



March 14, 2018

*Via Certified Mail, Return Receipt Requested*

WORKING INTEREST OWNERS LISTED ON ATTACHED EXHIBIT "A"

Re: New Mexico OCD Order No. R-14597  
Reed 24 25 B State Well No. 001H  
E/2E/2 Section 24, T15S, R35E  
E/2E/2 Section 25, T15S, R35E  
Lea County, New Mexico

Dear Gentlemen:

In accordance New Mexico Oil Conservation Division Order No. R-14597 dated March 2, 2018, Continental Resources, Inc. ("CLR") hereby proposes the drilling of the above-reference horizontal well under Order No. R-14597. The Reed 24 25 B State Well No. 001H well will be drilled to a depth sufficient to adequately test the Wolfcamp formation at a total measured depth of approximately 20,579'. The surface location for this well is proposed at a legal location in NE/4NE/4, Section 24, T15S-R35E with a bottom hole location at a legal location in SE/4SE/4, Section 25, T15S-R35E, with the dedicated project area being the E/2E/2 of Section 24 and the E/2E/2 of Section 25 of Township 15 South, Range 15 East, Lea County, New Mexico.

Included herewith is our updated Authority for Expenditure ("AFE") for the Reed 24 25 B State Well No. 001H in the gross amount of \$13,296,833, being the total estimated cost to drill and complete said well.

In accordance with Order No. R-14597, CLR is providing each pooled working interest owner an updated itemized schedule of costs. Each party will have 30 days to pay its share of actual well costs in lieu of paying its share of wells costs out of production as provided in the order. A Joint Operating Agreement ("JOA") has previously been provided to you with the original well proposal if the election is being made under the JOA.

Please indicate your participation elections in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFEs and a copy of your geologic requirements, to my attention at the letterhead address or by email to [emily.cozyris@clr.com](mailto:emily.cozyris@clr.com). Should you have any questions, please contact me at 405-234-9608.

Sincerely,  
**CONTINENTAL RESOURCES, INC.**

Emily Cozyris  
Sr. Landman

P.O Box 269091 · Oklahoma City, OK 73126  
405.234.9000 [www.clr.com](http://www.clr.com)

March 14, 2018

New Mexico OCD Order No. R-14597  
Reed 24 25 B State Well No. 001H  
E/2E/2 Section 24, T15S, R35E  
E/2E/2 Section 25, T15S, R35E  
Lea County, New Mexico

\_\_\_\_\_ I/We hereby elect to participate in the Reed 24 25 B State Well No. 001H

\_\_\_\_\_ I/We hereby elect **NOT** to participate in the Reed 24 25 B State Well No. 001H

Company: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

**EXHIBIT "A"**  
**WORKING INTEREST OWNERS**

March 12, 2018

New Mexico OCD Order No. R-14597  
Reed 24 25 B State Well No. 001H  
E/2E/2 Section 24, T15S, R35E  
E/2E/2 Section 25, T15S, R35E  
Lea County, New Mexico

*Via Certified Mail, Return Receipt Requested*  
**DGP Energy LLC**  
2530 Eldorado Parkway  
Suite 200  
McKinney, TX 85070

*Via Certified Mail, Return Receipt Requested*  
**MRC Permian**  
One Lincoln Centre  
5400 LBJ Freeway, Suite 1500  
Dallas, Texas 75240

*Via Certified Mail, Return Receipt Requested*  
**Richard L Yates**  
3300 Poquita Court  
El Paso, TX 79904

CONTINENTAL RESOURCES, INC.

