



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Cell: (505) 670-7362
Email: shall@montand.com
www.montand.com

December 9, 2016

HAND-DELIVERED

Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

**Re: IN THE MATTER OF THE APPLICATION OF MEWBOURNE OIL
COMPANY FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO, OCD CASE NOS. 15600, 15601 and 15602**

Dear Ms. Davidson:

Enclosed are 3 originals of a Second Motion for Continuance and Request for Prehearing Conference for filing in each of the above cases.

Thank you.

Very truly yours,

J. Scott Hall

Enclosures

cc (via email, w/enc.): James Bruce (via email, w/encs.)
Luke Mildren, Mewbourne Oil Company

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

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

**APPLICATION OF MEWBOURNE OIL COMPANY
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 15600, 15601 and 15602

**SECOND MOTION FOR CONTINUANCE
AND REQUEST FOR PREHEARING CONFERENCE**

Black Mountain Operating LLC, ("Black Mountain"), moves the Division enter its order continuing the December 15, 2016 hearings in the three cases referenced above, until a docket hearing date in February or March of 2017 as can be agreed to by the parties. In support of its motion, Black Mountain states:

Mewbourne Oil Company seeks orders approving of three non-standard oil spacing and proration units and pooling unjoined interests for the drilling of three Bone Spring formation wells in the E $\frac{1}{2}$ E $\frac{1}{2}$, the W/2 E/2 and the E/2 W/2 of Section 15, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

Black Mountain owns certain working interests in the S/2 of Section 15 that would be included in Mewbourne's proposed spacing and proration units. Black Mountain also owns interests in adjoining Section 10, T23S, R34E. It plans to develop its acreage in both sections with three 7,500' laterals which would also include Mewbourne's interests in the N/2 of Section 15. Proposals for Mewbourne's participation in the Black Mountain wells were recently sent. (*See* Well Proposals, Exhibits 1). It is not presently known whether Mewbourne will agree to participate in the development of Sections 10 and 15 as Black Mountain has proposed. There are also other interest owners in Section 10 who must consider whether to participate in the Black Mountain

wells. If voluntary participation cannot be achieved, compulsory pooling proceedings may become necessary. If such becomes the case, then it is in the interests of administrative economy and efficiency to consolidate all such proceedings for simultaneous hearing.

In order to allow the parties sufficient time to consider Black Mountain's drilling and development proposals and negotiate their participation, Black Mountain requests that the December 15, 2016 hearing be continued.

The undersigned attempted to contact Mewbourne's counsel, Mr. Bruce, to discuss these matters, but believe he may be involved in another hearing. A pre-hearing conference early next week is requested.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: J. Scott Hall
J. Scott Hall

Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873
shall@montand.com

Attorneys for Black Mountain Operating LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on December 9, 2016:

James Bruce
Post Office Box 1056
Santa Fe, NM 87504
jamesbruc@aol.com

J. Scott Hall
J. Scott Hall



BLACK MOUNTAIN OPERATING, LLC

December 9, 2016

Mewbourne Oil Company
Attn: Corey Mitchell
500 West Texas, Suite 1020
Midland, Texas 79701

Re: Notice of Intent to Drill
Duke Federal 10 #26H
E2E2 of Section 15-23S-34E &
E2SE4 of Section 10-23S-34E
Lea County, New Mexico

To Whom it May Concern:

Black Mountain Operating, LLC ("BMO") hereby delivers this notice describing its intent to drill the Duke Federal 10 #26H well name (the "Well"), as described below.

Well Type: New Drill Horizontal
Objective Formations: 3" Bone Spring Sand
Estimated Total Vertical Depth: 11,300'
Estimated total Measured Depth: 18,567'
Surface Hole Location: 2442' FSL, 461' FEL
Bottom Hole Location: 330' FSL, 461' FEL
Proposed Project Area: E2 E2 Section 15, E2 SE4 Section 10

According to preliminary ownership reports it appears that Mewbourne Oil Company ("Mewbourne") owns working interest in and to Section 15. Prior to commencing actual drilling operations the ownership interests will be verified under a drilling title opinion. Should Mewbourne's ownership be verified BMO will provide Mewbourne a copy of BMO's JOA and an opportunity to participate in the Well, in accordance to the rules of New Mexico Oil Conservation Division.

