control and deviation of a well outside the existing Lateral(s) so as to change the Zone or the direction of a Lateral from the approved proposal unless done to straighten the hole or drill around junk in the hole or to overcome other mechanical difficulties.

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R. The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

S. See Article XVI.A. for additional definitions.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.

EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

__X__ A. Exhibit "A," shall include the following information:

(1) Description of lands subject to this agreement,

(2) Restrictions, if any, as to depths, formations, substances, or wells,

(3) Parties to agreement with addresses and telephone numbers for notice purposes,

(4) Percentages or fractional interests of parties to this agreement,

(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement.

(6) Burdens on production.

_____ ~~B. Exhibit "B," Form of Lease.~~

__X__ C. Exhibit "C," Accounting Procedure.

__X__ D. Exhibit "D," Insurance.

__X__ E. Exhibit "E," Gas Balancing Agreement.

__X__ F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities.

_____ ~~G. Exhibit "G," Tax Partnership.~~

__X__ H. Other: **Memorandum of Operating Agreement, Mortgage and Financing Statement**

__X__ I. Geological and Geophysical Requirements

If any provision of any exhibit, except Exhibits "E," "F" ~~and "G"~~, is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.

INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an Oil and Gas Interest in the Contract Area, that Interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of Oil and Gas Lease attached hereto as Exhibit "B," and the owner thereof shall be deemed to own both royalty interest in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations ~~on the Contract Area~~ **as conducted under this agreement** shall be owned, by the parties as their interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or caused to be paid or delivered, all burdens on its share of production from the Contract Area up to, but not in excess of __25%__, and shall indemnify, defend and hold the other parties free from any liability thereof. on its share of production from any Oil and Gas Lease or Oil and Gas Interest contributed by such party to the Contract Area, and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in excess of the amounts stipulated above, such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

C. Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production

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payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A,"/ **and/or is not filed of record with County Clerk** such burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest. ~~/~~ **See also Article XVI.G**

ARTICLE IV.

TITLES

A. Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and if ~~a majority in interest of the Drilling Parties so request or~~ Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. ~~The opinion~~ **Such examination** / will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys **and outside landmen** / for title examination (including preliminary, supplemental, shut-in royalty opinions **curative work,** / and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communitization agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by **the Operator** ~~all of the Drilling Parties/ in such well.~~

B. Loss or Failure of Title:

1. Failure of Title: Should any Oil and Gas Interest or Oil and Gas Lease be lost through failure of title, which results in a reduction of interest from that shown on Exhibit "A," the party credited with contributing the affected Lease or Interest (including, if applicable, a successor in interest to such party) shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining Oil and Gas Leases and Interests; and,

(a) The party credited with contributing the Oil and Gas Lease or Interest affected by the title failure (including, if applicable, a successor in interest to such party) shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have previously paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

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(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the Lease or Interest which has failed, but the interests of the parties contained on Exhibit "A" shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose Lease or Interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the Lease or Interest failed;

(c) If the proportionate interest of the other parties hereto in any producing well previously drilled on the Contract Area is increased by reason of the title failure, the party who bore the costs incurred in connection with such well attributable to the Lease or Interest which has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well attributable to such failed Lease or Interest;

(d) Should any person not a party to this agreement, who is determined to be the owner of any Lease or Interest which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;

(e) Any liability to account to a person not a party to this agreement for prior production of Oil and Gas which arises by reason of title failure shall be borne severally by each party (including a predecessor to a current party) who received production for which such accounting is required based on the amount of such production received, and each such party shall severally indemnify, defend and hold harmless all other parties hereto for any such liability to account;

(f) No charge shall be made to the joint account for legal expenses, fees or salaries in connection with the defense of the Lease or Interest claimed to have failed, but if the party contributing such Lease or Interest hereto elects to defend its title it shall bear all expenses in connection therewith; and

(g) If any party is given credit on Exhibit "A" to a Lease or Interest which is limited solely to ownership of an interest in the wellbore of any well or wells and the production therefrom, such party's absence of interest in the remainder of the Contract Area shall be considered a Failure of Title as to such remaining Contract Area unless that absence of interest is reflected on Exhibit "A."

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, or other payment necessary to maintain all or a portion of an Oil and Gas Lease or interest is not paid or is erroneously paid, and as a result a Lease or Interest terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new Lease or Interest covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties reflected on Exhibit "A" shall be revised on an acreage basis, effective as of the date of termination of the Lease or Interest involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the Lease or Interest which has terminated. If the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of Oil and Gas attributable to the lost Lease or Interest, calculated on an acreage basis, for the development and operating costs previously paid on account of such Lease or Interest, it shall be reimbursed for unrecovered actual costs previously paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of Oil and Gas produced prior to termination of the Lease or Interest, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, previously accrued to the credit of the lost Lease or Interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds of Oil and Gas, less operating expenses and lease burdens chargeable hereunder to the person who failed to make payment, up to the amount of unrecovered costs attributable to that portion of Oil and Gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such Lease or Interest termination, would be attributable to the lost Lease or Interest on an acreage basis and which as a result of such Lease or Interest termination is credited to other parties, the proceeds of said portion of the Oil and Gas to be contributed by the other parties in proportion to their respective interests reflected on Exhibit "A"; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the Lease or Interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses of Leases or Interests committed to this agreement, other than those set forth in Articles IV.B.1. and IV.B.2. above, or those surrendered under Article VIII.A, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

4. Curing Title: In the event of a Failure of Title under Article IV.B.1. or a loss of title under Article IV.B.2. above, any Lease or Interest acquired by any party hereto (other than the party whose interest has failed or was lost) during the ninety

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(90) day period provided by Article IV.B.1. and Article IV.B.2. above covering all or a portion of the interest that has failed or was lost shall be offered at cost to the party whose interest has failed or was lost, and the provisions of Article VIII.B. shall not apply to such acquisition.

ARTICLE V.

OPERATOR

A. Designation and Responsibilities of Operator:

E.G.L Resources, Inc. shall be the Operator of the Contract Area, and shall conduct **conducted under this agreement** and direct and have full control of all operations ~~on the Contract Area~~ / as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators, Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties, **or any of their respective officers, employees or agents** / for losses sustained or liabilities incurred **See also Article XVI.H.** except such as may result from gross negligence or willful misconduct. /

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns ~~an~~ **working** / interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator **and its affiliates** /; such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to meet the standards of operation contained in Article V.A. or material failure or inability to perform its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's **working** / interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning ~~an~~ **working** / interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself **or for its affiliates** /, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned **and its affiliates** /. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

3. Effect of Bankruptcy: If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator, Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating

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committee without regard for their interest in the Contract Area based on Exhibit "A."

C. Employees and Contractors:

The number of employees or contractors used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

D. Rights and Duties of Operator:

1. Competitive Rates and Use of Affiliates: All wells drilled / ~~on the Contract Area~~ **under this agreement** shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling / **and completion** of wells, but its charges therefor shall not exceed the prevailing rates in the area ~~and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced~~, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to / ~~written agreement~~ **Exhibit "C"**, and in accordance with customs and standards prevailing in the industry.

2. Discharge of Joint Account Obligations: Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

3. Protection from Liens: Operator shall pay, or cause to be paid, as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied or those provided in Article VII.B.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each / ~~Non-Operator~~ **Consenting Party** or its duly authorized representative, at the / ~~Non-Operator's~~ **Consenting Party's** sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each / ~~Non-Operator~~ **Consenting Party** upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the / ~~Non-Operator~~ **Consenting Party** seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C." **See also Article XVI.C. Except as provided in Article VII.D.1., prior to payout a Non-Consenting Party shall be entitled to review the joint account records pertaining to a non-consent operation, to the extent necessary to conduct an audit of the payout account. Such audit will be conducted in accordance with Exhibit "C".**

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting / ~~Non-Operator~~ **Consenting Party** not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well / **, except as provided in Article VII.D.1.** :

(a) Operator will promptly advise / ~~Non-Operators~~ **~~Consenting Parties~~ Non Operators** of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send to / ~~Non-Operators~~ **Consenting Parties** such reports, test results and notices regarding the progress of operations on the well **Consenting Parties**

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as the / ~~Non-Operators~~ shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered that are in the Contract Area which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, / ~~that~~ **to the extent not prohibited by any Oil and Gas Lease the** Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." ~~To the extent the parties are required to carry any insurance under the terms of any Oil and Gas Lease and the terms thereof prohibits any party from self insuring such required insurance coverages, then~~ Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VI.

DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of December, 2025, Operator shall commence **operations for** / the drilling of the Initial Well at the following location:

NE4 Sec. 32, N2 Sec. 33 & N2 Sec. 34, T18S-R32E, Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a vertical depth sufficient to test the **Bone Spring** formation The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

B. Subsequent Operations:

other than a party that is in default hereunder and has received a notice of such default from another party

1. Proposed Operations: If any party / hereto should desire to drill any well on the Contract Area ~~other than the Initial Well~~, or **other than a party that is in default hereunder and has received a notice of such default form another party** if any party / should desire to Rework, Sidetrack, Deepen, / Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, ~~the~~ / party desiring to drill, / Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone under this agreement and to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, / Recomplete, Plug Back or Deepen may be given by telephone / and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the parties shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct

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said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation, reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

2. Operations by Less Than All Parties:

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, **provided however, Operator shall not be required to do so,** / or (ii) designate one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Party did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i). In the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Articles VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense; provided, however, that those Non-Consenting Parties that ~~participated in the drilling, / Deepening or Sidetracking of~~ **Re-fracing have the right to participate in future operations in** / the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, / Sidetracked, **Re-fraced** Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in **the proportions agreed to by the Consenting Parties** / ~~proportion to their respective interests~~, all of such Non-Consenting Party's interest in the well and share of production therefrom or, in the case of a Reworking, / Sidetracking, Deepening, **Re-fracing** Recompleting or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-

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Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

(i) **100** % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) **300** % of (a) that portion of the costs and expenses of drilling, Reworking, **Re-fracing** / Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C., and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone **or with respect to a Horizontal Well, the Total Measured Depth,** / described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a shallower Zone than the deepest objective Zone **or with respect to a Horizontal Well, the Total Measured Depth,** / proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2. (b) shall apply to such party's interest.

(c) Reworking, **Re-fracing** / Recompleting or Plugging Back. An election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any **Re-fracing** / Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such **Re-fracing,** / Reworking, Recompleting or Plugging Back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties **300** % of that portion of the costs of the Reworking, Recompleting or Plugging Back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, **/Re-fracing,** / Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

(d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.C.

In the case of any Reworking, **Re-fracing,** / Sidetracking, Plugging Back, Recompleting or Deepening operation, except as provided in Articles VI.B.4, VI.B.5, and VI.C.1 Option 2, if applicable, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, **Re-fracing,** / Sidetracking, Plugging Back, Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, Sidetracking, **Re-fracing,** / Deepening, Plugging Back, testing, Completing, Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from

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the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking, **Re-fracing,** Deepening, / Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and Exhibit "C" attached hereto.

3. Stand-By Costs: When a well which has been drilled **, Sidetracked,** / or Deepened has reached its authorized depth and all tests have been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a **Re-fracing,** / Reworking, Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2. (a), shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days after expiration of the forty-eight hour response period specified in Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's cost-bearing interest as shown on Exhibit "A" bears to the total cost-bearing interest as shown on Exhibit "A" of all the electing parties.

4. Deepening: If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the Non-Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.B.1. ("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non-Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon, Articles VI.B.1. and 2. shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation is approved pursuant to such provisions, and if any Non-Consenting Party elects to participate in the Deepening operation, such Non-Consenting party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

(a) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling and equipping of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well, other than equipping costs, in accordance with the other provisions of this Agreement; provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(b) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or

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reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective (including production casing and surface equipment), calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well that are attributable to the Non-Consenting Party's working interest. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Non-Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C." If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening. The parties that participated in drilling to the Initial Objective shall continue to be entitled to recoup, out of proceeds attributable to the Non-Consenting Party's working interest share of production from the non-consent portion of the well, any balance remaining as provided in Article VI.B.2, less the amount paid by the Non-Consenting Party under this Article VI.B.4.

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F /**, however, this Article VI.B.4 shall not apply to a Deepening operation within an existing Lateral or a Horizontal Well**.

5. Sidetracking: Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners its proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

(a) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling and equipping of the well down to the depth at which the Sidetracking operation is initiated.

(b) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4(b) above, less any costs recovered by the Consenting Parties from proceeds attributable to the sale of the Non-Consenting Party's working interest share of production from such well. Such party's proportionate share of the cost of the well's salvable materials and equipment down to the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit "C." **This Article VI.B.5 shall not apply to operations in an existing Lateral of a Horizontal Well.**

6. Order of Preference of Operations. Except as otherwise specifically provided in this agreement **including, but not limited to, Article XVI.B** /, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a party under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party's alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals; in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2.; failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

7. Conformity to Spacing Pattern. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the ~~then existing~~ well spacing pattern / for such Zone **or an approved exception thereto has been approved for drilling, Completion in or production from such Zone by order of the regulatory agency with responsibility for such matters.**

8. Paying Wells. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion, or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities except with the consent of all parties that have not relinquished interests in the well at the time of such operation.

C. Completion of Wells; Reworking and Plugging Back:

1. Completion: Without the consent of all parties, no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

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☒ Option No. 1: All necessary expenditures for the drilling, / Re-fracing Deepening or Sidetracking, testing, Completing and equipping of the / Horizontal well, including necessary tankage and/or surface facilities. **Completion operations shall be included in the proposed drilling operations for such well.**

☒ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the / vertical well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and the results thereof / ~~furnished~~ made available to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal, or any Completion proposal conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operation not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.B.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further, that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvable materials and equipment installed in the well / or on the Well Pad pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

2. Rework, /Re-frac complete or Plug Back: No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the Reworking, Re-fracing Recompleting / or Plugging Back of a well shall include all necessary expenditures in conducting such operations and Completing and equipping of said well, including necessary tankage and/or surface facilities.

D. Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **One Hundred Thousand and no/100** Dollars ($ **100,000.00**) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of **One Hundred Thousand and no/100** Dollars ($**100,000.00**). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2, which shall be governed exclusively be those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days thereof Operator secures the written consent of any ~~party or~~ two or more unaffiliated parties owning at least **51** % of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

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E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled / or Deepened **, Sidetracked,** pursuant to Article VI.B.2., any well which has been drilled / or Deepened **, Sidetracked,** under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling / **Re-fracing, Sidetracking, Re-working** or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface, for which the abandoning parties shall remain proportionately liable./ **to the extent such costs are not increased as a result of operations by the parties that took over the well.**

2. Abandonment of Wells That Have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties /. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. Failure of a party to reply within sixty (60) days of delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If, within sixty (60) days after delivery of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the Zone then open to production shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well. **that consented to and participated in the drilling, Re-fracing, Re-Working, Sidetracking or Deepening of such well, as applicable**

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on / ~~the~~ form. ~~attached as Exhibit "B."~~ The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area. **a mutually agreeable**

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing Zone assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided,

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however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.; and provided further, that Non-Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b), **to the extent such costs are not increased as a result of the Consenting Parties subsequent operations. If Operator does not receive a written response from any Non-Operator within thirty (30) days after delivering notice of proposed abandonment, then such Non-Operator shall be deemed to have consented to the proposal.**

F. Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing, Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of / **two or more unaffiliated parties** parties bearing 51% of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1, and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

G. Taking Production in Kind:

☒ **Option No. 1: Gas Balancing Agreement Attached**

Each party shall / **have the right but not the obligation to** take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. ~~Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.~~

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil / **and Gas** produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil / **and Gas** or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least / **thirty (30)** ~~ten (10)~~ days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least / **thirty (30)** ~~ten (10)~~ days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil / **and Gas** not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of Oil / **and Gas** shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil / **and Gas** under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least / **thirty (30)** ~~ten (10)~~ days written notice of such intended purchase and the price to be paid or the pricing basis to be used.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

In the event one or more parties' separate disposition of its share of the Gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas / **production available for** sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with any Gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E" or is a separate agreement. Operator shall give notice to all parties of the first sales of Gas from any well under this agreement. **Each party electing to take in-kind or separately dispose of its proportionate share of the production from the Contract Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. To the extent that Non-Operator can furnish the information without violating any confidentiality obligations, Non-Operator shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder, excluding sale price, whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information.**

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Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.

~~☐ Option No. 2: No Gas Balancing Agreement:~~

~~Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably lost. Any extra expenditures incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.~~

~~Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.~~

~~If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil and/or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such Oil and/or Gas or sell it to others at any time and from time to time, for the account of the non taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise its right to take in kind, or separately dispose of, its share of all Oil and/or Gas not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Operator's election for a period not to exceed ninety (90) days if Operator has committed such production to a purchase contract having a term extending beyond such ten (10) day period. Any purchase or sale by Operator of any other party's share of Oil and/or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.~~

~~Any such sale by Operator shall be in a manner commercially reasonable under the circumstances, but Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Operator of a non taking party's share of production under the terms of any existing contract of Operator shall not give the non taking party any interest in or make the non taking party a party to said contract. No purchase of Oil and Gas and no sale of Gas shall be made by Operator without first giving the non taking party ten days written notice of such intended purchase or sale and the price to be paid or the pricing basis to be used. Operator shall give notice to all parties of the first sale of Gas from any well under this Agreement.~~

~~All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements. Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.~~

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's-length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder. ~~See also Article XVI.I~~ /

B. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including but not limited to payment of expenses or other financial obligations under this agreement,

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interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and/or Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording supplement / ~~and/or any financing statement prepared and submitted by any party hereto in conjunction herewith or at any time following execution hereof~~, and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest granted hereunder. Any party may file / ~~this agreement, the recording supplement executed herewith~~, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

in the form attached hereto as Exhibit "H"

a recording supplement in the form attached hereto as Exhibit "H"

Each ~~party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each~~ party hereby agrees to maintain the priority of ~~said~~ / lien and security interest / against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise before or after such interest is acquired.

the

granted pursuant to this agreement

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interests, ~~or~~ fees, / or upon the improper use of funds by / ~~the Operator~~, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

or other financial obligations under this agreement

a party

If any party fails to pay its share of cost within one hundred twenty (120) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

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C. Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within Thirty (30) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator. Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

1. Suspension of Rights: Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to propose or elect to participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

2. Suit for Damages: Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

3. Deemed Non-Consent: The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred by the non-Consenting defaulting / parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

4. Advance Payment: If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non-Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of

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drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

5. Costs and Attorneys' Fees: In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid, or cause to be paid, by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C."

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C."

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole **; provided, however, no consent shall be required to release an Oil and Gas Lease which has terminated or expired by its own terms** or in part unless all parties consent thereto / .

However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment acquired by the parties under this agreement and used exclusively for the lease being surrendered, and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long **or lands pooled or allocated therewith, a mutually agreeable form**

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thereafter as Oil and/or Gas is produced from the land covered thereby, / such lease to be on / ~~the form attached hereto as Exhibit "B."~~ Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement but shall be deemed subject to an Operating Agreement / ~~in the form of~~ **identical to and modified to reflect the ownership of the acquiring parties** this agreement /.

B. Renewal or Extension of Leases:

If any party secures a renewal, / or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties / shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interest held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party without warranty of title, except as to claims arising by, through, or under the acquiring party. **top lease who participated in the ownership of the Oil and Gas Lease(s) being renewed or replaced**

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit "A," but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease , shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases. / **See also Article XVI.D.**

C. Acreage or Cash Contributions:

While this agreement is in force, if any party / ~~contracts for~~ **receives** a contribution of cash towards the drilling of a well or any other Operation / ~~on the Contract Area~~, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation / ~~on the Contract Area~~ **conducted under this agreement**. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of / **a** well drilled inside Contract Area. **conducted under this agreement**

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

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D. Assignment; ~~Maintenance of Uniform Interest~~:

~~For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:~~

~~1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or~~

~~2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.~~

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after / ~~they have~~ **the Operator** received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~F. Preferential Right to Purchase:~~

~~☐ (Optional; Check if applicable.)~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed disposition, which shall include the name and address of the prospective transferee (who must be ready, willing and able to purchase), the purchase price, a legal description sufficient to identify the property, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after the notice is delivered, to purchase for the stated consideration on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to transfer title to its interests to its mortgagee in lieu of or pursuant to foreclosure of a mortgage of its interests, or to dispose of its interests by merger, reorganization, consolidation, or by sale of all or substantially all of its Oil and Gas assets to any party, or by transfer of its interests to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which such party owns a majority of the stock.~~

ARTICLE IX.

INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulation §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action

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inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.

CLAIMS AND LAWSUITS

Operator may settle any single / uninsured third party damage claim(s) or suit(s) arising from operations hereunder if the aggregate **or related group of** Expenditure does not exceed **One-Hundred Thousand and no/100** Dollars **($100,000.00)** and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto that participated in the operation from which the claim or suit arose shall assume and take over **by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A"** the further handling of the claim or suit, unless such authority is delegated to Operator /. All costs and expenses of handling settling, **at** or otherwise discharging such claim or suit shall be / a the joint expense of the parties participating in the operation from which the **, except as provided in Article V.A.** claim or suit arises /. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.

FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term "force majeure," as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightening, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

ARTICLE XII.

NOTICES

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise **email,** specifically provided, shall be in writing and delivered in person or by United States mail, courier service, / telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit "A." All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. "Receipt" for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or **email address,** to the / telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when **email,** deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by / telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or **email,** 48 hours, such response shall be given orally or by telephone, / telex, telecopy or other facsimile within such period. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice. **See Article XVI.T.**

ARTICLE XIII.

TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

~~☐ Option No. 1: So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.~~

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☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in the Completion of a well as a well capable of production of Oil and/or Gas in paying quantities, this agreement shall continue in force so long as any such well is capable of production, and for an additional period of 90 days thereafter; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, Reworking, Deepening, Sidetracking, Plugging Back, testing or attempting to Complete or Re-complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is capable of producing Oil and/or Gas from the Contract Area, this agreement shall terminate unless drilling, Deepening, Sidetracking, Completing, Re-completing, Plugging Back or Reworking operations are commenced within 180 days from the date of abandonment of said well. "Abandonment" for such purposes shall mean either (i) a decision by all parties not to conduct any further operations on the well or (ii) the elapse of 180 days from the conduct of any operations on the well, whichever first occurs.

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

ARTICLE XIV.

COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. ~~If the Contract Area is in two or more states, the law of the state of _____ shall govern.~~.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to the operations hereunder, Non-Operators agree to release Operator from **sole liability for** / any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies, or any governmental authority having jurisdiction, to the extent such interpretation or application was made in good faith and does not constitute gross negligence **or willful misconduct** /. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

ARTICLE XV.

MISCELLANEOUS

A. Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of

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drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds with drilling operations for the Initial Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the Initial Well which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

B. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

C. Counterparts:

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

D. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, **for the purpose of bankruptcy proceedings,** this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and / the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

ARTICLE XVI.
OTHER PROVISIONS

A. Additional Definitions.

1. The term "Horizontal Well" shall have the same meaning as the term defined by the state regulatory agency having jurisdiction over the Contract Area, in the absence of which the term shall mean a well containing one or more Laterals which are drilled, Completed or Recompleted in a manner in which the horizontal component of the Completion interval (1) extends at least one hundred feet (100') in the objective formation(s) and (2) exceeds the vertical component of the Completion interval in the objective formation(s).

2. The term "Lateral" shall mean that portion of a wellbore that deviates from approximate vertical orientation to approximate horizontal orientation and all wellbore beyond such deviation to Total Measured Depth.

3. The term "Total Measured Depth", when used in connection with a Horizontal Well, shall mean the distance from the surface of the ground to the terminus, as measured along and including the vertical component of the well and Lateral(s). When the proposed operation(s) is the drilling of, or operation on, a Horizontal Well, the terms "depth" or "total depth" wherever used in this agreement shall be deemed to read "Total Measured Depth" insofar as it applies to such well.

4. "Refrac" or "Re-frac" shall mean any hydraulic fracture stimulation operation conducted in the wellbore of a well in order to improve or optimize production in a Zone which is currently open to production in the existing wellbore.

5. The term "well" shall mean and include all wells, however drilled, whether vertically, horizontally, directionally or otherwise, in an endeavor to obtain the production of Oil and Gas.

6. The term "Well Pad" shall mean a drill-ready surface location from which one or more wells are drilled and any related surface equipment, appurtenances and facilities related to and solely servicing such location.

B. Priority of Operations.

1. *Vertical Wells*. If the parties participating in the drilling of any vertical well under this agreement cannot mutually agree upon the conduct of further operations, the operations proposed to be conducted shall be governed by the following sequence of priority:

   a. A proposal to do additional logging, coring, or testing; then

   b. A proposal to attempt to complete the well at the objective depth; then

   c. A proposal to Plug Back the vertical well and to attempt a Completion in an ascending order above the objective depth; then

   d. A proposal to Deepen the vertical well to a new objective depth, in order of ascending depth; then

   e. A proposal to Sidetrack the vertical well.

2. *Horizontal Wells*. A proposal to plug a Horizontal Well that has been drilled to the authorized depth and all test have been completed and the results thereof furnished to the Consenting Parties, and such parties cannot agree upon the sequence and timing of further operations regarding said Horizontal Well, the operations proposed to be conducted shall be governed by the following sequence of priority:

   a. A proposal to do additional logging, coring, or testing; then

   b. A proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner set forth in the AFE (i.e., in accordance with the casing stimulation and other completion programs set forth in the AFE); then

   c. A proposal to attempt to Complete the Horizontal Well at the authorized depth in the manner different than as set forth in the AFE; then

   d. A proposal to extend the length of the Lateral hole for a specified number of feet in the direction it is drilling, with priority given in ascending order to objects above the authorized depth, and then in descending order to objectives below the

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authorized depth; then

e. A proposal to drill a new Lateral in a different direction at the authorized depth; then

f. A proposal to drill new Lateral in a different depth, with priority given in ascending order to objectives above the Authorized Depth, and then in descending order to objectives below the authorized depth; then

g. A proposal to Plug Back and attempt to complete the Horizontal well at a depth shallower than the authorized depth, with priority given to objectives in ascending order up the hole; then

h. A proposal to Deepen the Horizontal well below the authorized depth; then

i. A proposal to Sidetrack the Horizontal well to a new target objective, with priority given first in ascending order to objectives above the authorized depth, and then in descending order to objectives below, the authorized depth.

As to any possible conflicts that may arise during the Completion phase of a Horizontal Well, priority shall be given first to a Lateral of the authorized depth, and then to objective formations in ascending order above the authorized depth, and then to objective formations in descending order below the authorized depth. In a Horizontal Well, the Operator shall have the right to cease drilling at any time, for any reason, after it has drilled a Horizontal Well to the objective formation and has drilled horizontally for a distance which is at least equal to fifty percent (50%) of the length of the total horizontal displacement (displacement from true vertical) proposed for the operation, unless mutually agreed by the parties.

3. If at the time the parties are considering a proposed operation, the well is in such condition, in the Operator's judgment, that a reasonably prudent operator would not conduct such operation for fear of mechanical difficulties, placing the hole, property, equipment or personnel in danger of loss, injury or death, or fear of loss of hole or the well for any reason without being able to attempt a Completion at the authorized depth, then the proposal shall be given no priority to any proposed operation except for plugging and abandoning the well.

4. The parties hereto acknowledge and agree that nothing in this Article XVI.B shall relieve a party, in whole or in part, from its obligation to pay all necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of such an authorized well (including necessary tankage and/or surface facilities) to the extent required pursuant to Article VI.

C. Access to Contract Area and Information. A Non-Consenting Party under Article VI.B or Article VI.C.1, shall not have access to the well site with respect to the applicable operation, and such Non-Consenting Party shall not be entitled to receive, and shall not be given or provided with any information relating to that operation, including any notices, applications, reports, or similar information under Article V.D.5, until the Consenting Parties have recouped the non-consent penalty provided for in Article VI.B with respect to that operation. Except as provided in Article VII.D.1, prior to payout, a Non-Consenting Party shall be entitled to review the joint account records pertaining to the non-consent operation(s), to the extent necessary to conduct an audit of the payout account. Such audit will be conducted in accordance with Exhibit C.

D. Renewal or Extension of Leases. Notwithstanding anything herein to the contrary, each party committing any Lease or Leases or any undivided interest therein or portion thereof to this agreement shall have the sole option prior to the expiration of each such Lease to renew or extend such Lease with respect to all of such party's interest therein and to bear the renewal or extension costs and expenses incurred in connection therewith and thereby retain its interest and title in said Lease. If any such party does not timely exercise its option and procure a renewal or extension of its interest in such Lease, then any replacement Lease taken covering such interest will thereafter be subject to the terms of Article VIII.B. The provisions of this section shall only apply to Leases or portions of Leases located in the Contract Area.

E. Advance Payments; Billing.

1. In addition to the rights and obligations contained in Article VII.C of this agreement, when the operations contemplated hereunder involve the drilling of any well, Operator, at its election, shall have the right from time to time to demand and receive from each Non-Operator full payment in advance for such Non-Operator's proportionate share of the estimated drilling cost as reflected on the AFE forwarded with the well proposal of such well. In no event will an advance payment be due prior to a party making its election in a proposed operation.

2. Except as provided herein, any invoice for such advance payment shall not be issued more than thirty (30) days prior to the anticipated spud date for the applicable well. If the advance payment relates to a Horizontal Well for which Operator elects to (i) drill all or a portion of the vertical section of such Horizontal Well with a drilling rig that is not capable of drilling the horizontal section of such Horizontal Well (a "Surface Rig") and (ii) commence the drilling of the horizontal section of such Horizontal Well later than thirty (30) days following the rig release date for the Surface Rig, then the invoice for such advance payment shall not be issued more than sixty (60) days prior to the date that a drilling rig capable of drilling the horizontal section of such Horizontal Well is scheduled to commence drilling operations on such Horizontal Well. If any such vertical well or Horizontal Well is not spud within thirty (30) days of the date of Operator's advance invoice, Operator will refund the advance payment upon written request of Non-Operator.

3. If a party receiving notice for an advance payment of an approved operation under the foregoing paragraph and/or under Article VII.C of this agreement (including advance payments for any operation proposed under Article VI), should fail to advance its proportionate share of such payment to the Operator within thirty (30) days of receipt thereof, or should fail to make credit arrangements satisfactory to the Operator, then Operator shall notify that party by certified letter that payment is due and said party shall have fifteen (15) additional days after receipt of such letter in which to make payment. That party's failure to timely pay shall constitute, at the option of the Operator, a withdrawal of that party's election to participate in the proposed operation and the non-consent provisions herein shall not be applicable to such well, and if such proposed operation results in a well capable of producing in paying quantities such party shall immediately assign to the other parties its interest in the proration/production unit for such well.

F. Costs Associated with Use of Consultants. Operator may charge reasonable costs of consultants, including outside attorneys */as permitted by Section III.I.A(ii) of Exhibit C,* ~~necessary to secure regulatory permits and approvals for drilling wells, laying pipelines, collecting and discharging water and any other matters related to the Contract Area.~~

G. Creation of Subsequent Interests. If after the date hereof any party hereto creates an overriding royalty, production payment or any other burden against its working interest production, and if any party or parties shall conduct non-consent operations pursuant to any provisions of this agreement, and as a result, become entitled to receive the working interest production otherwise belonging to the Non-Consenting Party, the party or parties entitled to receive the working interest production of the Non-Consenting Party shall receive such production free and clear of burdens against such production that may have been created subsequent to the effective date of this agreement. In this regard, any such interest that may have been created subsequent to the effective date of this agreement shall ipso facto terminate and vest in the Consenting Parties unless such interest is referenced on Exhibit "A", attached hereto.

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H. Additional Language to Article V.A - Operator. THE FOLLOWING PROVISIONS SHALL BE DEEMED CLEAR AND CONSPICUOUS AND SATISFY THE EXPRESS NEGLIGENCE RULE. ANYTHING TO THE CONTRARY NOTWITHSTANDING, OPERATOR SHALL HAVE NO LIABILITY ABOVE AND BEYOND ITS PROPORTIONATE SHARE FOR LOSSES RESULTING FROM OPERATOR'S ORDINARY NEGLIGENCE IN OPERATIONS ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT (INCLUDING WITHOUT LIMITATION THE ADMINISTRATION OF THIS AGREEMENT OR OPERATIONS HEREUNDER), EXCEPT FOR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF OPERATOR.

I. Additional Language to Article VII.A - Liabilities of Parties. NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM SUCH PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, BREACH OF CONTRACT OR OTHER FAULT OR RESPONSIBILITY. For purposes of the foregoing, actual damages may, however, include indirect, special, consequential, incidental or indirect losses or exemplary or punitive damages to the extent (i) the injuries or losses resulting in or giving rise to such damages are incurred or suffered by a third party which is not a party to this agreement and (ii) such damages are recovered against such party by a third party which is not a party hereto. This Article XVI.I shall operate only to limit a party's liability and shall not operate to increase or expand any contractual obligation of a party hereunder.

J. Bankruptcy. If any party becomes insolvent or files for relief under the United States Bankruptcy Code and all or any part of this agreement is held to be an executory contract, then the Operator, or (if the Operator is the debtor in bankruptcy) any other party, shall be entitled to a determination by the debtor in possession or any trustee as to the rejection or assumption of this agreement within thirty (30) days from the date an order for relief is entered to seek adequate assurances as to the future performance of the debtor's obligations hereunder, and the protection of all interests affected thereby. To the extent permitted by order of the Bankruptcy Courts the debtor party shall satisfy its obligation to provide adequate assurances by advancing payments or depositing funds or appropriate legal instruments pursuant to a mutually acceptable escrow agreement.

K. Force Majeure. The Parties recognize that due to environmental concerns relating to the Contract Area, there may be limited drilling windows during which Operator will be permitted to drill, and that consequently a force majeure preventing drilling during one window may require that Operator defer drilling until the next available window, even though the force majeure that originally prevented the drilling terminates earlier. In that event, the force majeure shall be considered to continue until Operator, with reasonable diligence, is able to commence or resume drilling in the next available drilling window. If the force majeure ends while the drilling window is open but without sufficient time within that window to allow the well to be drilled to the authorized depth. Operator may defer commencement or resumption of drilling until the next available window.

L. De-Spaced and Re-Spaced Unit(s). If a proration or spacing unit comprising all or part of the Contract Area is reduced in size by a governmental agency, or by court order, or by the terms of the applicable Oil and Gas Lease(s) which have been contributed to the unit, or by agreement of the parties hereto, or by completion of a unit well in a formation different than that originally contemplated by the Consenting Parties when the well was commenced, then the parties' interests in the Contract Area, as shown on Exhibit "A", will remain unchanged, subject to the payment of royalties as follows: The parties agree to pay their share of all royalties, overriding royalties, production payments and all other burdens not excepted by Article III.C herein, in proportion to their interests as shown in Exhibit "A", regardless of which party(s) contributed the Oil and Gas Lease(s) on which the royalty and other burdens are due.

M. Early Commencement of Operations. Notwithstanding anything to the contrary in this agreement, Operator shall have the right to commence activities preliminary to actual drilling operations including, without limitation, building location, roads and pits, delivering materials and equipment to the well site, rigging up a drilling rig, and/or any other actual drilling operations, at any time either before or after giving the notice of proposed operations required by said Articles. Operator's commencement of the foregoing prior to the expiration of the notice period shall not impair any other party's right to utilize the full 30 day notice period (or 48 hour period if a drilling rig is on location) for submittal of its participation election, provided that once a party has submitted its participation election, it shall not have the right to change its election without the approval of all Consenting Parties.

N. Miscellaneous.

1. *Conflict of Terms*. In the event of a conflict between the typewritten portions and printed portions of this agreement, the typewritten portions shall prevail. In the event of a conflict between the terms of this Article XVI and any other portion of this agreement, the terms of Article XVI shall govern, control and prevail.

2. *Invalid Provisions*. In the event any provision contained in this agreement is contrary to any law, rule, regulation or order and is held to be invalid, void, illegal or unenforceable in any respect, the parties shall either modify the provision to properly conform with such law, rule, regulation or order or delete such provision from this agreement, and in either case the remaining provisions hereof shall remain unaffected and will continue in full force and effect. Furthermore, in lieu of such invalid, void, illegal or unenforceable provision there automatically shall be added as part of this agreement a provision as closely resembling such provision as shall then be valid, legal and enforceable so long as such provision does not have a material adverse effect on the rights of any party to this agreement.

~~3. *COPAS Interpretation*. The provisions of Exhibit "C" attached hereto shall be interpreted as recommended by the Council of Petroleum Accountants Societies of North America, Accounting Procedure for Joint Operations, after giving effect to special changes and provisions noted herein and in the provisions of Exhibit "C", if any.~~

4. *JOA Preparation*. Each party acknowledges and agrees that such party has been represented or had the opportunity to be represented by attorneys of its own choosing and therefore, for the purposes of construing this agreement, each party shall be deemed to have participated equally in the preparation and drafting of this agreement. If any ambiguity is contained in this agreement, no weight shall be given in favor or against any party in resolving that ambiguity on account of that party's drafting of this agreement.

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~~O. Limited Agency. Operator is granted the right to act as a limited agent on behalf of non-operators for the express purpose of executing State & Federal Communitization Agreements covering the Contract Area as described in Exhibit "A".~~

P. Regulatory Expense. Should it be it be necessary to conduct hearings before governmental agencies for the securing of orders, or for certifying new gas, within the Contract Area of this Operating Agreement, the costs attributable to such hearings as well as fees paid to outside attorneys and third-party witnesses, shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A".

Q. Supersede. This operating agreement will also supersede and replace all existing operating agreements, if applicable, for the period of this operating agreement, insofar as the Contract Area. The foregoing notwithstanding, nothing in this Agreement shall act to reduce, enlarge or eliminate any existing contractual interest owned by any party under the prior Operating Agreements covering all or any part of the Contract Area.

R. Existing Wellbores. This Operating Agreement specifically excludes producing wellbores, associated equipment, associated production including the operating of such existing wellbores as of the date of this Operating Agreement.

S. Email Notices. An email notice shall be deemed delivered only when affirmatively acknowledged by email reply from the receiving party. Automatic delivery receipts issued, without direct acknowledgment of the email notice, are not evidence of Receipt for purposes of this agreement. If the receiving party fails or declines to affirmatively acknowledge an email notice, then Receipt of the notice shall only be deemed to have occurred when received by the party as otherwise provided in Article XII. Notwithstanding anything to the contrary in this agreement, default notices under Article VII.D may not be delivered soley by email.

T. Exhibit "A" Ownership Changes. Exhibit "A" shall be amended by the Operator to reflect transfers of ownership and changes in the addresses of parties pursuant to Article VIII.D. ~~Non-Operators may request a change in ownership percentages listed on Exhibit "A" by submitting credible evidence of more accurate title. The Operator shall then circulate a revised Exhibit "A" to Non-Operators, and all parties shall have 30 days to object. If no timely objections are raised, the revised Exhibit "A" shall be adopted.~~ Upon request by a Non-Operator, Operator shall amend Exhibit "A" to reflect transfers of ownership pursuant to Article VIII.D or changes in the addresses of the parties within 30 days after the request.

U. Operator Owns No Interest. The parties to this agreement acknowledge that EGL Resources, Inc. does not own an interest in the Contract Area. Notwithstanding anything in this agreement to the contrary, the parties agree that EGL Resources, Inc. shall serve as Operator even though it owns no interest in the Contract Area.

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of **December**, **2024**.

~~_____, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____, have been made to the form.~~

ATTEST OR WITNESS:

OPERATOR

E.G.L. Resources, Inc.

_____

_____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

NON-OPERATOR(S)

COMPANY NAME: _____

_____

_____

By _____

Type or print name

Title _____

Date _____

Tax ID or S.S. No. _____

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ACKNOWLEDGMENTS

Acknowledgment in individual capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on

_____ by _____ as

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

Acknowledgment in representative capacity:

State of _____)

) ss.