P.O. Box 268870  
OKC, OK 73102  
(405) 234-9000

AUTHORITY FOR EXPENDITURE

AFE No.:	Date: 3/14/2018	Lease Name & No.:	Reed 24 25 B State 001H
Surface Hole Location: 330 FNL 330 FEL 24 - 15S - 35E		County: Lea County, NM	
Bottom Hole Location: 330 FSL 330 FEL 25 - 15S - 35E		Target Formation:	Wolfcamp 1 Well Pad
Work Description:	Drill and complete single 10,000' lateral Wolfcamp horizontal with production facilities, 52 stages, lb/stg.		
	as primary AFL		

Exploration:	Development: XXX	Recompletion:	Supplemental:	T.D. 20,582
	Estimated Days	40	0.75	
INTANGIBLES	Code	Dry Hole	Completion	Total
LEGAL & RECORDING FEES	5000010	\$53,000	\$1,000	\$54,000
WELL SITE DAMAGES & PREEMPTIVE PAYMENTS	5000020	\$32,000		\$32,000
LOCATION & ROAD CONSTRUCTION	5000030	\$160,000	\$23,500	\$183,500
RESTORATION / RECLAMATION - FINAL	5000031	\$5,000		\$5,000
LOCATION & ROAD CONST. - MATERIALS	5000032	\$10,000		\$10,000
PUBLIC / COUNTY ROAD FEES	5000033	\$10,000		\$10,000
LOCATION - INTERIM CLEANUP & MAINTENANCE	5000034	\$5,000		\$5,000
DUST ABATEMENT - LEASE ROAD	5000037	\$1,500		\$1,500
DUST ABATEMENT - COUNTY ROAD	5000038	\$2,000		\$2,000
DAMAGES-PERSONAL PROPERTY & TEMPORARY ROW	5000040		\$3,000	\$3,000
RIG COSTS	5000060	\$750,000	\$16,000	\$766,000
RIG MOBILIZATION / DEMOBILIZATION	5000061	\$138,750		\$138,750
RIG COST - CTU	5000062		\$50,000	\$50,000
FRESH WATER	5000070	\$15,000	\$6,000	\$21,000
BRINE WATER	5000071		\$823,680	\$823,680
FRESH WATER - TRUCKING	5000074		\$1,500	\$1,500
CHEMICALS -CORROSION/INHIBS/SOAP STICKS/SURFACTANT	5000090	\$285,000	\$131,960	\$416,960
MUD DIESEL / DISTILLATE	5000092	\$134,400		\$134,400
BITS	5000100	\$160,000		\$160,000
BHA & DOWNHOLE TOOLS	5000101	\$89,000	\$35,000	\$124,000
FRAC PLUGS - COMP/DISSOLV	5000102		\$76,500	\$76,500
SURFACE RENTAL TOOLS & EQUIP	5000110	\$44,000	\$86,475	\$130,475
WELLHEAD ISOLATION TOOL	5000111		\$117,000	\$117,000
DRILLPIPE/WORKSTRING RENTAL	5000120	\$8,000		\$8,000
DRILLPIPE/WORKSTRING INSPECTION, HARBANDING	5000121	\$10,000		\$10,000
DBR/LIH/DRILLPIPE REPLACE & LOSS	5000122	\$6,000		\$6,000
CEMENT & CASING SERVICES - SURFACE/INTERMEDIATE	5000130	\$115,000		\$115,000
CEMENT & CASING SERVICES - LINER/PRODUCTION	5000131	\$100,000		\$100,000
TECHNICAL SERVICES - FLOWBACK COMPLETION	5000141		\$42,700	\$42,700
TECHNICAL SERVICES - FLOWBACK PRODUCTION	5000142		\$210,000	\$210,000
MISCELLANEOUS LABOR - 3RD PARTY	5000151	\$60,000	\$10,000	\$70,000
MISCELLANEOUS TRANSPORTATION - 3RD PARTY TANGIBLE	5000152	\$10,000	\$3,050	\$13,050
MISCELLANEOUS TRUCKING / HOT SHOTS- INTANGIBLE	5000153	\$10,000		\$10,000
DOWNHOLE TESTING & ANALYSIS	5000160	\$20,000		\$20,000
WIRELINE & PERFORATING SERVICE	5000170		\$229,500	\$229,500