Thank you for your careful time and consideration; we look forward to doing business with you.
Respectfully,

Black Mountain Operating, LLC

Luke Mildren
Vice President, Land

500 Main Street, Suite 1220 Fort Worth, Texas 76102. Phone 817-698-9901. email: luke.mildren@blackmtn.com

BLACK MOUNTAIN OPERATING, LLC
AUTHORIZATION FOR EXPENDITURE
DRILL & COMPLETE NEW WELL

AFE#: 16007

Date: 12/29/2016
 Lease: Duke Federal 10
 Surface Location: SEC 10, T-23S, R-24E
 Proposed Depth: 18,567 MD
 Objective: Drill & Complete Horizontal Well in 3rd Bone Spring Formation 7500' lateral 30' frac stages

Duke Federal 10 #26H - AFE

Modest Development AFE

| Description | AFE Amount |
|--|--------------------|
| SURVEY / LOCATION / PERMITS | \$150,000 |
| LEGAL / TITLE / SURFACE DAMAGES / DAMAGES | \$20,000 |
| CONDUCTOR PIPE / WATER WELL / DATE PIPE | \$25,000 |
| CONTRACT DRILLING - FOOTAGE & TURNKEY | \$0 |
| CONTRACT DRILLING - DAYWORK (DRILLING, LOGGING, MUD) | \$7,500 |
| FUEL | \$77,500 |
| MUD / DE MUD | \$45,500 |
| RENTAL TOOL & EQUIPMENT | \$175,000 |
| DOWN-HOLE RENTAL TOOL & EQUIPMENT | \$45,000 |
| BITS | \$120,500 |
| FINISHING TOOLS & SERVICES | \$0 |
| PIPE INSPECTION & COATING | \$0 |
| DCP TESTING | \$2,500 |
| MUD MATERIALS & CHEMICALS | \$725,000 |
| DISPOSAL / FLOWBACK | \$50,000 |
| WATER | \$15,500 |
| CREW QUARTERS | \$95,000 |
| SPECIAL SERVICES / DIRECTIONAL | \$175,000 |
| LOGGING / WIRELINE / PERFORATING | \$50,000 |
| DRILL STEM & PRODUCTION TESTS | \$0 |
| CORING & CORE ANALYSIS | \$0 |
| MUD LOGGING | \$30,000 |
| CEMENT & CEMENT SERVICES | \$90,500 |
| FLUID ABANDON & RESTORE | \$0 |
| TRUCKING & HAULING | \$50,000 |
| COMPANY SUPERVISION | \$0 |
| SUPERVISION - CONTRACT | \$70,500 |
| OVERHEAD | \$0 |
| CASING CREWS / CONTRACT LABOR | \$75,000 |
| MISCELLANEOUS / OTHER DRILLING COSTS | \$5,500 |
| DRILLING WELL INSURANCE | \$0 |
| CONTINGENCY | \$732,750 |
| Intangible Drilling | \$2,884,780 |

| | |
|---|------------------|
| SURFACE CASING | \$47,500 |
| HYPERMEDIATE CASING | \$150,000 |
| CASING HEAD / TUBING HEAD / CHRISTMAS TREE | \$57,500 |
| OTHER TANGIBLE / CENTRALIZERS / FLOAT SHOES | \$7,500 |
| CONTINGENCY | \$37,000 |
| Tangible Drilling | \$599,500 |