County of _____)

This instrument was acknowledged before me on _____ by _____as

_____ of _____.

(Seal, if any) _____

Title (and Rank) _____

My commission expires: _____

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EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated December 1, 2024, by and among E.G.L. Resources, Inc., as Operator, and PBEX LLC, et al, as Non-Operator(s).

I. CONTRACT AREA

Township 18 South, Range 32 East, N.M.P.M.
Section 32: NE4
Section 33: N2
Section 34: N2
Lea County, New Mexico
Containing 800.00 acres, more or less

II. DEPTH RESTRICTIONS

Bone Spring formation only

III. PARTIES TO AGREEMENT

E.G.L. Resources LLC **To Be Determined**
PBEX LLC
223 W. Wall Street, Suite 900
Midland, TX 79701

IV. INTERESTS:

PARTY	WORKING INTEREST
TO BE DETERMINED	TO BE DETERMINED

V. OIL AND GAS LEASES SUBJECT TO AGREEMENT:

Lease No. (Legacy): NMNM 105510555 (NMNM 018302)
Date: 5/1/1973
Lessor: United States of America BLM
Original Lessee: Randolph M. Richardson
Legal Description: Insofar and only insofar as to
Township 18 South, Range 32 East, N.M.P.M.
Section 34: NE4, E2NW4, NW4NW4
Lea County, New Mexico

Lease No. (Legacy): NMNM 105444857 (NMNM 0556094)
Date: 2/1/1965
Lessor: United States of America BLM
Lessee: XTO Holdings LLC
Legal Description: Insofar and only insofar as to
Township 18 South, Range 32 East, N.M.P.M.
Section 33: NE4
Section 34: SW4NW4
Lea County, New Mexico

Lease No. (Legacy): NMNM 105468369 (NMNM 018232)
Date: 5/1/1973
Lessor: United States of America BLM

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Lessee:	XTO Holdings LLC
Legal Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NW4 Lea County, New Mexico
Lease No.:	LG-7655-07
Date:	2/1/1980
Lessor:	State of New Mexico
Lessee:	BEXP II Omega LLC
Legal Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 32: NE4 Lea County, New Mexico

VI. BURDENS ON PRODUCTION:

Of record as of the effective date of this agreement.

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Exhibit "C"

Attached to and made a part of that certain Operating Agreement dated December 1, 2024 , by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

IF THE PARTIES FAIL TO SELECT EITHER ONE OF COMPETING "ALTERNATIVE" PROVISIONS, OR SELECT ALL THE COMPETING "ALTERNATIVE" PROVISIONS, ALTERNATIVE 1 IN EACH SUCH INSTANCE SHALL BE DEEMED TO HAVE BEEN ADOPTED BY THE PARTIES AS A RESULT OF ANY SUCH OMISSION OR DUPLICATE NOTATION.

IN THE EVENT THAT ANY "OPTIONAL" PROVISION OF THIS ACCOUNTING PROCEDURE IS NOT ADOPTED BY THE PARTIES TO THE AGREEMENT BY A TYPED, PRINTED OR HANDWRITTEN INDICATION, SUCH PROVISION SHALL NOT FORM A PART OF THIS ACCOUNTING PROCEDURE, AND NO INFERENCE SHALL BE MADE CONCERNING THE INTENT OF THE PARTIES IN SUCH EVENT.

1. DEFINITIONS

All terms used in this Accounting Procedure shall have the following meaning, unless otherwise expressly defined in the Agreement:

"Affiliate" means for a person, another person that controls, is controlled by, or is under common control with that person. In this definition, (a) control means the ownership by one person, directly or indirectly, of more than fifty percent (50%) of the voting securities of a corporation or, for other persons, the equivalent ownership interest (such as partnership interests), and (b) "person" means an individual, corporation, partnership, trust, estate, unincorporated organization, association, or other legal entity.

"Agreement" means the operating agreement, farmout agreement, or other contract between the Parties to which this Accounting Procedure is attached.

"Controllable Material" means Material that, at the time of acquisition or disposition by the Joint Account, as applicable, is so classified in the Material Classification Manual most recently recommended by the Council of Petroleum Accountants Societies (COPAS).

"Equalized Freight" means the procedure of charging transportation cost to the Joint Account based upon the distance from the nearest Railway Receiving Point to the property.

"Excluded Amount" means a specified excluded trucking amount most recently recommended by COPAS.

"Field Office" means a structure, or portion of a structure, whether a temporary or permanent installation, the primary function of which is to directly serve daily operation and maintenance activities of the Joint Property and which serves as a staging area for directly chargeable field personnel.

"First Level Supervision" means those employees whose primary function in Joint Operations is the direct oversight of the Operator's field employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may include, but are not limited to:

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
- Responsibility for day-to-day direct oversight of rig operations
- Responsibility for day-to-day direct oversight of construction operations
- Coordination of job priorities and approval of work procedures
- Responsibility for optimal resource utilization (equipment, Materials, personnel)
- Responsibility for meeting production and field operating expense targets
- Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor's operating responsibilities
- Responsibility for all emergency responses with field staff
- Responsibility for implementing safety and environmental practices

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- Responsibility for field adherence to company policy
- Responsibility for employment decisions and performance appraisals for field personnel
- Oversight of sub-groups for field functions such as electrical, safety, environmental, telecommunications, which may have group or team leaders.

"Joint Account" means the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be shared by the Parties, but does not include proceeds attributable to hydrocarbons and by-products produced under the Agreement.

"Joint Operations" means all operations necessary or proper for the exploration, appraisal, development, production, protection, maintenance, repair, abandonment, and restoration of the Joint Property.

"Joint Property" means the real and personal property subject to the Agreement.

"Laws" means any laws, rules, regulations, decrees, and orders of the United States of America or any state thereof and all other governmental bodies, agencies, and other authorities having jurisdiction over or affecting the provisions contained in or the transactions contemplated by the Agreement or the Parties and their operations, whether such laws now exist or are hereafter amended, enacted, promulgated or issued.

"Material" means personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

"Non-Operators" means the Parties to the Agreement other than the Operator.

"Offshore Facilities" means platforms, surface and subsea development and production systems, and other support systems such as oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of offshore operations, all of which are located offshore.

"Off-site" means any location that is not considered On-site as defined in this Accounting Procedure.

"On-site" means on the Joint Property when in direct conduct of Joint Operations. The term "On-site" shall also include that portion of Offshore Facilities, Shore Base Facilities, fabrication yards, and staging areas from which Joint Operations are conducted, or other facilities that directly control equipment on the Joint Property, regardless of whether such facilities are owned by the Joint Account.

"Operator" means the Party designated pursuant to the Agreement to conduct the Joint Operations.

"Parties" means legal entities signatory to the Agreement or their successors and assigns. Parties shall be referred to individually as "Party."

"Participating Interest" means the percentage of the costs and risks of conducting an operation under the Agreement that a Party agrees, or is otherwise obligated, to pay and bear.

"Participating Party" means a Party that approves a proposed operation or otherwise agrees, or becomes liable, to pay and bear a share of the costs and risks of conducting an operation under the Agreement.

"Personal Expenses" means reimbursed costs for travel and temporary living expenses.

"Railway Receiving Point" means the railhead nearest the Joint Property for which freight rates are published, even though an actual railhead may not exist.

"Shore Base Facilities" means onshore support facilities that during Joint Operations provide such services to the Joint Property as a receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication, scheduling and dispatching center; and other associated functions serving the Joint Property.

"Supply Store" means a recognized source or common stock point for a given Material item.

"Technical Services" means services providing specific engineering, geoscience, or other professional skills, such as those performed by engineers, geologists, geophysicists, and technicians, required to handle specific operating conditions and problems for the benefit of Joint Operations; provided, however, Technical Services shall not include those functions specifically identified as overhead under the second paragraph of the introduction of Section III (*Overhead*). Technical Services may be provided by the Operator, Operator's Affiliate, Non-

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Operator, Non-Operator Affiliates, and/or third parties.

2. STATEMENTS AND BILLINGS

The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements that identify the AFE (authority for expenditure), lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. Controllable Material shall be separately identified and fully described in detail, or at the Operator's option, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.

The Operator may make available to Non-Operators any statements and bills required under Section I.2 and/or Section I.3.A (*Advances and Payments by the Parties*) via email, electronic data interchange, internet websites or other equivalent electronic media in lieu of paper copies. The Operator shall provide the Non-Operators instructions and any necessary information to access and receive the statements and bills within the timeframes specified herein. A statement or billing shall be deemed as delivered twenty-four (24) hours (exclusive of weekends and holidays) after the Operator notifies the Non-Operator that the statement or billing is available on the website and/or sent via email or electronic data interchange transmission. Each Non-Operator individually shall elect to receive statements and billings electronically, if available from the Operator, or request paper copies. Such election may be changed upon thirty (30) days prior written notice to the Operator.

3. ADVANCES AND PAYMENTS BY THE PARTIES

A. Unless otherwise provided for in the Agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the succeeding month's operations within Thirty (30) days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the amount to be refunded to the subsequent month's billing or advance, unless the Non-Operator sends the Operator a written request for a cash refund. The Operator shall remit the refund to the Non-Operator within Thirty (30) days of receipt of such written request.

B. Except as provided below, each Party shall pay its proportionate share of all bills in full within Thirty (30) days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the *Wall Street Journal* on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the *Wall Street Journal* ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day ~~of the month in which the~~ following the / payment ~~was~~ due date /. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed. Notwithstanding the foregoing, the Non-Operator may reduce payment, provided it furnishes documentation and explanation to the Operator at the time payment is made, to the extent such reduction is caused by:

(1) being billed at an incorrect working interest or Participating Interest that is higher than such Non-Operator's actual working interest or Participating Interest, as applicable; or

(2) being billed for a project or AFE requiring approval of the Parties under the Agreement that the Non-Operator has not approved or is not otherwise obligated to pay under the Agreement; or

(3) being billed for a property in which the Non-Operator no longer owns a working interest, provided the Non-Operator has furnished the Operator a copy of the recorded assignment or letter in-lieu. Notwithstanding the foregoing, the Non-Operator shall remain responsible for paying bills attributable to the interest it sold or transferred for any bills rendered during the thirty (30) day period following the Operator's receipt of such written notice; or

(4) charges outside the adjustment period, as provided in Section I.4 (*Adjustments*).

4. ADJUSTMENTS

A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements, including payout statements, rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after twenty-four (24) months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto making a claim for adjustment. The Operator shall provide a response to all written exceptions, whether or not contained in an audit report, within the time periods prescribed in Section I.5 (*Expenditure Audits*).

B. All adjustments initiated by the Operator, except those described in items (1) through (4) of this Section I.4.B, are limited to the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared

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on the Operator's Joint Account statement or payout statement. Adjustments that may be made beyond the twenty-four (24) month period are limited to adjustments resulting from the following:

(1) a physical inventory of Controllable Material as provided for in Section V (*Inventories of Controllable Material*), or

(2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Operator relating to another property, or

(3) a government/regulatory audit, or

(4) a working interest ownership or Participating Interest adjustment.

5. EXPENDITURE AUDITS

A. A Non-Operator, upon written notice to the Operator and all other Non-Operators, shall have the right to audit the Operator's accounts and records relating to the Joint Account within the twenty-four (24) month period following the end of such calendar year in which such bill was rendered; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Section I.4 (*Adjustments*). Any Party that is subject to payout accounting under the Agreement shall have the right to audit the accounts and records of the Party responsible for preparing the payout statements, or of the Party furnishing information to the Party responsible for preparing payout statements. Audits of payout accounts may include the volumes of hydrocarbons produced and saved and proceeds received for such hydrocarbons as they pertain to payout accounting required under the Agreement. Unless otherwise provided in the Agreement, audits of a payout account shall be conducted within the twenty-four (24) month period following the end of the calendar year in which the payout statement was rendered.

Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner that will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

The Non-Operator leading the audit (hereinafter "lead audit company") shall issue the audit report within ninety (90) days after completion of the audit testing and analysis; however, the ninety (90) day time period shall not extend the twenty-four (24) month requirement for taking specific detailed written exception as required in Section I.4.A (*Adjustments*) above. All claims shall be supported with sufficient documentation.

A timely filed written exception or audit report containing written exceptions (hereinafter "written exceptions") shall, with respect to the claims made therein, preclude the Operator from asserting a statute of limitations defense against such claims, and the Operator hereby waives its right to assert any statute of limitations defense against such claims for so long as any Non-Operator continues to comply with the deadlines for resolving exceptions provided in this Accounting Procedure. If the Non-Operators fail to comply with the additional deadlines in Section I.5.B or I.5.C, the Operator's waiver of its rights to assert a statute of limitations defense against the claims brought by the Non-Operators shall lapse, and such claims shall then be subject to the applicable statute of limitations, provided that such waiver shall not lapse in the event that the Operator has failed to comply with the deadlines in Section I.5.B or I.5.C.

B. The Operator shall provide a written response to all exceptions in an audit report within one hundred eighty (180) days after Operator receives such report. Denied exceptions should be accompanied by a substantive response. If the Operator fails to provide substantive response to an exception within this one hundred eighty (180) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

C. The lead audit company shall reply to the Operator's response to an audit report within ninety (90) days of receipt, and the Operator shall reply to the lead audit company's follow-up response within ninety (90) days of receipt; provided, however, each Non-Operator shall have the right to represent itself if it disagrees with the lead audit company's position or believes the lead audit company is not adequately fulfilling its duties. Unless otherwise provided for in Section I.5.E, if the Operator fails to provide substantive response to an exception within this ninety (90) day period, the Operator will owe interest on that exception or portion thereof, if ultimately granted, from the date it received the audit report. Interest shall be calculated using the rate set forth in Section I.3.B (*Advances and Payments by the Parties*).

D. If any Party fails to meet the deadlines in Sections I.5.B or I.5.C or if any audit issues are outstanding fifteen (15) months after Operator receives the audit report, the Operator or any Non-Operator participating in the audit has the right to call a resolution meeting, as set forth in this Section I.5.D or it may invoke the dispute resolution procedures included in the Agreement, if applicable. The meeting will require one month's written notice to the Operator and all Non-Operators participating in the audit. The meeting shall be held at the Operator's office or mutually agreed location, and shall be attended by representatives of the Parties with

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authority to resolve such outstanding issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will make good faith efforts to coordinate the response and positions of the Non-Operator participants throughout the resolution process; however, each Non-Operator shall have the right to represent itself. Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. A resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting may be discussed at subsequent meetings until each such issue is resolved.

If the Agreement contains no dispute resolution procedures and the audit issues cannot be resolved by negotiation, the dispute shall be submitted to mediation. In such event, promptly following one Party's written request for mediation, the Parties to the dispute shall choose a mutually acceptable mediator and share the costs of mediation services equally. The Parties shall each have present at the mediation at least one individual who has the authority to settle the dispute. The Parties shall make reasonable efforts to ensure that the mediation commences within sixty (60) days of the date of the mediation request. Notwithstanding the above, any Party may file a lawsuit or complaint (1) if the Parties are unable after reasonable efforts, to commence mediation within sixty (60) days of the date of the mediation request, (2) for statute of limitations reasons, or (3) to seek a preliminary injunction or other provisional judicial relief, if in its sole judgment an injunction or other provisional relief is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the Parties shall continue to try to resolve the dispute by mediation.

E. ☐ ~~*(Optional Provision – Forfeiture Penalties)*~~

~~*If the Non-Operators fail to meet the deadline in Section I.5.C, any unresolved exceptions that were not addressed by the Non-Operators within one (1) year following receipt of the last substantive response of the Operator shall be deemed to have been withdrawn by the Non-Operators. If the Operator fails to meet the deadlines in Section I.5.B or I.5.C, any unresolved exceptions that were not addressed by the Operator within one (1) year following receipt of the audit report or receipt of the last substantive response of the Non-Operators, whichever is later, shall be deemed to have been granted by the Operator and adjustments shall be made, without interest, to the Joint Account.*~~

6. APPROVAL BY PARTIES

A. GENERAL MATTERS

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other Sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Operator shall notify all Non-Operators of the Operator's proposal and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

This Section I.6.A applies to specific situations of limited duration where a Party proposes to change the accounting for charges from that prescribed in this Accounting Procedure. This provision does not apply to amendments to this Accounting Procedure, which are covered by Section I.6.B.

B. AMENDMENTS

If the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, this Accounting Procedure can be amended by an affirmative vote of _____two_____ (__2__) or more Parties, one of which is the Operator, having a combined working interest of at least ____fifty-one-____ percent (__51__%), which approval shall be binding on all Parties, provided, however, approval of at least one (1) Non-Operator shall be required.

C. AFFILIATES

For the purpose of administering the voting procedures of Sections I.6.A and I.6.B, if Parties to this Agreement are Affiliates of each other, then such Affiliates shall be combined and treated as a single Party having the combined working interest or Participating Interest of such Affiliates.

For the purposes of administering the voting procedures in Section I.6.A, if a Non-Operator is an Affiliate of the Operator, votes under Section I.6.A shall require the majority in interest of the Non-Operator(s) after excluding the interest of the Operator's Affiliate.

II. DIRECT CHARGES

The Operator shall charge the Joint Account with the following items:

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1. RENTALS AND ROYALTIES

Lease rentals and royalties paid by the Operator, on behalf of all Parties, for the Joint Operations.

2. LABOR

A. Salaries and wages, including incentive compensation programs, other than burdens on production, as set forth in COPAS MFI-37 ("Chargeability of Incentive Compensation Programs"), for:

(1) Operator's field employees directly employed On-site in the conduct of Joint Operations,

(2) Operator's employees directly employed on Shore Base Facilities, Offshore Facilities, or other facilities serving the Joint Property if such costs are not charged under Section II.6 (*Equipment and Facilities Furnished by Operator*) or are not a function covered under Section III (*Overhead*),

(3) Operator's employees providing First Level Supervision,

(4) Operator's employees providing On-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*),

(5) Operator's employees providing Off-site Technical Services for the Joint Property if such charges are excluded from the overhead rates in Section III (*Overhead*).

Charges for the Operator's employees identified in Section II.2.A may be made based on the employee's actual salaries and wages, or in lieu thereof, a day rate representing the Operator's average salaries and wages of the employee's specific job category.

Charges for personnel chargeable under this Section II.2.A who are foreign nationals shall not exceed comparable compensation paid to an equivalent U.S. employee pursuant to this Section II.2, unless otherwise approved by the Parties pursuant to Section I.6.A (*General Matters*).

B. Operator's cost of holiday, vacation, sickness, and disability benefits, and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Section II.2.A, excluding severance payments or other termination allowances. Such costs under this Section II.2.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Section II.2.A. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority that are applicable to costs chargeable to the Joint Account under Sections II.2.A and B.

D. Personal Expenses of personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A when the expenses are incurred in connection with directly chargeable activities.

E. Reasonable relocation costs incurred in transferring to the Joint Property personnel whose salaries and wages are chargeable to the Joint Account under Section II.2.A. Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a Party, or that are for the primary benefit of the Operator, shall not be chargeable to the Joint Account. Extraordinary relocation costs, such as those incurred as a result of transfers from remote locations, such as Alaska or overseas, shall not be charged to the Joint Account unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

F. Training costs as specified in COPAS MFI-35 ("Charging of Training Costs to the Joint Account") for personnel whose salaries and wages are chargeable under Section II.2.A. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session. The training cost shall be charged or allocated to the property or properties directly benefiting from the training. The cost of the training course shall not exceed prevailing commercial rates, where such rates are available.

G. Operator's current cost of established plans for employee benefits, as described in COPAS MFI-27 ("Employee Benefits Chargeable to Joint Operations and Subject to Percentage Limitation"), applicable to the Operator's labor costs chargeable to the Joint Account under Sections II.2.A and B based on the Operator's actual cost not to exceed the employee benefits limitation percentage most recently recommended by COPAS.

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H. Award payments to employees, in accordance with COPAS MFI-49 ("Awards to Employees and Contractors") for personnel whose salaries and wages are chargeable under Section II.2.A.

3. MATERIAL

Material purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV (Material *Purchases, Transfers, and Dispositions*). Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. TRANSPORTATION

A. Transportation of the Operator's, Operator's Affiliate's, or contractor's personnel necessary for Joint Operations.

B. Transportation of Material between the Joint Property and another property, or from the Operator's warehouse or other storage point to the Joint Property, shall be charged to the receiving property using one of the methods listed below. Transportation of Material from the Joint Property to the Operator's warehouse or other storage point shall be paid for by the Joint Property using one of the methods listed below:

(1) If the actual trucking charge is less than or equal to the Excluded Amount the Operator may charge actual trucking cost or a theoretical charge from the Railway Receiving Point to the Joint Property. The basis for the theoretical charge is the per hundred weight charge plus fuel surcharges from the Railway Receiving Point to the Joint Property.. The Operator shall consistently apply the selected alternative.

(2) If the actual trucking charge is greater than the Excluded Amount, the Operator shall charge Equalized Freight. Accessorial charges such as loading and unloading costs, split pick-up costs, detention, call out charges, and permit fees shall be charged directly to the Joint Property and shall not be included when calculating the Equalized Freight.

5. SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations, except for contract services, equipment, and utilities covered by Section III (*Overhead*), or Section II.7 (*Affiliates*), or excluded under Section II.9 (*Legal Expense*). Awards paid to contractors shall be chargeable pursuant to COPAS MFI-49 ("Awards to Employees and Contractors").

The costs of third party Technical Services are chargeable to the extent excluded from the overhead rates under Section III (*Overhead*).

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

A. The Operator shall charge the Joint Account for use of Operator-owned equipment and facilities, including but not limited to production facilities, Shore Base Facilities, Offshore Facilities, and Field Offices, at rates commensurate with the costs of ownership and operation. The cost of Field Offices shall be chargeable to the extent the Field Offices provide direct service to personnel who are chargeable pursuant to Section II.2.A (*Labor*). Such rates may include labor, maintenance, repairs, other operating expense, insurance, taxes, depreciation using straight line depreciation method, and interest on gross investment less accumulated depreciation not to exceed _____eight_____ percent (_8.00%) per annum; provided, however, depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. The rate may include an element of the estimated cost for abandonment, reclamation, and dismantlement. Such rates shall not exceed the average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Section II.6.A above, the Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property, less twenty percent (20%). If equipment and facilities are charged under this Section II.6.B, the Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation. For automotive equipment, the Operator may elect to use rates published by the Petroleum Motor Transport Association (PMTA) or such other organization recognized by COPAS as the official source of rates.

7. AFFILIATES

A. Charges for an Affiliate's goods and/or services used in operations requiring an AFE or other authorization from the Non-Operators

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may be made without the approval of the Parties provided (i) the Affiliate is identified and the Affiliate goods and services are specifically detailed in the approved AFE or other authorization, and (ii) the total costs for such Affiliate's goods and services billed to such individual project do not exceed $ 50,000. If the total costs for an Affiliate's goods and services charged to such individual project are not specifically detailed in the approved AFE or authorization or exceed such amount, charges for such Affiliate shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

B. For an Affiliate's goods and/or services used in operations not requiring an AFE or other authorization from the Non-Operators, charges for such Affiliate's goods and services shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*), if the charges exceed $ 50,000 in a given calendar year.

C. The cost of the Affiliate's goods or services shall not exceed average commercial rates prevailing in the area of the Joint Property, unless the Operator obtains the Non-Operators' approval of such rates. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation; provided, however, documentation of commercial rates shall not be required if the Operator obtains Non-Operator approval of its Affiliate's rates or charges prior to billing Non-Operators for such Affiliate's goods and services. Notwithstanding the foregoing, direct charges for Affiliate-owned communication facilities or systems shall be made pursuant to Section II.12 (*Communications*).

If the Parties fail to designate an amount in Sections II.7.A or II.7.B, in each instance the amount deemed adopted by the Parties as a result of such omission shall be the amount established as the Operator's expenditure limitation in the Agreement. If the Agreement does not contain an Operator's expenditure limitation, the amount deemed adopted by the Parties as a result of such omission shall be zero dollars ($ 0.00).

8. DAMAGES AND LOSSES TO JOINT PROPERTY

All costs or expenses necessary for the repair or replacement of Joint Property resulting from damages or losses incurred, except to the extent such damages or losses result from a Party's or Parties' gross negligence or willful misconduct, in which case such Party or Parties shall be solely liable.

The Operator shall furnish the Non-Operator written notice of damages or losses incurred as soon as practicable after a report has been received by the Operator.

9. LEGAL EXPENSE

Recording fees and costs of handling, settling, or otherwise discharging litigation, claims, and liens incurred in or resulting from operations under the Agreement, or necessary to protect or recover the Joint Property, to the extent permitted under the Agreement. Costs of the Operator's or Affiliate's legal staff or outside attorneys, including fees and expenses, are not chargeable unless approved by the Parties pursuant to Section I.6.A (*General Matters*) or otherwise provided for in the Agreement.

Notwithstanding the foregoing paragraph, costs for procuring abstracts, fees paid to outside attorneys for title examinations (including preliminary, supplemental, shut-in royalty opinions, division order title opinions), and curative work shall be chargeable to the extent permitted as a direct charge in the Agreement.

10. TAXES AND PERMITS

All taxes and permitting fees of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the penalties and interest result from the Operator's gross negligence or willful misconduct.

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to the Parties will be made in accordance with the tax value generated by each Party's working interest.

Costs of tax consultants or advisors, the Operator's employees, or Operator's Affiliate employees in matters regarding ad valorem or other tax matters, are not permitted as direct charges unless approved by the Parties pursuant to Section I.6.A (*General Matters*).

Charges to the Joint Account resulting from sales/use tax audits, including extrapolated amounts and penalties and interest, are permitted, provided the Non-Operator shall be allowed to review the invoices and other underlying source documents which served as the basis for tax charges and to determine that the correct amount of taxes were charged to the Joint Account. If the Non-Operator is not permitted to review such documentation, the sales/use tax amount shall not be directly charged unless the Operator can conclusively document the amount owed by the Joint Account.

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11. INSURANCE

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its worker's compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. In the case of offshore operations in federal waters, the manual rates of the adjacent state shall be used for personnel performing work On-site, and such rates shall be adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.

12. COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication facilities or systems, including satellite, radio and microwave facilities, between the Joint Property and the Operator's office(s) directly responsible for field operations in accordance with the provisions of COPAS MFI-44 ("Field Computer and Communication Systems"). If the communications facilities or systems serving the Joint Property are Operator-owned, charges to the Joint Account shall be made as provided in Section II.6 (*Equipment and Facilities Furnished by Operator*). If the communication facilities or systems serving the Joint Property are owned by the Operator's Affiliate, charges to the Joint Account shall not exceed average commercial rates prevailing in the area of the Joint Property. The Operator shall adequately document and support commercial rates and shall periodically review and update the rate and the supporting documentation.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

Costs incurred for Technical Services and drafting to comply with ecological, environmental and safety Laws or standards recommended by Occupational Safety and Health Administration (OSHA) or other regulatory authorities. All other labor and functions incurred for ecological, environmental and safety matters, including management, administration, and permitting, shall be covered by Sections II.2 (*Labor*), II.5 (*Services*), or Section III (*Overhead*), as applicable.

Costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable Laws, or other pollution containment and removal equipment deemed appropriate by the Operator for prudent operations, are directly chargeable.

14. ABANDONMENT AND RECLAMATION

Costs incurred for abandonment and reclamation of the Joint Property, including costs required by lease agreements or by Laws.

15. OTHER EXPENDITURES

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II (*Direct Charges*), or in Section III (*Overhead*) and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations. Charges made under this Section II.15 shall require approval of the Parties, pursuant to Section I.6.A (*General Matters*).

III. OVERHEAD

As compensation for costs not specifically identified as chargeable to the Joint Account pursuant to Section II (*Direct Charges*), the Operator shall charge the Joint Account in accordance with this Section III.

Functions included in the overhead rates regardless of whether performed by the Operator, Operator's Affiliates or third parties and regardless of location, shall include, but not be limited to, costs and expenses of:

- warehousing, other than for warehouses that are jointly owned under this Agreement
- design and drafting (except when allowed as a direct charge under Sections II.13, III.1.A(ii), and III.2, Option B)
- inventory costs not chargeable under Section V (*Inventories of Controllable Material*)
- procurement
- administration
- accounting and auditing
- gas dispatching and gas chart integration

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- human resources
- management
- supervision not directly charged under Section II.2 (*Labor*)
- legal services not directly chargeable under Section II.9 (*Legal Expense*)
- taxation, other than those costs identified as directly chargeable under Section II.10 (*Taxes and Permits*)
- preparation and monitoring of permits and certifications; preparing regulatory reports; appearances before or meetings with governmental agencies or other authorities having jurisdiction over the Joint Property, other than On-site inspections; reviewing, interpreting, or submitting comments on or lobbying with respect to Laws or proposed Laws.

Overhead charges shall include the salaries or wages plus applicable payroll burdens, benefits, and Personal Expenses of personnel performing overhead functions, as well as office and other related expenses of overhead functions.

1. OVERHEAD—DRILLING AND PRODUCING OPERATIONS

As compensation for costs incurred but not chargeable under Section II (*Direct Charges*) and not covered by other provisions of this Section III, the Operator shall charge on either:

☑ **(Alternative 1)** Fixed Rate Basis, Section III.1.B.
☐ ~~**(Alternative 2) Percentage Basis, Section III.1.C.**~~

A. TECHNICAL SERVICES

(i) Except as otherwise provided in Section II.13 (*Ecological Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **On-site** Technical Services, including third party Technical Services:

☑ **(Alternative 1 – Direct)** shall be charged **direct** to the Joint Account.

☐ ~~**(Alternative 2 – Overhead)** shall be covered by the **overhead** rates.~~

(ii) Except as otherwise provided in Section II.13 (*Ecological, Environmental, and Safety*) and Section III.2 (*Overhead – Major Construction and Catastrophe*), or by approval of the Parties pursuant to Section I.6.A (*General Matters*), the salaries, wages, related payroll burdens and benefits, and Personal Expenses for **Off-site** Technical Services, including third party Technical Services:

☐ **(Alternative 1 – All Overhead)** shall be covered by the **overhead** rates.

☐ **(Alternative 2 – All Direct)** shall be charged **direct** to the Joint Account.

☑ **(Alternative 3 – Drilling Direct)** shall be charged **direct** to the Joint Account, **only** to the extent such Technical Services are directly attributable to drilling, redrilling, deepening, or sidetracking operations, through completion, temporary abandonment, or abandonment if a dry hole. Off-site Technical Services for all other operations, including workover, recompletion, abandonment of producing wells, and the construction or expansion of fixed assets not covered by Section III.2 (*Overhead - Major Construction and Catastrophe*) shall be covered by the overhead rates.

Notwithstanding anything to the contrary in this Section III, Technical Services provided by Operator's Affiliates are subject to limitations set forth in Section II.7 (*Affiliates*). Charges for Technical personnel performing non-technical work shall not be governed by this Section III.1.A, but instead governed by other provisions of this Accounting Procedure relating to the type of work being performed.

B. OVERHEAD—FIXED RATE BASIS

(1) The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month $ **10,000** (prorated for less than a full month)

Producing Well Rate per month $ **1,000**

(2) Application of Overhead—Drilling Well Rate shall be as follows:

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(a) Charges for onshore drilling wells shall begin on the spud date and terminate on the date the drilling and/or completion equipment used on the well is released, whichever occurs later. Charges for offshore and inland waters drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location, or is released, whichever occurs first. No charge shall be made during suspension of drilling and/or completion operations for fifteen (15) or more consecutive calendar days.

(b) Charges for any well undergoing any type of workover, recompletion, and/or abandonment for a period of five (5) or more consecutive work-days shall be made at the Drilling Well Rate. Such charges shall be applied for the period from date operations, with rig or other units used in operations, commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(3) Application of Overhead—Producing Well Rate shall be as follows:

(a) An active well that is produced, injected into for recovery or disposal, or used to obtain water supply to support operations for any portion of the month shall be considered as a one-well charge for the entire month.

(b) Each active completion in a multi-completed well shall be considered as a one-well charge provided each completion is considered a separate well by the governing regulatory authority.

(c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well, unless the Drilling Well Rate applies, as provided in Sections III.1.B.(2)(a) or (b). This one-well charge shall be made whether or not the well has produced.

(d) An active gas well shut in because of overproduction or failure of a purchaser, processor, or transporter to take production shall be considered as a one-well charge provided the gas well is directly connected to a permanent sales outlet.

(e) Any well not meeting the criteria set forth in Sections III.1.B.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.

(4) The well rates shall be adjusted on the first day of April each year following the effective date of the Agreement; provided, however, if this Accounting Procedure is attached to or otherwise governing the payout accounting under a farmout agreement, the rates shall be adjusted on the first day of April each year following the effective date of such farmout agreement. The adjustment shall be computed by applying the adjustment factor most recently published by COPAS. The adjusted rates shall be the initial or amended rates agreed to by the Parties increased or decreased by the adjustment factor described herein, for each year from the effective date of such rates, in accordance with COPAS MFI-47 ("Adjustment of Overhead Rates").

C. OVERHEAD—PERCENTAGE BASIS

~~(1) Operator shall charge the Joint Account at the following rates:~~

~~(a) Development Rate _____ percent (_____) % of the cost of development of the Joint Property, exclusive of costs provided under Section II.9 (*Legal Expense*) and all Material salvage credits.~~

~~(b) Operating Rate _____ percent (_____%) of the cost of operating the Joint Property, exclusive of costs provided under Sections II.1 (*Rentals and Royalties*) and II.9 (*Legal Expense*); all Material salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes, and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.~~

~~(2) Application of Overhead—Percentage Basis shall be as follows:~~

~~(a) The Development Rate shall be applied to all costs in connection with:~~

~~[i] drilling, redrilling, sidetracking, or deepening of a well~~
~~[ii] a well undergoing plugback or workover operations for a period of five (5) or more consecutive work-days~~
~~[iii] preliminary expenditures necessary in preparation for drilling~~
~~[iv] expenditures incurred in abandoning when the well is not completed as a producer~~
~~[v] construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, other than Major Construction or Catastrophe as defined in Section III.2 (*Overhead-Major Construction and Catastrophe*).~~

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~~(b) The Operating Rate shall be applied to all other costs in connection with Joint Operations, except those subject to Section III.2 (*Overhead-Major Construction and Catastrophe*).~~

2. OVERHEAD—MAJOR CONSTRUCTION AND CATASTROPHE

To compensate the Operator for overhead costs incurred in connection with a Major Construction project or Catastrophe, the Operator shall either negotiate a rate prior to the beginning of the project, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of the Operator's expenditure limit under the Agreement, or for any Catastrophe regardless of the amount. If the Agreement to which this Accounting Procedure is attached does not contain an expenditure limit, Major Construction Overhead shall be assessed for any single Major Construction project costing in excess of $100,000 gross.

Major Construction shall mean the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, or in the dismantlement, abandonment, removal, and restoration of platforms, production equipment, and other operating facilities.

Catastrophe is defined as a sudden calamitous event bringing damage, loss, or destruction to property or the environment, such as an oil spill, blowout, explosion, fire, storm, hurricane, or other disaster. The overhead rate shall be applied to those costs necessary to restore the Joint Property to the equivalent condition that existed prior to the event.

A. If the Operator absorbs the engineering, design and drafting costs related to the project:

(1) 5 % of total costs if such costs are less than $100,000; plus

(2) 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2 % of total costs in excess of $1,000,000.

B. If the Operator charges engineering, design and drafting costs related to the project directly to the Joint Account:

(1) 5 % of total costs if such costs are less than $100,000; plus

(2) 3 % of total costs in excess of $100,000 but less than $1,000,000; plus

(3) 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single Major Construction project shall not be treated separately, and the cost of drilling and workover wells and purchasing and installing pumping units and downhole artificial lift equipment shall be excluded. For Catastrophes, the rates shall be applied to all costs associated with each single occurrence or event.

On each project, the Operator shall advise the Non-Operator(s) in advance which of the above options shall apply.

For the purposes of calculating Catastrophe Overhead, the cost of drilling relief wells, substitute wells, or conducting other well operations directly resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by salvage or insurance recoveries. Expenditures that qualify for Major Construction or Catastrophe Overhead shall not qualify for overhead under any other overhead provisions.

In the event of any conflict between the provisions of this Section III.2 and the provisions of Sections II.2 (*Labor*), II.5 (*Services*), or II.7 (*Affiliates*), the provisions of this Section III.2 shall govern.

3. AMENDMENT OF OVERHEAD RATES

The overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient or excessive, in accordance with the provisions of Section I.6.B (*Amendments*).

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and

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dispositions. The Operator shall provide all Material for use in the conduct of Joint Operations; however, Material may be supplied by the Non-Operators, at the Operator's option. Material furnished by any Party shall be furnished without any express or implied warranties as to quality, fitness for use, or any other matter.

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. The Operator shall make good faith efforts to take discounts offered by suppliers, but shall not be liable for failure to take discounts except to the extent such failure was the result of the Operator's gross negligence or willful misconduct. A direct purchase shall be deemed to occur when an agreement is made between an Operator and a third party for the acquisition of Material for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the manufacturer, distributor, or agent until usage, is considered a direct purchase. If Material is found to be defective or is returned to the manufacturer, distributor, or agent for any other reason, credit shall be passed to the Joint Account within sixty (60) days after the Operator has received adjustment from the manufacturer, distributor, or agent.

2. TRANSFERS

A transfer is determined to occur when the Operator (i) furnishes Material from a storage facility or from another operated property, (ii) has assumed liability for the storage costs and changes in value, and (iii) has previously secured and held title to the transferred Material. Similarly, the removal of Material from the Joint Property to a storage facility or to another operated property is also considered a transfer; provided, however, Material that is moved from the Joint Property to a storage location for safe-keeping pending disposition may remain charged to the Joint Account and is not considered a transfer. Material shall be disposed of in accordance with Section IV.3 (*Disposition of Surplus*) and the Agreement to which this Accounting Procedure is attached.

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of physical transfer. Regardless of the pricing method used, the Operator shall make available to the Non-Operators sufficient documentation to verify the Material valuation. When higher than specification grade or size tubulars are used in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars, unless such higher specification grade or sized tubulars are approved by the Parties pursuant to Section I.6.A (*General Matters*). Transfers of new Material will be priced using one of the following pricing methods; provided, however, the Operator shall use consistent pricing methods, and not alternate between methods for the purpose of choosing the method most favorable to the Operator for a specific transfer:

(1) Using published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS).

(a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill carload base prices (Houston, Texas, for special end) adjusted as of date of movement, plus transportation cost as defined in Section IV.2.B (*Freight*).

(b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a Supply Store nearest the Joint Property where like Material is normally available, or point of manufacture plus transportation costs as defined in Section IV.2.B (*Freight*).

(2) Based on a price quotation from a vendor that reflects a current realistic acquisition cost.

(3) Based on the amount paid by the Operator for like Material in the vicinity of the Joint Property within the previous twelve (12) months from the date of physical transfer.

(4) As agreed to by the Participating Parties for Material being transferred to the Joint Property, and by the Parties owning the Material for Material being transferred from the Joint Property.

B. FREIGHT

Transportation costs shall be added to the Material transfer price using the method prescribed by the COPAS Computerized Equipment Pricing System (CEPS). If not using CEPS, transportation costs shall be calculated as follows:

(1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the Railway Receiving Point based on the carload weight basis as recommended by the COPAS MFI-38 ("Material Pricing Manual") and other COPAS MFIs in effect at the time of the transfer.

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(2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the Railway Receiving Point. For transportation costs from other than eastern mills, the 30,000-pound interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the interstate truck rate per weight of tubing transferred to the Railway Receiving Point.

(3) Transportation costs for special end tubular goods shall be calculated using the interstate truck rate from Houston, Texas, to the Railway Receiving Point.

(4) Transportation costs for Material other than that described in Sections IV.2.B.(1) through (3), shall be calculated from the Supply Store or point of manufacture, whichever is appropriate, to the Railway Receiving Point

Regardless of whether using CEPS or manually calculating transportation costs, transportation costs from the Railway Receiving Point to the Joint Property are in addition to the foregoing, and may be charged to the Joint Account based on actual costs incurred. All transportation costs are subject to Equalized Freight as provided in Section II.4 (*Transportation*) of this Accounting Procedure.