WIRELINE - CASED HOLE LOGS	5000172		\$5,500	\$5,500
RENTAL TANKS, PITS, LINERS	5000210	\$14,400	\$500	\$14,900
TANK MOBILIZATION / DEMOBILIZATION / HAUL	5000211		\$1,500	\$1,500
METHANOL	5000220	\$571		\$571
STIMULATION SERVICES	5000230		\$5,319,000	\$5,319,000
MISC SERVICES/CONTINGENCIES	5000240	\$164,000	\$359,151	\$523,151
FUEL, DIESEL, GAS & PROPANE	5000250	\$224,000		\$224,000
FIELD ELECTRIC POWER	5000260	\$25,000	\$50,000	\$75,000
DIRECTIONAL SERVICES/SURVEYS	5000280	\$285,000		\$285,000
CASING CREW	5000300	\$120,000		\$120,000
PUMPING SERVICES	5000340		\$243,660	\$243,660
MUD DISPOSAL / SOIL FARM / PRODUCTION WATER	5000360	\$37,500		\$37,500
DISPOSAL - TRANSPORT LIQUIDS	5000361	\$39,000		\$39,000
DISPOSAL - TRANSPORT SOLIDS	5000362	\$78,000		\$78,000
DISPOSAL - MATERIALS, FLASH	5000364	\$15,000		\$15,000
DISPOSAL - EQUIPMENT RENTAL	5000365	\$48,000		\$48,000
STIMULATION- COMPLETION FRAC WATER DISPOSAL	5000366		\$7,500	\$7,500
SALTWATER DISPOSAL	5000370		\$575,000	\$575,000
FIELD OFFICE EXPENSE	5000470	\$24,000		\$24,000
FIELD OFFICE - MISCELLANEOUS SUPPLIES	5000471	\$5,000		\$5,000
CONTRACT SUPERVISION	5000500	\$140,000	\$40,000	\$180,000
SURF EQUIP LABOR / INSTALL	5000541		\$39,000	\$39,000
COMPANY FIELD SUPERVISION	5000660		\$4,000	\$4,000
TOTAL INTANGIBLES		\$3,453,121	\$8,511,676	\$11,964,797
TANGIBLES				
SURFACE CASING 1,989 ft. @ \$ 35.20 /ft.	5000510	\$72,500		\$72,500
INTERMEDIATE CASING 9,860 ft. @ \$ 27.41 /ft.	5000520	\$274,000		\$274,000
PRODUCTION CASING/LIN 20,582 ft. @ \$ 16.00 /ft.	5000530	\$333,600		\$333,600
TUBING 13-5/8" SOW x 13 3/8" 3K x 11" 5K x 7-1/16" 10K x 2-9/16" 10K	5000550		\$44,550	\$44,550
WELLHEAD EQUIPMENT	5000560	\$40,600	\$16,086	\$56,686
PACKERS & SUBSURFACE EQUIP	5000570	\$14,000		\$14,000
ELECTRIC SUBMERSIBLE PUMP	5000585		\$265,000	\$265,000
PRODUCTION FACILITY - PERMANENT	5000600		\$94,700	\$94,700
PRODUCTION FACILITY - SECONDARY CONTAINMENT	5000602		\$25,000	\$25,000
ENVIRONMENTAL FIXED EQUIPMENT	5000608		\$25,000	\$25,000
FLOWLINE/VALVES/CONNECTIONS	5000610		\$65,000	\$65,000
SCADA WELL SITE EQUIPMENT	5000625		\$45,000	\$45,000
	5000626		\$4,000	\$4,000
SCADA LABOR/CONSULTING	5000640		\$13,000	\$13,000
TOTAL TANGIBLES		\$734,700	\$597,336	\$1,332,036
TOTAL AFE		\$4,187,821	\$9,109,012	\$13,296,833

APPROVAL:

Operator:

Non-Operator:

CONTINENTAL RESOURCES, INC.

Company: \_\_\_\_\_

Operations: \_\_\_\_\_ Date: \_\_\_\_\_

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

Geology: \_\_\_\_\_ Date: \_\_\_\_\_

Date: \_\_\_\_\_

Land: \_\_\_\_\_ Date: \_\_\_\_\_

WI: \_\_\_\_\_ %

Printed: 3/14/2018

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