| | |
|---|--------------------|
| SURVEY / LOCATION / PERMITS | \$0 |
| LEGAL / TITLE / SURFACE DAMAGES / DAMAGES | \$25,000 |
| STIMULATION TREATMENT / FRACTURING / ACIDIZING | \$2,900,000 |
| LAND CONTROL | \$0 |
| CONTRACT DAYWORK (DRILLING, LOGGING, RUNNING CABLE) | \$30,000 |
| FUEL | \$0 |
| DOWN-HOLE RENTAL TOOL & EQUIPMENT | \$7,500 |
| SURFACE RENTAL TOOL & EQUIPMENT | \$225,000 |
| COIL TUBING / RUNNING | \$150,000 |
| BITS | \$3,900 |
| FINISHING TOOLS & SERVICES | \$0 |
| PIPE INSPECTION & COATING | \$0 |
| DCP TESTING | \$0 |
| MUD MATERIALS & CHEMICALS | \$40,000 |
| DISPOSAL / FLOWBACK | \$50,000 |
| WATER | \$200,000 |
| CREW QUARTERS | \$0 |
| LOGGING / WIRELINE / PERFORATING | \$150,000 |
| CEMENT & CEMENT SERVICES | \$81,250 |
| SLICK LINE | \$0 |
| TRUCKING & HAULING | \$1,500 |
| COMPANY SUPERVISION | \$0 |
| SUPERVISION - CONTRACT | \$12,000 |
| OVERHEAD | \$0 |
| CASING CREWS / CONTRACT LABOR | \$25,000 |
| FLOWBACK / WELL TESTS | \$80,000 |
| MISCELLANEOUS / OTHER COSTS / FRAC PLUGS | \$75,500 |
| DRILLING WELL INSURANCE | \$0 |
| CONTINGENCY | \$420,750 |
| Intangible Completion | \$4,438,000 |

| | |
|---|------------------|
| PRODUCTION CASING | \$204,250 |
| TUBING | \$90,000 |
| CASING HEAD / TUBING HEAD / CHRISTMAS TREE | \$75,500 |
| OTHER TANGIBLE / CENTRALIZERS / FLOAT EQUIPMENT | \$8,500 |
| CONTINGENCY | \$30,624 |
| Tangible Completion | \$538,874 |

| | |
|---------------------------------------|--------------------|
| GAS LIFT | \$0 |
| PUMPING UNIT / PRIME MOVER / ASSEMBLY | \$0 |
| SURFACE ROADS / POLISH ROADS | \$0 |
| MISC FITTINGS & SUPPLIES | \$77,500 |
| SUBSURFACE EQUIPMENT | \$7,550 |
| PACKERS | \$75,000 |
| FACILITY LABOR COST | \$77,500 |
| TANK BATTERY | \$65,000 |
| SEPARATORS / HEATERS / TREATERS | \$60,500 |
| COMPRESSOR | \$0 |
| METERING EQUIPMENT / LAST GUY | \$9,750 |
| UTILITY EQUIPMENT | \$0 |
| PIPELINES & CONNECTIONS | \$82,500 |
| COMPANY SUPERVISION | \$7,500 |
| CONTINGENCY | \$41,225.5 |
| Plantable | \$483,275.5 |

Total Estimated Well Cost: 68,272,371

Black Mountain Operating, LLC

Approved By: Title: Date:

Authorization Requested From:

PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE SHARE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOG LLC

OWNERSHIP: COST TO COMPLETE
 DATE: PARTIAL PAYMENT ESTIMATED COST
 APPROVED BY: TITLE:



BLACK MOUNTAIN OPERATING, LLC

December 9, 2016

Mewbourne Oil Company
Attn: Corey Mitchell
500 West Texas, Suite 1020
Midland, Texas 79701

Re: **Notice of Intent to Drill**
Duke Federal 10 #18H
W2E2 of Section 15-23S-34E &
W2SE4 of Section 10-23S-34E
Lea County, New Mexico

To Whom it May Concern:

Black Mountain Operating, LLC ("BMO") hereby delivers this notice describing its intent to drill the Duke Federal 10 #18H well name (the "Well"), as described below.