C. TAXES

Sales and use taxes shall be added to the Material transfer price using either the method contained in the COPAS Computerized Equipment Pricing System (CEPS) or the applicable tax rate in effect for the Joint Property at the time and place of transfer. In either case, the Joint Account shall be charged or credited at the rate that would have governed had the Material been a direct purchase.

D. CONDITION

(1) Condition "A" – New and unused Material in sound and serviceable condition shall be charged at one hundred percent (100%) of the price as determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*). Material transferred from the Joint Property that was not placed in service shall be credited as charged without gain or loss; provided, however, any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking fees charged by the vendor. New and unused Material transferred from the Joint Property may be credited at a price other than the price originally charged to the Joint Account provided such price is approved by the Parties owning such Material, pursuant to Section I.6.A (*General Matters*). All refurbishing costs required or necessary to return the Material to original condition or to correct handling, transportation, or other damages will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material for the receiving property.

(2) Condition "B" – Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by seventy-five percent (75%).

Except as provided in Section IV.2.D(3), all reconditioning costs required to return the Material to Condition "B" or to correct handling, transportation or other damages will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) multiplied by sixty-five percent (65%).

Unless otherwise agreed to by the Parties that paid for such Material, used Material transferred from the Joint Property that was not placed in service on the property shall be credited as charged without gain or loss.

(3) Condition "C" – Material that is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced by multiplying the price determined in Sections IV.2.A (*Pricing*), IV.2.B (*Freight*), and IV.2.C (*Taxes*) by fifty percent (50%).

The cost of reconditioning may be charged to the receiving property to the extent Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.

(4) Condition "D" – Material that (i) is no longer suitable for its original purpose but useable for some other purpose, (ii) is

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obsolete, or (iii) does not meet original specifications but still has value and can be used in other applications as a substitute for items with different specifications, is considered Condition "D" Material. Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing, or drill pipe utilized as line pipe shall be priced at used line pipe prices. Casing, tubing, or drill pipe used as higher pressure service lines than standard line pipe, e.g., power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non-upset basis. For other items, the price used should result in the Joint Account being charged or credited with the value of the service rendered or use of the Material, or as agreed to by the Parties pursuant to Section 1.6.A (*General Matters*).

(5) Condition "E" – Junk shall be priced at prevailing scrap value prices.

E. OTHER PRICING PROVISIONS

(1) Preparation Costs

Subject to Section II (*Direct Charges*) and Section III (*Overhead*) of this Accounting Procedure, costs incurred by the Operator in making Material serviceable including inspection, third party surveillance services, and other similar services will be charged to the Joint Account at prices which reflect the Operator's actual costs of the services. Documentation must be provided to the Non-Operators upon request to support the cost of service. New coating and/or wrapping shall be considered a component of the Materials and priced in accordance with Sections IV.1 (*Direct Purchases*) or IV.2.A (*Pricing*), as applicable. No charges or credits shall be made for used coating or wrapping. Charges and credits for inspections shall be made in accordance with COPAS MFI-38 ("Material Pricing Manual").

(2) Loading and Unloading Costs

Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged in accordance with the methods specified in COPAS MFI-38 ("Material Pricing Manual").

3. DISPOSITION OF SURPLUS

Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operators in surplus Material.

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Material, the Operator should make good faith efforts to dispose of surplus within twelve (12) months through buy/sale agreements, trade, sale to a third party, division in kind, or other dispositions as agreed to by the Parties.

Disposal of surplus Materials shall be made in accordance with the terms of the Agreement to which this Accounting Procedure is attached. If the Agreement contains no provisions governing disposal of surplus Material, the following terms shall apply:

- The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Parties owning such Material.

- If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Material.

- Operator may purchase surplus Condition "A" or "B" Material without approval of the Parties owning such Material, based on the pricing methods set forth in Section IV.2 (*Transfers*).

- Operator may purchase Condition "C" Material without prior approval of the Parties owning such Material if the value of the Materials, based on the pricing methods set forth in Section IV.2 (*Transfers*), is less than or equal to the Operator's expenditure limitation set forth in the Agreement. The Operator shall provide documentation supporting the classification of the Material as Condition C.

- Operator may dispose of Condition "D" or "E" Material under procedures normally utilized by Operator without prior approval of the Parties owning such Material.

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4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

Whenever Material is available only at inflated prices due to national emergencies, strikes, government imposed foreign trade restrictions, or other unusual causes over which the Operator has no control, for direct purchase the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, making it suitable for use, and moving it to the Joint Property. Material transferred or disposed of during premium pricing situations shall be valued in accordance with Section IV.2 (*Transfers*) or Section IV.3 (*Disposition of Surplus*), as applicable.

B. SHOP-MADE ITEMS

Items fabricated by the Operator's employees, or by contract laborers under the direction of the Operator, shall be priced using the value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's scrap or junk account, the Material shall be priced at either twenty-five percent (25%) of the current price as determined in Section IV.2.A (*Pricing*) or scrap value, whichever is higher. In no event shall the amount charged exceed the value of the item commensurate with its use.

C. MILL REJECTS

Mill rejects purchased as "limited service" casing or tubing shall be priced at eighty percent (80%) of K-55/J-55 price as determined in Section IV.2 (*Transfers*). Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-55 casing or tubing at the nearest size and weight.

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account, with sufficient detail to perform physical inventories.

Adjustments to the Joint Account by the Operator resulting from a physical inventory of Controllable Material shall be made within twelve (12) months following the taking of the inventory or receipt of Non-Operator inventory report. Charges and credits for overages or shortages will be valued for the Joint Account in accordance with Section IV.2 (*Transfers*) and shall be based on the Condition "B" prices in effect on the date of physical inventory unless the inventorying Parties can provide sufficient evidence another Material condition applies.

1. DIRECTED INVENTORIES

Physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators (hereinafter, "directed inventory"); provided, however, the Operator shall not be required to perform directed inventories more frequently than once every five (5) years. Directed inventories shall be commenced within one hundred eighty (180) days after the Operator receives written notice that a majority in interest of the Non-Operators has requested the inventory. All Parties shall be governed by the results of any directed inventory.

Expenses of directed inventories will be borne by the Joint Account; provided, however, costs associated with any post-report follow-up work in settling the inventory will be absorbed by the Party incurring such costs. The Operator is expected to exercise judgment in keeping expenses within reasonable limits. Any anticipated disproportionate or extraordinary costs should be discussed and agreed upon prior to commencement of the inventory. Expenses of directed inventories may include the following:

A. A per diem rate for each inventory person, representative of actual salaries, wages, and payroll burdens and benefits of the personnel performing the inventory or a rate agreed to by the Parties pursuant to Section I.6.A (*General Matters*). The per diem rate shall also be applied to a reasonable number of days for pre-inventory work and report preparation.

B. Actual transportation costs and Personal Expenses for the inventory team.

C. Reasonable charges for report preparation and distribution to the Non-Operators.

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

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Physical inventories that are not requested by the Non-Operators may be performed by the Operator, at the Operator's discretion. The expenses of conducting such Operator-initiated inventories shall not be charged to the Joint Account.

B. NON-OPERATOR INVENTORIES

Subject to the terms of the Agreement to which this Accounting Procedure is attached, the Non-Operators may conduct a physical inventory at reasonable times at their sole cost and risk after giving the Operator at least ninety (90) days prior written notice. The Non-Operator inventory report shall be furnished to the Operator in writing within ninety (90) days of completing the inventory fieldwork.

C. SPECIAL INVENTORIES

The expense of conducting inventories other than those described in Sections V.1 (*Directed Inventories*), V.2.A (*Operator Inventories*), or V.2.B (*Non-Operator Inventories*), shall be charged to the Party requesting such inventory; provided, however, inventories required due to a change of Operator shall be charged to the Joint Account in the same manner as described in Section V.1 (*Directed Inventories*).

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EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated December 1, 2024, by and among E.G.L. Resources, Inc., as Operator, and PBEX LLC, et al, as Non-Operator(s).

INSURANCE PROVISION

Operator shall, at all times while conducting operations hereunder, maintain in force the following insurance at the expense of and for the benefit of the joint account:

(a) Statutory Worker's Compensation Insurance in accordance with the laws of the state in which the operations are to be conducted, and Employer's Liability Insurance with limits not less than $1,000,000 for any one person, and not less than $1,000,000 for any one accident.

(b) Commercial General Liability with limits of not less than $1,000,000 Combined Single Limit for bodily injury or property damage per occurrence. Policy shall include Contractual Liability and an Underground Resources endorsement.

(c) Pollution Liability with limits of not less than $1,000,000 Combined Single Limit for Bodily Injury, Property Damage and Off-Site Cleanup. Alternatively, Operator may evidence Pollution coverage as an endorsement within the General Liability policy.

(d) Business Automobile Liability Insurance with limits of not less than $1,000,000 combined Single Limit for bodily injury or property damage per accident.

(e) Excess Liability with limits of not less than $10,000,000 Combined Single Limit for bodily injury or property damage per occurrence to apply in excess of Employer's Liability, Commercial General Liability and Business Automobile Liability (or in the absence thereof each Non-Operator(s) shall provide to Operator insurance certificates evidencing coverage of not less than $10,000,000 of such Excess Liability).

In the event any party hereto declines in writing the Commercial General Liability, Pollution Liability, and Excess Liability coverages herein above provided, then, in such event only, nothing concerning the declined coverage(s) will be charged toward such declining party's share of the Joint Account. Earthstone Permian, LLC declines the Commercial General Liability, Pollution Liability, and Excess Liability coverages herein above provided.

It is further understood and agreed that Operator is not a warrantor of the financial responsibility of the insurer with whom such insurance is carried; provided however, that such insurer must have at least an AM Best rating of A-VIII or its equivalent. Except for Operator's failure to comply with the requirements of this Exhibit D or for its willful misconduct or gross negligence, Operator shall not be liable to Non-Operator(s) for any loss suffered on account of the insufficiency of the insurance carried, or of insurer with whom carried. Operator shall not be liable to Non-Operator(s) for any loss accruing by reason of Operator's inability to procure or maintain the insurance above mentioned. Operator agrees that if at any time during the life of this agreement it is unable to obtain or maintain such insurance, it shall immediately notify in writing Non-Operator(s) of such fact.

Operator shall require each and every drilling contractor or drilling subcontractor or all other contractors or subcontractors conducting operations hereunder to carry insurance of such types and in such amounts as Operator deems adequate to protect the parties hereto. No liability shall attach to Operator in the exercise of its good-faith judgment as to the types and amounts of insurance, if any, to be required of such contractors or subcontractors.

Any other insurance desired by a party hereto shall be carried by such party at its own cost and expense.

Operator shall provide all well control insurance or self-insurance, including underground blow out, seepage, and pollution caused by well blowout, on behalf of Non-Operator(s), and those costs and fees shall be billed to the joint account accordingly.

Each party hereto to be insured hereunder shall provide copies of certificates or letters of self-insurance evidencing the above insurance coverage(s) upon request of any other party. In the event any party hereto elects to self-insure, then in such event, it must obtain a Certificate of Financial Responsibility from the applicable Federal and/or State Agencies, provide an acceptable letter of self-insurance or otherwise furnish appropriate acceptable evidence of same relating to said guidelines to the other parties hereto.

End of Exhibit "D"

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EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated December 1, 2024, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

GAS BALANCING

The Parties recognize that imbalances may occur from time to time between them in their separate disposition of Gas. The Parties hereby agree to handle such Gas imbalances as follows:

ARTICLE I – Definitions

1.01 As used in this Agreement, the terms set forth below shall have the following meanings:

(a) "Balance" is the condition existing when a Party has disposed of a cumulative volume of Gas from a Well which is equal to such Party's Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well.

(b) "Gas" shall mean the total volume of gaseous hydrocarbons in Btu's available to the Parties to this Agreement at the Measurement Point from a Well remaining after removal of all liquids by primary field separation and the extraction of any liquid hydrocarbons upstream of the Measurement Point, less gas vented, flared, lost, or used in joint operations.

(c) "Make-up Gas" refers to that incremental volume of Gas, which an Underproduced Party is entitled to under this Agreement in order to achieve a Balance.

(d) "Measurement Point" shall mean, unless otherwise agreed to in writing between the Parties, the point at the gas discharge side of the primary field separation facility where a meter for measurement of Gas to be disposed of is installed, unless such separation facilities are not installed, in which event the point shall be the meter at the wellhead of each Well.

(e) "Operator" shall mean the operator designated in the Operating Agreement.

(f) "Overproduced" is the condition existing when a Party has disposed of a greater cumulative volume of Gas from a Well at anytime than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. Reference to "overproduction" is to such greater volume.

(g) The "Percentage Ownership" of each Party is equal to that Party's interest in Gas produced from a Well as determined under the terms of the Operating Agreement.

(h) "Underproduced" is the condition occurring when a Party has disposed of a lesser cumulative volume of Gas from a Well at any time than its Percentage Ownership of the total cumulative volume of Gas disposed of by all Parties from such Well. Reference to "underproduction" is to such lesser volume.

(i) "Well" means a well drilled on the lands and leases covered by the Operating Agreement and capable of producing Gas. For the purposes hereof, a Well separately produced and measured from more than one zone will be considered a separate Well for each zone.

(j) To "dispose of" Gas or Gas "disposed of" shall mean all methods of disposition of Gas, including taking in kind, delivering in kind to a Lessor, sales to a Party or third party or affiliate, or Gas used by a Party for purposes other than joint operations.

1.02 Terms not defined in this Exhibit "E" or in the operating Agreement shall have the meaning commonly ascribed to them in the natural gas sales industry.

ARTICLE II - Scope and Term

2.01 This Agreement establishes a separate gas balancing agreement for each Well.

2.02 This Agreement shall be effective as of the date of first Gas sales by a Party from any Well, or, if sooner, the date of the Operating Agreement. This Agreement shall terminate separately as to each Well when Gas production from such Well permanently ceases and the Gas accounts for such Well are brought into Balance pursuant to this Agreement or settled under Article VI of this Exhibit "E".

ARTICLE III - Right to Produce and Ownership of Gas

3.01 During any month when a Party ("Non-Selling Party") does not dispose of its full Percentage Ownership of Gas, the Parties ("Selling Parties") that dispose of their Percentage Ownership shall be entitled to dispose of all or any portion of such Underproduced Gas. To the extent the Parties desire to dispose of more Underproduced Gas than is available, they shall share in such Gas in the proportion that each such Party's Percentage Ownership bears to the combined Percentage Ownership of all Parties desiring to dispose of such Gas. However, unless otherwise approved by all Parties, no Party shall be entitled to dispose of more than three hundred percent (300%) of its Percentage Ownership of Gas that month.

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3.02 Each Party shall own and be entitled to the Gas disposed of by such Party pursuant to this Agreement, and the proceeds thereof, including constituents contained therein that are recovered downstream from the Measurement Point. If a Party is Underproduced with respect to a Well, its underproduction shall be deemed to remain in the reservoir subject to the right of disposal of such Underproduced Gas at a later time.

3.03.1 Nothing in this Agreement shall require or permit any production from a Well in excess of the maximum efficient rate at which such Well can be produced for a sustained period of time without resulting in underground waste in the form of reduced ultimate recovery of hydrocarbons.

ARTICLE IV - Make-Up Gas

4.01 Each Underproduced Party in a Well shall have the right to dispose of Make-Up Gas, and each overproduced Party shall have the obligation to furnish Make-Up Gas, as follows:

(a) An Underproduced Party shall provide at least twenty (20) days written notice to the operator of its intent to dispose of Make-Up Gas and specify the period of such make up which, in no event, shall be less than one calendar month. Make-Up Gas shall not be made available to an Underproduced Party until the first day of the month following notice to the operator.

(b) An Overproduced Party shall not be required to furnish Make-Up gas unless an Under-produced Party is first disposing of its Percentage Ownership of Gas.

(c) An Overproduced Party shall not be required to provide as Make-Up Gas more than twenty-five percent (25%) of its Percentage Ownership of Gas during the month of January, February, November, and December. For all other months an Overproduced Party shall not be required to provide as Make-Up Gas more than fifty percent (50%) of its Percentage Ownership of the Gas.

(d) It there is more than one Overproduced Party, the Make-Up Gas will be furnished by the Overproduced Parties in the proportion that each Overproduced Party's Percentage Ownership in a Well bears to the total Percentage Ownership of all Overproduced Parties in the Well.

(e) Likewise, if there is more than one Underproduced Party able to dispose of Make-up Gas in a month, each Underproduced Party will share in the Make-up Gas in the proportion which its Percentage Ownership in a Well bears to the total Percentage Ownership of all Underproduced Parties in that Well disposing of Make-up Gas that month.

4.02.1 Nothing herein shall be construed to deny any Party the right from time to time to dispose of its Percentage Ownership of Gas in a Well for the purpose of conducting deliverability tests required pursuant to its gas purchase contracts; provided, however, that such tests shall be conducted in accordance with prudent operating practices only after 30 days' prior written notice to the Operator and shall last no longer than 72 hours.

ARTICLE V - Balancing of Gas Accounts

5.01 The operator shall have the duty of administering the provisions of this Agreement. The operator shall use its good faith efforts to cause Gas to be delivered as may be required to give effect to the intent that there be a Balance between the Parties in accordance with the provisions hereof. The Operator shall only be liable for its failure to make deliveries of Gas in accordance with the terms of this Agreement if such failure is due to its gross negligence or willful misconduct.

5.02 Each month the operator will furnish each Party a report showing for the prior month the total volume of Gas in Btu's produced from each Well, including the volumes vented, flared, lost, or used in joint operations; the volume of Gas disposed by each Party; each Party's overproduction or underproduction for the month; and the cumulative overproduction or underproduction of each Party in each Well. In the event that production from each well is not separately measured, then the Operator will allocate production to each Well on the basis of periodic tests or such other methods as are commonly used and accepted in the industry. Make-up Gas disposed of by an Underproduced Party shall offset underproduction in the order in which such underproduction accrued, i.e., First in, First out.

5.03 During the term of this Agreement and for a period of two (2) years thereafter, each Party shall retain all data, information and records pertaining to the Gas disposed of by such Party in a Well. Each Party shall have the right to audit the records retained hereunder. Any audit shall be conducted at the expense of the Party or Parties desiring such audit after reasonable notice and during normal business hours in the office of the Party whose records are being audited. No more than one audit of a Party shall be conducted in any twelve (12) month period.

ARTICLE VI - Cash Settlement of Imbalance

6.01 When Gas production from a Well permanently ceases, there shall be a cash settlement between the Parties hereto for any Gas not in Balance. Any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Within sixty (60) days after notice calling for cash settlement the Operator will distribute to each Party a final gas settlement statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month(s) to which such Overproduction is attributed. Within 60 days after receipt of the Final Gas Settlement Statement, each

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Overproduced Party shall pay to each Underproduced Party the proceeds received by the Overproduced party for the overproduction which remains accrued to such Party, less taxes actually paid thereon by such Overproduced Party and any royalty actually paid by the Overproduced Party to an Underproduced Party's royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's royalty obligation, as well as any reasonable compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment. Any past due payments by Overproduced Parties shall bear interest at the prime rate of interest in effect from time to time of J.P. Morgan Chase Bank, N.A., plus two percent (2%), from the date due until date paid. Interest will be borne by the ~~Operator or any~~ Overproduced Party in the proportion that their respective delays beyond the deadlines set out in this paragraph contributed to the accrual of the interest.

6.02 The price of Gas for cash settlement by an Overproduced Party shall be the price actually or constructively received for the overproduction. If a portion of an Overproduced Party's Gas production is disposed of for its own use, the price for such Gas will be the price received for any Gas disposed of by such Party in arm's length transactions during the period that such production was used by the Overproduced Party. During periods when an Overproduced Party disposed of Gas for its own use and had no gas sales, overproduction will be valued at the weighted average price received by all Overproduced Parties for gas disposed of in arm's length transactions during such period. If no Party sold Gas when the overproduction occurred then the price shall be the last price received by a Party making sales. A price determined for Gas production not sold by the Overproduced Party shall be deemed to have been constructively received by such Party.

6.03 If any portion of the price which is to be paid to an Underproduced Party is subject to refund by a governmental authority, then the Overproduced Party may withhold the amount subject to refund until that portion of the price is finally approved. If, after cash balancing has occurred with respect to a Well, any governmental agency requires an Overproduced Party to refund any portion of a price used to make payment hereunder, then the Underproduced Parties shall reimburse the Overproduced Parties for such refund, including any interest. This Paragraph 6.03 shall survive the termination of this Agreement.

ARTICLE VII - Costs and Ownership of Liquids

All operating costs, expenses and liabilities shall be borne and paid by the Parties in accordance with the provisions of the operating Agreement, regardless of which Parties are disposing of Gas from a Well at any given time. Liquid hydrocarbons separated from the Gas upstream of the Measurement Point shall be owned by all Parties in accordance with their Percentage Ownership in the Well from which the Gas was produced.

ARTICLE VIII – Indemnity

Each Party hereby indemnifies and agrees to hold the other Parties harmless from all claims, costs and liabilities arising out of the operation of this Agreement and the performance of obligations hereunder by the indemnifying Party.

ARTICLE IX - Payment of Lease Burdens

9.01 Each Party shall be responsible for and shall pay or cause to be paid all royalties, production payments and other encumbrances due on the cumulative volume of Gas disposed of by that Party in each month from a Well and shall hold the other Parties free from any liability therefor. The Parties disposing of Gas from a Well shall pay or cause to be paid all production, severance, ad valorem or any other taxes, fees or levies on such production.

9.02 In the event that any governmental authority requires that royalty payments be made on any other basis than that provided for in paragraph 9.01, each Party agrees to make such royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

ARTICLE X - Binding Effect

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, provided, that this Agreement may not be assigned without the prior written consent of all other Parties.

ARTICLE XI – Notices

Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given only when received by the Party to whom the same is directed at the addresses and in the manner then provided under the Operating Agreement.

ARTICLE XII – Assignment

12.01 Subject to the provisions of 12.02 and 12.03 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Well when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Make-up Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due

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hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

12.02 Notwithstanding anything in this Agreement (including but not limited to the provisions of paragraph 12.01 or in the Operating Agreement to the contrary, and subject to the provisions of paragraph 12.03 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Well, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Well of such fact at least 30 days prior to closing the transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within 15 days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Well. The Operator shall be notified of any such demand and of any cash settlement pursuant to this paragraph 12, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this paragraph 12, shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60) days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Well on the same basis as otherwise set forth in Article VI of this Exhibit, and shall bear interest at the rate set forth in paragraph 6.01, beginning 60 days after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Well for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Well, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of paragraph 12.01.

12.02 The provisions of this Article 12 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

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EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement dated December 1, 2024, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

NON-DISCRIMINATION AND CERTIFICATION OF NON-SEGREGATED FACILITIES

1. **During the performance of this Contract, the Operator agrees as follows:**

A. The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting office setting forth the provisions of this non-discrimination clause.

B. The Operator will, in all solicitations or advertisements for employees places by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

C. The Operator will send to each labor union or representative or workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting office, advising the labor union or worker's representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

D. The Operator will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and relevant orders of the Secretary of Labor.

E. The Operator will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

F. In the event of Operator's non-compliance with the non-discrimination of this contract or with any of such rules, regulations or orders, this contract may be canceled, terminated or suspended, or in whole or in part, and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rules, regulation or order of the Secretary of Labor, or as otherwise provided by law.

G. The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each contractor or vendor. The Operator will take such action with respect to any contract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the even the Operator becomes involved in or is threatened with litigation with a contractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interest of the United States.

2. **Equal Employment Opportunity Reporting.**

The Operator, unless exempt, agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within thirty (30) days after the signing of this Agreement or the award of any such purchase order, as the case may be, (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annual, on or before March 31st. (41 CFR 60-1.7(a)).

3. **Affirmative Action Compliance Program.**

The Operator agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended (41 CFR 60-01.40).

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4. Veteran's Employment.

In the event the agreement to which this exhibit is attached is for the purpose of carrying with any department or agency of the United States for the procurement of personal property and non-personal services (including construction) for the United States as provided by Section 2012 of Title 38 USC, Operator agrees to give special emphasis to the employment of qualified disabled veterans and veterans of the Vietnam era and to list immediately with the appropriate local employment service office all of its suitable employment openings.

5. Equal Opportunity in Employment Certification of Non-Segregated Facilities.

Operator, by entering into the contract to which this Exhibit F is attached, certifies that he does not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants, and other eating areas, time clocks, locker rooms, and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color or national origin, because of habit, local custom, or otherwise. He further agrees that (except where he has obtained identical certifications from proposed contracts for specific time periods) he will obtain identical certifications from proposed contractors prior to the award of contracts exceeding $10,00.00 which are not exempt from the provisions of the Equal Opportunity clause, that he will retain such certifications in his files; and that he will forward the following notice to such proposed contractors (except where the proposed contractors have submitted identical certifications for specific time periods):

6. Notice to Prospective Contractors of Requirement for Certifications of Facilities.

A Certification of Non-Segregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a contract exceeding $10,000.00 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract or for all contracts during a period (i.e., quarterly, semi-annually, or annually).

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EXHIBIT "H"

Attached to and made a part of that certain Operating Agreement dated December 1, 2024, by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

MEMORANDUM OF OPERATING AGREEMENT AND FINANCING STATEMENT

STATE OF NEW MEXICO §
§
COUNTY OF LEA §

THIS AGREEMENT is made and entered into by and between E.G.L. Resources, Inc. (hereinafter referred to as "Operator"), and the Signatory Party(s) other than Operator shown hereinbelow (hereinafter collectively referred to as "Non-Operators").

WHEREAS, the parties to this Memorandum of Operating Agreement and Financing Statement (hereinafter referred to as "Agreement") are owners of certain Oil and Gas Leases and/or Oil and Gas Interests covering the lands described on Exhibit "A" which is attached hereto and made a part hereof (said Lands, Leases or Interests are hereinafter referred to as the "Contract Area"), and in any instance in which the Leases or Interests of a party are not of record, the record owner and the party hereto that owns the interest or rights therein are reflected on said Exhibit "A"; AND,

WHEREAS, the parties hereto have executed an Operating Agreement dated December 1, 2024, by and between E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s), (hereinafter referred to as the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for oil and gas; AND

WHEREAS, the parties hereto have executed this Agreement for the purposes of imparting notice to all persons of the rights and obligations of the parties under the Operating Agreement and for the further purposes of perfecting those rights capable of perfection.

NOW, THEREFORE, in consideration of the mutual rights, covenants and obligations of the parties hereto, it is hereby agreed between the parties as follows:

1. This Agreement is supplemental to the Operating Agreement, which, for all purposes reference is hereby made and the terms and provisions contained therein are incorporated herewith in their entirety, and all terms used herein shall have the same meaning ascribed to them in said Operating Agreement.

2. The parties hereby agree that:

   A. The Oil and Gas Leases of the parties compromising the Contract Area shall be subject to and burdened with the terms and provisions of this Agreement and the Operating Agreement, and the parties do hereby commit such Leases to the performance thereof.

   B. The exploration and development of the Contract Area for oil and gas shall be governed by the terms and provisions of the Operating Agreement, as supplemented by this Agreement.

   C. All costs and liabilities incurred in operations under this Agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties hereto, as provided in the Operating Agreement.

   D. Regardless of the record title ownership to the Oil and Gas Leases identified on Exhibit "A", all production of oil and gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement; provided nothing contained in this Agreement shall be deemed an assignment or cross-assignment of interests covered hereby.

   E. Each party shall pay or deliver, or cause to paid or delivered, all burdens on its share of the production from the Contract Area as provided in the Operating Agreement.

   F. Any overriding royalty, production payment, net profits interest or other burden payable out of production hereafter created, assignments of production given as security for the payment of money and those overriding royalties, production payments and other burdens payable out of production heretofore created and defined as Subsequently Created Interests in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii)

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subject to suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the times and manner provided by the Operating Agreement.

G. The Oil and Gas Leases which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers. This Agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns.

H. The parties shall have the right to acquire an interest in any renewal, extension or replacement leases, leases proposed to be surrendered, wells proposed to be abandoned, and interests to relinquished as a result of non-participation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.

I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or loss of title, each party's right to propose operations, obligations with respect to participation in operations on the Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial obligations shall be as provided in the Operating Agreement.

J. Each party's interest under this Agreement and under the Operating Agreement shall be subject to relinquishment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.

K. All other matters with respect to exploration and development of the Contract Area and the ownership and transfer of Oil and Gas Leases therein shall be governed by the terms and provisions of the Operating Agreement.

3. The parties hereby grant reciprocal liens and security interests to each other as follows:

A. Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this Agreement and the Operating Agreement including but not limited to payment of expenses, interest and fees, the proper disbursement of all monies paid under this Agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required under this Agreement and the Operating Agreement, and the proper performance of operations under this Agreement and the Operating Agreement. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands polled or unitized therewith or otherwise becoming subject to this Agreement and the Operating Agreement, the oil and gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of oil and/or gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

B. Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in the Oil and Gas Leases covered by this Agreement and the Operating Agreement by, through and under such party. All parties acquiring an interest in any Oil and Gas Leases covered by this Agreement and the Operating Agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have been taken subject to the lien and security interest granted by the Operating Agreement and this instrument as to all obligations attributable to such interest under this Agreement and the Operating Agreement whether or not such obligations arise before and after such interest is acquired.

C. To the extent that the parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of

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judgment by a party for the secured indebtedness shall be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interest or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of oil and gas until the amount owed by such party, plus interest, has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of oil and gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

D. If any party fails to pay its share of expenses within one hundred twenty (120) days after rendition of a statement therefore by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this paragraph 3 and in Article VII.B of the Operating Agreement, and each paying party may independently pursue any remedy available under the Operating Agreement or otherwise.

E. If any party does not perform all of its obligations under this Agreement or the Operating Agreement, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this Agreement or the Operating Agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder or under the Operating Agreement, such power to exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

F. The lien and security interest granted by this paragraph 3 supplements identical rights granted under the Operating Agreement.

G. To the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due under this Agreement and the Operating Agreement for services performed or materials supplied by Operator.

H. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and this Memorandum of Operating Agreement and Financing Statement may be filed in the land records in the County in which the Contract Area is located, and as a financing statement in all recording offices required under the Uniform Commercial Code or other applicable state statutes to perfect the above described security interest, and any party hereto may file a continuation statement as necessary under the Uniform Commercial Code, or other state laws.

4. This Agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of this Agreement and the Operating Agreement and the satisfaction of all obligations thereunder, Operator is authorized to file of record in all necessary recording offices a notice of termination, and upon the request of Operator, each party hereto agrees to execute such a notice of termination as to Operator's interest, if Operator has complied with all of its financial obligations.

5. This Agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns. Every sale, encumbrance, transfer or other disposition made by any party of any interest in the Oil and Gas Lease subject hereto shall be made expressly subject to this Agreement and the Operating Agreement and without prejudice to the rights of the other parties. The assignee of an ownership interest in any Oil and Gas Lease shall be deemed a party to this Agreement and the Operating Agreement as to the interest assigned from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party under this Agreement or the Operating Agreement with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under this Agreement

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and the Operating Agreement in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B of the Operating Agreement and hereby shall continue to burden the interest transferred to secure payment of any such obligations.

6. In the event of a conflict between the terms and provisions of this Agreement and the terms and provisions of the Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.

7. This Agreement shall be binding upon each Non-Operator and Operator notwithstanding that this Agreement is not then or thereafter executed by all the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. In the event that any provision herein is illegal or unenforceable, the remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.

IN WITNESS WHEREOF, this Agreement shall be effective as of December 1, 2024.

OPERATOR:

E.G.L. RESOURCES, INC.

_____

By: Mark Cody, Vice President - Land

ACKNOWLEDGMENTS

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

This instrument was acknowledged before me on _____, by Mark Cody, Vice President - Land of E.G.L. Resources, Inc., on behalf of same.

_____

Notary Public, State of Texas

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NON-OPERATORS:

COMPANY: _____

By: _____

Name: _____

Title: _____

ACKNOWLEDGEMENT IN REPRESENTATIVE CAPACITY:

STATE OF _____§
§
COUNTY OF _____§

This instrument was acknowledged before me on _____, by _____ _____(name) as _____(title), of _____ _____, on behalf of same.

_____
Notary Public, State of _____

ACKNOWLEDGEMENT IN INDIVIDUAL CAPACITY:

STATE OF _____§
§
COUNTY OF _____§

This instrument was acknowledged before me on _____, by_____ _____.

_____
Notary Public, State of _____

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EXHIBIT "A" to "H"

Attached to and made a part of that certain Memorandum of Operating Agreement, Mortgage and Financing Statement dated _December 1, 2024_ by and among E.G.L. Resources, Inc., as Operator, and PBEX, LLC, et al, as Non-Operator(s).

I. CONTRACT AREA

Township 18 South, Range 32 East, N.M.P.M.
Section 32: NE4
Section 33: N2
Section 34: N2
Lea County, New Mexico
Containing 800.00 acres, more or less

II. DEPTH RESTRICTIONS

Bone Spring formation only

III. PARTIES TO AGREEMENT

E.G.L. Resources LLC **To Be Determined**
PBEX LLC
223 W. Wall Street, Suite 900
Midland, TX 79701

IV. OIL AND GAS LEASES SUBJECT TO AGREEMENT:

Lease No. (Legacy):	NMNM 105510555 (NMNM 018302)
Date:	5/1/1973
Lessor:	United States of America BLM
Original Lessee:	Randolph M. Richardson
Legal Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 34: NE4, E2NW4, NW4NW4 Lea County, New Mexico

Lease No. (Legacy):	NMNM 105444857 (NMNM 0556094)
Date:	2/1/1965
Lessor:	United States of America BLM
Lessee:	XTO Holdings LLC
Legal Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NE4 Section 34: SW4NW4 Lea County, New Mexico

Lease No. (Legacy):	NMNM 105468369 (NMNM 018232)
Date:	5/1/1973
Lessor:	United States of America BLM
Lessee:	XTO Holdings LLC
Legal Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 33: NW4 Lea County, New Mexico

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Lease No.:	LG-7655-07
Date:	2/1/1980
Lessor:	State of New Mexico
Lessee:	BEXP II Omega LLC
Legal Description:	Insofar and only insofar as to Township 18 South, Range 32 East, N.M.P.M. Section 32: NE4 Lea County, New Mexico

V. BURDENS ON PRODUCTION:

Of record as of the effective date of this agreement.

End of Exhibit "A" to "H"

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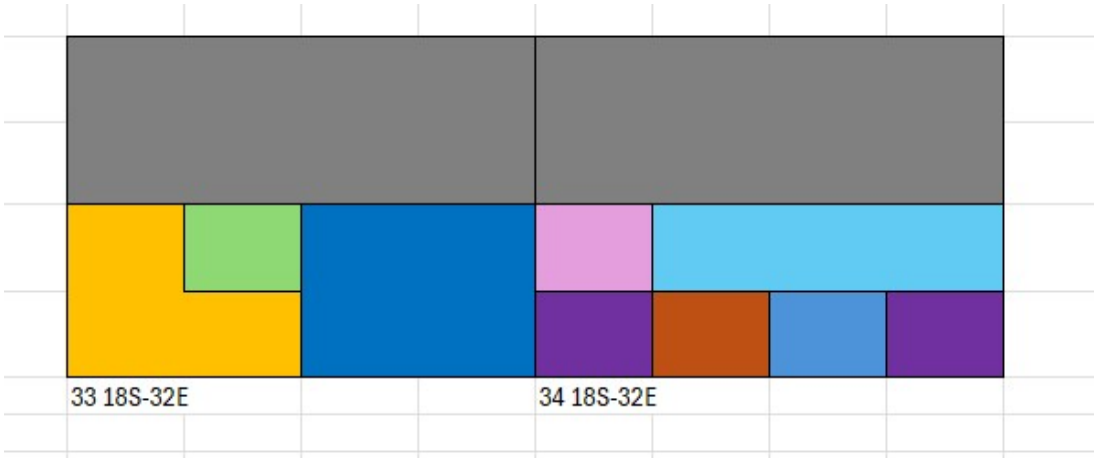
Case No. 25878
PBEX, LLC
Exhibit A-4

BOND 33-34 FED COM 104H, 105H, 106H 207H, 209H, 211H

S2 Sec 33 and 34 18S-32E

Lea Co, New Mexico

BONE SPRING



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-3
Submitted by: PBEX, LLC
Hearing Date: February 13, 2025
Case No. 24185

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INTEREST BY TRACT

T18S, R32E Section 34: SWSE (NM 556094)	
Magnum Hunter Production, Inc.	3.12500000%
Centennial, a New Mexico General Partnership	0.00000000%
Norton, LLC	1.25000000%
PBEX, LLC	20.79265625%
Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III	14.53125000%
Carol Louise Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee	0.15625000%
MRC Permian Company	0.03125000%
Martha L. Roberts Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee	0.31250000%
MRC Permian Company	0.18750000%
St. Edward Catholic School	0.03625000%
Prospector, LLC	0.31250000%
Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants	0.46875000%
James S. Shortle, M. D.	0.23437500%
Schultz Properties, LLC	0.40000000%
Robinson Resource Development Company, Inc.	0.56250000%
SherrFive L.P.	2.59765625%
MRC Permian Company	1.36718750%
Westway Petro, a Texas Joint Venture	0.19531250%
MRC Permian Company	10.87656250%
Chevron U.S.A. Inc.	42.32812500%
Snow Oil & Gas, Inc.	0.23437500%
	100.00000000%

T18S, R32E Section 34: SESW (NM 67988)	
Double R Oil & Gas LLC	11.97000000%
Judah Oil, LLC	49.74330000%
Levi Oil and Gas, LLC	38.28670000%
	100.00000000%

T18S, R32E Section 33: W2SW, SESW (NM 26690)	
Chevron U.S.A. Inc.	100.00000000%

T18S, R32E Section 34: NESW, N2SE (NM 18302)	
Magnum Hunter Production, Inc.	3.12500000%
Centennial, a New Mexico General Partnership	3.12500000%
Norton, LLC	1.25000000%
PBEX, LLC	17.90203125%
Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III	14.53125000%
Carol Louise Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee	0.15625000%
Martha L. Roberts Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee	0.31250000%
St. Edward Catholic School	0.03625000%
Prospector, LLC	0.31250000%
Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants	0.46875000%
Chevron U.S.A. Inc.	0.31250000%
James S. Shortle, M. D.	0.23437500%
Schultz Properties, LLC	0.40000000%
Robinson Resource Development Company, Inc.	0.56250000%
SherrFive L.P.	2.59765625%
Westway Petro, a Texas Joint Venture	0.19531250%
MRC Permian Company	12.46250000%
Chevron U.S.A. Inc.	42.01562500%
	100.00000000%

T18S, R32E Section 33: NESW (NM 25877)	
PBEX LLC	87.50000000%
Mecca Exploration, LLC	12.50000000%
	100.00000000%

T18S, R32E Section 33: SE (NM 24161)	
PBEX, LLC	8.40083333%
Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III	3.12500000%
Carol Louise Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee	0.12500000%

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		Ann C. Johnson Trust, dated 3/28/2004, Ann C. Johnson, Trustee	0.12500000%
T18S, R32E Section 34: NWSW (NM 96235)		Martha L. Roberts Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee	0.25000000%
COG Operating LLC	95.00000000%	St. Edward Catholic School	0.03750000%
Concho Oil and Gas LLC	5.00000000%	Prospector, LLC	0.25000000%
	100.00000000%	Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants	0.37500000%
T18S, R32E Section 34: SWSW, SESE		Mecca Exploration LLC	0.71916667%
		James S. Shortle, M. D.	0.18750000%
MRC Delaware Resources, LLC	88.00000000%	MRC Permian Company	5.46875000%
MRC Spiral Resources, LLC	4.00000000%	Read & Stevens, Inc.	0.39062500%
MRC Explorers Resources, LLC		Bean Family Limited Company	
	4.00000000%		0.39062500%
Nadel & Gussman Capitan, LLC	4.00000000%	MRC Permian Company	6.37500000%
	100.00000000%	Chevron U.S.A. Inc.	73.78000000%
			100.00000000%

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UNIT INTEREST	
Chevron U.S.A. Inc.	47.77703125
PBEX, LLC	12.82571614
Mecca Exploration LLC	0.96104167
Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III	4.4140625
Carol Louise Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee	0.0703125
Ann C. Johnson Trust, dated 3/28/2004, Ann C. Johnson, Trustee	0.03125
Martha L. Roberts Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee	0.14062500
St. Edward Catholic School	0.01843750
Prospector, LLC	0.14062500
Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants	0.21093750
James S. Shortle, M. D.	0.10546875
MRC Permian Company	5.89101563
Read & Stevens, Inc.	0.09765625
Bean Family Limited Company	0.09765625
COG Operating LLC	5.93750000
Concho Oil and Gas LLC	0.31250000
MRC Delaware Resources, LLC	11.00000000
MRC Spiral Resources, LLC	0.50000000
MRC Explorers Resources, LLC	0.50000000
Nadel & Gussman Capitan, LLC	0.50000000
Double R Oil & Gas LLC	0.74812500
Judah Oil, LLC	3.10895625
Levi Oil and Gas, LLC	2.39291875
Magnum Hunter Production, Inc.	0.78125000
Norton, LLC	0.31250000
Schultz Properties, LLC	0.10000000
Robinson Resource Development Company, Inc.	0.14062500
SherrFive L.P.	0.64941406
Westway Petro, a Texas Joint Venture	0.23437500
	100

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PARTIES TO POOL
WI Owners
Ann C. Johnson Trust
Carol Louise Johnson Revocable Trust
Chevron USA Inc.
Double R Oil & Gas LLC
Judah Oil LLC
Levi Oil and Gas LLC
Magnum Hunter Production Inc.
Martha L. Roberts Revocable Trust
Mecca Exploration LLC
Milestone Resources LLC
MRC Delaware Resources
MRC Explorers Resources
MRC Permian Company
MRC Spiral Resources
Norton LLC
Read & Stevens Inc.
Robinson Resources Development Co
Schultz Properties LLC
SherrFive LP
Snow Oil & Gas
St. Edwards Catholic School
Vance, Hazel M. & Lloyd G. Wayne
*Milestone Resources LLC
West, Judith A.
Westway Petro
ORRI
Banschbach, Michael
Black River Enterprises
Carol Patterson Endsor 1976 Irrev Trust Agreement
Chevron USA Inc.
Estate of James Curtis Johnson Jr.
Francis, Carlotta
James Adelson & Family 2015 Trusts
Kane Resources LLC
McKay Petroleum Corporation
MRC Permian Company
Perry Ann Patterson 1976 Irrev Trust Agreement
S&C Contruction Inc.
Schultz Properties LLC
SherrFive LP
Shortle, James S., M.D.
Smith Family Trust
SNFLK Leasing LLC
Snow Oil & Gas Inc.
Spiral Inc.
Toles Company

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Tricia Louise Patterson 1976 Irrev Trust Agreement
Vance, Hazel M. & Lloyd G. Wayne, JT
Warren E&P Inc.
Zunis Energy LLC
RT Owners
XTO Holdings LLC

*Successor of Interest to Schultz Properties, LLC

KEY: Parties highlighted yellow are being pooled.

