

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101

August 1, 2011

Permit 288539

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|---|-------------------------------|
| 1. Operator Name and Address FAE II Operating LLC 11757 Katy Freeway, Suite 1000 Houston, TX 77079 | | 2. OGRID Number 329326 |
| | | 3. API Number 30-025-47990 |
| 4. Property Code 326919 | 5. Property Name ARNOTT RAMSAY NCT-B | 6. Well No. 020 |

7. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|---------------|
| UL - Lot L | Section 32 | Township 25S | Range 37E | Lot Idn L | Feet From 2240 | N/S Line S | Feet From 350 | E/W Line W | County Lea |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|---------------|

8. Proposed Bottom Hole Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|---------------|
| UL - Lot L | Section 32 | Township 25S | Range 37E | Lot Idn L | Feet From 2240 | N/S Line S | Feet From 350 | E/W Line W | County Lea |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|---------------|

9. Pool Information

| | |
|-------------------------------|-------|
| JALMAT;TAN-YATES-7 RVRS (OIL) | 33820 |
|-------------------------------|-------|

Additional Well Information

| | | | | |
|---------------------------|----------------------------|--|-------------------------|------------------------------------|
| 11. Work Type New Well | 12. Well Type OIL | 13. Cable/Rotary | 14. Lease Type State | 15. Ground Level Elevation 2977 |
| 16. Multiple N | 17. Proposed Depth 3600 | 18. Formation Queen | 19. Contractor | 20. Spud Date 1/10/2021 |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |

☒ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 12.25 | 8.625 | 24 | 940 | 250 | 0 |
| Prod | 7.875 | 5.5 | 15.5 | 3600 | 250 | 0 |

Casing/Cement Program: Additional Comments

| |
|--|
| |
|--|

22. Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|------------|------------------|---------------|--------------|
| Double Ram | 3000 | 1500 | Shaffer |

| | | |
|--|----------------------------------|---------------------------------|
| 23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> if applicable. | OIL CONSERVATION DIVISION | |
| Signature: | | |
| Printed Name: Electronically filed by Huxley Song | Approved By: Paul F Kautz | |
| Title: CEO | Title: Geologist | |
| Email Address: huxley@faenergyus.com | Approved Date: 11/10/2020 | Expiration Date: 11/10/2022 |
| Date: 11/6/2020 | Phone: 832-706-0057 | Conditions of Approval Attached |

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Form C-102

August 1, 2011

Permit 288539

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|--|---|
| 1. API Number 30-025-47990 | 2. Pool Code 33820 | 3. Pool Name JALMAT;TAN-YATES-7 RVRS (OIL) |
| 4. Property Code 326919 | 5. Property Name ARNOTT RAMSAY NCT-B | 6. Well No. 020 |
| 7. OGRID No. 329326 | 8. Operator Name FAE II Operating LLC | 9. Elevation 2977 |

10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|---------------|
| UL - Lot L | Section 32 | Township 25S | Range 37E | Lot Idn L | Feet From 2240 | N/S Line S | Feet From 350 | E/W Line W | County Lea |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|---------------|

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------------|---------------------|----------|-------|------------------------|-----------|----------|---------------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| 12. Dedicated Acres 40.00 | 13. Joint or Infill | | | 14. Consolidation Code | | | 15. Order No. | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| <table border="1" style="width: 100%; height: 150px; border-collapse: collapse;"> <tr><td style="width: 25%; height: 40px;"></td><td style="width: 25%; height: 40px;"></td><td style="width: 25%; height: 40px;"></td><td style="width: 25%; height: 40px;"></td></tr> <tr><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td></tr> <tr><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td></tr> <tr><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td></tr> </table> | | | | | | | | | | | | | | | | | <p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: Huxley Song Title: CEO Date: 11/6/2020</p> <hr/> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: Gary Jones Date of Survey: 9/2/2020 Certificate Number: 7977</p> |
| | | | | | | | | | | | | | | | | | |
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GAS CAPTURE PLAN

Date: 11/10/2020

☒ Original

Operator & OGRID No.: [329326] FAE II Operating LLC

☐ Amended - Reason for
Amendment: _____

This Gas Capture Plan outlines actions to be taken by the Operator to reduce well/production facility flaring/venting for new completion (new drill, recomple to new zone, re-frac) activity.

Note: Form C-129 must be submitted and approved prior to exceeding 60 days allowed by Rule (Subsection A of 19.15.18.12 NMAC).