Well Type: New Drill Horizontal
Objective Formation: 3rd Bone Spring Sand
Estimated Total Vertical Depth: 11,300'
Estimated total Measured Depth: 18,567'
Surface Hole Location: 2470' FSL, 1840' FEL
Bottom Hole Location: 330' FSL, 1792' FEL
Proposed Project Area: W2 E2 Section 15, W2 SE4 Section 10

According to preliminary ownership reports it appears that Mewbourne Oil Company ("Mewbourne") owns working interest in and to Section 15. Prior to commencing actual drilling operations the ownership interests will be verified under a drilling title opinion. Should Mewbourne's ownership be verified BMO will provide Mewbourne a copy of BMO's JOA and an opportunity to participate in the Well, in accordance to the rules of New Mexico Oil Conservation Division.

Thank you for your careful time and consideration; we look forward to doing business with you.
Respectfully,

Black Mountain Operating, LLC


Luke Mildren

Vice President, Land

500 Main Street, Suite 1220 Fort Worth, Texas 76102. Phone 817-698-9901. email: luke.mildren@blackmtn.com

BLACK MOUNTAIN OPERATING, LLC AFE#: 16009
AUTHORIZATION FOR EXPENDITURE
DRILL & COMPLETE NEW WELL

Date: 12/22/16 County/State: LEB, NM
 Lease: Duke Fed #10 Well No: 18H
 Surface Location: SEC 10, T. 22N, R. 34E
 Proposed Depth: 18,527.500
 Objective: Drill & Complete Horizontal Well in 3rd Bone Spring Formation, 7500' lateral, 30' frac stages
Duke Federal 10 #18H - AFE