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BOND 32-34 FED COM 101H, 102H, 103H 201H, 203H, 205H

NE Sec 32, N2 Sec 33 and 34 18S-32E

Lea Co, New Mexico

BONE SPRING



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-4
Submitted by: PBEX, LLC
Hearing Date: February 13, 2025
Case No. 24886

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INTEREST BY TRACT

32: SWNE		**34: SWNW**	
BEXP II Omega, LLC	0.00272084	PBEX, LLC (WI)	
BEXP II Alpha, LLC	0.002022465	XTO Holdings, LLC (WI)	30.21003125%
Chevron USA, Inc.	0.98883929		3.12500000%
SITL Energy, LLC	0.00083705	Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III (WI)	30.31250000%
R.E.B. Resources, LLC	0.00083705	Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee (WI)	0.25000000%
PBEX LLC	0.004743305	PBEX LLC	0.25000000%
32: N2NE4, SE4NE4		Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee (WI)	0.50000000%
		Prospector, LLC (WI)	
BEXP II Omega, LLC	0.00272084		0.50000000%
BEXP II Alpha, LLC	0.002022465	Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants (WI)	0.75000000%
Chevron USA, Inc.	0.49441964	PBEX LLC	0.37500000%
Camterra Resources Partners, LTd	0.32961309	James S. Shortle, M. D. (WI)	0.37500000%
Pride Energy Company	0.08240328	Osprey Oil and Gas IV LP	4.53747000%
Cullins Energy LP	0.08240328	Osprey Oil and Gas IV LP	4.35953000%

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SITL Energy, LLC	0.00083705
R.E.B. Resources, LLC	0.00083705
PBEX LLC	0.004743305
33: NW	
Chevron USA, Inc.	1
33: NE	
Chevron U.S.A. Inc. (WI)	73.7800000%
PBEX, LLC (WI)	6.25000000%
Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III (WI)	3.12500000%
Carol Louise Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee (WI)	0.12500000%
Ann C. Johnson Trust, dated 3/28/2004, Ann C. Johnson, Trustee (WI)	0.12500000%
Martha L. Roberts Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee (WI)	0.25000000%
PBEX, LLC (WI)	0.22500000%
PBEX, LLC (WI)	0.26250000%
St. Edward Catholic School (WI)	0.03750000%
PBEX, LLC (WI)	0.22500000%
Prospector, LLC (WI)	0.25000000%
Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants (WI)	0.37500000%
PBEX, LLC (WI)	1.43833333%
Centerpoint Resources, Inc. (WI)	0.71916667%
Milestone Resources LLC	0.61875000%
Robert Garcia (WI)	0.19687500%
Southwest Petroleum Land Services, LLC (WI)	0.02460938%
Blackbird Royalty (WI)	0.02460938%
Rick Coll and Sharon Coll, h/w (WI)	0.04921875%
Gary Rogers and Mary Rogers (WI)	0.04921875%
LONG, LLC (WI)	1.07187500%
Robinson Resource Development	0.31250000%
SherrFive L.P. (WI)	4.78515625%
MRC Permian Company (WI)	17.27343750%
Milestone Resources LLC	0.04921875%
	100.00000000%
34: NE, N2NW, SENW	
PBEX, LLC (WI)	30.21003125%
XTO Holdings, LLC (WI)	3.12500000%
Judy Reynolds West, as devisee under the Will of Sol West, III (WI)	30.31250000%
Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee (WI)	0.25000000%
PBEX LLC	0.25000000%
Revocable Trust, dated 8/9/2011,	0.50000000%
Prospector, LLC (WI)	0.50000000%

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James S. Shortle, M. D. (WI)	0.18750000%	Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants (WI)	0.75000000%
MRC Permian Company (WI)	5.46875000%	PBEX LLC	0.37500000%
Read & Stevens, Inc. (WI)	0.39062500%	James S. Shortle, M. D. (WI)	0.37500000%
Bean Family Limited Company (WI)	0.39062500%	Ospery Oil and Gas IV, LLC	4.53747000%
MRC Permian Company (WI)	6.37500000%	Ospery Oil and Gas IV, LLC	4.35953000%
		Milestone Resources, LLC	0.61875000%
		Robert Garcia (WI)	0.19687500%
		Southwest Petroleum Land Services, LLC (WI)	0.02460938%
		Blackbird Royalty (WI)	0.02460938%
		Rick Coll and Sharon Coll, h/w (WI)	0.04921875%
		Gary Rogers and Mary Rogers (WI)	0.04921875%
		LONG, LLC (WI)	1.07187500%
		Robinson Resource Development Company, Inc. (WI)	0.31250000%
		SherrFive L.P. (WI)	4.78515625%
		MRC Permian Company (WI)	17.27343750%
		Milestone Resources LLC	0.04921875%
			100.00000000%

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UNIT INTEREST	
Chevron U.S.A. Inc. (WI)	0.47116491
PBEX, LLC (WI)	0.14109046
XTO Holdings, LLC (WI)	0.01250000
Judith A. West a/k/a Judy Reynolds West, as devisee under the Will of Sol West, III (WI)	0.12750000
Carol Louise Johnson Revocable Trust (2004), Carol Louise Johnson, Trustee (WI)	0.00125000
Ann C. Johnson Trust, dated 3/28/2004, Ann C. Johnson, Trustee (WI)	0.00025000
Martha L. Roberts Revocable Trust, dated 8/9/2011, Martha L. Roberts, Trustee (WI)	0.00250000
St. Edward Catholic School (WI)	0.00007500
Prospector, LLC (WI)	0.00250000
Hazel M. Vance and/or Lloyd G. Wayne, Joint Tenants (WI)	0.00375000
Mecca Exploration LLC	0.00143833
James S. Shortle, M. D. (WI)	0.00187500
MRC Permian Company (WI)	0.09278125
Read & Stevens, Inc. (WI)	0.00078125
Bean Family Limited Company (WI)	0.00078125

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Osprey Oil and Gas IV LP	0.03558800
Robert Garcia (WI)	0.00078750
Southwest Petroleum Land Services, LLC (WI)	0.00009844
Blackbird Royalty (WI)	0.00009844
Rick Coll and Sharon Coll, h/w (WI)	0.00019688
Gary Rogers and Mary Rogers (WI)	0.00019688
LONG, LLC (WI)	0.00428750
Robinson Resource Development Company, Inc. (WI)	0.00125000
SherrFive L.P. (WI)	0.01914063
BEXP II Omega, LLC	0.00054416
BEXP II Alpha, LLC	0.00040450
SITL Energy, LLC	0.00016740
R.E.B. Resources, LLC	0.00016740
Camterra Resources Partners, LTd	0.04944196
Pride Energy Company	0.01236049
Cullins Engergy LP	0.01236049
Milestone Resources LLC	0.00267188

1.00000000

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PARTIES TO POOL
WI Owners
Ann C. Johnson Trust
BEXP II Alpha LLC
BEXP II Omega LLC
Camterra Resources Partners Ltd
Carol Louise Johnson Revocable Trust
Chevron USA Inc.
Garcia, Robert
Milestone Resources LLC
MRC Permian Company
Osprey Oil and Gas IV, LLC
Pride Energy Company
Read & Stevens Inc.
Red Bird Ventures, Inc
Robinson Resources /Robinson Resources Development Co
Sherrfive, LP
Shortle, James S., M.D.
Southwest Petroleum Land Services, LLC
St. Edward Catholic School
Vance, Hazel M. and Lloyd G. Wayne, JT
West, Judith A.
Westway Petro
ORRI Owners
Ann C. Johnson Trust
BriLi, LLC
Campbell, Aimee Lane
Campbell, Mackinnon Dean
Chevron USA Inc.
Escondido Oil & Gas LLC
Foran Oil Company
Foran, Joseph Wm.
Francis, Carlotta
Hissom Oil Company
Hissom, R.J.
James Adelson & Family 2015 Trusts
Johnson, James Curtis aka Jimmy Johnson, Estate of
Lilley, Tom & Wife, Tashina Lilley
Palace Exploration Company
Red Bird Venture, Inc.
S&C Construction Inc.
Schultz Properties LLC
Sherrfive LP

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Received by OCD: 5/7/2026 8:10:56 AM

Shortle, James S., M.D.
Smith Family Trust dtd 3/28/2001
SNFLK Leasing LLC
Snow Oil & Gas Inc.
St. Edward Catholic School
Vance, Hazel M. & Lloyd G. Wayne, JT
Wadi Petroleum Inc.
Warren E&P Inc.
West, Judith A.
XTO Holdings LLC
Zunis Energy LLC
Coffee, Ann Shirreff
Coldwell, Charles H., Estate of (Dec)
Davis, Betty T.
Elizabeth LaRoche Gann Trust
Fossum, Susan S.
Hannifin, Alan R.
Hannifin, Shawn P. & Frances A. Hannifin, JT
O'Malley, Stacy Anne
Ray Holifield Trust
Rimco Royalty Partners LP
Shirreff, James Davidson
Shockley, Houston Doan
Susan Marie Vest Trust
RT Owners
XTO Holdings LLC
BEXP II Omega LLC

KEY: Parties highlighted are being pooled

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY EGL RESOURCES, INC.

CASE NO. 24185
ORDER NO. R-23684

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on February 13, 2025, and after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issues the following Order.

FINDINGS OF FACT

1. EGL Resources, Inc. ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. Operator seeks to be designated the operator of the Unit.

2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.

3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.

4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.

5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.

7. Operator is the owner of an oil and gas working interest within the Unit.

8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.

9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

10. Operator has the right to drill the Well(s) to a common source of supply at the

Case No. 25878
PBEX, LLC
Exhibit A-5

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

11. The Unit contains separately owned uncommitted interests in oil and gas minerals.

12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.

13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.

14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.

16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.

17. Operator is designated as operator of the Unit and the Well(s).

18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.

19. If the Unit is a non-standard horizontal spacing unit which has not been approved under this Order, Operator shall obtain the OCD's approval for a non-standard horizontal spacing unit in accordance with 19.15.16.15(B)(5) NMAC.

20. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.

21. This Order shall terminate automatically if the Operator fails to comply with the preceding paragraph unless the Operator requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and the Operator must set the case for a hearing.

22. Operator may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the deviation is automatically granted. If a protest is received the deviation is not granted and the Operator must set the case for a hearing.

23. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.

24. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").

25. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

26. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.

27. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

28. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."

29. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include

the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.

30. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.

31. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

32. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.

33. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.

34. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.

35. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

36. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

37. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Date: 2/19/2025

GERASIMOS RAZATOS
DIRECTOR (Acting)
GR/dm

R-23684 EXHIBIT A

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 24185	**APPLICANT'S RESPONSE**
Date:	**February 13, 2025**
Applicant	**E.G.L. Resources, Inc.**
Designated Operator & OGRID (affiliation if applicable)	**E.G.L. Resources, Inc. [192373]**
Applicant's Counsel:	**Holland & Hart LLP**
Case Title:	**APPLICATION OF E.G.L. RESOURCES, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**
Entries of Appearance/Intervenors:	**Snow Oil & Gas and Dan W. and Sandra Lynn Snow, Avant Operating, LLC, COG Operating LLC & Concho Oil & Gas LLC, and Coterra Energy, Inc., and subsidiaries including Cimarex Energy Co.**
Well Family	**Bond 33-34**
Formation/Pool	
Formation Name(s) or Vertical Extent:	**Bone Spring**
Primary Product (Oil or Gas):	**Oil**
Pooling this vertical extent:	**N/A**
Pool Name and Pool Code:	**Lusk; Bone Spring North Pool (41450)**
Well Location Setback Rules:	**Statewide Rules**
Spacing Unit	
Type (Horizontal/Vertical)	**Horizontal**
Size (Acres)	**640-acres**
Building Blocks:	**40 acres**
Orientation:	**Laydown / West-East**
Description: TRS/County	**S/2 of Sections 33 and 34, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico**
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in the application?	**Yes**
Other Situations	
Depth Severance: Y/N. If yes, description	**No**
Proximity Tracts: If yes, description	**Yes**
Proximity Defining Well: if yes, description	**Yes; the completed intervals of the Bond 33-34 Fed Com 105H and Bond 33-34 Fed Com 209H wells are expected to remain within 330 feet of the offsetting quarter-quarter sections or equivalent tracts to allow inclusion of that acreage into a standard horizontal well spacing unit.**
Applicant's Ownership in Each Tract	**Exhibit C-2**
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

R-23684 EXHIBIT A

Well #1	**Bond 33-34 Fed Com 104H** **API No. 30-025-PENDING** **SHL: 1,348' FSL & 1,180' FEL (Unit I) of Section 32** **BHL: 2,178' FSL & 10' FEL (Unit I) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Well #2	**Bond 33-34 Fed Com 105H** **API No. 30-025-PENDING** **SHL: 1,308' FSL & 1,175' FEL (Unit P) of Section 32** **BHL: 1,254' FSL & 10' FEL (Unit P) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard / Proximity well**
Well #3	**Bond 33-34 Fed Com 106H** **API No. 30-025-PENDING** **SHL: 1,269' FSL & 1,169' FEL (Unit P) of Section 32** **BHL: 330' FSL & 10' FEL (Unit P) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Well #4	**Bond 33-34 Fed Com 207H** **API No. 30-025-PENDING** **SHL: 1,368' FSL & 1,183' FEL (Unit I) of Section 32** **BHL: 2,230' FSL & 10' FEL (Unit I) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Well #5	**Bond 33-34 Fed Com 209H** **API No. 30-025-PENDING** **SHL: 1,328' FSL & 1,177' FEL (Unit I) of Section 32** **BHL: 1,254' FSL & 10' FEL (Unit P) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard / Proximity well**
Well #6	**Bond 33-34 Fed Com 211H** **API No. 30-025-PENDING** **SHL: 1,288' FSL & 1,172' FEL (Unit P) of Section 32** **BHL: 330' FSL & 10' FEL (Unit P) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Horizontal Well First and Last Take Points	**Exhibit C-2**
Completion Target (Formation, TVD and MD)	**Exhibit C-4**
AFE Capex and Operating Costs	
Drilling Supervision/Month $	**$10,000**
Production Supervision/Month $	**$1,000**
Justification for Supervision Costs	**Exhibit C**
Requested Risk Charge	**200%**
Notice of Hearing	
Proposed Notice of Hearing	**Exhibit B**
Proof of Mailed Notice of Hearing (20 days before hearing)	**Exhibit E**

R-23684 EXHIBIT A

Proof of Published Notice of Hearing (10 days before hearing)	**Exhibit F**
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	**Exhibit C-3**
Tract List (including lease numbers and owners)	**Exhibit C-3**
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	**N/A**
Pooled Parties (including ownership type)	**Exhibit C-3**
Unlocatable Parties to be Pooled	**See Exhibit C-5**
Ownership Depth Severance (including percentage above & below)	**N/A**
Joinder	
Sample Copy of Proposal Letter	**Exhibit C-4**
List of Interest Owners (ie Exhibit A of JOA)	**Exhibit C-3**
Chronology of Contact with Non-Joined Working Interests	**Exhibit C-5**
Overhead Rates In Proposal Letter	**Exhibit C-4**
Cost Estimate to Drill and Complete	**Exhibit C-4**
Cost Estimate to Equip Well	**Exhibit C-4**
Cost Estimate for Production Facilities	**Exhibit C-4**
Geology	
Summary (including special considerations)	**Exhibit D**
Spacing Unit Schematic	**Exhibit D-1**
Gunbarrel/Lateral Trajectory Schematic	**Exhibit D-2**
Well Orientation (with rationale)	**Exhibit D**
Target Formation	**Exhibit D**
HSU Cross Section	**Exhibit D-3 & D-4**
Depth Severance Discussion	**N/A**
Forms, Figures and Tables	
C-102	**Exhibit C-2**
Tracts	**Exhibit C-3**
Summary of Interests, Unit Recapitulation (Tracts)	**Exhibit C-3**
General Location Map (including basin)	**Exhibit D-1**
Well Bore Location Map	**Exhibit D-2**
Structure Contour Map - Subsea Depth	**Exhibit D-2**
Cross Section Location Map (including wells)	**Exhibit D-3 & D-4**
Cross Section (including Landing Zone)	**Exhibit D-3 & D-4**
Additional Information	
Special Provisions/Stipulations	**N/A**
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	**Paula M. Vance**
Signed Name (Attorney or Party Representative):	
Date:	**6-Feb-25**

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY EGL RESOURCES, INC.

CASE NO. 24886
ORDER NO. R-23685

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on February 13, 2025, and after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issues the following Order.

FINDINGS OF FACT

1. EGL Resources, Inc. ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. Operator seeks to be designated the operator of the Unit.

2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.

3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.

4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.

5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.

7. Operator is the owner of an oil and gas working interest within the Unit.

8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.

9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

10. Operator has the right to drill the Well(s) to a common source of supply at the

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

11. The Unit contains separately owned uncommitted interests in oil and gas minerals.

12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.

13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.

14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.

16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.

17. Operator is designated as operator of the Unit and the Well(s).

18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.

19. If the Unit is a non-standard horizontal spacing unit which has not been approved under this Order, Operator shall obtain the OCD's approval for a non-standard horizontal spacing unit in accordance with 19.15.16.15(B)(5) NMAC.

20. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.

21. This Order shall terminate automatically if the Operator fails to comply with the preceding paragraph unless the Operator requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and the Operator must set the case for a hearing.

22. Operator may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the deviation is automatically granted. If a protest is received the deviation is not granted and the Operator must set the case for a hearing.

23. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.

24. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").

25. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

26. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.

27. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

28. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."

29. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include

the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.

30. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.

31. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

32. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.

33. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.

34. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.

35. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

36. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

37. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Date: 2/19/2025

GERASIMOS RAZATOS
DIRECTOR (Acting)
GR/dm

R-23685 EXHIBIT A

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 24886	**APPLICANT'S RESPONSE**
Date:	**February 13, 2025**
Applicant	**BPEX, LLC**
Designated Operator & OGRID (affiliation if applicable)	**E.G.L. Resources, Inc. [192373]**
Applicant's Counsel:	**Holland & Hart LLP**
Case Title:	**APPLICATION OF PBEX, LLC FOR APPROVAL OF AN OVERLAPPING HORIZONTAL WELL SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**
Entries of Appearance/Intervenors:	**Snow Oil & Gas and Dan W. and Sandra Lynn Snow; Avant Operating, LLC; COG Operating LLC & Concho Oil & Gas LLC; and Coterra Energy, Inc., and subsidiaries including Cimarex Energy Co.**
Well Family	**Bond 32-34**
Formation/Pool	
Formation Name(s) or Vertical Extent:	**Bone Spring**
Primary Product (Oil or Gas):	**Oil**
Pooling this vertical extent:	**N/A**
Pool Name and Pool Code:	**Lusk; Bone Spring North Pool (41450); BS1 of the N/2 of Section 34 is the QUERECHO PLAINS;UPPER BS [50600]; and BS2 and BS3 of the N/2 of Section 34 is the QUERECH PLAINS;LOWER BONE SPRING [50510]**
Well Location Setback Rules:	**Statewide Rules**
Spacing Unit	
Type (Horizontal/Vertical)	**Horizontal**
Size (Acres)	**800-acres**
Building Blocks:	**40 acres**
Orientation:	**Laydown / West-East**
Description: TRS/County	**NE/4 of Section 32, N/2 of Section 33, and N/2 of Section 34, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico**
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in the application?	**Yes**
Other Situations	
Depth Severance: Y/N. If yes, description	**No**
Proximity Tracts: If yes, description	**Yes**
Proximity Defining Well: if yes, description	**Yes; the completed intervals of the Bond 32-34 Fed Com 102H and Bond 32-34 Fed Com 203H wells are expected to remain within 330 feet of the offsetting quarter-quarter sections or equivalent tracts to allow inclusion of that acreage into a standard horizontal well spacing unit.**
Applicant's Ownership in Each Tract	**Exhibit C-2**
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	

R-23685 EXHIBIT A

Well #1	**Bond 32-34 Fed Com 101H** **API No. 30-025-PENDING** **SHL: 1,726' FNL & 2,445' FWL (Unit F) of Section 32** **BHL: 330' FNL & 10' FEL (Unit A) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Well #2	**Bond 32-34 Fed Com 102H** **API No. 30-025-PENDING** **SHL: 1,726' FNL & 2,365' FWL (Unit F) of Section 32** **BHL: 1,254' FNL & 10' FEL (Unit A) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard / Proximity well**
Well #3	**Bond 32-34 Fed Com 103H** **API No. 30-025-PENDING** **SHL: 1,605' FSL & 1,218' FEL (Unit I) of Section 32** **BHL: 2,178' FNL & 10' FEL (Unit H) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Well #4	**Bond 32-34 Fed Com 201H** **API No. 30-025-PENDING** **SHL: 1,726' FNL & 2,425' FWL (Unit F) of Section 32** **BHL: 330' FNL & 10' FEL (Unit A) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Well #5	**Bond 32-34 Fed Com 203H** **API No. 30-025-PENDING** **SHL: 1,726' FNL & 2,345' FWL (Unit F) of Section 32** **BHL: 1,254' FNL & 10' FEL (Unit A) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard / Proximity well**
Well #6	**Bond 32-34 Fed Com 205H** **API No. 30-025-PENDING** **SHL: 1,585' FSL & 1,215' FEL (Unit I) of Section 32** **BHL: 2,200' FNL & 10' FEL (Unit H) of Section 34** **Completion Target: Bone Spring formation** **Well Orientation: Laydown / West-East** **Completion Location expected to be: Standard**
Horizontal Well First and Last Take Points	**Exhibit C-3**
Completion Target (Formation, TVD and MD)	**Exhibit C-5**
AFE Capex and Operating Costs	
Drilling Supervision/Month $	**$10,000**
Production Supervision/Month $	**$1,000**
Justification for Supervision Costs	**Exhibit C**
Requested Risk Charge	**200%**
Notice of Hearing	
Proposed Notice of Hearing	**Exhibit B**
Proof of Mailed Notice of Hearing (20 days before hearing)	**Exhibit E**

R-23685 EXHIBIT A

Proof of Published Notice of Hearing (10 days before hearing)	**Exhibit F**
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	**Exhibit C-4**
Tract List (including lease numbers and owners)	**Exhibit C-4**
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	**N/A**
Pooled Parties (including ownership type)	**Exhibit C-4**
Unlocatable Parties to be Pooled	**See Exhibit C-6**
Ownership Depth Severance (including percentage above & below)	**N/A**
Joinder	
Sample Copy of Proposal Letter	**Exhibit C-5**
List of Interest Owners (ie Exhibit A of JOA)	**Exhibit C-4**
Chronology of Contact with Non-Joined Working Interests	**Exhibit C-6**
Overhead Rates In Proposal Letter	**Exhibit C-5**
Cost Estimate to Drill and Complete	**Exhibit C-5**
Cost Estimate to Equip Well	**Exhibit C-5**
Cost Estimate for Production Facilities	**Exhibit C-5**
Geology	
Summary (including special considerations)	**Exhibit D**
Spacing Unit Schematic	**Exhibit D-1**
Gunbarrel/Lateral Trajectory Schematic	**Exhibit D-2**
Well Orientation (with rationale)	**Exhibit D**
Target Formation	**Exhibit D**
HSU Cross Section	**Exhibit D-3 & D-4**
Depth Severance Discussion	**N/A**
Forms, Figures and Tables	
C-102	**Exhibit C-3**
Tracts	**Exhibit C-4**
Summary of Interests, Unit Recapitulation (Tracts)	**Exhibit C-4**
General Location Map (including basin)	**Exhibit D-1**
Well Bore Location Map	**Exhibit D-2**
Structure Contour Map - Subsea Depth	**Exhibit D-2**
Cross Section Location Map (including wells)	**Exhibit D-3 & D-4**
Cross Section (including Landing Zone)	**Exhibit D-3 & D-4**
Additional Information	
Special Provisions/Stipulations	**N/A**
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	**Paula M. Vance**
Signed Name (Attorney or Party Representative):	
Date:	**6-Feb-25**

From: Ruth Pelzel
To: Sabrsula, Scott
Cc: Ashley Roush
Subject: Bond proposals
Attachments: Outlook-signature .png
Well Prop under Ord - Chevron BOND.pdf

Hey Scott,

Hope you're doing well. Please see the attached Bond proposals under the Order for your review.

Thanks,

Ruth

Ruth Pelzel
223 W. Wall St, Ste 900
Midland, TX 79705
Cell: (432) 894-4625

Case No. 25878
PBEX, LLC
Exhibit A-6

August 7, 2025

Chevron USA Inc.
6301 Deauville Blvd
Midland, TX 79706
Attn: Land Department

Re: **Bond 32-34 Fed Com 101H, 103H & Bond 33-34 Fed Com 104H, 106H**
Bond 32-34 Fed Com 201H, 205H & Bond 33-34 Fed Com 207H, 211H
Bond 32-34 Fed Com 301H & Bond 33-34 Fed Com 304H, 306H
Sections 32, 33 & 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

PBEX Operations, LLC, on behalf of PBEX, LLC ("PBX"), hereby proposes under Compulsory Order Nos. R-23684 and R-23685, respectively, the drilling of the following wells located in Sections 32, 33 & 34 of T18S-R32E, Lea County, New Mexico. Please review the attached Authority for Expenditures ("AFE") with the gross estimated total cost to drill and complete each of the referenced wells.

PHASE 1

BOND 32-34 FED COM 201H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2465' FWL, or a legal location in Unit F
FTP- Sec. 32: 330' FNL, 2540' FEL, or at a legal location in Unit B
LTP- Sec. 34: 330' FNL, 100' FEL, or at a legal location in Unit A
BHL- Sec. 34: 330' FNL, 10' FEL, or at a legal location in Unit A
Formation - 2BS TVD – 9,320' MD – 23,320'

BOND 32-34 FED COM 205H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2445' FWL, or a legal location in Unit F
FTP- Sec. 32: 2200' FNL, 2540' FEL, or at a legal location in Unit G
LTP- Sec. 34: 2200' FNL, 100' FEL, or at a legal location in Unit H
BHL- Sec. 34: 2200' FNL, 10' FEL, or at a legal location in Unit H
Formation - 2BS TVD – 9,320' MD – 23,320'

BOND 32-34 FED COM 301H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2405' FWL, or a legal location in Unit F
FTP- Sec. 32: 1640' FNL, 2540' FEL, or at a legal location in Unit G
LTP- Sec. 34: 1640' FNL, 100' FEL, or at a legal location in Unit H
BHL- Sec. 34: 1640' FNL, 10' FEL, or at a legal location in Unit H
Formation - 3BS TVD – 10,150' MD – 24,150'

August 7, 2025
BOND – N2, S2 Well Proposals under CP Order

BOND 33-34 FED COM 207H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 2000' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 1630' FSL, 100' FWL, or at a legal location in Unit L
LTP- Sec. 34: 1630' FSL, 100' FEL, or at a legal location in Unit I
BHL- Sec. 34: 1630' FSL, 10' FEL, or at a legal location in Unit I
Formation - 2BS TVD – 9,320' MD – 20,680'

BOND 33-34 FED COM 211H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1980' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 330' FSL, 100' FWL, or at a legal location in Unit M
LTP- Sec. 34: 330' FSL, 100' FEL, or at a legal location in Unit P
BHL- Sec. 34: 330' FSL, 10' FEL, or at a legal location in Unit P
Formation - 2BS TVD – 9,320' MD – 20,680'

PHASE 2

BOND 32-34 FED COM 101H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2425' FWL, or a legal location in Unit F
FTP- Sec. 32: 660' FNL, 2540' FEL, or at a legal location in Unit B
LTP- Sec. 34: 660' FNL, 100' FEL, or at a legal location in Unit A
BHL- Sec. 34: 660' FNL, 10' FEL, or at a legal location in Unit A
Formation - 1BS TVD – 8'450 MD – 22,450'

BOND 32-34 FED COM 103H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2385' FWL, or a legal location in Unit F
FTP- Sec. 32: 2130' FNL, 2540' FEL, or at a legal location in Unit G
LTP- Sec. 34: 2130' FNL, 100' FEL, or at a legal location in Unit H
BHL- Sec. 34: 2130' FNL, 10' FEL, or at a legal location in Unit H
Formation - 1BS TVD – 8,450' MD – 22,450'

BOND 33-34 FED COM 104H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1680' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 1650' FSL, 100' FWL, or at a legal location in Unit L
LTP- Sec. 34: 1650' FSL, 100' FEL, or at a legal location in Unit I
BHL- Sec. 34: 1650' FSL, 10' FEL, or at a legal location in Unit I
Formation - 1BS TVD – 8,450' MD –19,810'

BOND 33-34 FED COM 106H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1660' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 330' FSL, 100' FWL, or at a legal location in Unit M
LTP- Sec. 34: 330' FSL, 100' FEL, or at a legal location in Unit P

August 7, 2025
BOND – N2, S2 Well Proposals under CP Order

BHL- Sec. 34: 330' FSL, 10' FEL, or at a legal location in Unit P
Formation - 1BS TVD – 7,820' MD – 19,180'

BOND 33-34 FED COM 304H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1700' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 2230' FSL, 100' FWL, or at a legal location in Unit L
LTP- Sec. 34: 2230' FSL, 100' FEL, or at a legal location in Unit I
BHL- Sec. 34: 2230' FSL, 10' FEL, or at a legal location in Unit I
Formation - 3BS TVD – 10,150' MD – 21,510'

BOND 33-34 FED COM 306H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1640' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 330' FSL, 100' FWL, or at a legal location in Unit M
LTP- Sec. 34: 330' FSL, 100' FEL, or at a legal location in Unit P
BHL- Sec. 34: 330' FSL, 10' FEL, or at a legal location in Unit P
Formation - 3BS TVD – 10,150' MD – 21,510'

Pursuant to said Orders, if you wish to participate in the operations described above, please indicate so in the space provided, and sign and return the enclosed AFEs within 30 days of receipt of this correspondence.

Should you have any questions or want to discuss any details, please contact me at 432.894.4625 or ruth@pbex.com.

Sincerely,

PBEX, LLC

//Ruth Pelzel//

Ruth Pelzel
Senior Landman

RP:bh
Enc

August 7, 2025
BOND – N2, S2 Well Proposals under CP Order

WELL NAME	Elect TO PARTICIPATE for proportionate share of costs	Elect NOT TO PARTICIPATE for proportionate share of costs
Bond 32-34 Fed Com 201H		
Bond 32-34 Fed Com 205H		
Bond 32-34 Fed Com 301H		
Bond 33-34 Fed Com 207H		
Bond 33-34 Fed Com 211H		
Bond 32-34 Fed Com 101H		
Bond 32-34 Fed Com 103H		
Bond 33-34 Fed Com 104H		
Bond 33-34 Fed Com 106H		
Bond 33-34 Fed Com 304H		
Bond 33-34 Fed Com 306H		

Company: _____

Signed: _____

Name: _____

Title: _____

Date: _____

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 201H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL, 2465 FWL (or Unit F)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FNL, 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 23,320' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	**$150,000.00**	**$850,000.00**	**$2,146,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 205H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL, 2445 FWL (or Unit F)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 2200 FNL, 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH** (TVD/TMD)	9,320' TVD/ 23,320' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	$1,146,453.00	$150,000.00	$850,000.00	$2,146,453.00
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 301H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL 2405 FWL (or Unit F)	**FORMATION**	3BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 1640 FNL 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	10150' TVD/ 24150' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	$1,146,453.00	$150,000.00	$850,000.00	$2,146,453.00
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St. T
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 207H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 2000 FSL, 1165 FEL (or Unit I)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 1630 FSL, 10 FEL (or Unit I)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 20,680' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	COST ESTIMATE DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 211H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33 & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1980 FSL, 1165 FEL (or Unit I)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FSL, 10 fEL (or Unit P)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 20660' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 101H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL & 2425 FWL (or Unit F)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 660 FNL & 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	$1,143,323.13	$150,000.00	$650,000.00	$2,143,323.13
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 103H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1728 FNL & 2385 FWL (or Unit F)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 2130 FNL & 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,143,323.13**	**$150,000.00**	**$650,000.00**	**$2,143,323.13**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 104H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33 & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32:1680 FSL, 1165 FEL (or Unit I)	**FORMATION**	1BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 1640 FSL, 10 FEL (or Unit I)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8450 TVD / 19810 MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	8424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX.

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St. 7
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 106H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1660 FSL, 1165 FEL (or Unit I)	**FORMATION**	1BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FSL, 10 FEL (or Unit P)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	7820 TVD / 19180 MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 304H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1700 FSL, 1165 FEL (or Unit I)	**FORMATION**	3BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 2230 FSL, 10 FEL (or Unit I)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	10150' TVD/ 21510' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2 mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 306H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1640 FSL, 1165 FEL (Or Unit I)	**FORMATION**	3BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FSL, 10 FEL (or Unit P)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	10150' TVD/ 21510' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9366			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: _____ DATE: _____

PARTNER APPROVAL: _____

TITLE: _____

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

From: Sabrsula, Scott <ScottSabrsula@chevron.com>
Sent: Thursday, August 14, 2025 12:15 PM
To: Ruth Pelzel
Cc: Sharry, Merielem
Subject: RE: Bond Inquiry

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Thank you. We just want to run our evaluation on the best information at hand so we can make a timely election. I appreciate your help!

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Ruth Pelzel <ruth@pbex.com>
Sent: Thursday, August 14, 2025 11:47 AM
To: Sabrsula, Scott <ScottSabrsula@chevron.com>
Cc: Comiskey, Cody <cody.comiskey@chevron.com>; Sharry, Merielem <merielemsharry@chevron.com>
Subject: [**EXTERNAL**] Re: Bond Inquiry

Hey Scott,
Making my way through the emails after being out of the office! We are still waiting on the official DOTO on these wells. The S2 Bond numbers look to be the same currently, however, N2 looks a little different that what we initially pooled (numbers below are lower, I suspect the updated title came in after we went to pooling which accounts for a smaller numer). Let me take a deeper dive to figure out where the discrepancy is here. Our attorney said they'd have the DOTO in by 8/25 but i've been around long enough to know better than to believe that whole heartedly. I'll try and get something to you quickly in the meantime!

From: Sabrsula, Scott <ScottSabrsula@chevron.com>
Sent: Thursday, August 14, 2025 9:35 AM
To: Ruth Pelzel <ruth@pbex.com>
Cc: Comiskey, Cody <cody.comiskey@chevron.com>; Sharry, Merielem <merielemsharry@chevron.com>
Subject: RE: Bond Inquiry

Ruth,

I wanted to check in on the below inquiry, including estimated NRI. Regarding estimated WI, back in June you had sent the following figures, but I wanted to see if the updated title you were waiting on changed anything and wanted to confirm these figures align with the dedicated acreage that was pooled by the recent orders:

Case No. 25878
PBEX, LLC
Exhibit A-7

N Bond:
Sec 33: NW4
100% WI .825 NRI

Sec 33 NE4 (contractual interests)
Chevron: .7378

DSU N Bond Project: .34756 WI

S Bond:
Sec. 33: S2SW, SESW
100% WI .825 NRI

Sec. 33: SE4 (contractual)
.7378 WI

Sec. 34: NESW, N2SE (contractual)
.42328125 WI

Sec 34: SWSE (Contractual)
.42328125 WI

S2 Unit Bond .47777031 WI

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Sabrsula, Scott
Sent: Tuesday, August 12, 2025 7:10 AM
To: Ruth Pelzel <ruth@pbex.com>
Cc: Comiskey, Cody <cody.comiskey@chevron.com>; Sharry, Merielem <merielemsharry@chevron.com>
Subject: Bond Inquiry

Ruth,

I received the subject well package. To assist with our timely evaluation could you please provide the following information?:

Estimated spud, completions, and production timing

Current estimate of Chevron's WI and NRI

SHL and BTL for each proposed well in the AFE package

Gunbarrel of the proposed AFE package

Type log used (just an API would suffice) for your targets and correlations

PDF of proposed JOA

Any information you can provide would be greatly appreciated.

Thank you,

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Sabrsula, Scott
To: Ruth Pelzel
Subject: RE: Bond proposals
Date: Tuesday, August 19, 2025 1:59:48 PM
Attachments: image002.png
image003.png

Thank you, Ruth!

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Ruth Pelzel <ruth@pbex.com>
Sent: Tuesday, August 19, 2025 2:57 PM
To: Sabrsula, Scott <ScottSabrsula@chevron.com>
Subject: [**EXTERNAL**] Re: Bond proposals

Be aware this external email contains an attachment and/or link.
Ensure the email and contents are expected. If there are concerns, please submit suspicious messages to the Cyber Intelligence Center using the Report Phishing button.

Hey Scott,

Still waiting on the opinion but the attorney did send me the spreadsheet on the numbers for Bond as we wait for the finished opinion.