Well(s)/Production Facility – Name of facility

The well(s) that will be located at the production facility are shown in the table below.

| Well Name | API | Well Location (ULSTR) | Footages | Expected MCF/D | Flared or Vented | Comments |
|--------------------------|--------------|-----------------------|-------------|----------------|------------------|----------|
| ARNOTT RAMSAY NCT-B #020 | 30-025-47990 | L-32-25S-37E | 2240S 0350W | 30 | None | |

Gathering System and Pipeline Notification

Well(s) will be connected to a production facility after flowback operations are complete, if gas transporter system is in place. The gas produced from production facility is dedicated to SOUTHERN UNION GAS SERVICES LTD and will be connected to SOUTHERN UNION GAS SERVICES LTD Low Pressure gathering system located in Lea County, New Mexico. It will require 1450' of pipeline to connect the facility to Low Pressure gathering system. FAE II Operating LLC provides (periodically) to SOUTHERN UNION GAS SERVICES LTD a drilling, completion and estimated first production date for wells that are scheduled to be drilled in the foreseeable future. In addition, FAE II Operating LLC and SOUTHERN UNION GAS SERVICES LTD have periodic conference calls to discuss changes to drilling and completion schedules. Gas from these wells will be processed at SOUTHERN UNION GAS SERVICES LTD Processing Plant located in Sec. 32, Twn. 25S, Rng. 37E, Lea County, New Mexico. The actual flow of the gas will be based on compression operating parameters and gathering system pressures.

Flowback Strategy

After the fracture treatment/completion operations, well(s) will be produced to temporary production tanks and gas will be flared or vented. During flowback, the fluids and sand content will be monitored. When the produced fluids contain minimal sand, the wells will be turned to production facilities. Gas sales should start as soon as the wells start flowing through the production facilities, unless there are operational issues on SOUTHERN UNION GAS SERVICES LTD system at that time. Based on current information, it is FAE II Operating LLC's belief the system can take this gas upon completion of the well(s).

Safety requirements during cleanout operations from the use of underbalanced air cleanout systems may necessitate that sand and non-pipeline quality gas be vented and/or flared rather than sold on a temporary basis.

Alternatives to Reduce Flaring

Below are alternatives considered from a conceptual standpoint to reduce the amount of gas flared.

- Power Generation – On lease
 - Only a portion of gas is consumed operating the generator, remainder of gas will be flared
- Compressed Natural Gas – On lease
 - Gas flared would be minimal, but might be uneconomical to operate when gas volume declines
- NGL Removal – On lease
 - Plants are expensive, residue gas is still flared, and uneconomical to operate when gas volume declines

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Form APD Comments

Permit 288539

PERMIT COMMENTS

| | | |
|--|---------|-----------------------------------|
| Operator Name and Address: FAE II Operating LLC [329326] 11757 Katy Freeway, Suite 1000 Houston, TX 77079 | | API Number: 30-025-47990 |
| | | Well: ARNOTT RAMSAY NCT-B #020 |
| Created By | Comment | Comment Date |

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Form APD Conditions

Permit 288539

PERMIT CONDITIONS OF APPROVAL

| | |
|--|-----------------------------------|
| Operator Name and Address: FAE II Operating LLC [329326] 11757 Katy Freeway, Suite 1000 Houston, TX 77079 | API Number: 30-025-47990 |
| | Well: ARNOTT RAMSAY NCT-B #020 |

| OCD Reviewer | Condition |
|-----------------|--|
| pkautz | Will require a deviation survey with the C-105 |
| pkautz | SURFACE & PRODUCTION CASING - Cement must circulate to surface |
| pkautz | If cement does not circulate to surface, must run temperature survey or other log to determine top of cement |
| pkautz | Surface casing must be set 25' below top of Rustler Anhydrite in order to seal off protectable water |
| pkautz | 1)- The Operator is to notify NMOCD by sundry (Form C-103) within ten (10) days of the well being spud 2)- Drilling Sundries Form C-103 (Casing and Cement test are to be submitted within 10 days 3)- Completion Reports & Logs are to be submitted within 45 days 4)- Deviation / Directional Drill Survey are to be filed with or prior to C-104 |
| pkautz | It is the operator's responsibility to monitor cancellation dates of approved APDs. APD's are good for 2 years and may be extended for one year. Only one 1 year extension will be granted if submitted by C-103 before expiration date. After expiration date or after a 1 year extension must submit new APD. If an APD expires and if site construction has occurred, site remediation is required. |
| pkautz | Stage Tool 1) Must notify OCD Hobbs Office prior to running Stage Tool at 5753703186 2) If using Stage Tool on Surface casing, Stage Tool must be set greater than 350' from surface and a minimum of 200 feet above surface shoe. 3) When using a Stage Tool on Intermediate or Production Casing Stage must be a minimum of 50 feet below previous casing shoe. |