| Materials Development AFE | AFE Amount |
|---|--------------------|
| Overview | |
| SURVEY / LOCATION / PERMITS | \$150,000 |
| LEGAL / TITLE / SURFACE DAMAGES / DAMAGES | \$10,000 |
| CONDUCTOR PIPE / WATER WELL / DRIVE PIPE | \$25,000 |
| CONTRACT DRILLING - FOOTAGE & TURNKEY | \$7 |
| CONTRACT DRILLING - DAYWORK (DRILLING, LOGGING, RJ) | \$108,500 |
| FUEL | \$77,500 |
| MOB / DEMOS | \$42,500 |
| RENTAL TOOL & EQUIPMENT | \$175,000 |
| DOWN HOLE RENTAL TOOL & EQUIPMENT | \$45,000 |
| RTS | \$125,000 |
| FISHING TOOLS & SERVICES | \$3 |
| PIPE INSPECTION & COATING | \$1 |
| DCP TESTING | \$2,500 |
| MUD MATERIALS & CHEMICALS | \$725,000 |
| DISPOSAL / FLOWBACK | \$30,000 |
| WATER | \$15,000 |
| CREW QUARTERS | \$30,000 |
| SPECIAL SERVICES / DIRECTORIAL | \$25,000 |
| LOGGING / WIRELINE / PERFORATING | \$30,000 |
| DRILL STEM & PRODUCTION TESTS | \$5 |
| CORING & CORE ANALYSIS | \$3 |
| MUD LOGGING | \$30,000 |
| CEMENT & CEMENT SERVICES | \$25,000 |
| PLUG ABANDON & RESTORE | \$3 |
| TRUCKING & HAULING | \$20,000 |
| COMPANY SUPERVISION | 0 |
| SUPERVISOR - CONTRACT | \$10,000 |
| OVERHEAD | \$3 |
| CASING CREWS / CONTRACT LABOR | \$25,000 |
| MISCELLANEOUS / OTHER DRILLING COSTS | \$5,500 |
| DRILLING WELL INSURANCE | \$3 |
| CONTINGENCY | \$230,250 |
| Tangible Drilling | \$1,822,780 |
| SURFACE CASING | \$27,500 |
| INTERMEDIATE CASING | \$180,000 |
| CASING HEAD / TUBING HEAD / CHRISTMAS TREE | \$27,500 |
| OTHER TANGIBLE / CENTRALIZERS / FLOAT SHOES | \$15,000 |
| CONTINGENCY | \$27,000 |
| Tangible Drilling | \$297,000 |
| SURVEY / LOCATION / PERMITS | \$3 |
| LEGAL / TITLE / SURFACE DAMAGES / DAMAGES | \$35,000 |
| STIMULATION TREATMENT / FRACTURING / ACCORDING | \$2,950,000 |
| SAND CONTROL | \$3 |
| CONTRACT DAYWORK (DRILLING, LOGGING, RUNNING CASH) | \$30,000 |
| FUEL | \$3 |
| DOWN HOLE RENTAL TOOL & EQUIPMENT | \$1,500 |
| SURFACE RENTAL TOOL & EQUIPMENT | \$175,000 |
| COIL TUBING / SHUDDING | \$150,000 |
| RTS | \$3,000 |
| FISHING TOOLS & SERVICES | \$3 |
| PIPE INSPECTION & COATING | \$3 |
| DCP TESTING | \$3 |
| MUD MATERIALS & CHEMICALS | \$60,000 |
| DISPOSAL / FLOWBACK | \$30,000 |
| WATER | \$200,000 |
| CREW QUARTERS | \$0 |
| LOGGING / WIRELINE / PERFORATING | \$150,000 |
| CEMENT & CEMENTING SERVICES | \$25,000 |
| BLACK LINE | \$0 |
| TRUCKING & HAULING | \$15,000 |
| COMPANY SUPERVISION | \$3 |
| SUPERVISOR - CONTRACT | \$12,000 |
| OVERHEAD | \$3 |
| CASING CREWS / CONTRACT LABOR | \$25,000 |
| FLOWBACK / WELL TESTS | \$30,000 |
| MISCELLANEOUS / OTHER COSTS / FRAC PLUGS | \$15,000 |
| DRILLING WELL INSURANCE | \$3 |
| CONTINGENCY | \$420,733 |
| Tangible Completion | \$4,878,088 |
| PRODUCTION CASING | \$204,537 |
| TUBING | \$60,000 |
| CASING HEAD / TUBING HEAD / CHRISTMAS TREE | \$15,500 |
| OTHER TANGIBLE / CENTRALIZERS / FLOAT EQUIPMENT | \$6,500 |
| CONTINGENCY | \$31,000 |
| Tangible Completion | \$338,537 |
| GAS LIFT | \$3 |
| PUMPING UNIT / PRIME MOVER / ASSEMBLY | \$3 |
| BUCKER RODS / POLYMER RODS | \$3 |
| MISC FITTINGS & SUPPLIES | \$77,500 |
| SUBSURFACE EQUIPMENT | \$7,500 |
| PACKERS | \$25,000 |
| FACILITY LABOR COST | \$77,500 |
| TANK BATTERY | \$65,000 |
| SEPARATORS / HEATERS / TREATERS | \$20,000 |
| COMPRESSOR | \$3 |
| METERING EQUIPMENT / LACT UNIT | \$1,750 |
| UTILITY EQUIPMENT | \$3 |
| PIPELINES & CONNECTIONS | \$82,500 |
| COMPANY SUPERVISION | \$7,500 |
| CONTINGENCY | \$41,225.0 |
| Facilities | \$489,475 |

Total Estimated Well Cost: \$8,350,291

Black Mountain Operating, LLC
 Approved by: _____ Title: _____ Date: _____
 Authorization Requested From: _____
 PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE SHARE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOO LLC.
 SIGNATURE: _____ COST TO COMPLETE
 DATE: _____ PARTICIPANT'S ESTIMATED COST
 APPROVED BY: _____ TITLE: _____



BLACK MOUNTAIN OPERATING, LLC

December 9, 2016

Mewbourne Oil Company
Attn: Corey Mitchell
500 West Texas, Suite 1020
Midland, Texas 79701

Re: **Notice of Intent to Drill**
Duke Federal 10 #10H
E2W2 of Section 15-23S-34E &
E2SW4 of Section 10-23S-34E
Lea County, New Mexico

To Whom it May Concern:

Black Mountain Operating, LLC ("BMO") hereby delivers this notice describing its intent to drill the Duke Federal 10 #10H well name (the "Well"), as described below.