N2 WI in Bond:
34.756 WI
28.5109 NRI

S2 WI in Bond:
55.71355469 WI
45.94123535% NRI

Thanks,

Ruth



Ruth Pelzel

Sr Landman

223 West Wall Street, Suite 900

Midland, TX 79701

Email: Ruth@pbex.com
Cell: 432-894-4625

Office: 432-204-2711

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From: Sabrsula, Scott
To: Ruth Pelzel
Cc: Comiskey, Cody; Sharry, Merielem; Willis, Kyle
Subject: RE: Bond Inquiry
Date: Wednesday, August 20, 2025 10:16:45 AM
Attachments: image001.png
image002.png
image003.png

Ruth,

Would y'all be able to confirm the TVDs for all the proposed Bond wells? The TVDs in the AFEs don't all align with the provided gunbarrel, so we wanted to confirm which is correct.

Thank you,

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Ruth Pelzel <ruth@pbex.com>
Sent: Monday, August 18, 2025 7:56 AM
To: Sabrsula, Scott <ScottSabrsula@chevron.com>
Cc: Comiskey, Cody <cody.comiskey@chevron.com>; Sharry, Merielem <merielemsharry@chevron.com>
Subject: [**EXTERNAL**] Re: Bond Inquiry

Be aware this external email contains an attachment and/or link.
Ensure the email and contents are expected. If there are concerns, please submit suspicious messages to the Cyber Intelligence Center using the Report Phishing button.

Hey Scott,

Please see below. Still working on a few of these and will get them over to you asap.

Estimated spud, completions, and production timing
Bond North-
Spud: 1/2026
Complete: 6/2026
POP: 8/2026

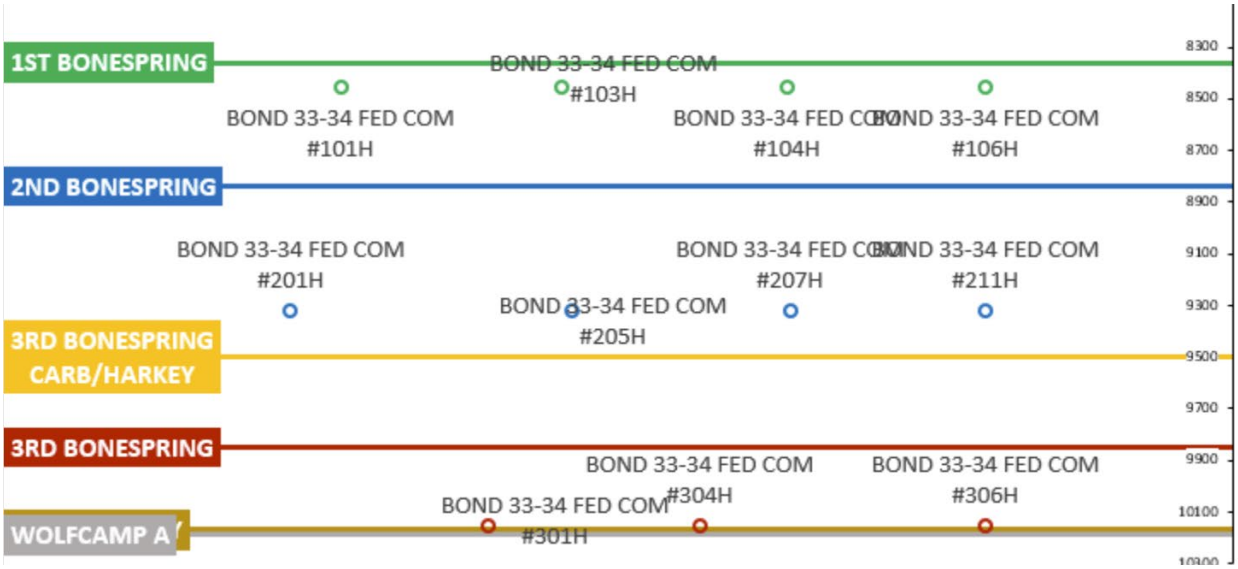
Bond South
Spud: 3/2026
Complete: 7/2026
POP: 8/2026

SHL and BTL for each proposed well in the AFE package

Case No. 25878
PBEX, LLC
Exhibit A-8

Well Name	GL Elevation	Pad	AB	SHL	BHL
BOND 32-34 FED COM #201H	3,696	N	1	1726 FNL & 2465 FWL	**330 FNL & 10 FEL**
BOND 32-34 FED COM #205H	3,696	N	2	1726 FNL & 2445 FWL	2200 FNL & 10 FEL
BOND 32-34 FED COM #101H	3,696	N	3	1726 FNL & 2425 FWL	**660 FNL & 10 FEL**
BOND 32-34 FED COM #301H	3,696	N	4	1726 FNL & 2405 FWL	**1640 FNL & 10 FEL**
BOND 32-34 FED COM #103H	3,696	N	5	1726 FNL & 2385 FWL	**2130 FNL & 10 FEL**
BOND 32-34 FED COM #207H	3,684	S	1	2000 FSL & 1165 FEL	**1630 FSL & 10 FEL**
BOND 32-34 FED COM #211H	3,684	S	2	1980 FSL & 1165 FEL	330 FSL & 10 FEL
BOND 32-34 FED COM #304H	3,684	S	3	1700 FSL & 1165 FEL	**2230 FSL & 10 FEL**
BOND 32-34 FED COM #104H	3,684	S	4	1680 FSL & 1165 FEL	**1650 FSL & 10 FEL**
BOND 33-34 FED COM #106H	3,684	S	11	1660 FSL & 1165 FEL	**330 FSL & 10 FEL**

Gunbarrel of the proposed AFE package



Ruth Pelzel

Sr Landman

223 West Wall Street, Suite 900

Midland, TX 79701

Email: Ruth@pbex.com
Cell: 432-894-4625

Office: 432-204-2711

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From: Sabrsula, Scott <ScottSabrsula@chevron.com>
Sent: Tuesday, August 12, 2025 7:09 AM
To: Ruth Pelzel <ruth@pbex.com>
Cc: Comiskey, Cody <cody.comiskey@chevron.com>; Sharry, Merielem <merielemsharry@chevron.com>
Subject: Bond Inquiry

Ruth,

I received the subject well package. To assist with our timely evaluation could you please provide the following information?:

Estimated spud, completions, and production timing

Current estimate of Chevron's WI and NRI

SHL and BTL for each proposed well in the AFE package

Gunbarrel of the proposed AFE package

Type log used (just an API would suffice) for your targets and correlations

PDF of proposed JOA

Any information you can provide would be greatly appreciated.

Thank you,

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Sabrsula, Scott
To: Ruth Pelzel
Subject: RE: Bond Inquiry
Date: Monday, August 25, 2025 7:49:40 AM
Attachments: image001.png
image002.png
image003.png
image004.png

Thank you, Ruth!

Scott Sabrsula
Land Representative
S&TB Land
Chevron North America Exploration and Production Company
a Division of Chevron U.S.A. Inc.
1400 Smith Street
Houston, TX 77002
Cell: (281) 520-1114
scottsabrsula@chevron.com

From: Ruth Pelzel <ruth@pbex.com>
Sent: Monday, August 25, 2025 8:48 AM
To: Sabrsula, Scott <ScottSabrsula@chevron.com>
Subject: [**EXTERNAL**] Fw: Bond Inquiry

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Hey Scott,

The below depths/gun barrel have been confirmed with the technical team.

Thanks,

Ruth Pelzel

Sr Landman

223 West Wall Street, Suite 900

Midland, TX 79701

Email: Ruth@pbex.com
Cell: 432-894-4625

Office: 432-204-2711

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From: Christian Bradshaw <Christian@pbex.com>
Sent: Friday, August 22, 2025 11:02 AM
To: Brianna Aylesworth <bri@pbex.com>; Ruth Pelzel <ruth@pbex.com>
Cc: Brittany Hull <bhull@pbex.com>
Subject: Re: Bond Inquiry

TVD of targets and GB is correct!

Christian Bradshaw
Senior Geologist
223 West Wall Street, Suite 603

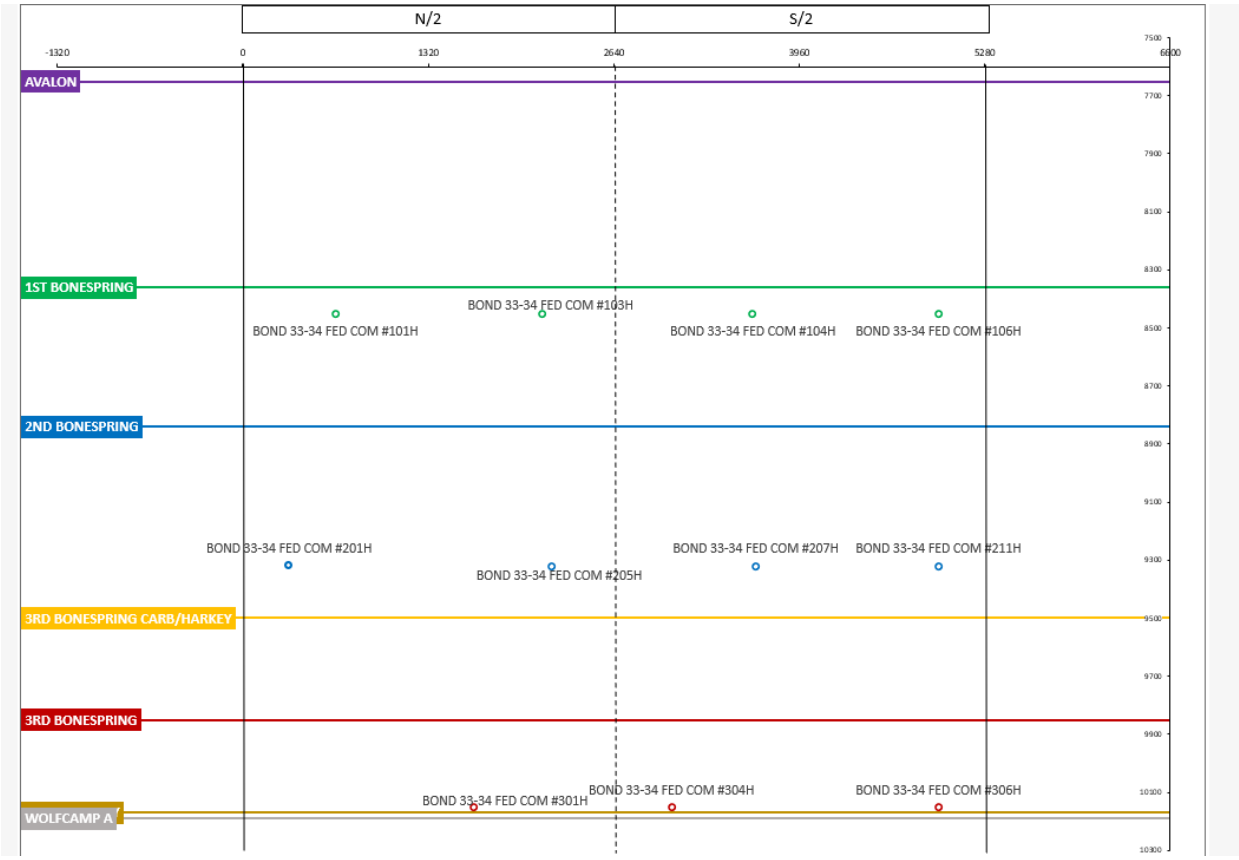
Midland, TX 79701
Christian@pbex.com
Cell: 832-298-6234

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From: Brianna Aylesworth <bri@pbex.com>
Sent: Wednesday, August 20, 2025 11:34 AM
To: Ruth Pelzel <ruth@pbex.com>; Christian Bradshaw <Christian@pbex.com>
Cc: Brittany Hull <bhull@pbex.com>
Subject: Re: Bond Inquiry

Hi Christian,

Can you confirm the Bond LPs for me please?



TOPS	TVD
AVALON	7650
1ST BONESPRING	8360
2ND BONESPRING	8840
3RD BONESPRING CARB/HARKEY	9500
3RD BONESPRING	9850
WOLFCAMP XY	10170
WOLFCAMP A	10190
WOLFCAMP B	10580
WOLFCAMP C	10740
WOLFCAMP D	11230

Targets	TVD
Avalon	7820
BS1A	8450
BS2A	0
BS2C	9320
BS3 Carb(Harkey)	0
BS3	10150
WCXY	0
WCA	0
WCB	0
WCC	0
WCD	0

August 7, 2025

Chevron USA Inc.
6301 Deauville Blvd
Midland, TX 79706
Attn: Land Department

Re: **Bond 32-34 Fed Com 101H, 103H & Bond 33-34 Fed Com 104H, 106H**
Bond 32-34 Fed Com 201H, 205H & Bond 33-34 Fed Com 207H, 211H
Bond 32-34 Fed Com 301H & Bond 33-34 Fed Com 304H, 306H
Sections 32, 33 & 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

PBEX Operations, LLC, on behalf of PBEX, LLC ("PBX"), hereby proposes under Compulsory Order Nos. R-23684 and R-23685, respectively, the drilling of the following wells located in Sections 32, 33 & 34 of T18S-R32E, Lea County, New Mexico. Please review the attached Authority for Expenditures ("AFE") with the gross estimated total cost to drill and complete each of the referenced wells.

PHASE 1

BOND 32-34 FED COM 201H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2465' FWL, or a legal location in Unit F
FTP- Sec. 32: 330' FNL, 2540' FEL, or at a legal location in Unit B
LTP- Sec. 34: 330' FNL, 100' FEL, or at a legal location in Unit A
BHL- Sec. 34: 330' FNL, 10' FEL, or at a legal location in Unit A
Formation - 2BS TVD – 9,320' MD – 23,320'

BOND 32-34 FED COM 205H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2445' FWL, or a legal location in Unit F
FTP- Sec. 32: 2200' FNL, 2540' FEL, or at a legal location in Unit G
LTP- Sec. 34: 2200' FNL, 100' FEL, or at a legal location in Unit H
BHL- Sec. 34: 2200' FNL, 10' FEL, or at a legal location in Unit H
Formation - 2BS TVD – 9,320' MD – 23,320'

BOND 32-34 FED COM 301H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2405' FWL, or a legal location in Unit F
FTP- Sec. 32: 1640' FNL, 2540' FEL, or at a legal location in Unit G
LTP- Sec. 34: 1640' FNL, 100' FEL, or at a legal location in Unit H
BHL- Sec. 34: 1640' FNL, 10' FEL, or at a legal location in Unit H
Formation - 3BS TVD – 10,150' MD – 24,150'

Case No. 25878
PBEX, LLC
Exhibit A-9

August 7, 2025
BOND – N2, S2 Well Proposals under CP Order

BOND 33-34 FED COM 207H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 2000' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 1630' FSL, 100' FWL, or at a legal location in Unit L
LTP- Sec. 34: 1630' FSL, 100' FEL, or at a legal location in Unit I
BHL- Sec. 34: 1630' FSL, 10' FEL, or at a legal location in Unit I
Formation - 2BS TVD – 9,320' MD – 20,680'

BOND 33-34 FED COM 211H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1980' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 330' FSL, 100' FWL, or at a legal location in Unit M
LTP- Sec. 34: 330' FSL, 100' FEL, or at a legal location in Unit P
BHL- Sec. 34: 330' FSL, 10' FEL, or at a legal location in Unit P
Formation - 2BS TVD – 9,320' MD – 20,680'

PHASE 2

BOND 32-34 FED COM 101H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2425' FWL, or a legal location in Unit F
FTP- Sec. 32: 660' FNL, 2540' FEL, or at a legal location in Unit B
LTP- Sec. 34: 660' FNL, 100' FEL, or at a legal location in Unit A
BHL- Sec. 34: 660' FNL, 10' FEL, or at a legal location in Unit A
Formation - 1BS TVD – 8'450 MD – 22,450'

BOND 32-34 FED COM 103H
NE4 Sec. 32, N2 Sec. 33, & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1726' FNL, 2385' FWL, or a legal location in Unit F
FTP- Sec. 32: 2130' FNL, 2540' FEL, or at a legal location in Unit G
LTP- Sec. 34: 2130' FNL, 100' FEL, or at a legal location in Unit H
BHL- Sec. 34: 2130' FNL, 10' FEL, or at a legal location in Unit H
Formation - 1BS TVD – 8,450' MD – 22,450'

BOND 33-34 FED COM 104H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1680' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 1650' FSL, 100' FWL, or at a legal location in Unit L
LTP- Sec. 34: 1650' FSL, 100' FEL, or at a legal location in Unit I
BHL- Sec. 34: 1650' FSL, 10' FEL, or at a legal location in Unit I
Formation - 1BS TVD – 8,450' MD –19,810'

BOND 33-34 FED COM 106H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1660' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 330' FSL, 100' FWL, or at a legal location in Unit M
LTP- Sec. 34: 330' FSL, 100' FEL, or at a legal location in Unit P

August 7, 2025
BOND – N2, S2 Well Proposals under CP Order

BHL- Sec. 34: 330' FSL, 10' FEL, or at a legal location in Unit P
Formation - 1BS TVD – 7,820' MD – 19,180'

BOND 33-34 FED COM 304H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1700' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 2230' FSL, 100' FWL, or at a legal location in Unit L
LTP- Sec. 34: 2230' FSL, 100' FEL, or at a legal location in Unit I
BHL- Sec. 34: 2230' FSL, 10' FEL, or at a legal location in Unit I
Formation - 3BS TVD – 10,150' MD – 21,510'

BOND 33-34 FED COM 306H
S2 Sec. 33 & S2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1640' FSL, 1165' FEL, or a legal location in Unit I
FTP- Sec. 33: 330' FSL, 100' FWL, or at a legal location in Unit M
LTP- Sec. 34: 330' FSL, 100' FEL, or at a legal location in Unit P
BHL- Sec. 34: 330' FSL, 10' FEL, or at a legal location in Unit P
Formation - 3BS TVD – 10,150' MD – 21,510'

Pursuant to said Orders, if you wish to participate in the operations described above, please indicate so in the space provided, and sign and return the enclosed AFEs within 30 days of receipt of this correspondence.

Should you have any questions or want to discuss any details, please contact me at 432.894.4625 or ruth@pbex.com.

Sincerely,

PBEX, LLC

//Ruth Pelzel//

Ruth Pelzel
Senior Landman

RP:bh
Enc

August 7, 2025
BOND – N2, S2 Well Proposals under CP Order

WELL NAME	Elect TO PARTICIPATE for proportionate share of costs	Elect NOT TO PARTICIPATE for proportionate share of costs
Bond 32-34 Fed Com 201H	X	
Bond 32-34 Fed Com 205H	X	
Bond 32-34 Fed Com 301H	X	
Bond 33-34 Fed Com 207H	X	
Bond 33-34 Fed Com 211H	X	
Bond 32-34 Fed Com 101H	X	
Bond 32-34 Fed Com 103H	X	
Bond 33-34 Fed Com 104H	X	
Bond 33-34 Fed Com 106H	X	
Bond 33-34 Fed Com 304H	X	
Bond 33-34 Fed Com 306H	X	

Company: Chevron USA

Signed: 

Name: Andrew M. Armpriester

Title: General Manager, North America NOJV and Royalty

Date: 08/26/2025

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 201H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL, 2465 FWL (or Unit F)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FNL, 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 23,320' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	**$150,000.00**	**$850,000.00**	**$2,146,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 205H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL, 2445 FWL (or Unit F)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 2200 FNL, 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH** (TVD/TMD)	9,320' TVD/ 23,320' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	$1,146,453.00	$150,000.00	$850,000.00	$2,146,453.00
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 301H	AFE TYPE	Development	AFE NUMBER	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	FIELD	Northern Delaware	PROPERTY NUMBER	
SURFACE LOCATION	32: 1726 FNL 2405 FWL (or Unit F)	FORMATION	3BSS	DRILLING DAYS	25
BOTTOM-HOLE LOCATION	34: 1640 FNL 10 FEL (or Unit H)	COUNTY	LEA	DEPTH (TVD/TMD)	10150' TVD/ 24150' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	COST ESTIMATE DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	$150,000.00	$850,000.00	$2,146,453.00
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St. T
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 207H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 2000 FSL, 1165 FEL (or Unit I)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 1630 FSL, 10 FEL (or Unit I)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 20,680' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	COST ESTIMATE DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 211H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33 & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1980 FSL, 1165 FEL (or Unit I)	**FORMATION**	2BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FSL, 10 fEL (or Unit P)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	9,320' TVD/ 20660' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 101H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1726 FNL & 2425 FWL (or Unit F)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 660 FNL & 10 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	$1,143,323.13	$150,000.00	$850,000.00	$2,143,323.13
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 103H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1728 FNL & 2385 FWL (or Unit F)	**FORMATION**	1BSS	**DRILLING DAYS**	24
BOTTOM-HOLE LOCATION	34: 2130 FNL & 10 FEL (or Unit H)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8,450' TVD/ 22,450' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$633,000.00			$633,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$100,000.00			$100,000.00
9210	9310			DIRECTIONAL SERVICES	$230,000.00			$230,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$105,000.00	$300,000.00		$405,000.00
9213	9313			FUEL & POWER	$130,000.00	$650,000.00		$780,000.00
9214				DIESEL - BASE FOR MUD	$70,000.00			$70,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$190,000.00			$190,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$92,000.00	$100,000.00		$192,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$149,801.87			$149,801.87
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,456,676.87**	**$5,807,000.00**	**$500,000.00**	**$8,763,676.87**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.13			$76,453.13
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$303,870.00			$303,870.00
		9405		CASING - PRODUCTION / LINER	$643,000.00			$643,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,143,323.13**	**$150,000.00**	**$650,000.00**	**$2,143,323.13**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,600,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$10,907,000.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

EX

WELL NAME	Bond 33-34 Fed Com 104H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33 & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32:1680 FSL, 1165 FEL (or Unit I)	**FORMATION**	1BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 1640 FSL, 10 FEL (or Unit I)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	8450 TVD / 19810 MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	8424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	COMPLETIONS	FACILITIES	TOTAL
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX.

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St. 7
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 106H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1660 FSL, 1165 FEL (or Unit I)	**FORMATION**	1BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FSL, 10 FEL (or Unit P)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	7820 TVD / 19180 MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 304H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1700 FSL, 1165 FEL (or Unit I)	**FORMATION**	3BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 2230 FSL, 10 FEL (or Unit I)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	10150' TVD/ 21510' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	COST ESTIMATE DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

EX

PBEX LLC
AUTHORIZATION FOR EXPENDITURE
223 W Wall St.
Midland, TX 79701

WELL NAME	Bond 33-34 Fed Com 306H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1640 FSL, 1165 FEL (Or Unit I)	**FORMATION**	3BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 330 FSL, 10 FEL (or Unit P)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	10150' TVD/ 21510' MD
				STATE	NM

PROJECT DESCRIPTION Drilling, Completion & Facilities costs for PBEX 2 mile lateral

ACCT. CODE IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	DESCRIPTION OF EXPENDITURE	DRILLING	COMPLETIONS	FACILITIES	TOTAL
				WELL INTANGIBLE COSTS				
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$75,000.00			$75,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$500,000.00			$500,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$250,000.00		$250,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$50,000.00			$50,000.00
9210	9310			DIRECTIONAL SERVICES	$250,000.00			$250,000.00
9211	9311			CASING CREW	$50,000.00			$50,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$275,000.00		$370,000.00
9213	9313			FUEL & POWER	$200,000.00	$525,000.00		$725,000.00
9214				DIESEL - BASE FOR MUD	$125,000.00			$125,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$100,000.00			$100,000.00
9217	9317			TRUCKING	$40,000.00	$50,000.00		$90,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$200,000.00		$200,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$60,000.00		$100,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,100,000.00		$1,100,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$75,000.00		$75,000.00
9226	9326			CONTRACT LABOR / SERVICES	$100,000.00	$90,000.00		$190,000.00
9227	9327			OTHER LABOR	$20,000.00			$20,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$100,000.00	$500,000.00		$600,000.00
9230	9330			FLUIDS & CHEMICALS	$200,000.00	$375,000.00		$575,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$30,000.00	$40,000.00		$70,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$120,000.00			$120,000.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$400,000.00		$400,000.00
9249	9349			SAND LOGISTICS		$400,000.00		$400,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING				$0.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$100,000.00	$100,000.00
	9366			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,464,875.00**	**$4,367,000.00**	**$200,000.00**	**$7,031,875.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$100,000.00			$100,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$400,000.00	$400,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,166,453.00**	**$150,000.00**	**$950,000.00**	**$2,266,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,631,328.00**	**$4,517,000.00**	**$1,150,000.00**	**$9,298,328.00**

PREPARED BY: Alex Bourland & Aaron Cattley DATE: 9/17/2024

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 08/26/2025

PARTNER APPROVAL: Andrew M. Armpriester

TITLE: General Manager, North America Non-Operated Joint Venture and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

March 20, 2026

Via Certified Mail
WORKING INTEREST OWNERS
UNDER POOLING ORDER

Re: **Bond 32-34 Fed Com 303H**
Sections 32, 33 & 34, T18S-R32E
Lea County, New Mexico

Dear Sir or Madam:

PBEX Operations, LLC, as replacement operator for EGL Resources, Inc., on behalf of PBEX, LLC ("PBX"), applicant, hereby proposes under Compulsory Order No. R-23685, the drilling of the following well located in Sections 32, 33 & 34 of T18S-R32E, Lea County, New Mexico. Please review the attached Authority for Expenditure ("AFE") with the gross estimated total cost to drill and complete each of the referenced wells.

BOND 32-34 FED COM 303H
NE4 Sec 32, N2 Sec. 33 & N2 Sec. 34, T18S-R32E
SHL- Sec. 32: 1565' FSL, 1212' FEL, or a legal location in Unit I
FTP- Sec. 32: 660' FNL, 2540' FEL, or at a legal location in Unit B
LTP- Sec. 34: 660' FNL, 100' FEL, or at a legal location in Unit A
BHL- Sec. 34: 660' FNL, 50' FEL, or at a legal location in Unit A
Formation - 3BS TVD – 10,070' MD – 23,793'

Pursuant to said Order, if you wish to participate in the operations described above, please indicate so in the space provided, and sign and return the enclosed AFEs within 30 days of receipt of this correspondence.

Should you have any questions or want to discuss any details, please contact me at 432.894.4625 or ruth@pbex.com.

Sincerely,

PBEX, LLC

//Ruth Pelzel//

Ruth Pelzel
Senior Landman

RP:bh
Enc

Case No. 25878
PBEX, LLC
Exhibit A-10

April 17, 2026

Via Certified Mail and email
Ruth@pbex.com

Ruth Pelzel
Senior Landman
PBEX, LLC
223 W Wall St, Suite 900
Midland, Texas 79701

Re: **Bond 32-34 Fed Com 303H**
Sections 32, 33 & 34, T18S-R32E
Lea County, New Mexico

Enclosed is Chevron U.S.A. Inc.'s election ballot and signed AFE for the above-referenced well and Well Information Requirements.

Please note that while Chevron is returning its election to participate for its proportionate share of the costs for drilling, completing and equipping the well, it is doing so under protest and reserving all of its right to contest the propriety and sufficiency of the March 20, 2026 proposal letter. The letter suffers from the same deficiencies as PBEX Operations, LLC's August 7, 2025 proposal letter purporting to be sent under Compulsory Order No. R-23685 that are the subject of Chevron's Case. No 25878 currently pending before the NMOCD.

We request that you (i) confirm the operator authority for this proposal (including any notice or filing reflecting a change in operator under the Pooling Orders), (ii) confirm Chevron's gross working interest decimal used to allocate costs, and (iii) provide the proposed JOA covering the 303H well.

Finally, we understand PBEX has represented that the 303H well has already been drilled. If so, please invoice Chevron for its proportionate share of actual drilling costs, showing the working interest decimal used for the allocation and the supporting cost detail.

Respectfully,

Scott Sabrsula
Land Representative
Chevron U.S.A. Inc.
1500 Louisiana St
Houston, TX 77002

Case No. 25878
PBEX, LLC
Exhibit A-11

WELL INFORMATION REQUIREMENTS

Mailing Address	Chevron U.S.A. NOJV Delaware Basin ATTN: Cody Comiskey 1400 Smith Street Houston, TX 77002	Shipping Address	Chevron U.S.A. NOJV Delaware Basin ATTN: Cody Comiskey 1400 Smith Street Houston, TX 77002
E-Mail Address	NOJVMCBU@ chevron.com	Contact Name/Phone	Cody Comiskey 713-372-6780

Please Provide this Data on All Reports

OPERATOR:_____
WELL NAME:_____
LOCATION:_____
COUNTY & STATE:_____
API NUMBER:_____

Document Type	Medium*	Preferred Format
Drilling Report (Daily)	Electronically	PDF
Daily Production Rates & Casing/Tubing pressure data allocated by the well for the life of the well	Electronically	Excel
Mudlogs (Final Only)	Electronically	See Note Below
Well Logs (Final Only)	Electronically	See Note below
Cement and Completions Reports	Electronically	
End Of Well Report From Fracing Company (Completions)	Electronically	Excel and PDF, Word
Well Program (Well Design Document)	Electronically	
State & Federal Forms	Electronically	
Survey Plat	Electronically	PDF
DST & RFT Data	USB Drive, CD	
Planned Logging Suite	Electronically	
Core Description & Analyses	Electronically	
Oil, Gas & Water Analyses	Electronically	
Well Testing Reports (e.g., DFIT, etc.)	Electronically	
GYRO Surveys, Directional Surveys, Velocity Surveys, Electronic Drilling Data	Electronically	PDF and Excel both
Downhole Videos	Electronically	
BHP Surveys/Vendor Analyses	Electronically	
Geological Reports	Electronically	
Any Tracer Work	Electronically	
Microseismic - Reports and Raw Data	USB Drive, CD	
Payout Statements	Electronically	
Other Correspondence	Electronically	

*** Electronically – Email or via Online Portal**

Special Instructions
Instructions for log data: Send digital log data (originals and revisions) electronically. • LAS and Black & White TIFF formats are **required** (LAS and Color TIFF for Mudlogs). Include additional formats (i.e., DLIS, Color TIFF, PDF, etc.) whenever available

CORES/SAMPLES (Only if Applicable)

SLAB OF CORES (access only) SET DRYCUT SAMPLES (cleaned and dried)	SEND TO: Shipping Address

1. **PRIOR TO DRILLING:**

1.1 Operator will send notice of staking, regulatory agency hearing and all regulatory filings and reports to the attention of Non-Operator's Land Manager.

1.2 Operator will send notification of intention to spud at least 24 hours prior to spudding and will provide the telephone number for the rig and the mudlogging trailer to _____. (Address and phone number listed above).

2. **WELL SITE ACCESS, INFORMATION AND TESTING:**

2.1 Operator will give Non-Operator and its representatives full and free access to the rig floor and to the well drill site, with the right to receive all information obtained concerning Operator's operations and the formations and substances encountered for each well.

2.2 Operator will provide Non-Operator all information pertaining to or obtained from operations, whether obtained directly from the well or reissued in any form, including the information specifically named in this Exhibit, as soon as such information becomes available to Operator.

2.3 Operator will conduct such coring, logging, testing, fracturing, acidizing, completion, plugging and abandonment and other operations and tests as would be done by a reasonable and prudent operator under the same or similar circumstances. Operator will keep an accurate, complete and detailed log of each well.

2.4 Operator will provide Non-Operator a copy of each form, report, survey, bond and other material required to be filed with governmental authorities in connection with the drilling, completion, testing and/or abandonment of each well.

March 20, 2026
BOND – Well Proposal – 303H - Under CP Order

WELL NAME	Elect TO PARTICIPATE for proportionate share of costs	Elect NOT TO PARTICIPATE for proportionate share of costs
Bond 32-34 Fed Com 303H	X	

Company: Chevron USA

Signed: 

Name: Andrew M. Armpriester

Title: General Manager, North America Non-Operated Joint Venture and Royalty

Date: 04/16/2026

PBEX OPERATIONS LLC
AUTHORIZATION FOR EXPENDITURE
223 W. Wall St Suite 900
Midland, TX 79701

WELL NAME	Bond 32-34 Fed Com 303H	**AFE TYPE**	Development	**AFE NUMBER**	
LATERAL LOCATION	Section 32, 33, & 34 of 18S 32E	**FIELD**	Northern Delaware	**PROPERTY NUMBER**	
SURFACE LOCATION	32: 1565 FSL, 1212 FEL (or Unit I)	**FORMATION**	3BSS	**DRILLING DAYS**	25
BOTTOM-HOLE LOCATION	34: 660 FNL, 50 FEL (or Unit A)	**COUNTY**	LEA	**DEPTH (TVD/TMD)**	10070' TVD/ 23793' MD
				STATE	NM
PROJECT DESCRIPTION	Drilling, Completion & Facilities costs for PBEX 2.5-mile lateral				

ACCT. CODE				DESCRIPTION OF EXPENDITURE	COST ESTIMATE			
IDC PREFIX 300	ICC 500	TDC PREFIX 400	TCC 600	WELL INTANGIBLE COSTS	DRILLING	COMPLETIONS	FACILITIES	TOTAL
9201	9301			SURVEY/PERMITS/DAMAGES	$25,000.00			$25,000.00
9202	9302			LOCATION & ROAD	$76,875.00			$76,875.00
9203				RIG MOVE	$100,000.00			$100,000.00
9204				DRILLING - FOOTAGE				$0.00
9205	9305			DRILLING - DAYWORK	$750,000.00			$750,000.00
	9306			COMPLETION/WORKOVER RIG				$0.00
	9307			COIL TUBING/SNUBBING UNIT		$300,000.00		$300,000.00
	9308			SLICKLINE/SWABBING				$0.00
9209	9309			BITS	$120,000.00			$120,000.00
9210	9310			DIRECTIONAL SERVICES	$232,000.00			$232,000.00
9211	9311			CASING CREW	$40,000.00			$40,000.00
9212	9312			TOOL & EQUIPMENT RENTAL	$95,000.00	$300,000.00		$395,000.00
9213	9313			FUEL & POWER	$120,000.00	$650,000.00		$770,000.00
9214				DIESEL - BASE FOR MUD	$110,000.00			$110,000.00
9215	9315			MUD LOGGING & GEOLOGIST				$0.00
9216	9316			DISPOSAL, RESTORATION & BACKFILL	$90,000.00			$90,000.00
9217	9317			TRUCKING	$40,000.00	$60,000.00		$100,000.00
	9318			TESTING				$0.00
9219	9319			CEMENTING	$200,000.00			$200,000.00
9220	9320			PERFORATING		$245,000.00		$245,000.00
	9321			CASED HOLE LOGS				$0.00
9222	9322			DOWNHOLE TOOLS & SERVICE	$40,000.00	$75,000.00		$115,000.00
9223	9323			SCIENCE & DIAGNOSTICS				$0.00
	9324			FORMATION STIMULATION		$1,600,000.00		$1,600,000.00
9225	9325			CONSULTING SERVICES/SUPERVISION		$85,000.00		$85,000.00
9226	9326			CONTRACT LABOR / SERVICES	$122,000.00	$100,000.00		$222,000.00
9227	9327			OTHER LABOR	$25,000.00			$25,000.00
9228	9328			OVERHEAD				$0.00
9229	9329			WATER - FRESH	$50,000.00	$700,000.00		$750,000.00
9230	9330			FLUIDS & CHEMICALS	$150,000.00	$575,000.00		$725,000.00
9231	9331			CORING & ANALYSIS				$0.00
9232	9332			COMMUNICATIONS	$10,000.00	$10,000.00		$20,000.00
9233	9333			BOP TESTING	$28,000.00	$10,000.00		$38,000.00
9234	9334			CO2/NITROGEN				$0.00
9235	9335			FISHING TOOLS & SERVICES				$0.00
9236	9336			INSPECTIONS	$20,000.00			$20,000.00
9237				WIRELINE SERVICES				$0.00
9238	9338			ENGINEERING & GEOLOGY - FIELD				$0.00
9239	9339			ENGINEERING & GEOLOGY - OFFICE				$0.00
9240				MULTISHOT & GYRO				$0.00
9241				RE-ENTRY SERVICES				$0.00
9242	9342			CAMPS & TRAILERS	$52,000.00	$40,000.00		$92,000.00
9243	9343			SAFETY EQUIPMENT & H2S	$10,000.00	$5,000.00		$15,000.00
9244				CONTINGENCY				$0.00
9245	9345			INSURANCE		$2,000.00		$2,000.00
9246	9346			MISCELLANEOUS	$97,672.00			$97,672.00
9247	9347			OUTSIDE OPERATED				$0.00
9248	9348			SAND		$525,000.00		$525,000.00
9249	9349			SAND LOGISTICS		$525,000.00		$525,000.00
9250	9350			VACUUM TRUCK				$0.00
9251	9351			WATER - BRINE				$0.00
	9360			FACILITY TRUCKING			$100,000.00	$100,000.00
				FACILITY VACUUM TRUCK				$0.00
	9361			FACILITY CONSULTING SER./SUPERVISION			$100,000.00	$100,000.00
	9424			FACILITY CONTRACT LABOR / SER.			$300,000.00	$300,000.00
	9356			FACILITY SURFACE RENTAL				$0.00
				SIM-OPS				$0.00
				TOTAL WELL INTANGIBLE COSTS	**$2,603,547.00**	**$5,807,000.00**	**$500,000.00**	**$8,910,547.00**
				WELL TANGIBLE COSTS				
		9401		CASING - CONDUCTOR	$40,000.00			$40,000.00
		9402		CASING - SURFACE	$76,453.00			$76,453.00
		9403		CASING - SALT STRING	$0.00			$0.00
		9404		CASING - INTERMEDIATE	$300,000.00			$300,000.00
		9405		CASING - PRODUCTION / LINER	$650,000.00			$650,000.00
			9406	SUBSURFACE EQUIPMENT				$0.00
			9407	PRODUCTION TUBING		$150,000.00		$150,000.00
			9408	SUBSURFACE PUMPING EQUIPMENT				$0.00
			9409	WELLHEAD EQUIPMENT	$80,000.00			$80,000.00
			9410	FLOWLINES			$150,000.00	$150,000.00
			9411	SURFACE PUMPING EQUIPMENT				$0.00
			9412	LINER HANGER & ASSOC EQUIP				$0.00
			9413	VALVES & FITTINGS			$200,000.00	$200,000.00
			9414	INSTURMENTATION & ELECTRICAL			$200,000.00	$200,000.00
			9415	RODS				$0.00
			9416	TRUCKING				$0.00
			9417	RE-ENTRY EQUIPMENT				$0.00
			9418	PRODUCTION EQUIPMENT			$300,000.00	$300,000.00
			9419	MISCELLANEOUS				$0.00
			9420	OUTSIDE OPERATED				$0.00
			9421	TANGIBLE EQUIP-ACQUISITIONS				$0.00
				TOTAL TANGIBLE COSTS	**$1,146,453.00**	**$150,000.00**	**$850,000.00**	**$2,146,453.00**
					DRILLING	**COMPLETIONS**	**FACILITIES**	**TOTAL**
				TOTAL ESTIMATED WELL COST	**$3,750,000.00**	**$5,957,000.00**	**$1,350,000.00**	**$11,057,000.00**

PREPARED BY: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

OPERATOR APPROVAL: _____ DATE: _____

PARTNER COMPANY NAME: Chevron USA DATE: 04/16/2026

PARTNER APPROVAL: _____ Andrew M. Armpriester

TITLE: GM NOJV and Royalty

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs.

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

APPLICATION OF CHEVRON U.S.A. INC. TO REOPEN CASE NO. 24185 (ORDER NO. R-23684 (E.G.L. RESOURCES, INC.) AND CASE NO. 24886 (ORDER NO. R-23685 PBEX, LLC) TO REQUIRE SUBMISSION OF PROPER STATEMENTS OF WELL COSTS BY OPERATOR AND RECOGNIZE THE CONSENTING STATUS OF CHEVRON.

CASE NO. 25878

SELF-AFFIRMED STATEMENT
OF ASHLEY ROUSH

1. I am Director of Land for PBEX, LLC ("PBEX"). I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement. I have previously testified before the New Mexico Oil Conservation Division (the "Division"), and my credentials as an expert in petroleum land matters were accepted and made a matter of record. A copy of my resume is attached as **Exhibit B-1**.

2. In my role, I oversee PBEX's land operations, including title matters, working interest ownership, elections, pooling cases, and communications with working interest owners following the issuance of pooling orders by the Division.

3. Prior to joining PBEX, I was a landman and land supervisor with COG Operating LLC and ConocoPhillips Company ("ConocoPhillips") from June 2013 to April 2023. During my time at ConocoPhillips, I was responsible for overseeing land operations, including title matters, working interest ownership, elections, pooling cases and communications with working interest owners following the issuance of pooling orders by the Division.

4. I have approximately thirteen (13) years of experience handling petroleum land matters in New Mexico.

Case No. 25878
PBEX, LLC
Exhibit B

5. My testimony is offered in response to the claims raised by Chevron U.S.A. Inc. ("Chevron") in this matter. Specifically, I will refute Chevron's claims that PBEX's well proposals under Division Order Nos. R-23684 and R-23685 (collectively, the "Pooling Orders") did not comply with the terms of the Pooling Orders themselves and/or industry standards.

I. Chevron's claim that PBEX should have filed updated title information following issuance of the Pooling Orders has no merit.

6. The Pooling Orders were based on title information available to PBEX at the time the applications were filed in early 2025. This accords with the Division's regulations, which require notice to be provided to "each owner of an interest in the mineral estate of any portion of the lands the applicant proposes to be pooled or unitized whose interest is evidenced by a written conveyance document either of record or known to the applicant *at the time the applicant filed the application* . . ."[1]

7. After issuance of the Pooling Orders, minor adjustments to various parties' interests occurred based on updated title received by PBEX. This is a routine occurrence.

8. As title information was refined and minor adjustments occurred, PBEX relayed updated working interest percentages to working interest owners, including Chevron, through follow-up correspondence.

9. As demonstrated by Ms. Pelzel's communications with Mr. Sabrsula, Chevron was aware of these minor interest changes prior to the election deadline and consented to them by executing the election letter.

10. As Ms. Pelzel explains, Chevron stated that it needed updated title information to "make an informed election." PBEX provided the updated title information based on all

[1] NMAC 19.15.4.12(A)(1)(a).

information available to it at the time, and Chevron timely executed its election. Based on Chevron's own statements, it made an informed election.

11. Moreover, it is common for operators to obtain updated title information after a pooling order is issued. This is why operators routinely file applications with the Division seeking to pool additional interests.

12. Although operators may reopen pooling orders to pool additional interests, I am not aware of any case in which an operator has reopened a pooling order to provide updated title information when additional interests were not being pooled, but rather those interests which are already pooled, are simply adjusted based on updated title information. Because it is common for operators to obtain updated title information after a pooling order has been issued, that type of requirement would result in an overwhelming number of applications being filed with the Division. Moreover, the Division lacks jurisdiction over title matters.

II. Following issuance of the Pooling Orders, PBEX provided Chevron with information beyond that which is required by the Pooling Orders.

13. Paragraph 24 of the Pooling Orders requires an operator to send an itemized schedule of estimated well costs ("Estimated Well Costs") to the Pooled Working Interests.

14. The Pooling Orders do not specify the requirements that apply to the Estimated Well Costs, including the format and level of detail.

15. Although the Pooling Orders do not require an operator to provide Authorizations for Expenditures ("AFE(s)"), which provide a detailed cost breakdown, PBEX provided AFEs to Chevron on August 7, 2025.

16. The Pooling Orders do not require that Estimated Well Costs include final working interest ownership percentages, as the statements are only *estimated*. Actual, final schedules of well costs are governed by Paragraph 26 of the Pooling Orders:

> No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.

17. Although PBEX was not required to provide Chevron with updated title information prior to submitting Estimated Well Costs under the Pooling Orders, PBEX provided Chevron with its updated working interest percentage prior to the election deadline and Chevron made an informed election to participate based upon that information and the information in its own records pertaining to its own calculation of its interest.

18. Operators may or may not include working interest percentages in their post-order well proposals, and the Division's Pooling Orders and regulations do not require them to do so. However, working interest ownership at the time of pooling is provided in the operator's pooling exhibits, which are publicly filed and available on the Division's website.

19. It is common for operators to provide updated working interest percentages to working interest owners on request prior to the election deadline, as occurred here. If an interest owner needs additional time to elect, they can request an extension of the election deadline. Chevron made no such request here.

20. Based on the information PBEX provided to Chevron, Chevron made an informed election to participate in the Bond Wells.

III. Chevron's claims that immaterial adjustments in the well depths and locations rendered PBEX's Estimated Well Costs void lack merit and should be rejected.

21. As discussed by Ms. Aylesworth, PBEX made minor adjustments in the depths and locations of the Bond Wells to develop the acreage in the most efficient and effective manner possible. However, the number of wells and the formation did not change, and the wells still

produce from each tract as provided in the Pooling Orders. All of this information was made available to Chevron at the time it made its election.

22. It is common for operators to adjust well locations after pooling has occurred. Adjustments to surface hole or bottom hole locations and depths are immaterial when the wells remain within the same spacing unit and produce the same tracts and formation approved by the Division's pooling order.

23. In this case, all adjustments occurred within the approved spacing units, and neither the formation nor the number of wells changed.

24. The Division's July 12, 2024 Notice on Clarification of Pooling Order Processes allows operators to reduce the number of wells drilled under a pooling order after providing notice to the parties.[2] The policy does not state that it applies to minor adjustments in well locations and depths.

25. In my experience, operators do not generally file applications to amend pooling orders when they are drilling the same number of wells in the same formation that produce the same tracts included in the pooling order.

26. Requiring operators to provide notice of any change in a well location or depth, and potentially file an application to amend the pooling order, would unnecessarily burden the operator and the Division and confuse interest owners, especially, when as occurred here, such changes were communicated to the interest owner at the time of its election. This would hinder operators from developing acreage in the most efficient way possible for the benefit of the interest owners and the state.

[2] OCD-Compulsory-Pooling-Process-Update-July-12-2024.pdf

27. In addition, if any change in well locations or depths allowed parties to challenge prior elections, operators would not be able to rely on pooling orders or elections in planning developments. This would upend the regulatory process and the Division's pooling authority to the detriment of operators, interest owners, and the state.

28. Regardless, Chevron signed the election letter and AFEs that specifically identified the depth and location of each well and could have objected if it had any concern. It did not do so and instead ratified the well locations and depths.

IV. Chevron's claims that the post-order well proposal was submitted by a "stranger to the order" lack merit.

29. In Case No. 24886, PBEX, LLC was the applicant and requested to designate E.G.L. Resources, Inc. ("E.G.L.") as operator. Although the caption of Order No. R-23685 refers to E.G.L., the checklist attached to the order identifies PBEX, LLC as the applicant and E.G.L. as the operator.

30. In Case No. 24185, and as reflected in Order No. R-23684, E.G.L. was the applicant and designated operator.

31. In both cases, PBEX and E.G.L. provided testimony explaining that E.G.L. is an affiliate of PBEX.

32. PBEX Operations, LLC ("Operations"), a wholly-owned subsidiary of PBEX, is the current operating entity for PBEX, and operations previously handled by E.G.L. are now handled by Operations.

33. As shown in the Division case file for Case No. 24886, Operations and EGL were both designated as applicant operators. *See* **Exhibit B-2**.

34. It is my understanding the Division has determined that pooling applications should be filed on behalf of working interest owners and that the working interest owner can designate an operator.[3]

35. Here, the post-order well proposal was submitted by PBEX Operations, LLC on behalf of PBEX, LLC.

36. Chevron is well aware of the relationship between PBEX and E.G.L. Throughout communications with Chevron regarding the Bond Wells, Chevron never requested information regarding the relationship between PBEX and E.G.L. and never expressed any concern regarding operatorship by either entity.

37. Neither the Division's pooling orders nor the applicable regulations establish a process to transfer operatorship after a pooling order has been issued. Rather, that process is typically handled through the submission of a C-145 after a well is drilled.

38. The Bond Wells were permitted by Operations and therefore, there was no need to file change of operatorship forms with the Division.

39. Based on my experience, it is common for operators to acquire acreage subject to pooling orders, but they do not typically file applications to amend pooling orders to change operatorship unless the new operator is materially changing the spacing unit and wells or pooling additional interests.

[3] The Oil and Gas Act allows owners to apply for pooling: "Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit." NMSA 1978, § 70-2-17(C). The statute further provides that pooling orders shall designate an operator. *Id.*

40. Regardless, as discussed above, Chevron signed the election letter and AFEs that specifically identified the operator of the wells as Operations and could have objected if it had any concern. It did not do so.

V. The Pooling Orders did not require PBEX to continue negotiations with Chevron after submitting the Itemized Statements of Estimated Well Costs.

41. It is my understanding Chevron is claiming that after providing the Itemized Statements of Estimated Well Costs under the Pooling Orders, PBEX was obligated to continue negotiations with Chevron. There is no such requirement in the Pooling Orders, nor is it common practice.

42. It is my understanding that a pooling applicant must try to reach voluntary agreement with interest owners *before* filing a pooling application because pooling is only allowed if a voluntary agreement is not reached.

43. It is my understanding the Division has held that good faith negotiation requires an operator to send a well proposal and AFEs 30 days prior to filing a pooling application and provide a JOA on request.

44. In contrast, post-order requirements are governed by Paragraphs 24 and 25 of the Pooling Orders. As explained above, those provisions require the operator to send Pooled Working Interests the Estimated Well Costs and allow the Pooled Working Interests 30 days to elect to participate in the wells. Pooled Working Interests who elect to participate then have 30 days to pay their share of the estimated well costs.

45. Here, PBEX complied with those requirements, and Chevron timely elected to participate in the Bond Wells. However, following the election, Chevron did not pay its share of the Estimated Well Costs. As a result, under the plain language of the Pooling Orders, Chevron is deemed a Non-Consenting Pooled Working Interest.

VI. The Pooling Orders did not require PBEX to send Chevron an invoice or cash call for its share of the Estimated Well Costs.

46. As set out in the Pooling Orders, a Pooled Working Interest who elects to participate has 30 days to pay its share of the Estimated Well Costs.

47. PBEX provided Chevron with the order numbers and the Estimated Well Costs, and Chevron elected to participate but failed to pay its share of the Estimated Well Costs. The Pooling Orders are publicly available to all parties on the Division's website.

48. Chevron is a sophisticated operator that is familiar with the requirements of the Division's pooling orders and could have requested additional information regarding its payment deadline if it had questions. It did not do so.

49. The Pooling Orders do not require an operator to send an invoice or cash call notice. Rather, payment requirements and deadlines are established by the orders themselves.

50. If Chevron wanted to receive invoices for the drilling costs, it could have entered into a JOA with PBEX. It did not do so, despite the numerous opportunities it was provided to do so both before and after the Pooling Orders were issued.

51. Rather, Chevron missed its payment deadline and now seeks a do-over. Chevron's request would upend the Division's pooling process and regulatory certainty and should be denied.

52. 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 electronic signature below.

Ashley Roush
Ashley Roush

5/6/2026
Date

ASHLEY ANN ROUSH

1812 Castleford Rd Midland, TX 79705
(432) 230-3388 aroush686@gmail.com

Education

Texas Tech University, Rawls College of Business — Lubbock, TX

- Bachelor of Business Administration, Energy Commerce
- Minor in Mathematics
- Graduation Date: May 2013 with Honors

Work Experience

PBEX, LLC — 5/2023-Present

Director of Land

- Work closely with the technical team to build drill schedule across Texas and New Mexico assets
- Handle acquisitions, divestitures, and trades across New Mexico to grow company operated and non-operated footprints
- Mentored landmen on day-to-day work, New Mexico rules and regulations, and trades.
- Manage a team of 5 landmen and support staff to grow our position in the Delaware and Midland Basins.

COG Operating LLC/ConocoPhillips — 6/2013-4/2023

Land Supervisor

Northern Delaware Basin- Eddy & Lea Counties — 6/2019-4/2023

- Worked closely with the technical team to plan numerous rig lines to meet obligations and develop acreage in Southeastern New Mexico covering 137,000 net acres
- Led a team of 8 to high grade our acreage position through leasing, trades, acquisitions and farmouts.
- Collaborated with internal Non-Operated team to maximize value for non-operated and non-core properties.
- Guided the NM land group to properly handle down wells under the controlling contracts with the BLM, SLO, fee owners and partners.
- Handled various settlement matters with the BLM and SLO and testified as an expert witness with the NMOCD.
- Managed 6-9 landmen and support staff to help grow their knowledge and allow them to accelerate within the company.
- Participated in recruitment for the past 9 years and helped develop the internship program and the internal leasing competition.
- Mentored landmen on day-to-day work, New Mexico rules and regulations, and trades.

Senior Landman

Northern Delaware Basin- Eddy & Lea Counties — 12/2015- 6/2019

Case No. 25878
PBEX, LLC
Exhibit B-1

- Verified integrity of the data through prospect reviews.
- Developed and maintained numerous prospects in Southeastern New Mexico to meet obligations and drillings schedules.
- Continued working with the NMOCD and testifying before the commission to facilitate the drilling of wells in New Mexico.
- Maintained drilling schedule for various rig lines.
- Negotiated and finalized Exchange Agreements with Oxy, Apache, Marathon, Chevron, Mewbourne and Devon Energy covering significant acreage in Southeastern New Mexico.
- Continued to acquire additional acreage in the Northern Delaware Basin through various trades and acquisitions.
- Confirmed working interest for reserve analysis and maintained continuous development calendars to meet obligations.

Land Rotation 6/2013-12/2015

- Analyzed oil and gas leases, agreements, and surface contracts and input pertinent information into the land system.
- Reviewed title opinions, calculated working interests and net revenue interests, and captured transfers of interest to set up the revenue and joint interest billing decks for wells drilled in New Mexico.
- Utilized various land systems to manage data and prepare queries to support the asset teams.
- Worked with the business development team to identify potential acquisitions candidates and reviewed internal data to increase ownership in existing producing wells operated by Concho.
- Increased acreage position in Ward and Reeves counties through personal contact and outside brokerage firms.
- Developed prospects including the review of title and curative and negotiation of Operating Agreements and Pooling documents necessary to drill and operate wells in Reeves and Pecos counties Texas and Eddy County, New Mexico.
- Testified as expert witness at hearings before the NMOCD to facilitate the drilling of wells in Southeast New Mexico.

COG Operating LLC 5/2012-8/2012
Summer Land Intern

- Assisted in Land Administration Department
- Ran title and prepared title reports
- Helped develop bid strategies for state and federal sales
- Prepared various land documents including Operating Agreements & Communitization Agreements
- Attended oil & gas hearings before NMOCD

Veritas 321 Energy Partners 5/2011-8/2011
Summer Land and Lease Analyst Intern

- Assisted in acquiring title curative for the land department
- Maintained and analyzed leases acquired for various clients
- Reviewed title and assisted in preparation of voluntary pooling documents

OCD Online: Imaging

Hearing Order Search

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Case No. 25878
PBEX, LLC
Exhibit B-2

Hearing Order Details

Order Number:	R-23685
Case Number:	24886
Applicants *(Operators)*:	E G L RESOURCES INC, PBEX Operations, LLC
Examiners:	McClure
Pools:	
Case Types:	Amendments to Existing Orders (AMD), Compulsory Pooling (Forced Pooling) (CP), Examiner Authorized Directional and Horizontal (EDD)
Hearing Dates:	02/19/2025
Order Dates:	02/19/2025
Counties:	Lea (25)

Sort Order: (•) Ascending ( ) Descending



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

APPLICATION OF CHEVRON U.S.A. INC. TO REOPEN CASE NO. 24185 (ORDER NO. R-23684 (E.G.L. RESOURCES, INC.) AND CASE NO. 24886 (ORDER NO. R-23685 PBEX, LLC) TO REQUIRE SUBMISSION OF PROPER STATEMENTS OF WELL COSTS BY OPERATOR AND RECOGNIZE THE CONSENTING STATUS OF CHEVRON.

CASE NO. 25878

SELF-AFFIRMED STATEMENT
OF BRIANNA AYLESWORTH

1. I am the Lead Reservoir Engineer for PBEX, LLC ("PBEX"). I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement.

2. In my role, I am responsible for asset development, corporate reserves, and planning. While my background has primarily been in asset development, I assumed responsibility for reserves and planning at the beginning of 2026. I have not previously testified before the Oil Conservation Division (the "Division"). A copy of my resume is attached as **Exhibit C-1**.

3. I have overseen PBEX's permitting and drilling of the Bond 33-34 Fed Com Wells ("South Bond Wells") and the Bond 32-34 Fed Com Wells ("North Bond Wells" and together with the South Bond Wells, collectively, the "Bond Wells"). I am testifying regarding the permitting and drilling processes for the Bond Wells in response to Chevron's claims that PBEX proposed and/or drilled different wells than were authorized by Order Nos. R-23684 and R-23685. As demonstrated below, those claims are incorrect and have no merit.

Case No. 25878
PBEX, LLC
Exhibit C

A. South Bond Wells (Case No. 24185)

4. E.G.L. Resources, Inc. ("E.G.L."), an affiliate of PBEX, filed its pooling application for the South Bond Wells on February 5, 2024 in Case No. 24185.

5. In the application, E.G.L. sought to pool uncommitted interests in the Bone Spring formation underlying a 640-acre horizontal spacing unit comprised of the South Half (S/2) of Sections 33 and 34, Township 18 South, Range 32 East, Lea County, New Mexico (the "Bond 33-34 Unit"), and to dedicate the Bond 33-34 Unit to the Bond 33-34 Fed Com 104H, 105H, 106H, 207H, 209H, and 211H Wells.

6. On February 19, 2025, the Division entered Order No. R-23684, granting the application.

7. The Order dedicated the Bond 33-34 Unit to the Bond 33-34 Fed Com 104H, 105H, 106H, 207H, 209H, and 211H Wells and designated E.G.L. as operator of the Bond 33-34 Unit and the South Bond Wells. The Bond 33-34 105H and Bond 33-34 209H wells were identified as proximity wells:

Well	Surface Hole Location	Bottom Hole Location
Bond 33-34 Fed Com 104H	1,348' FSL & 1,180' FEL (Unit I) of Section 32	2,178' FSL & 10' FEL (Unit I) of Section 34
Bond 33-34 Fed Com 105H (proximity well)	1,308' FSL & 1,175' FEL (Unit P) of Section 32	1,254' FSL & 10' FEL (Unit P) of Section 34
Bond 33-34 Fed Com 106H	1,269' FSL & 1,169' FEL (Unit P) of Section 32	330' FSL & 10' FEL (Unit P) of Section 34
Bond 33-34 Fed Com 207H	1,368' FSL & 1,183' FEL (Unit I) of Section 32	2,230' FSL & 10' FEL (Unit I) of Section 34
Bond 33-34 Fed Com 209H (proximity well)	1,328' FSL & 1,177' FEL (Unit I) of Section 32	1,254' FSL & 10' FEL (Unit P) of Section 34
Bond 33-34 Fed Com 211H	1,288' FSL & 1,172' FEL (Unit P) of Section 32	330' FSL & 10' FEL (Unit P) of Section 34

8. On August 7, 2025, PBEX sent a letter to Chevron, proposing the following wells pursuant to Order No. R-23684:

Well	Surface Hole Location	Bottom Hole Location
Bond 33-34 Fed Com 104H	1,680' FSL & 1,165' FEL (Unit I) of Section 32	1,650' FSL & 10' FEL (Unit I) of Section 34
Bond 33-34 Fed Com 106H	1,660' FSL & 1,165' FEL (Unit I) of Section 32	330' FSL & 10' FEL (Unit P) of Section 34
Bond 33-34 Fed Com 207H	2,000' FSL & 1,165' FEL (Unit I) of Section 32	1,630' FSL & 10' FEL (Unit I) of Section 34
Bond 33-34 Fed Com 211H	1,980' FSL & 1,165' FEL (Unit I) of Section 32	330' FSL & 10' FEL (Unit P) of Section 34
Bond 33-34 Fed Com 304H	1,700' FSL & 1,165' FEL (Unit I) of Section 32	2,230' FSL & 10' FEL (Unit I) of Section 34
Bond 33-34 Fed Com 306H	1,640' FSL & 1,165' FEL (Unit I) of Section 32	330' FSL & 10' FEL (Unit P) of Section 34

9. The August 7, 2025 also included AFEs for the proposed wells.

10. Exhibit C-2 shows a gun barrel representation of the wells listed in Order No. R-23684 and the wells being developed. As shown in Exhibit C-3, we are maximizing oil recovery by reconfiguring the gun barrel based on analysis of analogous developments that show better results with up spacing to four wells per section in three targets within the Bone Spring formation. As a prudent operator, it is industry standard to adjust development plans based on analysis of analogous developments. We are still drilling 12 wells total in the Bond 33-34 Unit and Bond 32-24 Unit projects and, in both configurations, all 12 wells are drilled in, and producing from, the Bone Spring formation.

11. The current development plan proposed in August 2025 allows for more efficient utilization of the pad sites granted by the BLM for use in connection with the Bond 33-34 Unit and Bond 32-24 Unit projects and preserves the ability for possible future formation development. Exhibit C-2 reflects the surface hole changes. The changes did not affect the spacing units or the overall number of wells drilled but do limit future additional surface disturbance.

B. N/2 Bond Wells (Case No. 24886)

12. PBEX filed its pooling applications for the North Bond Wells on February 5, 2024 in Case No. 24886.

13. In the application, PBEX sought to pool uncommitted interests in the Bone Spring formation underlying an 800-acre horizontal spacing unit comprised Northeast Quarter (NE/4) of Section 32 and the North Half (N/2) of Sections 33 and 34, Township 18 South, Range 32 East, Lea County, New Mexico (the "Bond 32-34 Unit"), and to dedicate the Bond 32-34 unit to the Bond 32-34 Fed Com 101H, 102H, 103H, 201H, 203H, and 205H wells.

14. On February 19, 2025, the Division entered Order No. R-23685, granting the application.

15. The Order dedicated the Bond 33-34 Unit to the Bond 32-34 Fed Com 101H, 102H, 103H, 201H, 203H, and 205H wells and designated E.G.L. as operator of the Bond 32-34 Unit and the North Bond Wells. The Bond 32-34 102H and Bond 32-34 203H wells were identified as proximity wells:

Well	Surface Hole Location	Bottom Hole Location
Bond 32-34 Fed Com 101H	1,726' FNL & 2,445' FWL (Unit F) of Section 32	330' FNL & 10' FEL (Unit A) of Section 34
Bond 32-34 Fed Com 102H (proximity well)	1,726' FNL & 2,365' FWL (Unit F) of Section 32	1,254' FNL & 10' FEL (Unit A) of Section 34
Bond 32-34 Fed Com 103H	1,605' FSL & 1,218' FEL (Unit I) of Section 32	2,178' FNL & 10' FEL (Unit H) of Section 34
Bond 32-34 Fed Com 201H	1,726' FNL & 2,425' FWL (Unit F) of Section 32	330' FNL & 10' FEL (Unit A) of Section 34
Bond 32-34 Fed Com 203H (proximity well)	1,726' FNL & 2,345' FWL (Unit F) of Section 32	1,254' FNL & 10' FEL (Unit A) of Section 34
Bond 32-34 Fed Com 205H	1,585' FSL & 1,215' FEL (Unit I) of Section 32	2,200' FNL & 10' FEL (Unit H) of Section 34

16. On August 7, 2025, PBEX sent a letter to Chevron, proposing the following wells pursuant to Order No. R-23685:

Well	Surface Hole Location	Bottom Hole Location
Bond 32-34 Fed Com 101H	1,726' FNL & 2425' FWL (Unit F) of Section 32	660' FNL & 10' FEL (Unit A) of Section 34
Bond 32-34 Fed Com 103H	1,726' FSL & 2,385' FWL (Unit F) of Section 32	2,130' FNL & 10' FEL (Unit H) of Section 34
Bond 32-34 Fed Com 201H	1,726' FNL & 2,465' FWL (Unit F) of Section 32	330' FNL & 10' FEL (Unit A) of Section 34
Bond 32-34 Fed Com 205H	1,726' FSL & 2,445' FWL (Unit F) of Section 32	2,200' FNL & 10' FEL (Unit H) of Section 34
Bond 32-34 Fed Com 301H	1,726' FNL & 2,405' FWL (Unit F) of Section 34	1,640' FNL & 10' FEL (Unit H) of Section 34

17. The August 7, 2025 also included AFEs for the proposed wells.

18. Exhibit C-2 shows a gun barrel representation of the wells listed in Order No. R-23685 and the wells being developed. As shown in Exhibit C-3, we are maximizing oil recovery by reconfiguring the gun barrel based on analysis of analogous developments that show better results with up-spacing to four wells per section in three targets within the Bone Spring formation. As a prudent operator, it is industry standard to adjust development plans based on analysis of analogous developments. As stated above, we are still drilling 12 wells total in the Bond 33-34 Unit and Bond 32-24 Unit projects and, in both configurations, all 12 wells are drilled in, and producing from, the Bone Spring formation.

19. The current development plan proposed in August 2025 allows for more efficient utilization of the pad sites granted by the BLM in the Bond 33-34 Unit and Bond 32-24 Unit projects and preserves the ability for possible future formation development. Exhibit C-2 reflects the surface hole changes. The changes did not affect the spacing units or the overall number of wells drilled but does limit future additional surface disturbance.

C. Drilling Phases

20. The August 7, 2025 well proposal identified two drilling phases. Phase I would include the Bond 32-34 Fed Com 201H, Bond 32-34 Fed Com 205H, Bond 32-34 Fed Com 301H, Bond 33-34 Fed Com 207H, and Bond 33-34 Fed Com 211H. Phase II would include the Bond 32-34 Fed Com 101H, Bond 32-34 Fed Com 103H, Bond 33-34 Fed Com 104H, Bond 33-34 Fed Com 106H, Bond 33-34 Fed Com 304H, and Bond 33-34 Fed Com 306H.

21. The original plan was to drill in two phases as shown on the proposal, but we determined two phases were unnecessary and have since spud all wells.

22. As set out in the table below, all of the Bond Wells were spud prior February 18, 2026.

Well Name	Spud Date
Bond 32-34 Fed Com #201H	1/2/2026
Bond 32-34 Fed Com #301H	1/4/2026
Bond 32-34 Fed Com #205H	1/5/2026
Bond 33-34 Fed Com #207H	1/13/2026
Bond 33-34 Fed Com #211H	1/16/2026
Bond 33-34 Fed Com #104H	1/22/2026
Bond 33-34 Fed Com #106H	1/27/2026
Bond 33-34 Fed Com #304H	1/29/2026
Bond 33-34 Fed Com #306H	1/30/2026
Bond 32-34 Fed Com #103H	2/3/2026
Bond 32-34 Fed Com #101H	2/5/2026
Bond 32-34 Fed Com #303H	2/7/2026

23. 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.

Brianna Aylesworth

Brianna Aylesworth

5/6/26

Date

Brianna Aylesworth

Bri@pbex.com

PROFESSIONAL SUMMARY

Reservoir engineer with experience in asset development, drilling programs, and cross-functional collaboration. Focused on improving well performance, optimizing inventory, and leveraging data analytics to drive value and reduce risk.

KEY ACHIEVEMENTS

• Identified and delineated multiple benches in the Midland Basin, adding significant inventory and value.
• Led execution of first 6-stack development at EER achieving ~26,000 BOPD at initial production.

PROFESSIONAL EXPERIENCE

PBX

Lead Reservoir Engineer (June 2025 to present)

- Asset Development for Delaware and Midland Basin
- Budget and Corporate Planning
- Reserves

Endeavor Energy Resources / Diamondback Energy

Interface Lead Reservoir Engineer (2024–2025)

- Led inventory management, benchmarking, and workflow development
- Led integration of reservoir engineering best practices around key topics (forecasting, economics, testing ect.)
- Mentored engineers and implemented best practices across forecasting and economics
- *Senior Staff Reservoir Engineer (2017–2024)*
- Managed multi-rig drilling programs and $1.5B capital execution
- Delivered development plans adding 100+ locations and $1B+ in value

Bold Energy III / Earthstone Energy — Senior Completions Engineer (2014–2017)

EDUCATION

BS, Architectural Engineering — University of Wyoming
SMU Cox Executive Leadership Program

TECHNICAL SKILLS

Phdwin, Aries, ValNav, Excel, Spotfire, ArcGIS

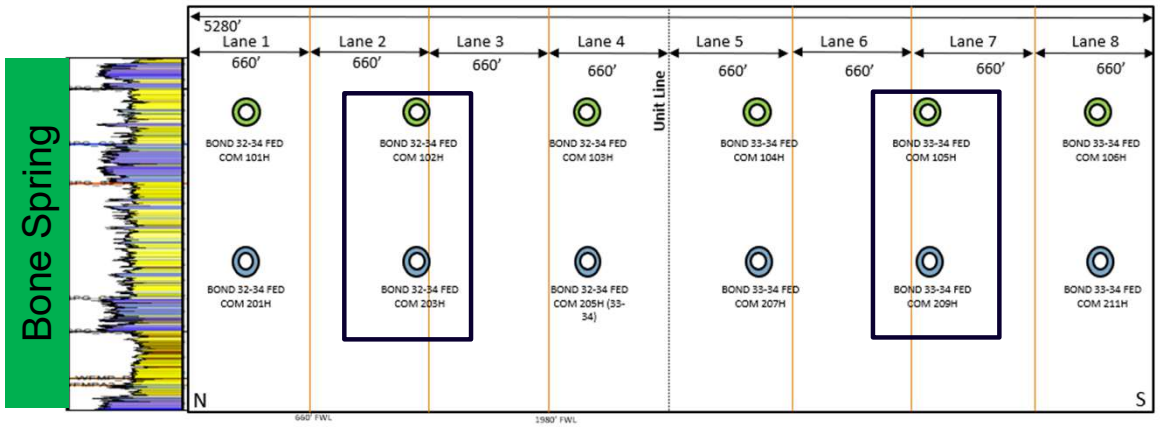
LEADERSHIP

Board member — Midland Rape Crisis Center, Junior League of Midland

Case No. 25878
PBEX, LLC
Exhibit C-1

Subsurface Configuration Justification (Exhibit 2)

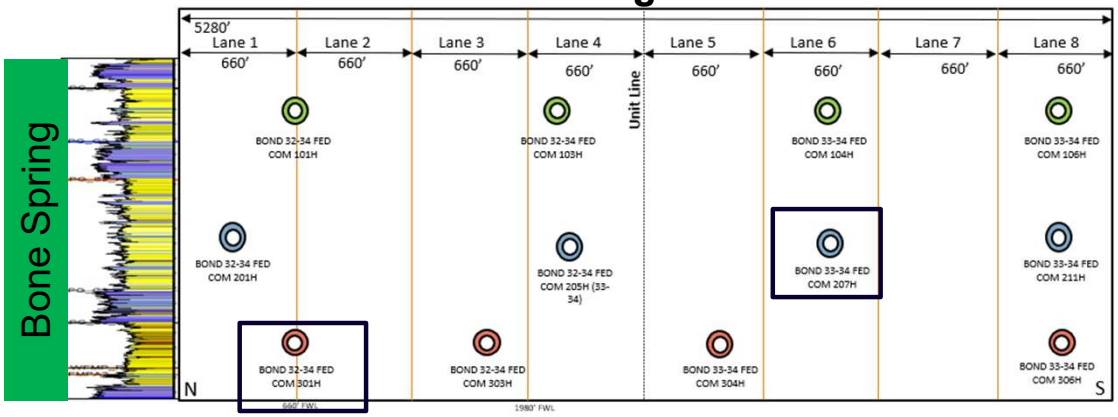
Original Configuration



	Original Well Count	Current Well Count
Total	12	12

Proximity Well

Current Configuration

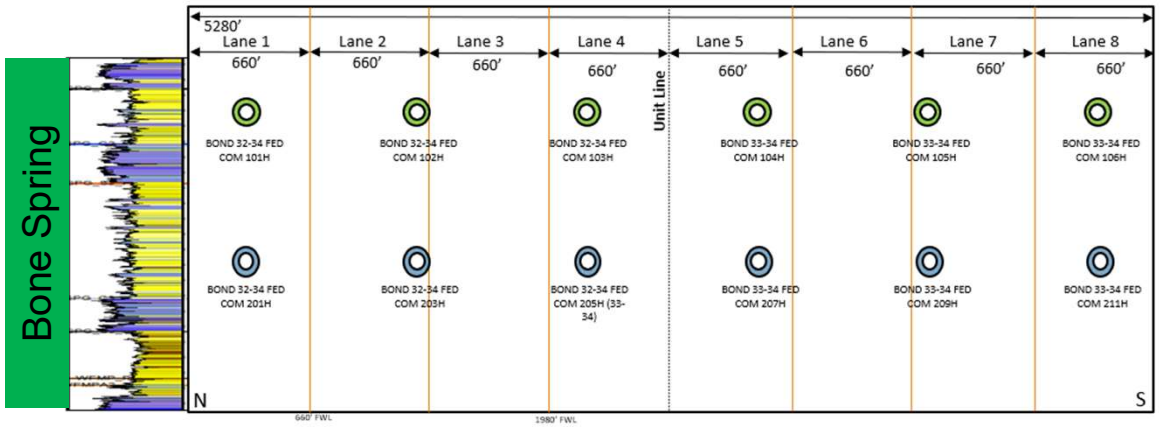


Proximity Well

Case No. 25878
PBEX, LLC
Exhibit C-2

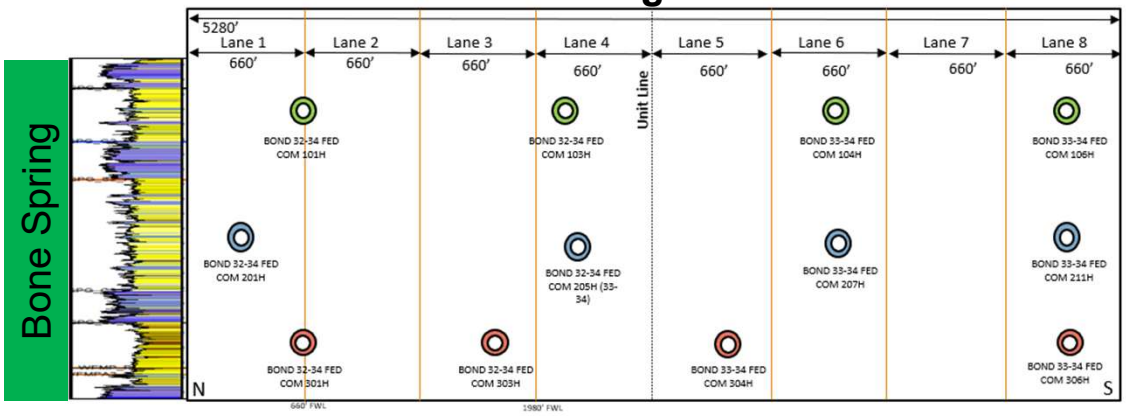
Subsurface Configuration Justification (Exhibit 3)

Original Configuration



	Oil EUR/target (MBO)
Total	5,424

Current Configuration

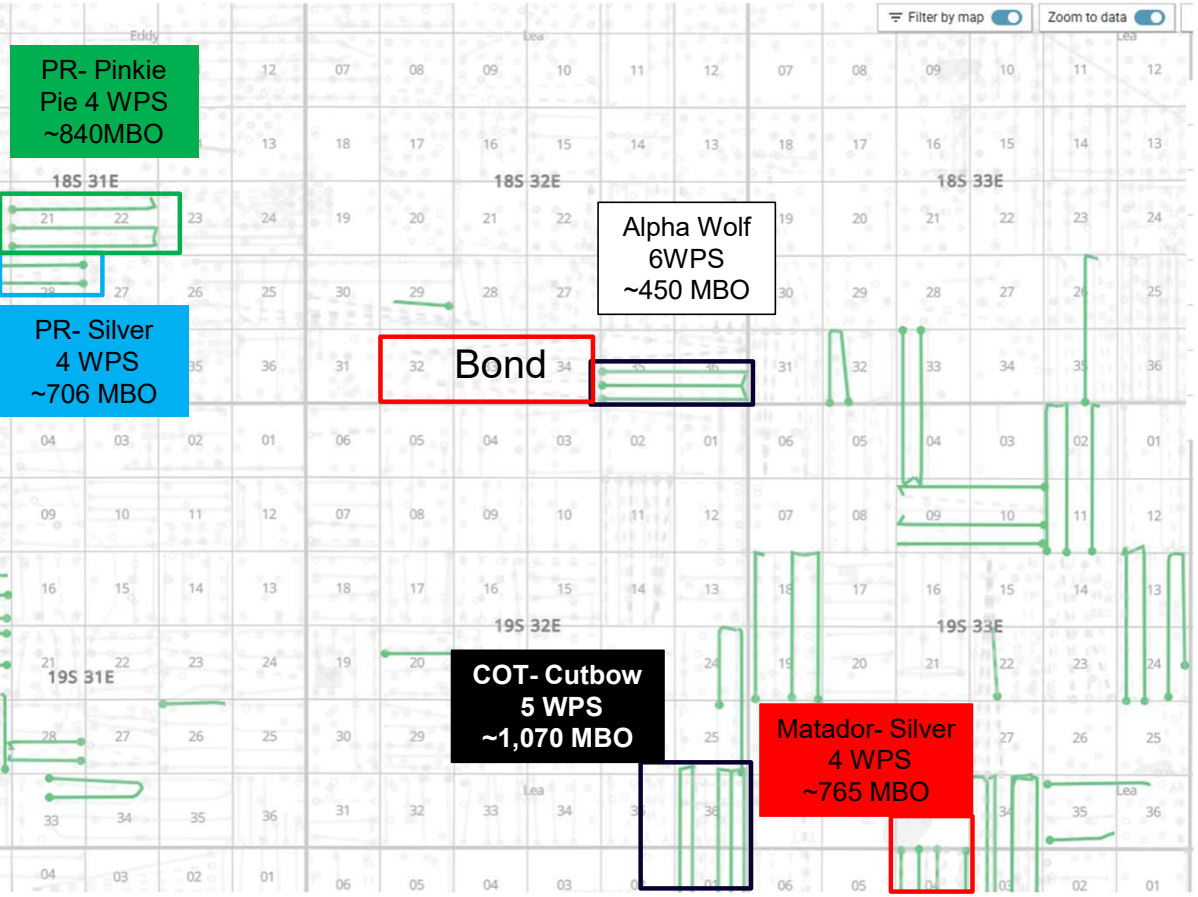


	Oil EUR/target (MBO)
Total	7,564

The current configuration optimizes total section recovery and value by adding a de-risked lower Bone Spring target and aligning spacing with observed industry performance, resulting in ~2,140 MBO incremental oil relative to the original design.