Well Type: New Drill Horizontal
Objective Formation: 3rd Bone Spring Sand
Estimated Total Vertical Depth: 11,300'
Estimated total Measured Depth: 18,567'
Surface Hole Location: 2470' FSL, 1906' FWL
Bottom Hole Location: 330' FSL, 1546' FWL
Proposed Project Area: E2 W2 Section 15, E2 SW4 Section 10

According to preliminary ownership reports it appears that Mewbourne Oil Company ("Mewbourne") owns working interest in and to Section 15. Prior to commencing actual drilling operations the ownership interests will be verified under a drilling title opinion. Should Mewbourne's ownership be verified BMO will provide Mewbourne a copy of BMO's JOA and an opportunity to participate in the Well, in accordance to the rules of New Mexico Oil Conservation Division.

Thank you for your careful time and consideration; we look forward to doing business with you.
Respectfully,

Black Mountain Operating, LLC


Luke Mildren

Vice President, Land

500 Main Street, Suite 1220 Fort Worth, Texas 76102. Phone 817-698-9901. email: luke.mildren@blackmtn.com

BLACK MOUNTAIN OPERATING, LLC
AUTHORIZATION FOR EXPENDITURE
DRILL & COMPLETE NEW WELL

AFE#: 16008

Date: 12/28/2019 County: State: 188 km
 Lease: Duke Federal 10 Well No: 12H
 Surface Location: SEC 10, T-21S, R-24E
 Proposed Depth: 18,502' MD
 Objective: Dr 1 & Complete Horizontal Well in 3rd Bone Spring Formation, 7500' lateral, 30' frac stages

Duke Federal 10 #10H - AFE

| Muders Development AFE | | AFE Amounts |
|---|--|--------------------|
| DESCRIPTION | | |
| SURVEY / LOCATION / PERMITS | | \$150,000 |
| LEGAL / TITLE / SURFACE DAMAGES / DAMAGES | | \$20,000 |
| CONDUCTOR PIPE / WATER WELL / DRIVE PIPE | | \$25,000 |
| CONTRACT DRILLING / FOOTAGE & TURNKEY | | \$0 |
| CONTRACT DRILLING / DAYWORK / DRILLING, LOGGING, RD | | \$710,000 |
| FUEL | | \$77,500 |
| HOSE / DE AHS | | \$62,500 |
| RENTAL TOOL & EQUIPMENT | | \$175,000 |
| DOWN HOLE RENTAL TOOL & EQUIPMENT | | \$45,000 |
| BITS | | \$120,500 |
| FISHING TOOLS & SERVICES | | \$0 |
| PIPE INSPECTION & COATING | | \$0 |
| BOF TEST JGS | | \$0 |
| MUD MATERIALS & CHEMICALS | | \$2,500 |
| DISPOSAL / FLOWBACK | | \$225,000 |
| WATER | | \$50,000 |
| CREW QUARTERS | | \$15,000 |
| SPECIAL SERVICES / DIRECTIONAL | | \$275,000 |
| LOGGING / WIRELINE / PERFORATING | | \$50,000 |
| DRILL ITEM & PRODUCTION TESTS | | \$0 |
| CORING & CORE ANALYSIS | | \$0 |
| MUD LOGGING | | \$30,000 |
| CEMENT & CEMENT SERVICES | | \$82,500 |
| PLUG, ABANDON & RESTORE | | \$0 |
| TRUCKING & HAULING | | \$20,000 |
| COMPANY SUPERVISION | | \$0 |
| SUPERVISION - CONTRACT | | \$70,500 |
| OVERHEAD | | \$0 |
| CASING CREWS / CONTRACT LABOR | | \$0 |
| MISCELLANEOUS / OTHER DRILLING COSTS | | \$25,000 |
| DRILLING WELL INSURANCE | | \$5,500 |
| CONTINGENCY | | \$201,250 |
| Intangible Drilling | | \$2,845,750 |
| SURFACE CASING | | \$17,500 |
| INTERMEDIATE CASING | | \$182,000 |
| CASING HEAD / TUBING HEAD / CHRISTMAS TREE | | \$27,500 |
| OTHER TANGIBLES / CENTRALIZERS / FLOAT SIDES | | \$15,000 |
| CONTINGENCY | | \$27,000 |
| Tangible Drilling | | \$297,000 |
| SURVEY / LOCATION / PERMITS | | \$0 |
| LEGAL / TITLE / SURFACE DAMAGES / DAMAGES | | \$25,000 |
| STIMULATION TREATMENT / FRACTURING / ACIDIZING | | \$2,990,000 |
| BAND CONTROL | | \$0 |
| CONTRACT DAYWORK (DRILLING, LOGGING, RUNNING CASH) | | \$30,000 |
| FUEL | | \$0 |
| DOWN HOLE RENTAL TOOL & EQUIPMENT | | \$7,500 |
| SURFACE RENTAL TOOL & EQUIPMENT | | \$225,000 |
| COIL TUBING / HUSBBS | | \$150,000 |
| BITS | | \$2,500 |
| FISHING TOOLS & SERVICES | | \$0 |
| PIPE INSPECTION & COATING | | \$0 |
| BOF TESTING | | \$0 |
| MUD MATERIALS & CHEMICALS | | \$60,000 |
| DISPOSAL / FLOWBACK | | \$50,000 |
| WATER | | \$200,000 |
| CREW QUARTERS | | \$0 |
| LOGGING / WIRELINE / PERFORATING | | \$1,58,000 |
| CEMENT & CEMENTING SERVICES | | \$45,500 |
| SUCK LINE | | \$0 |
| TRUCKING & HAULING | | \$15,000 |
| COMPANY SUPERVISION | | \$0 |
| SUPERVISION - CONTRACT | | \$12,500 |
| OVERHEAD | | \$0 |
| CASING CREWS / CONTRACT LABOR | | \$25,000 |
| FLOWBACK / WELL TESTS | | \$90,000 |
| MISCELLANEOUS / OTHER COSTS / FRAC PLUGS | | \$72,500 |
| DRILLING WELL INSURANCE | | \$0 |
| CONTINGENCY | | \$420,750 |
| Intangible Completion | | \$4,638,000 |
| PRODUCTION CASING | | \$204,337 |
| TUBING | | \$80,000 |
| CASING HEAD / TUBING HEAD / CHRISTMAS TREE | | \$25,500 |
| OTHER TANGIBLES / CENTRALIZERS / FLOAT EQUIPMENT | | \$8,500 |
| CONTINGENCY | | \$30,000 |
| Tangible Completion | | \$338,337 |
| GAS LIFT | | \$0 |
| PUMPING UNIT / PRIME MOVER / ASSEMBLY | | \$0 |
| BUCKER HOIST / POLISH ROOS | | \$0 |
| MISC FITTINGS & SUPPLIES | | \$77,500 |
| SUBSURFACE EQUIPMENT | | \$7,500 |
| PACKERS | | \$25,000 |
| FACILITY LABOR COST | | \$25,000 |
| TANK BATTERY | | \$25,000 |
| REPARATORS / TREATERS / TREATERS | | \$60,000 |
| COMPRESSOR | | \$0 |
| METERING EQUIPMENT / LAST LIFT | | \$9,750 |
| UTILITY EQUIPMENT | | \$0 |
| PIPELINES & CONNECTIONS | | \$87,500 |
| COMPANY SUPERVISION | | \$7,500 |
| CONTINGENCY | | \$17,225.0 |
| Facilities | | \$453,475 |
| Total Estimated Well Cost: | | \$8,281,271 |

Black Mountain Operating, LLC

Approved By

Title

Date

Authorization Requested From

PLEASE INDICATE YOUR APPROVAL AND AUTHORIZATION FOR YOUR PROPORTIONATE SHARE OF THE ESTIMATED EXPENDITURE AS DETAILED ABOVE BY SIGNING BELOW AND RETURNING ONE SIGNED COPY TO BMOG LLC

OWNERSHIP

COST TO COMPLETE

DATE:

PARTICIPANTS ESTIMATED COST

APPROVED BY

TITLE