Case No. 25878
PBEX, LLC
Exhibit C-3

Upper Bone Spring Target Competitor Analysis (Exhibit 3)

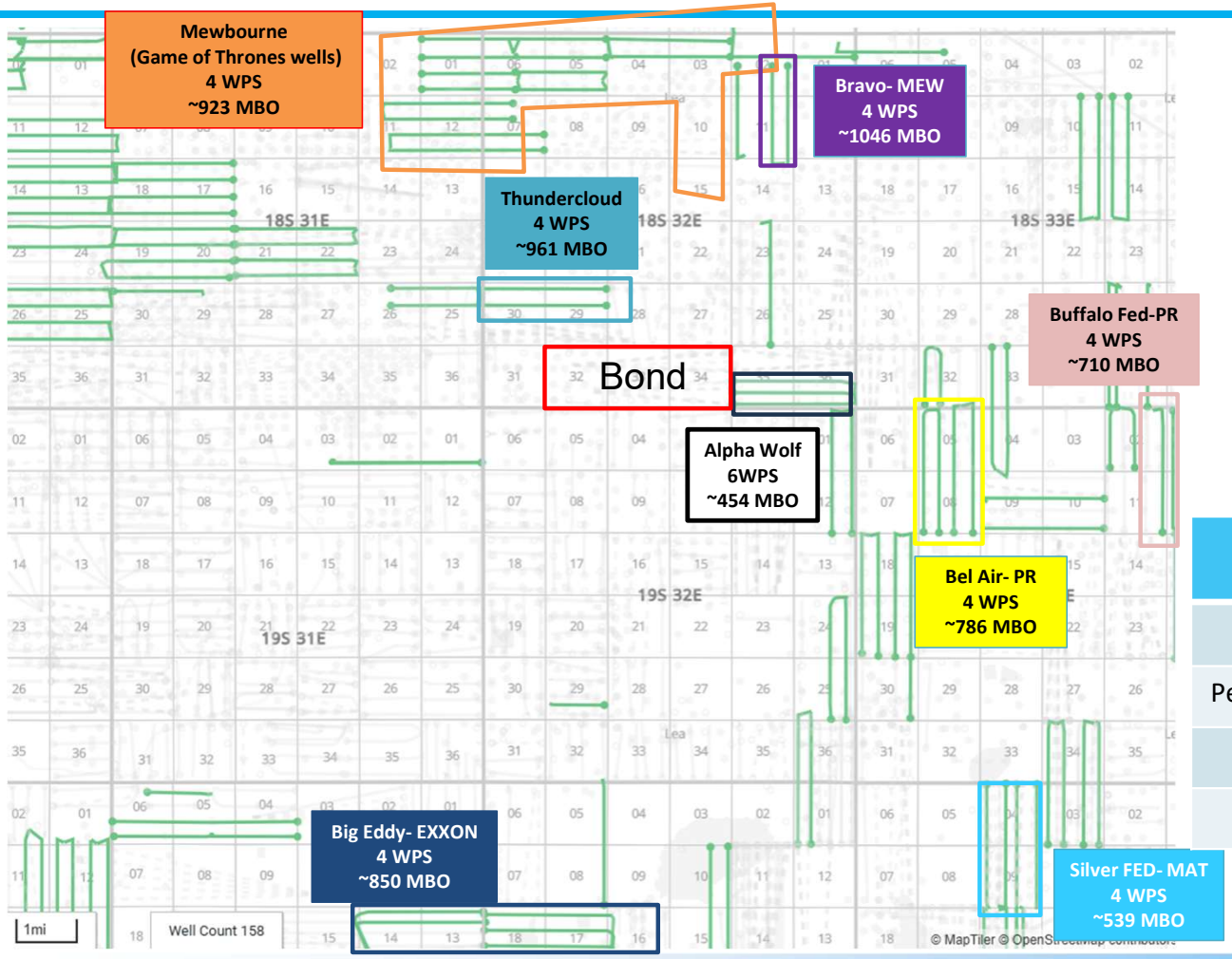


	Oil EUR (MBO)	Est Oil/target (MBO)
4 WPS	531	2,124
6WPS	450	2,700

EURs normalized to 10,000' laterals.

Operator	Average Well Spacing	Well Count
Permian Resources	4	23
Coterra	5.5	8
Matador	4	4

Middle Bone Spring Target Competitor Analysis (Exhibit 3)

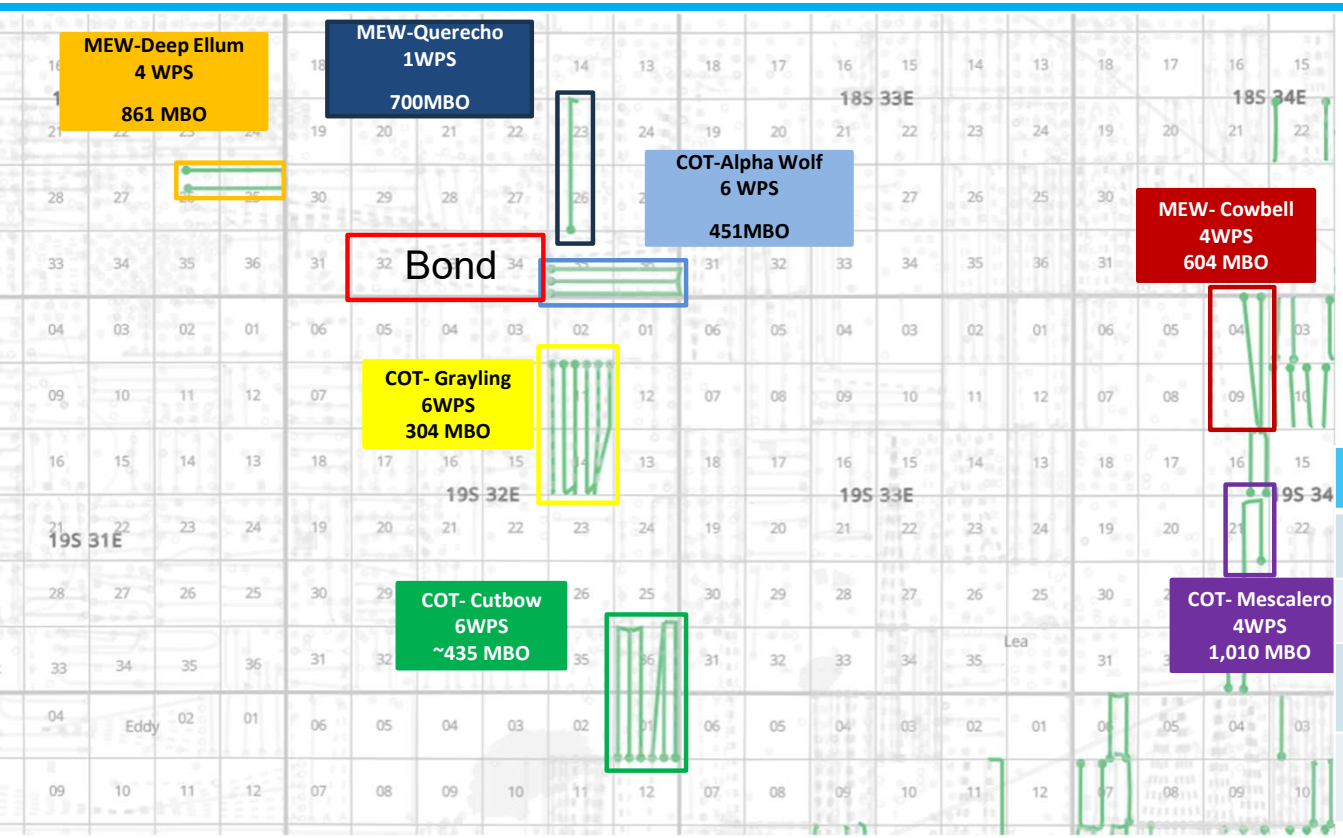


	Oil EUR (MBO)	Est Oil/target (MBO)
4 WPS	690	2,760
6WPS	454	2,724

EURs normalized to 10,000' laterals.

Operator	Average Well Spacing	Well Count
Mewbourne	4	66
Permian Resources	4	28
Exxon Mobil	4	8
Coterra	6	3

Lower Bone Spring Target Competitor Analysis (Exhibit 3)



	Oil EUR (MBO)	Est Oil/target (MBO)
4 WPS	670	2,680
6WPS	389	2,334

EURs normalized to 10,000' laterals.

Operator	Average Well Spacing	Well Count
Coterra	6	18
Mewbourne	4	7
Permian Resources	1.5	3
Matador Resources	4	2

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

APPLICATION OF CHEVRON U.S.A. INC. TO REOPEN CASE NO. 24185 (ORDER NO. R-23684) (E.G.L. RESOURCES, INC.) AND CASE NO. 24886 (ORDER NO. R-23685) (PBEX, LLC) TO REQUIRE SUBMISSION OF PROPER STATEMENTS OF WELL COSTS BY OPERATOR AND RECOGNIZE THE CONSENTING STATUS OF CHEVRON.

CASE NO. 25878

SELF-AFFIRMED STATEMENT
OF KEITH B. HALL

1. I am the Nesser Family Chair in Energy Law and the Campanile Charities Professor of Energy Law at Louisiana State University's ("LSU") Paul M. Hebert Law Center, where I serve as Director of the John P. Laborde Energy Law Center and the Director of the Mineral Law Institute at LSU. I am over 18 years of age, have personal knowledge of the matters addressed herein, and am competent to provide this Self-Affirmed Statement.

2. I teach Mineral Rights, International Petroleum Transactions, Energy Law & Regulation, and Civil Law Property at LSU. My research and scholarship focus on the law of oil and gas, including the regulation of pooling, unitization, and the administrative processes by which states regulate oil and gas development. A copy of my curriculum vitae is attached as **Exhibit D-1.**

3. I am presenting expert testimony in this case on behalf of PBEX, LLC and E.G.L. Resources, Inc. (collectively, "PBEX") regarding oil and gas regulatory policy and practice.

4. The opinions expressed in this Self-Affirmed Statement are based on my education, experience teaching and writing in the field of oil and gas law, familiarity with the regulatory frameworks of New Mexico and other producing states (including Louisiana, Texas, Oklahoma,

Case No. 25878
PBEX, LLC
Exhibit D

and the federal regulatory framework), and my review of the materials I reviewed in connection with this matter.

A. Scope and Summary of Opinions.

5. I understand that the Oil Conservation Division (the "Division") issued Order No. R-23684 in Case No. 24185 and Order No. R-23685 in Case No. 24886 on February 19, 2025 (collectively, the "Pooling Orders"). On August 7, 2025, PBEX sent Chevron a well proposal and AFEs under the Pooling Orders, and on August 27, 2025, Chevron U.S.A. Inc. ("Chevron") sent PBEX a letter electing to participate in 11 wells dedicated to the horizontal spacing units established by the Pooling Orders (the "Election Letter"). However, Chevron then failed to pay its share of the estimated well costs, resulting in its status as a non-consenting working interest owner under the Pooling Orders. I understand that Chevron now seeks an order reopening the Pooling Orders, declaring that PBEX failed to comply with paragraphs 24 and 25 of the Pooling Orders, requiring PBEX to reissue an estimate of Chevron's share of well costs, and affording Chevron a renewed 30-day period within which to elect to participate.

6. I have been asked to opine on the regulatory policy and practice implications of the relief Chevron seeks. Specifically, I have been asked to address the implications of allowing a pooled working interest owner who has executed an election letter under a pooling order to subsequently challenge or undo that election via a request to reopen, vacate, or otherwise undermine the underlying pooling order.

7. It is my opinion that allowing this type of post hoc challenge would constitute poor regulatory policy. Election letters under pooling orders are foundational instruments in the regulation of oil and gas development. They are relied upon by operators, working interest owners, and regulatory agencies to promote finality, certainty, and the orderly development of mineral

resources. Permitting an electing party to repudiate its election after the fact would destabilize pooling orders, discourage reliance on elections, invite strategic and opportunistic behavior, and undermine the efficient administration of oil and gas regulation. I explain the bases for these opinions below.

B. The Role of Election Letters in Oil and Gas Regulation.

8. Compulsory pooling is a regulatory tool that is authorized under the laws of almost every oil and gas producing state in the United Sates, including New Mexico. It exists to prevent waste, protect correlative rights, avoid the drilling of unnecessary wells, and promote the development of oil and gas resources. The compulsory pooling process allows operators to develop spacing units when voluntary agreement among all interest owners cannot be obtained, while at the same time protecting the economic interests of non-operating working interest owners. New Mexico's compulsory pooling statute, NMSA 1978, § 70-2-17, reflects these objectives, as do the analogous statutes in other producing states.

9. The compulsory pooling regimes of various states tend to have similar provisions to govern well proposals. Typically, compulsory pooling regimes outline a framework in which the unit operator will send a notice of proposed well to non-operator, pooled working interest owners, along with a detailed authorization for expenditure showing estimated costs of the well. The pooled working interest owners then have a period of time, often thirty days after receipt of the notice, to submit a response indicating whether they consent to participate in the costs of the proposed well. If a pooled working interest owner elects not to participate, fails to respond, or states that it will participate, but then fails to timely fair its proportionate share of the estimated well costs, that pooled working interest owner will be treated as non-consenting. In many states, the consequences of "going non-consent" is that the non-consenting owner's share of costs, plus a

"risk charge" (sometimes known as a "risk penalty") will be taken out of the non-consenting owner's share of production.

10. New Mexico's compulsory pooling regime fits this pattern. Under New Mexico's pooling framework, after a pooling order is entered, an operator must send each pooled working interest owner an itemized statement of estimated well costs and the working interest owner is afforded 30 days to elect whether to participate in the costs of the well. If an owner elects to participate, it must send its share of estimated costs to the operator within 30 days of the end of the election period. If an owner elects not to participate or elects to participate but then fails to timely pays its share of costs, that owner is treated as the owner of a "Non-Consenting Pooled Working Interest." Such an owner will be a "carried" interest, and that owner's proportionate share of costs, plus a risk charge--typically 200%--that is imposed by the order. The Pooling Orders incorporated these standard provisions in paragraphs 24 and 25.

11. Neither the New Mexico Oil and Gas Act, the Division's compulsory pooling regulations nor the Pooling Orders include requirements regarding the content or format of post-order well proposals, and the Division has not established a form for those proposals. In New Mexico and other states, it is common for the operator to make an estimate of a notified owner's fractional interest in the unit. It is not customary within the oil and gas industry, however, to expect that the operator stands as a guarantor of the accuracy of those estimates or that a well proposal is invalid if it contains, or the operator subsequently makes, an error in estimating relative working interest fractions.

12. An election letter is the formal mechanism by which a pooled working interest owner responds to a well proposal and exercises its statutory and order-based right to elect whether to participate in the proposed well. Once executed, the election and subsequent payment of well

costs determine the owner's status under the pooling order — consenting or non-consenting — and its corresponding rights and obligations with respect to the unit and the wells. The election allocates risk and cost responsibility among the parties, and it also determines whether the operator may treat the owner as a participating joint owner or as a non-consenting interest subject to a risk charge.

13. Election letters serve essential functions in the oil and gas regulatory system. So does the rule that a working interest owner will be considered non-consenting if it fails to timely pay its proportionate share of costs. First, they provide certainty to operators. The operator must commit substantial capital to drill, complete, and equip wells. The operator's capital decisions, JOA negotiations, AFE finalization, and revenue and cost-allocation processes all depend on knowing the consenting status of every pooled working interest owner. Without a binding election, the operator cannot reliably plan, finance, or execute the development of the unit.

14. Second, election letters, together with the rule that working interest owners will be deemed non-consenting if they fail to timely pay, provide certainty to other working interest owners. Owners that have elected to participate (or to take a non-consent position) make their own internal capital and accounting decisions in reliance on the elections of the other owners. The mix of participating versus non-consenting interests directly affects each participant's allocation of costs, its share of production, and the application of any risk charge. If one party can later reopen its election period or its deadline to pay, every other party's economic position is subject to retroactive change

15. Third, election letters provide regulatory economy for the agency. The Division's administrative resources are best devoted to evaluating new applications for pooling and

operations and addressing genuine compliance concerns, rather than evaluating whether an election period should be reopened.

C. Reliance, Finality, and Orderly Development.

16. The principles of reliance and finality are central to a functional pooling regime. The compulsory pooling process necessarily resolves competing interests through administrative adjudication; it works only because, once a pooling order is entered and the parties have made their elections and paid (or elected not to pay) their share of the estimated well costs, all participants can proceed with knowledge that the pooling order and the associated elections are valid and binding.

17. If pooling orders were subject to reopening whenever title changes following the issuance of an order, many simple title errors could serve as a basis to undo pooling orders and reopen elections regarding participation. This would make it too easy for parties that become dissatisfied with their status (as consenting or non-consenting) to look for alleged errors in the well proposal as a basis for a "redo" on their decision whether to participate or not. This would lead to uncertainty regarding parties' participation and thus would inject uncertainty into expected economics. Such uncertainty would undermine oil and gas development given the substantial capital required to develop a unit.. Operators routinely make irrevocable financial commitments — rig contracts, completion crews, frac sand and water supply contracts, midstream agreements — within days or weeks of receiving elections and payments. Those commitments depend on the reliability of the Pooling Orders and the consenting or non-consenting status of the working interest owners.

18. The orderly development of oil and gas resources, which is among the central objectives of the New Mexico Oil and Gas Act, depends on the predictability of the pooling regime.

Predictability, in turn, depends on the binding character of pooling orders and the elections made under them, as well as the binding rule that a working interest owner is deemed non-consenting if it fails to timely pay its share of costs. Permitting post hoc challenges to elections would directly undercut the regulatory regime's ability to deliver orderly development.

D. Risks of Permitting Post Hoc Challenges to Elections.

19. Permitting a party to challenge or unwind its election after the fact would harm the regulatory system that the Division administers and thwart oil and gas development in New Mexico. This principle applies equally to the non-consenting election that arises from a party's failure to pay its share of costs timely.

20. First, it would destabilize pooling orders. Pooling orders are intended to fix the rights and obligations of all interest owners with respect to a unit. Allowing a party to receive a well proposal and make an election without challenging the validity of the proposal, but then to reopen the underlying pooling order based on an alleged invalidity that was not expressed at the time of election, would convert pooling orders from settled administrative determinations into contingent ones that are subject to revision.

21. Second, it would discourage reliance on elections, including the deemed non-consenting election that arises from a failure to pay timely. If operators and other working interest owners cannot rely on the binding effect of an election, they will rationally become more reluctant to proceed with development and may demand additional and costly contractual or regulatory protections before doing so. Either response increases transaction costs and slows the pace of development, contrary to the public interest in orderly development.

22. Third, it would invite strategic and opportunistic behavior. Sophisticated parties would have an incentive to observe the operator's subsequent decisions and well performance,

negotiate over the value of their interests with the benefit of post-election information, and then — if dissatisfied — challenge the election based on alleged errors in the original well proposal. The election process would no longer be a one-time, binding choice. That dynamic is especially problematic where, as here, the post hoc challenge follows the breakdown of commercial negotiations between the parties and the failure to timely pay estimated well costs. Indeed, if parties who do not object to the validity of well proposals when the proposals are received can make an election and then later challenge the pooling order, seeking to re-open the elections period based on alleged errors in the original proposal, that will encourage parties to hold back from objecting to the validity of the proposal during the election period, even if they notice alleged errors in the proposal prior to making an election, so that they can hold on to the objection for possible assertion later.

23. Fourth, there would be negative financial implications for operators. The 200% risk penalty established by the Division's pooling orders compensates operators for having to initially bear the risks and costs associated with development. If non-consenting parties could reopen pooling orders and election periods, even if they do not challenge the validity of a well proposal at the time the proposal is made, that would open the door for non-consenting parties to look for errors in the well proposal after it becomes apparent that a well is profitable, and to use alleged errors as a basis to seek a "do over" on its decision whether to consent so as to avoid the risk penalty. Further, if a well proves to be unprofitable, a party that consented and paid its share of costs might seek to revisit the pooling order and re-open the election period so that the party can change its election to be non-consenting and to demand a refund of moneys previously paid. That would effectively require operators to bear a greater share of overall risks than was ever intended or customary, and may deter development. This might make it too costly for small

operators to participate in the forced pooling process, and ultimately stifle competition, which in turn also stifles technological and other improvements that result from robust competition.

24. Fifth, it would undermine the efficient administration of oil and gas regulation. The Division's ability to administer compulsory pooling depends on the finality of its orders. If parties may seek to reopen pooling orders at any time by alleging errors in well proposal after the fact, the Division will be required to expend administrative resources adjudicating unnecessary disputes. The cost of that diversion is not borne by the challenging party alone; it is borne by every other operator and working interest owner whose applications and disputes await adjudication. In addition, it would not be an efficient use of resources for the Division to evaluate every nuance of the election letters sent out by operators under pooling orders.

25 Sixth, it would distort the bargaining position of working interest owners in commercial transactions. A party that has elected to participate has — under the pooling order and industry practice — committed to a consenting position with binding economic consequences. Other parties (operators, lessees, prospective purchasers) reasonably price their dealings with that party on the basis of that committed position. Allowing the electing party to repudiate its position later, particularly after commercial negotiations have failed and a payment deadline was missed, permits one side to benefit from the option value of its election while disclaiming the costs.

E. Application to this Case.

26. I have reviewed the Pooling Orders, the August 7, 2025 well proposal letter from PBEX to Chevron, email correspondence between Chevron and PBEX in August 2025, and Chevron's August 27, 2025 Election Letter. I have also reviewed Chevron's Amended Application in this case (Case No. 25878).

27. Chevron does not dispute that it received a written well proposal and AFEs from PBEX on August 7, 2025 or that it engaged in a series of email exchanges with PBEX between August 11 and August 19, 2025, in which it received and acknowledged information about the proposed wells, including general spud timing, estimated working and net revenue interest, surface and bottom hole locations, well depths, and working interest percentages in the units. Chevron does not dispute that, having received that information, it executed and transmitted to PBEX an Election Letter on August 27, 2025 electing to participate in all eleven (11) of the wells dedicated to the spacing units established by the Pooling Orders and included in the original well proposal.

28. Chevron's Election Letter is binding under paragraphs 24 and 25 of the Pooling Orders. Despite its election, Chevron failed to comply with the 30-day deadline to pay its share of the estimated well costs under the Pooling Orders.

29. Chevron now seeks to reopen the Pooling Orders, undo its election, and obtain a renewed 30-day election period on the asserted ground that the August 7, 2025 well proposal letter did not comply with the Pooling Orders. Chevron does not claim that wells actually drilled were different than those stated in the well proposals. Instead, Chevron asserts that the wells included in the well proposal were different than those listed in the pooling order—something that Chevron presumably noticed or should have noticed at the time. But again, Chevron did not assert at the time it received the request that the well proposal was invalid on that basis. That claim would not come until later. This directly implicates the regulatory policy concerns I have described above.

30. If Chevron believed in August 2025 that the well proposal letter it had received was deficient under the Pooling Orders, the proper time and forum to raise that concern was during the election period — by declining to elect, by requesting a revised statement before electing, by electing under protest, or by promptly seeking the Division's assistance. Chevron did none of those

things. Instead, Chevron sought, received, and acknowledged additional information about the proposed wells; affirmatively elected to participate; and then proceeded to negotiate with PBEX and other parties over the potential sale of its interest in the same leases that included these units. It was only after those commercial negotiations broke down in October 2025 that Chevron began to assert that the August 7, 2025 letter had been deficient and that its August 27, 2025 election should be undone.

31. Permitting Chevron to reopen the Pooling Orders on this record would, in my opinion, constitute exactly the kind of post hoc challenge that sound regulatory policy prohibits. It would destabilize two existing pooling orders, discourage operators (both PBEX and others) from relying on pooling orders and election letters in future cases, and invite other working interest owners to defer making objections during the election period, even if they are aware of a purported basis for an objection during the election period, and instead to hold the objection to possibly assert it later, if doing so becomes advantageous. And it would drag the Division's administrative resources into litigating about alleged errors in well proposals—alleged errors that might have been promptly and easily resolved by a timely objection.

32. Whether the August 7, 2025 well proposal letter strictly complied with every formal requirement of paragraphs 24 and 25 of the Pooling Orders is a question about which the parties disagree. But whether or not the form or details of the letter could have been improved, Chevron treated it as a sufficient basis on which to elect and made its election. The proper consequence of that election, under the regulatory framework, is finality.

F. Conclusion.

33. For the reasons stated above, it is my opinion, held to a reasonable degree of professional certainty in the field of oil and gas law, that allowing an operator or other pooled working interest owner that has executed an election letter to thereafter challenge that election in order to reopen or undermine the underlying pooling order would constitute poor regulatory policy. Election letters are central to the orderly administration of the New Mexico compulsory pooling regime. They are relied upon by operators, by non-operating working interest owners, and by the Division itself to promote finality, certainty, and the orderly development of oil and gas resources. Permitting the post hoc challenge that Chevron seeks in this case would destabilize the Pooling Orders, discourage reliance on elections and pooling orders, invite strategic and opportunistic behavior, distort commercial negotiations among working interest owners, and undermine the efficient administration of oil and gas regulation by the Division.

34. The attached exhibit was prepared by me.

35. I understand this Self-Affirmed Statement will be used as written testimony in this case. 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.

Keith B Hall — Keith B. Hall

May 6 2026 — Date

Case No. 25878
PBEX, LLC
Exhibit D-1

KEITH B. HALL

Paul M. Hebert Law Center
Louisiana State University
1 East Campus Drive
Baton Rouge, LA 70803-1000
504-250-2636 (cell) – khall@lsu.edu

Current Position

PAUL M. HEBERT LAW CENTER, LOUISIANA STATE UNIVERSITY
July 2012 to date
Director of LSU's John P. Laborde Energy Law Center
Director of the Mineral Law Institute
Nesser Family Chair in Energy Law

Primary Responsibilities as Director of John P. Laborde Energy Law Center:

- Organize and promote programs for Energy Law Center, including conferences, guest lectures, student internships, and student travel to energy law conferences
- Secure grants to support student travel to energy law conferences
- Organize student field trips to energy industry facilities
- Serve as faulty advisor to LSU Journal of Energy Law & Resources

Primary Responsibilities as Director of the Mineral Law Institute:

- Organize the two-day Annual Mineral Law Institute
- Oversee publication of Mineral Law Institute newsletter and Proceedings of the Annual Mineral Law Institute

Courses Taught:

- Mineral Rights
- Civil Law Property
- Energy Law & Regulation
- Advanced Mineral Law
- International Petroleum Transactions
- Energy Law (seminar on environmental issues relating to oil and gas industry

Other Teaching

University of Pittsburgh School of Law, Pittsburgh, Pennsylvania, U.S.A., *Visiting Professor*, taught "International Energy Transactions" and "Energy & the Environment," Spring 2017

Baku State University Law School, Baku, Azerbaijan, *Visiting Professor*, taught "International Petroleum Transactions," Summer 2013 and Summer 2014

Loyola University School of Law, New Orleans, Louisiana, U.S.A., *Adjunct Professor*, taught "Introduction to Mineral Law" (each Spring semester from 2008 to 2012)

Related Work

Serving as legal consultant, expert witness, and arbitrator in oil and gas disputes and transactions in numerous jurisdictions, including: Louisiana, New Mexico, North Dakota, Oklahoma, Pennsylvania, Texas, West Virginia, Wyoming, and U.S. offshore waters, as well as Ecuador and Australia

Practice Experience

STONE PIGMAN WALTHER WITTMANN L.L.C., New Orleans, Louisiana
Associate, 1996 – 2002
Member, 2003 – June 2012

- Co-Chair of firm's Energy and Environment practice group
- Author of the firm's blog, the *Oil & Gas Law Brief*
- Practice areas: oil & gas law, environmental law, commercial litigation

Education

LOYOLA UNIVERSITY SCHOOL OF LAW, New Orleans, Louisiana
J.D., May 1996
Class Rank: 1/188, GPA: 3.875, s*umma cum laude*

- *Loyola Law Review*, Managing Editor
- Moot Court, Member

LOUISIANA STATE UNIVERSITY, Baton Rouge, Louisiana
B.S., Chemical Engineering, May 1985
Class Rank: Top 5%, GPA: 3.63

Other Professional Experience

Worked for eight years as a chemical engineer, including four years as a process design engineer at Ethyl Corporation (now known as "Albemarle") in Baton Rouge, two years at Barnard & Burk Engineers, and two years at Placid Refining Company.

Professional and Civic Activities

- Chair, Task Force on Local Impacts of Carbon Capture and Sequestration (created by Senate Resolution No. 179 of 2023 Regular Session of Louisiana Legislature)
- Chair, Emerging Energy Industries Codification Task Force (created by Senate Resolution No. 161 of 2022 Regular Session of Louisiana Legislature)
- Member, Ad Hoc Committee on Carbon Capture, Utilization, and Storage (created by Louisiana Department of Natural Resources)
- Member, Oil & Gas Risk Charge Commission (created by Senate Concurrent Resolution No. 44 of the 2021 Regular Session of the Louisiana Legislature)
- Editor-in-Chief, Institute for Energy Law's Oil & Gas E-Report (2018 to date)
- Oil & Gas Reporter, Board of Editors (2013 to 2017)
- Foundation for Natural Resources and Energy Law (formerly known as Rocky Mountain Mineral Law Foundation), Treasurer (2025 to date), Board of Directors (2020 to 2022), Budget Committee (2022 to date), Financial Advisory Committee (2022 to date), Trustees Council (2012 to date), Program Committee (2020 to 2022), Special Institutes Committee (2018 to 2020), Annual Institute Oil & Gas Co-Chair (2017), Member (2008 to date)
- Energy & Mineral Law Foundation, Executive Committee (2018 to 2021), Newsletter Chair (2021 to date), Board of Trustees (2014 to date), Chair of Education Outreach Committee (2015-16)
- Institute for Energy Law, Advisory Board (2012 to date), Executive Committee (2018 to date)
- American Bar Association Section of Environment Energy and Resources, Oil & Gas Committee, Chair (2013-2015), Vice Chair-Programs (2011-13)

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Professional and Civic Activities *(cont'd)*

- Association of International Petroleum Negotiators, Education Advisory Board (2017 to date), member (2013 to date)
- Louisiana Mineral Law Institute, Director (2012 to date), Chair (2012), Member of Advisory Council (2009-2012)
- Louisiana State Bar Association Environmental Law Section, Chair (2013-14), Member of Advisory Council (2009 to 2015)
- Louisiana Law Institute, member of Oil & Gas Risk Fee Statute Committee
- Louisiana Law Institute, member of Mineral Law Committee
- Louisiana Law Institute, Reporter for committee studying alternative dispute resolution systems for oilfield contamination claims (committee's recommendations adopted with minor revisions by La. Legislature in 2015)
- Louisiana Law Institute, member of committee studying possible reforms relating to unsolicited offers by mail for purchase of mineral rights
- Louisiana Law Institute, Water Law Committee
- Louisiana Cross Unit Well Study Commission, member (Commission established by legislature to propose legislation; Commission's recommendation adopted by legislature in 2015)
- New Orleans Bar Association Oil & Gas Section, Co-chair (2013), Chair (2010 to 2012)
- Member, Professional Landmen's Association of New Orleans
- Registered Professional Engineer, Chemical Engineering, La. (inactive)

Books

LOUISIANA REAL PROPERTY LAW AND PRACTICE (LexisNexis 2025)

THE LAW OF OIL AND GAS: CASES AND MATERIALS, co-authored with Patrick H. Martin, *et al.* (Foundation Press) (10th Ed. 2016 and 11th Ed. 2022)

INTERNATIONAL PETROLEUM LAW AND TRANSACTIONS, with Owen L. Anderson, *et al.*, (Rocky Mountain Mineral Law Foundation) (2020)

HYDRAULIC FRACTURING: A GUIDE TO ENVIRONMENTAL AND REAL PROPERTY ISSUES, co-authored with Hannah J. Wiseman (American Bar Association 2017)

Book Chapters

"From a Mature Offshore Oil and Gas Sector to an Embryonic Alternative Energy Sector: The U.S. Experience," Chapter 13 of OFFSHORE ENERGY LAW: CHALLENGES AND OPPORTUNITIES FOR RENEWABLES AND HYDROCARBONS (Hart 2025)

"United States of America," Chapter 11 of NATIONAL APPROACHES TO HYDROCARBON DEVELOPMENT: UNITIZATION AND UNIT OPERATING AGREEMENTS (Routledge 2025)

"United States," Chapter 27 in NATURAL GAS FLARING & ENERGY TRANSITION: LAWS, POLICIES AND REGULATIONS (Wolters Kluwer 2025)

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Book Chapters (*cont'd*)

THE REGULATION OF DECOMMISSIONING, ABANDONMENT AND REUSE INITIATIVES IN THE OIL AND GAS INDUSTRY, (author of chapter on U.S. regulations and one of five editors of the book) (Wolters Kluwer 2020)

"Petroleum," Chapter 1 of Volume 1 of ENERGY CHOICES: HOW TO POWER THE FUTURE (Praeger 2014)

"Discovery," Chapter 12 of LOUISIANA CIVIL PRACTICE FORMS (updated annually)

"Louisiana's Mineral Resources," Chapter 1 of LOUISIANA MINERAL LAW TREATISE (Claitor's Publishing Division 2012)

Publications--articles

Legal and Regulatory Considerations for Carbon Sequestration Fee Structures (with G. Upton, D. Keniston, and J. Walker) (2025) (published by the LSU Institute for Energy Innovation)

Contracting for Produced Water Disposal, 4 Fdn. Nat. Res. Energy L. 13 (2025)

Local Government Regulation of CCS, 24 Wyo. L. Rev. 473 (2024)

Implied Duties Under Oil and Gas Leases in Texas and Louisiana, 12 LSU J. of Energy L. & Resources 431 (2024)

Ethics and Tips for Working with Experts (co-authored with Kenneth R. Vogel), Fdn. For Natural Resources and Energy Law Special Institute on Federal and Indian Oil & Gas Royalty Valuation and Management (2024) (available on Westlaw with citation "2024 No. 3 FNREL-INST 13")

Drafting and Negotiating Instruments to Acquire Pore Space Rights for CCS, 69 Nat. Resources & Energy L. Inst. 5-1 (2023)

Carbon Capture and Storage: Models for Compensating Non-consenting Landowners, 14 San Diego J. Climate & Energy L. 39 (2023)

Reconciling Property Rights with Carbon Capture and Storage, 10 Belmont L. Rev. 382 (2023)

2022 Survey on Oil & Gas Law—Louisiana, 8 Tex. A&M J. Prop. L. 275 (2022)

President Biden's Executive Orders Relating to Oil and Gas, The Baton Rouge Lawyer, Vol. 4, Issue 4, p. 4 (July/August 2021)

2021 Survey on Oil & Gas Law—Louisiana, 7 Tex. A&M J. Prop. L. 363 (2021)

*Ruminations on the Continuing Evolution of Trespass Law in the Context of Mineral Developmen*t, 8 La. St. U. J. Energy L. & Resources 505 (2020)

Decommissioning of Offshore Oil and Gas Facilities in the United States, 14 Charleston L. Rev. 437 (2020)

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Implied Covenants and the Drafting of Oil and Gas Leases, 7 La. St. U. J. Energy L. & Resources 401 (2019)

An International Comparison on the Operatorship Provisions Contained in Model Form Oil & Gas Joint Operating Agreements, 7 La. St. U. J. Energy L. & Resources 79 (2019)

Integrated Carbon Capture and Storage in the Louisiana Chemical Corridor (with David E. Dismukes and others) (2019) United States, available at https://doi.org/10.2172/1526406

2019 Survey on Oil & Gas Law—Louisiana, 5 Tex. A&M J. Prop. L. 27 (2019)

Defining the Lessee's Covenants to Drill and Develop a Lease, Special Inst. on Drafting the Modern Oil and Gas Lease (Rocky Mtn. Min. L. Fdn. 2018)

2018 Survey on Oil & Gas Law—Louisiana, 4 Tex. A&M J. Prop. L. 31 (2018)

2017 Survey on Oil & Gas Law—Louisiana, 3 Tex. A&M J. Prop. L. 17 (2017)

Joint Operating Agreements: Operatorship role, options and concerns, Marius Special JOA Special Edition 7 (2017) (co-authored with Eduardo Pereira) (Marius is the publication of a Swedish law institute that focuses on maritime and oil & gas law)

The Operator Under Oil and Gas Joint Operating Agreement—The Three Rs of Responsibilities, Removal, and Replacement, Special Institute on Joint Operations and the New AAPL Form 610-2015 Model Form Operating Agreement (Rocky Mtn. Min. L. Fdn. and A.A.P.L. 2016)

Hydraulic Fracturing Impact Studies: Recent Highlights, Summaries, and Analysis, Special Institute on Water Acquisition and Management for Oil & Gas Development: Legal and Regulatory Requirements, Paper No. 2B (Rocky Mt. Min. L. Fdn. and CAIL-IEL 2016) (with Scott Anderson of Environmental Defense Fund)

Induced Seismicity: An Energy Lawyer's Guide to Legal Issues and the Causes of Man-Made Earthquakes, Proceedings of Rocky Mountain Mineral Law Sixty-First Annual Institute (2015)

On Liability Issues Concerning Induced Seismicity in Hydraulic Fracturing Treatments and at Injection Disposal Wells: What Petroleum Engineers Should Know, Society of Petroleum Engineers Paper No. SPE 173383, presented at Hydraulic Fracturing Technology Conference, The Woodlands, Texas (2015), reprinted in Hydraulic Fracturing Journal. Vol. 2, No. 3, pp. 69-75 (June 2015)

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Hydraulic Fracturing: Trade Secrets and the Mandatory Disclosure of Fracturing Water Composition, 49 Idaho L. Rev. 399 (2013)

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Hydraulic Fracturing: What are the Legal Issues?, Louisiana Bar Journal (December 2011/January 2012)

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The Continuing Role of Implied Covenants in Developing Leased Lands, 49 Washburn L.J. 313 (2010)

Implied Covenants: Claims Under Article 122, Institute on Mineral Law (2010), Baton Rouge

Recent Developments: Mineral Law, Louisiana Bar Journal (author of bimonthly article from April 2009 to present)

Recent Developments: Environmental Law, 2003 Louisiana Bar Journal (August/September)

Federal Jurisdiction and Procedure, Fifth Circuit Symposium, 46 Loy. L. Rev. 101 (2000)

Evidentiary Presumptions, 72 Tul. L. Rev. 1321 (1998)

In re American Waste: A Clumsy Expansion of the Right to Litigate Environmental Issues, 41 Loy. L. Rev. 353 (1995)

Presentations

One Big Beautiful Bill: Big Picture for Energy Policy and Tax Credits (co-presented with Nichole Saunders), Institute for Energy Law's 9th Annual Young Energy Professionals Conference, April 22, 2026, Austin, Texas

Ethics Involved in Using a Landman, University of Texas' 52nd Annual Ernest E. Smith Oil, Gas and Mineral Law Institute, April 17, 2026, Houston, Texas

Geothermal Energy – Hot Stuff, LSU Journal of Energy Law and Resources Annual Symposium, January 30, 2026, Baton Rouge, Louisiana

Saltwater Disposal Disputes, TexasBarCLE's 12th Annual Oil & Gas Disputes Conference, January 29, 2026, Houston, Texas

An Introduction to Carbon Capture and Storage, Louisiana Association of Conservation Districts Annual Meeting, January 8, 2026, Alexandria, Louisiana

Contracting for Pore Space Rights and Local Opposition to CCS (co-presented with Myles P. Culhane), webinar hosted by the Foundation for Natural Resources and Energy Law, December 9, 2025

Carbon Capture and Storage, Louisiana Legislative Seminar, December 5, 2025, Baton Rouge, Louisiana

A Tale of Two States: Carbon Capture and Sequestration Project Development in Louisiana and Texas—A Comparison and Lessons for CCS Projects Nationwide (panel discussion), American Bar Association Section of Environment, Energy, and Resources Social, November 13, 2025, Washington, D.C.

Recent Developments in Energy Law, 24th Annual Energy Litigation Conference, November 4, 2025, Houston, Texas

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Presentations
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Conservation Regulation, 42nd Annual Oil & Gas Law Short Course, October 21, 2025, Westminster, Colorado

Implied Covenants in Oil & Gas Leases, 42nd Annual Oil & Gas Law Short Course, October 21, 2025, Westminster, Colorado
Contracting for Produced Water Disposal, Foundation for Natural Resources and Energy Law Special Institute on Oil & Gas Commercial Contracts: Goods, Services, and People, October 10, 2025, Houston, Texas

Carbon Capture and Storage – Legal Issues, LSU Energy Research Symposium, October 3, 2025, Baton Rouge, Louisiana

Unconventional Resource Projects, International Oil & Gas Law, Contracts, & Negotiations Short Course, September 29, 2025, Houston, Texas

Crude Oil Marketing, International Oil & Gas Law, Contracts, & Negotiations Short Course, September 29, 2025, Houston, Texas

Mineral Rights, LSU Recent Developments CLE Series, Bossier City on September 25, in Lake Charles on September 18, 2025, in Covington on December 12, 2025, and in Baton Rouge on December 18, 2025

Four presentations—(1) *Oil & Gas Business Fundamentals*, (2) *Host Country Granting Instruments*, (3) *Doing the Right Thing* (anti-corruption laws), and (4) *Environmental, Health, & Safety and Human Rights in Petroleum Exploration, Development, and Production*—at the GuyanaOGEC 2025 Oil & Gas and Energy Business Conference, July 29 & 30, 2025, Georgetown, Guyana

Carbon Capture and Storage – What Landowners Should Know, Louisiana Farm Bureau 103rd Annual Convention, June 27, 2025, New Orleans, Louisiana

Legal and Regulatory Considerations for Carbon Sequestration Fee Structures, LSU Institute for Energy Innovation webinar, May 22, 2025

Sign of the Brines: An Overview of the Legal Issues Affecting Lithium Brine Plays in the U.S., webinar for the Foundation of Natural Resources and Energy Law (was one of three co-presenters), May 1, 2025

Who has the Right to Produce Lithium from Subsurface Brines?, Oil and Gas, Natural Resources, and Energy Law Symposium, April 4, 2025, Norman, Oklahoma

Fifty Years of the Mineral Code, 1975-2025, 72nd Annual Mineral Law Institute (co-presentation with Patrick H. Martin and Patrick S. Ottinger), March 20, 2025, Baton Rouge, Louisiana

Legal and Public Policy Issues Raised by Carbon Capture and Storage, North Dakota Law Review Energy Law Symposium, March 6, 2025, Bismarck, North Dakota

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Presentations
(*cont'd*)

Drafting and Negotiating Instruments to Acquire Pore Space Rights for CCUS, Michigan Association of Professional Landmen Midwinter Seminar (virtual), February 20, 2025

Extraction of Lithium from Brine—Exploration Rights and Other Legal Issues, American Association of Professional Landmen webinar, February 19, 2025

Deans of Oil and Gas Practice Lecture, Institute for Energy Law's 76th Annual Energy Law Conference, February 14, 2025, Houston, Texas

Who has the Right to Produce Lithium from Subsurface Brines, LSU Journal of Energy Law and Resources Symposium, "Critical Minerals," January 31, 2025, Baton Rouge, Louisiana

Who has the Right to Produce Lithium from Subsurface Waters, Marcellus Shale Coalition webinar, January 30, 2025

Produced Water, Other Brines, and the Substances in Them—Who has the Right?, Institute for Energy Law's Academic Webinar Series, January 23, 2025

State and Local Regulation of CCS: Preemption and Beyond, TexasBarCLE's 11th Annual Oil & Gas Disputes Conference, January 17, 2025, Houston, Texas

Extraction of Lithium from Brine – Exploration Rights and Other Legal Issues, Energy & Mineral Law Foundation's Land Institute, November 15, 2024, Morgantown, West Virginia

Drafting and Negotiating Instruments to Acquire Pore Space Rights for CCUS, Foundation for Natural Resources and Energy Law's Advance Landman's Institute, November 8, 2024, Houston, Texas

Carbon Capture and Storage – Property, Contracts, and Economics," U.S. Association of Energy Economists 41st North American Conference (panel discussion), November 5, 2024, Baton Rouge, Louisiana

Conservation Regulation, 41st Annual Oil & Gas Short Course, October 23, 2024, Houston, Texas

Contracting for Pore Space Rights for Carbon Capture and Storage, Energy & Mineral Law Foundation's Fall Symposium, October 17, 2024, Lexington, Kentucky

The Public Policy Rationale for Carbon Capture and Storage, George Washington University Law School, October 10, 2024, Washington, D.C.

Crude Oil Marketing, International Oil & Gas Law, Contracts, & Negotiations Short Course, September 30, 2024, Houston, Texas

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Presentations (*cont'd*)

Unconventional Resource Projects, International Oil & Gas Law, Contracts, & Negotiations Short Course, September 30, 2024, Houston, Texas

Obtaining Pore Space Rights for Carbon Capture and Storage, 42nd Annual Advanced Oil, Gas and Energy Resources Law Course (TexasBarCLE), September 25, 2024, Houston, Texas

Mineral Rights, LSU Recent Developments in Legislation and Jurisprudence CLE, September 5, 2024, Lake Charles, Louisiana (repeated in Baton Rouge on 9/19/24, in Shreveport on 9/26/24, in Lafayette on 10/24/24, in Monroe on 11/7/2024, in Baton Rouge on 11/14/2024, in Covington on 12/5/2024, and Baton Rouge on 12/19/2024)

Energy and the Law, LSU Center for Energy Studies' Energy Fundamentals Seminar, July 8, 2024, Baton Rouge, Louisiana

Extraction of Lithium from Brine—Exploration Rights and Other Legal Issues, American Association of Professional Landmen Annual Meeting, June 21, 2024, Boston, Massachusetts

Recent Developments in Carbon Capture & Storage in Louisiana: Where Do We Go From Here?, webinar (panel discussion) hosted by the Oil & Gas Committee of the American Bar Association's Section of Environment, Energy & Resources, June 20, 2024

Lithium and Other Minerals: What's Old is New Again, webinar (panel discussion) hosted by the Institute for Energy Law, June 13, 2024

Carbon Capture, Utilization, and Storage, presentation to the Louisiana State Mineral and Energy Board, June 12, 2024, Baton Rouge, Louisiana

U.S. Carbon Capture and Storage Developments, Association of International Energy Negotiators program on "Carbon Capture & Storage: Legal and Contractual Update of CCS Developments in the UK and U.S.," May 29, 2024, hybrid event (in-person in Aberdeen, United Kingdom, and webinar via internet)

The Louisiana CCS Legal and Regulatory Framework, Workshop on CCS (for officials from Brazil, South Asia, and Southeast Asia), U.S. Dept. of Commerce, Commercial Law Development Program, May 3, 2024, Houston, Texas

Ethics and Tips for Working with Experts, Foundation for Natural Resources and Energy Law's Special Institute on Federal and Indian Oil & Gas Royalty Valuation and Management, April 26, 2024, Houston, Texas

Louisiana Orphan Well Program (panel discussion), Professional Landmen Association of New Orleans' Annual Executive Night & Seminar, April 10, 2024, New Orleans, Louisiana

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Presentations
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Carbon Capture and Pore Space Issues, University of Texas' 50th Annual Ernest E. Smith Oil, Gas and Mineral Law Institute, April 4, 2024, Houston, Texas

Produced Water, Induced Seismicity, and the Law, Oil & Gas, Natural Resources, and Energy Law Journal Symposium, March 29, 2024, Norman, Oklahoma

Local Government Regulation of Carbon Capture, Utilization, and Storage, Foundation for Natural Resources and Energy Law's Special Institute on Carbon Capture, Utilization, and Storage, March 8, 2024, Houston, Texas

Negotiating Instruments to Acquire Pore Space Rights for CCS, 3rd Annual U.S. Oil and Gas and Renewable Energy Law Seminar (hosted by Foundation for Natural Resources & Energy Law during the North American Petroleum Exposition, commonly known as "NAPE"), February 7, 2024, Houston, Texas

Lithium—Powering Progress, Crafting the Future, LSU Journal of Energy Law & Resource Symposium on "Hydrogen and Lithium: Key Elements in the Energy Transition," January 26, 2024, Baton Rouge, Louisiana

Recent Developments in Mineral Law Baton Rouge Bar Association's CLE By-the-Hour, December 29, 2023, Baton Rouge, Louisiana

Property Law Issues in CCS (panel discussion), Virtual Special Institute on Carbon Capture (hosted by the Energy & Mineral Law Foundation), November 16, 2023

Drafting and Negotiating Instruments to Acquire Pore Space Rights for CCS, Eugene Kuntz Conference on Natural Resources & Policy, November 10, 2023, Oklahoma City, Oklahoma.

Energy Litigation Update, Institute for Energy Law's 22nd Annual Energy Litigation Conference, November 2, 2023, Houston, Texas

Transactional Issues in Carbon Capture and Storage, Houston Bar Ass'n Energy Law Section, October 26, 2023, Houston, Texas

Conservation Regulation, 40th Annual Oil & Gas Law Short Course, October 18, 2023, Westminster, Colorado

Gathering Agreements 101, Energy & Mineral Law Foundation, Fall Symposium, October 12, 2023, Lexington, Kentucky

CCUS Rulemaking and Regulatory Update, Institute for Energy Law Conference on Carbon Capture, Utilization, and Storage, October 11, 2023, Houston, Texas

Acquisition of Pore Space Rights for CCS, Energy Transition Research Symposium, LSU Center for Energy Studies, October 6, 2023, Baton Rouge, Louisiana

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Presentations (*cont'd*)

Crude Oil Marketing, International Oil & Gas Law, Contracts, and Negotiations Conference, October 2, 2023, Houston, Texas

Unconventional Resource Projects, International Oil & Gas Law, Contracts, and Negotiations Conference, October 2, 2023, Houston, Texas

Pore Space Acquisition for Carbon Capture, Utilization, and Storage (panel discussion), Foundation for Natural Resources and Energy Law Webinar on CCS, September 25, 2023

Recent Developments in Mineral Law, LSU Recent Developments in Legislation and Jurisprudence Seminar, September 1, 2023, Lake Charles, Louisiana (repeated in Baton Rouge, Shreveport, Lafayette, Monroe, and Kenner)

Gathering Agreements 101, Dallas Bar Association's 38th Annual Review of Energy Law Conference, August 17, 2023, Dallas, Texas

Drafting and Negotiating Instruments to Acquire Pore Space Rights for CCS, 69th Annual Natural Resources and Energy Law Institute, July 20, 2023, Salt Lake City, Utah

Recent Developments in Louisiana Oil & Gas Law, Oil & Gas Practitioners Lunch, (sponsored by Independent Producers Association of America at the Natural Resources and Energy Law Annual Institute), July 20, 2023, Salt Lake City

Implied Covenants in Oil & Gas Leases, University of Texas Fundamentals of Oil, Gas and Mineral Law Conference, April 13, 2023, Houston, Texas

Implied Obligations Under Oil and Gas Leases, 70th Annual Mineral Law Institute, March 24, 2023, Baton Rouge, Louisiana

The Intersection Between Property Rights and Carbon Capture and Storage, LSU Journal of Energy Law and Resources Symposium, January 27, 2023 (on-line)

Carbon Capture and Storage: An Introduction to CCS and the Law, Louisiana State Bar Association Public Utilities Law Section CLE, December 2, 2022, Baton Rouge, Louisiana

Carbon Capture and Storage: Models for Compensating Non-consenting Landowners, 14th Annual Lesley K. McAllister Symposium on Climate and Energy Law, November 4, 2022, San Diego, California

Implied Covenants in Oil & Gas Leases, 39th Annual Oil & Gas Short Course, October 18, 2022, Houston, Texas

Ownership, Rule of Capture, and Correlative Rights, 39th Annual Oil & Gas Short Course, October 17, 2022, Houston, Texas

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Presentations
(*cont'd*)

Hot Topics in Carbon Capture and Storage (panel discussion), Energy & Mineral Law Foundation's Fall Conference, October 12, 2022, Lexington, Kentucky

Crude Oil Marketing (co-presented with Frank Cascio), Foundation for Natural Resources and Energy Law's "International Oil & Gas Law, Contracts, and Negotiations" conference, October 10, 2022, Houston, Texas

Reconciling Property Rights with Carbon Capture and Storage, Contemporary Issues in Property Law Symposium (Belmont Law School), September 30, 2022, Nashville, Tennessee

Recent Developments in Mineral Law, LSU Recent Developments in Law and Jurisprudence CLE, September 8, 2022, Lake Charles, Louisiana (repeated during subsequent weeks in Baton Rouge, Shreveport, Monroe, Lafayette, and Kenner)

Legal Issues Raised by the Extraction of Lithium from Brine, Dallas Bar Association's 37th Annual Review of Energy Law, August 4, 2022, Dallas, Texas

Carbon Capture and Storage: Models for Compensating Holdout Landowners, 2022 Natural Resources Law Teachers Workshop, July 23, 2022, Vail, Colorado

Louisiana Carbon Capture (panel discussion), Professional Landmen's Association of New Orleans Annual Executive Night & Seminar, February 23, 2022, New Orleans, Louisiana

Recent Developments in Energy Law, Institute for Energy Law's 73rd Annual Energy Law Conference, February 17, 2022, Houston, Texas

Carbon Capture and Storage Law: Public Policy and the Legal Issues, LSU Journal of Energy Law and Resources' "Energy Transitions Symposium" (webinar), February 4, 2022

Energy Litigation Update, Institute for Energy Law's 20th Annual Energy Litigation Conference, November 3, 2021, Houston, Texas

Implied Covenants in Oil and Gas Leases, Annual Oil & Gas Short Course, October 18, 2021, Westminster, Colorado

Recent Developments in Mineral Law, LSU Recent Developments CLE Series, [several presentations during the fall of 2021, including presentations in Lafayette, Shreveport, and multiple presentations in Baton Rouge, Louisiana]

Carbon Capture, Storage, and Utilization (panel discussion), 42nd Annual Energy & Mineral Law Institute, June 22, 2021, Memphis, Tennessee

Recent Developments in Oil and Gas Law, Institute for Energy Law's 72nd Annual Oil and Gas Conference (virtual), April 22, 2021

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Presentations (*cont'd*)

Who Owns Produced Water and Any Substances Dissolved or Suspended in It, 68th Annual Mineral Law Institute (virtual), April 16, 2021

Oil & Gas Lease Implied Covenants, University of Texas CLE's "Fundamentals of Oil, Gas and Mineral Law Virtual Conference," March 25, 2021

Oil & Gas Leases and Servitudes in the Context of Carbon Capture and Storage (panelist), "Pollution Solutions: A Symposium on Carbon Capture and Sequestration," LSU Journal of Energy Law & Resources, online webinar format, February 5, 2021

The Courts During an Energy Dominance Era: A Panel Discussion with Legal Experts (panel discussion for Wyoming Public Radio), December 17, 2020

Conservation Regulation (co-presentation with Patrick H. Martin), Cleveland-Marshall Law School's "Oil and Gas Unitization Law and Policy" webinar, December 14, 2020

UK MER in its International Context (panel discussion comparing United Kingdom's concept of "maximum economic recovery" of oil and gas with analogous concepts in other nations, including implied covenants in U.S. oil and gas leases), Ass'n of Int'l Petroleum Negotiators webinar, July 30, 2020

The exploitation of unconventionals in Brazil: opportunities and challenges, panel discussion for FGV Energia Webinar, July 14, 2020

Unconventional Oil and Gas Resources: Current trends, legal challenges and opportunities (spoke on issues in North America for an international webinar sponsored by the University of São Paulo), June 1, 2020

Communicating with Opposing Counsel and Landowners, University of Texas CLE's 2020 Fundamentals of Oil, Gas and Mineral Law Conference (done a webinar), March 26, 2020

Offshore Drilling (panel discussion), "Legal, Ethical, and Policy Implications of a Changing Climate: 12th Annual Law & Society Symposium," February 7, 2020, Charleston, South Carolina

Single Well Spacing and Pooling: State Spacing and Jurisdiction over Conservation, Advanced Landman's Special Institute, November 8, 2019, Houston, Texas

Protecting a Non-Operator's Interest when Negotiating a JOA, webinar for Institute for Energy Law, October 30, 2019

Common Interests Created in Oil and Gas, Annual Oil & Gas Short Course, October 21, 2019, Westminster, Colorado

Implied Covenants in Oil and Gas Leases, Annual Oil & Gas Short Course, October 21, 2019, Westminster, Colorado

Surface Trespass Liability—Good Faith, Bad Faith, Energy & Mineral Law Foundation's Annual Kentucky Mineral Law Conference, October 16, 2019, Lexington, Kentucky

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Presentations
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Crude Oil Marketing and Sales, Short Course on International Oil & Gas Law, Contracts, and Negotiations, September 30, 2019, Houston, Texas

Recent Developments in Mineral Law, LSU Recent Developments CLE Series, September 13, 2019, Baton Rouge, Louisiana [repeated on later dates in Baton Rouge, as well as in Lake Charles, Monroe, Shreveport, Lafayette, Kenner, and New Orleans]

Multiple topics (was one of two instructors) at the two-day "Guyana Oil & Gas and Energy Business Training Conference" (was sole lecturer for five topics and a co-lecturer for two topics relating to international petroleum transactions and regulation of the oil and gas industry), June 27-28, 2019, Georgetown, Guyana

History of Brent as a Benchmark Crude, International Petroleum Scholars Workshop, May 24, 2019, Houston, Texas

Coastal Erosion Lawsuits (panel discussion), Louisiana Oil and Gas Symposium 2019, April 17, 2019, Baton Rouge, Louisiana

Dutch Disease and the Resource Curse, International Mining and Oil & Gas Law, Development, and Investment, April 10, 2019, Rio de Janeiro, Brazil

The Oil and Gas Lease Implied Covenants, University of Texas 2019 Fundamentals of Oil, Gas and Mineral Law conference, March 28, 2019, Houston, Texas

What is a Landman? What can they do? Ethics in Using a Landman, TexasBarCLE's course on "Handling Your First (or Next) Oil and Gas Case," December 5, 2018, Houston, Texas

Ethical Landmines for Landmen and Lawyers Who Work as or Hire Landmen, Kentucky Mineral Law Conference, October 17, 2018, Lexington, Kentucky

Oil and Gas Leases 101, St. Helena Forestry Association Annual Meeting, October 9, 2018, Pine Grove, Louisiana

Implied Covenants in Oil and Gas Leases, Oil & Gas Short Course, October 8, 2018, Houston, Texas

International Crude Oil Marketing, International Oil & Gas Law, Contracts, and Negotiations Short Course, October 1, 2018, Houston, Texas

Frack Quakes? Facts and Law Relating to Induced Seismicity, Injection Disposal, and Fracking, TexasBarCLE's Advanced Oil, Gas and Energy Resources Conference, September 20, 2018, Houston, Texas

Recent Developments in Mineral Law, LSU Recent Developments CLE Series, September 14, 2018, Baton Rouge, Louisiana (repeated on later dates in Baton Rouge, Kenner, Lafayette, Lake Charles, Monroe, New Orleans, and Shreveport)

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Presentations
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Legal Developments Relating to Induced Seismicity, Ground Water Protection Council's Annual Forum, September 12, 2018, New Orleans, Louisiana

Frack Hits, Panelist for seminar on oil and gas well issues, September 7, 2018, Baton Rouge, Louisiana

Multiple topics (was one of three instructors) at the two-day "Guyana Oil & Gas and Energy Business Training Conference." June 14 & 15, 2018, Georgetown, Guyana

Defining The Lessee's Covenants to Drill and Develop a Lease, May 4, 2018, Denver, Colorado

Oil and Gas Leases 101, Florida Parishes Forestry Forum, April 6, 2018, Hammond Louisiana

Mineral Rights, LSU CLE by the Hour, December 14, 2017, Baton Rouge, Louisiana
What Every Lawyer Needs to Know About Oil and Gas Law, Institute for Energy Law Webinar, December 13, 2017

Cutting Edge Issues in Competing (Mineral) Property Rights, ABA Section of Litigation Regional Workshop on Current Issues in Environmental & Energy Regulation, December 6, 2017, Denver, Colorado

The Operator Under Oil & Gas Joint Operating Agreements, Special Institute on Joint Operations and the New AAPL Form 610-2015 Model Form Operating Agreement, December 5, 2017, Denver, Colorado

Upstream Oil and Gas Regulation in U.S., New Orleans Citizens Diplomacy Council Hosts Regulators from Brazil, December 4, 2017, New Orleans, Louisiana

Upstream Petroleum Regulatory and Governance Issues, Center for Energy Studies seminar for representatives from the Nigerian Petroleum Ministry, October 19, 2017, Baton Rouge, Louisiana

Implied Covenants in Oil and Gas Leases, Oil and Gas Short Course, October 17, 2017, Westminster, Colorado

Common Interests Created in Oil and Gas, Oil and Gas Short Course, October 16, 2017, Westminster, Colorado

Contracts for Production and Sales of Petroleum (panel discussion), St. Joseph's University, October 12, 2017, Beirut, Lebanon

International Petroleum Exploration Agreements: The Challenge of Drafting Instruments that Serve the Interest of Both the State and the Investor, Etudes Fondation pour le droit Continental, October 10, 2017, Dubai, United Arab Emirates

Recent Developments in Mineral Law, LSU CLE, September 14, 2017, Baton Rouge, Louisiana (repeated in: Shreveport on Sept. 22, 2017; Lafayette on Oct. 6; Lake Charles on Oct. 20; Monroe on Nov. 10; Baton Rouge on Nov. 17; Kenner on Nov. 30; New Orleans on Dec. 8)

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Presentations
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Oil and Gas Regulation and Taxation in the United States, Citizens Diplomacy Council Program for Visiting Nigerian Senators, May 9, 2017, Baton Rouge, Louisiana

The Oil & Gas Lease: Implied Covenants, University of Texas Fundamentals of Oil, Gas and Mineral Law Conference, April 13, 2017, Houston, Texas

Carbon Capture and Oil & Gas, OU Law Oil and Gas, Natural Resources, and Energy Journal (ONE J) Inaugural Symposium, April 7, 2017, Norman, Oklahoma

Oil and Gas Production and Transportation (panel discussion), Carnegie Mellon University Energy Week Law and Policy Forum, March 31, 2017, Pittsburgh, Pennsylvania

Environmental Considerations in the Energy Sector (panel discussion), 2017 Energy Law Symposium: The Future of Energy (Texas A&M Law School), March 24, 2017, Fort Worth, Texas

Recent Developments in Oil and Gas Law, LSU CLE by the Hour, December 16, 2016, Baton Rouge, Louisiana

Contemporary Challenges for Energy Industries, U.S.-China Energy Law and Trade Forum, November 18, 2016, New Orleans, Louisiana

The Operator Under Oil and Gas Joint Operating Agreement—The Three Rs of Responsibilities, Removal, and Replacement, Special Institute on Joint Operations and the New AAPL Form 610-2015 Model Form Operating Agreement, November 3, 2016, Houston, Texas

The Oil and Gas Lease: Implied Covenants, Rocky Mountain Mineral Law Foundation's Oil and Gas Short Course, October 18, 2016, Houston, Texas

Common Interests Created in Oil and Gas, Rocky Mountain Mineral Law Foundation's Oil and Gas Short Course, October 17, 2016, Houston, Texas

International Law and Energy (moderator of panel discussion), University of Pittsburgh School of Law 2016 Energy Law & Policy Institute, April 15, 2016, Pittsburgh, Pennsylvania

Facts and Myths on Hydraulic Fracturing and Water Injection (panel discussion), Conference on Water Acquisition and Management for Oil & Gas Development: Legal and Regulatory Requirements, April 8, 2016, Houston, Texas

Hydraulic Fracturing Impact Studies – Recent Highlights, Summaries, and Analysis (panel discussion), Conference on Water Acquisition and Management for Oil & Gas Development: Legal and Regulatory Requirements, April 7, 2016, Houston, Texas

Wastewater Management and Induced Seismicity, Tenth Annual Louisiana Groundwater, Surface Water & Water Resources Symposium, March 24, 2016, Baton Rouge, Louisiana

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Presentations
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Management of Wastewater from Oil & Gas Activities, Emerging Issues at the Intersection of Energy and Natural Resources Conference, March 4, 2016, Baton Rouge, Louisiana

Fracing and Seismic Events, 18th Annual Permian Basin Oil and Gas Law Seminar, February 26, 2016, Midland, Texas

Burning Issues in Oil and Gas Regulation: Top Lawyers Debate Major Issues Affecting the Industry (member of panel), American Bar Association Section of Environment, Energy and Resources Fall Meeting, October 29, 2015, Chicago, Illinois

The Oil & Gas Lease: Implied Covenants, Rocky Mountain Mineral Law Foundation's Oil and Gas Short Course, October 20, 2015, Westminster, Colorado

Ownership, Rule of Capture, and Correlative Rights, Rocky Mountain Mineral Law Foundation's Oil and Gas Short Course, October 19, 2015, Westminster, Colorado

Oil & Gas Primer for Bankruptcy Attorneys, New Orleans Bar Association's Interplay of Bankruptcy and Oil & Gas Law Seminar, October 15, 2015, New Orleans, Louisiana

Induced Seismicity: Frack Quakes, Injection Quakes, and the Law, University of New Mexico Law School Faculty Colloquium Series, October 14, 2015, Albuquerque, New Mexico

Mineral Rights, LSU Recent Developments Continuing Legal Education Seminar, September 11, 2015, Baton Rouge, Louisiana (presented on later dates in Shreveport, Lafayette, Monroe, Kenner, and New Orleans, Louisiana, and repeated in Baton Rouge)

Induced Seismicity and Hydraulic Fracturing, 28th Annual Energy Law Institute, September 3, 2015, Houston, Texas

Induced Seismicity: An Energy Lawyers Guide to Legal Issues and the Causes of Man-Made Earthquakes, 61st Annual Rocky Mountain Mineral Law Annual Institute, July 16, 2015, Anchorage, Alaska

Induced Seismicity and the Energy Industries, Women's Energy Network Southeast Louisiana Meeting, May 20, 2015, New Orleans, Louisiana

The Oil & Gas Lease: Implied Covenants, University of Texas Fundamentals of Oil, Gas and Minerals Law Seminar, March 26, 2015, Houston, Texas

Legal and Technical Aspects of Hydraulic Fracturing and Induced Seismicity, Baton Rouge Geological Society, February 13, 2015, Baton Rouge, Louisiana

Baseline Testing of Groundwater Before and After Oil & Gas Activity, LSU School of Coast and Environment Lecture Series, February 6, 2015, Baton Rouge, Louisiana

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Presentations
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On Liability Issues Concerning Induced Seismicity in Hydraulic Fracturing Treatments and at Injection Disposal Wells: What Petroleum Engineers Should Know, Society of Petroleum Engineers Hydraulic Fracturing Technology Conference, Paper No. SPE 173383, February 3, 2015, The Woodlands, Texas

Local Regulation of Oil and Gas Activity, LSU's CLE by the Hour, December 19, 2014, Baton Rouge, Louisiana

Key Issues in the Regulation of Hydraulic Fracturing and Related Oil & Gas Activity, The Energy Council's Global Energy and Environmental Issues Conference, December 6, 2014, Point Clear, Alabama

Single Well Spacing and Pooling: State Spacing and Jurisdiction over Conservation, Special Institute on Federal Onshore Oil & Gas Pooling and Unitization, October 29, 2014, Westminster, Colorado

Implied Covenants, Rocky Mountain Mineral Law Foundation's Oil & Gas Short Course, October 21, 2014, Houston, Texas

Ownership, Rule of Capture, and Correlative Rights, Rocky Mountain Mineral Law Foundation's Oil & Gas Short Course, October 20, 2014, Houston, Texas

Hydraulic Fracturing, Well Integrity, and the Baseline Testing of Groundwater, Emerging Issues at the Intersection of Energy and Water, October 3, 2014, Baton Rouge, Louisiana

Regulation of Hydraulic Fracturing and Related Oil & Gas Activities in Louisiana, 24th Annual Louisiana Civil Engineering Conference, September 25, 2014, Kenner, Louisiana

Local Regulation of Hydraulic Fracturing, Lorman's Oil and Gas Rights in Louisiana seminar, September 17, 2014, Baton Rouge, Louisiana

Mineral Law, LSU Law School's Recent Developments in Legislation and Jurisprudence Seminar, September 12, 2014, Baton Rouge, Louisiana (repeated on later dates in Baton Rouge, Shreveport, Lafayette, Lake Charles, Kenner, and New Orleans)

Regulatory Update (moderator of panel discussion), The Institute for Energy Law's 5th Law of Shale Plays Conference, September 5, 2014, Pittsburgh, Pennsylvania

Using Technology to Avoid Trespass Liability Based on Subsurface Intrusion of Hydraulic Fractures, Unconventional Resources Technology Conference, August 27, 2014, Denver, Colorado

The Peaceful Coexistence of Hydraulic Fracturing and Groundwater Quality, The Arkansas Water Resource Center's 2014 Annual Research and Watershed Conference, July 15, 2014, Fayetteville, Arkansas

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Presentations
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Hydraulic Fracturing and Groundwater Quality, IUCN Academy of Environmental Law, July 2, 2014, Tarragona, Spain

Perspectives on Latin American Civil Law Issues in AIPN Model Contracts panel discussion, Association of International Petroleum Negotiators Model Contracts Workshop, June 24, 2014, San Francisco, California

Disclosure of Completion Fluid Composition and Baseline Groundwater Testing for Oil and Gas Development, Conference on Current International Legal Issues of Concern in Azerbaijan, May 23, 2014, Baku, Azerbaijan

Infrastructure and Sustainability Issues in Shale Oil and Gas Management (panel discussion), 2014 American Institute of Chemical Engineers Spring Meeting, April 1, 2014, New Orleans, Louisiana

Municipal Regulation of Hydraulic Fracturing, The Seminar Group's "3rd Annual Hydraulic Fracking" seminar, February 28, 2014, Santa Barbara, California

Recent Developments in Property Law and Oil & Gas Law, Louisiana Bankers Association Bank Counsel Conference, December 12, 2013, New Orleans, Louisiana

Louisiana Mineral Rights, Baton Rouge Bar Association, December 6, 2013, Baton Rouge, Louisiana (repeated on December 30, 2013 in New Orleans for the New Orleans Bar Association's annual "Procrastinators CLE Program")

Recent Developments in Louisiana Mineral Law, Legislative Legal Seminar, December 6, 2013, Baton Rouge, Louisiana

Basics of Oil and Gas Leases, guest lecture to undergraduate class at LSU Department of Petroleum Engineering, October 31, 2013, Baton Rouge, Louisiana

Mineral Law Overview, guest lecture to undergraduate class at LSU Department of Petroleum Engineering, October 29, 2013, Baton Rouge, Louisiana

Legacy Litigation, American Association of Professional Landmen's Gulf Coast Land Institute, October 25, 2013, New Orleans, Louisiana

Implied Covenants, Rocky Mountain Mineral Law Foundation's Oil & Gas Short Course, October 22, 2013, Westminster, Colorado

Ownership, Rule of Capture, and Correlative Rights, Rocky Mountain Mineral Law Foundation's Oil & Gas Short Course, October 21, 2013, Westminster, Colorado

Baseline Testing, part of panel on "Hydraulic Fracturing: An Energy-Water Tradeoff" at the University of Richmond's Law Review's Allen Chair Symposium: The Energy-Water Nexus, October 18, 2013, Richmond, Virginia

Impacts of Shale Development on a Macro Level, 31st Annual Advanced Oil, Gas & Energy Resources Law Course, October 3, 2013, Houston, Texas

An Overview of the Laws Governing Oil & Gas Exploration and Development, guest lecture to graduate student seminar at LSU Department of Petroleum Engineering, September 13, 2013, Baton Rouge, Louisiana

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Presentations
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Mineral Law, LSU Recent Developments CLE Series, September 6, 2013, Baton Rouge, Louisiana (repeated on two additional occasions in Baton Rouge, as well as in Shreveport, Lake Charles, Lafayette, Monroe, Kenner, and New Orleans)

The ABCs of Hydraulic Fracturing for Dirt Lawyers, American Bar Association's Real Property, Trusts and Estate Law Section, June 26, 2013, (eCLE webinar)

Recent Developments in Hydraulic Fracturing Regulation and Litigation, 22nd Annual Beach and Bar Symposium (hosted by the Louisiana, Mississippi, and Alabama State Bar Associations' Environmental Law Sections), June 14, 2013, Destin, Florida

Recent Developments in Environmental Issues Relating to Shale Gas Development, 4th Annual Shale Gas Conference, Institute for Energy Law, June 7, 2013, Fort Worth, Texas

Hydraulic Fracturing: What are the Legal and Environmental Issues?, May 24, 2013, Baku, Azerbaijan

Hydraulic Fracturing and the Environment: Drink Up!, Tulane Engineering Forum, April 5, 2013, New Orleans, Louisiana

Hydraulic Fracturing: Trade Secrets and the Mandatory Disclosure of Fracturing Water Composition, Legal Aspects of Hydraulic Fracturing: An Idaho Law Review Symposium, March 29, 2013, Boise, Idaho

Implied Covenants and Changing Technology, 60th Annual Mineral Law Institute, March 15, 2013, Baton Rouge, Louisiana

Damages Claims in Hydraulic Fracturing Litigation, The Seminar Group's "Hydraulic Fracking" seminar, February 8, 2013, Santa Barbara, California

Recent Developments in Hydraulic Fracturing Regulation, Florida State University Law School's 2013 Environmental Law Seminar: Effective Regulation of Shale Gas Development, February 1, 2013, Tallahassee, Florida

Hydraulic Fracturing, Professor's Corner (for ABA Real Property, Trusts and Estate Law Section), January 9, 2013 (webinar)

Offshore Oil & Gas Leasing, Lecture at Seton Hall University Law School's New Orleans Winter Study Session, January 6, 2013, New Orleans, Louisiana

Oil & Gas 101: Understanding Leases, Baton Rouge Bar Association's CLE By the Hour, December 28, 2012, Baton Rouge, Louisiana

The ABCs of Oil and Gas Leases, New Orleans Bar Association's Procrastinators' CLE Program, December 27, 2012, New Orleans, Louisiana

Hydraulic Fracturing: What are the Legal Issues? LSU CLE Series, December 13, 2012, Baton Rouge, Louisiana

Hydraulic Fracturing: The Legal Issues, Annual Meeting, National Association of Lease and Title Analysts, September 27-29, 2012, Baltimore, Maryland

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Presentations
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Implied Covenants in Oil and Gas Leases, Utica Shale: Issues in Law, Practice and Policy, Cleveland-Marshall College of Law, September 14, 2012, Cleveland, Ohio

Mineral Rights, LSU CLE Recent Developments in the Law, September 8, 2012, Baton Rouge, Louisiana

Fracking Under Pressure: Crucial Litigation Tactics You Need to Know, National Constitution Center Conferences, September 6, 2012 (webinar)

Hydraulic Fracturing – What is it and Why Should You Care?, 20th Annual Arizona Water Law Conference, August 9, 2012, Phoenix, Arizona

Fraud, Misrepresentation, and Related Ethical Issues in Lease Acquisition, 58th Annual Rocky Mountain Mineral Law Institute, July 20, 2012, Newport Beach, California

Hydraulic Fracturing: The Environmental and Legal Issues Affecting Operators and Landowners, Regs, Rigs, and Restoration (a joint conference of the Alabama, Mississippi, and Louisiana State Bar Association Environmental Law Sections), June 15, 2012, Destin, Florida

Water Quality and Hydraulic Fracturing, Half Moon Louisiana Water Law Conference, June 13, 2012, New Orleans Louisiana

The Role of State Agencies in Hydraulic Fracturing (panel discussion), CLE International, June 6, 2012, Houston, Texas

Hydraulic Fracturing: The Issues and Effects on Industry (lecture), Tulane Energy Institute, April 24, 2012, New Orleans, Louisiana

Hot Topics from the Gulf Coast, Fourth Annual Energy Law Symposium (presentation regarding recent developments in Louisiana oil and gas law), March 29, 2012, Fort Worth, Texas

Hydraulic Fracturing: The Issues, Louisiana Mineral Law Institute, March 23, 2012, Baton Rouge, Louisiana

Hydraulic Fracturing News and Legal Developments, Professional Landmen's Association of New Orleans, March 12, 2012, New Orleans, Louisiana

Hydraulic Fracturing (panel discussion), Women's Energy Network, March 8, 2012, Baton Rouge, Louisiana

The Basics of Offshore Oil and Gas Leasing, Seton Hall Law School's New Orleans Winter Study Session, January 7, 2012, New Orleans, Louisiana

Hydraulic Fracturing ─ What are the Legal Issues? Baton Rouge Bar Association, December 29, 2011, Baton Rouge, Louisiana

Hydraulic Fracturing: The Latest Issues and Legal Developments, New Orleans Bar Association, December 21, 2011, New Orleans, Louisiana

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Presentations
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Shale Gas Plays: The Hotbeds and Industry Impacts, Gas Drilling Operations Conference, December 13, 2011, Dallas, Texas

Oil and Water: The Regulation of Hydraulic Fracturing Under the Safe Drinking Act, EUCI Webinar, December 9, 2011 (webinar)

Implied Covenants Under Oil and Gas Leases: The Obligations and How to Manage Them, Energy Contract Management in Oil and Gas, December 6, 2011, Houston, Texas

Developments in the Regulation of Hydraulic Fracturing, Louisiana State Bar Association Environmental Law Section, November 11, 2011, New Orleans, Louisiana

Hydraulic Fracturing and the Environment: Drink Up!, Defense Research Institute Annual Meeting, October 28, 2011, Washington, D.C.

Negotiation of Contracts in the Energy Industry, Independent Petroleum Association of America Leadership Training Program, October 25, 2011, Houston, Texas

Essentials of Oil and Shale Gas Development, University of Houston C.T. Bauer College of Business ─ Distinguished Leaders Series, September 19, 2011, Houston, Texas

Oil and Gas Law Update: The Latest Jurisprudence, Legislation, and Regulation, 57th Annual Rocky Mountain Mineral Law Institute, July 22, 2011, Santa Fe, New Mexico

Hydraulic Fracturing ─ The Next Wave of Groundwater Toxic Tort Litigation?, Defense Research Institute, July 7, 2011 (webinar)

The Application of Oil & Gas Lease Implied Covenants in Shale Plays: Old Meets New, 32nd Annual Energy and Mineral Law Institute, May 17, 2011, Nemacolin Resort, Farmington, Pennsylvania

Developments in the Law Relating to Offshore Drilling and Hydraulic Fracturing, Tulane Energy Institute, April 12, 2011, New Orleans, Louisiana

Hydraulic Fracturing: Regulation Under the Safe Drinking Water Act, Buffalo Law School Symposium on Hydraulic Fracturing, March 29, 2011, Buffalo, New York

The Application of Implied Covenants in Shale Plays: New Circumstances and New Challenges, ABA Section on Environment, Energy and Resources Oil and Gas Committee Teleconference, March 10, 2011 (webinar)

Procedure and Evidence: The Latest Legislation and Jurisprudence, Baton Rouge Bar Association, December 30, 2010, Baton Rouge, Louisiana

Recent Developments in Civil Procedure and Evidence, New Orleans Bar Association, October 28, 2010 (repeated on December 29, 2010), New Orleans, Louisiana

Understanding Oil and Gas Leases, New Orleans Bar Association, December 21, 2010, New Orleans, Louisiana

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Presentations (*cont'd*)

Responding to a Crisis: Learning from the Deepwater Horizon Gulf of Mexico Oil Spill, Shift Worldwide, May 10, 2010, (webinar panel discussion)

Implied Covenants: Claims Under Mineral Code Article 122, Mineral Law Institute, March 25, 2010, Baton Rouge, Louisiana

Attorney Client Privilege and Federal Rule of Evidence 502, Baton Rouge Bar Association, December 30, 2009, Baton Rouge, Louisiana

New Federal Rule of Evidence 502, Loyola University School of Law, November 21, 2009, New Orleans, Louisiana

Recent Changes to the Rules of Procedure and Evidence, New Orleans Bar Association, Oct. 29, 2009 (repeated on Dec. 29, 2009), New Orleans, Louisiana

The Continuing Role of Implied Covenants in Oil and Gas Leases, Washburn University School of Law, October 3, 2009, Topeka, Kansas

Understanding Mineral Leases, Half Moon Seminars, September 10, 2009, New Orleans, Louisiana

Deposing an Organization, Louisiana State Bar Association, December 2008, New Orleans, Louisiana

How to Close a Commercial Real Estate Transaction (panelist for environmental issues), 2003 Convention of the National Bar Association, New Orleans, Louisiana

Environmental Law Roundtable (panel discussion), Conference of International Municipal Lawyers Association, September 11, 2001, New Orleans, Louisiana

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