



January 12, 2018

**VIA CERTIFIED MAIL**

McCully - Chapman Exploration, Inc.  
PO Box 421  
Sealy, TX 77474

RE: Black River 3-10 Federal WCA 2H  
W2W2 Sections 3 & 10: T24S-R26E  
Eddy County, New Mexico

Gentlemen,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Black River 3-10 Federal WCA 2H in Sections 3 & 10, Township 24 South, Range 26 East, Eddy County, New Mexico. The surface location for this well is proposed at a legal location in Section 3 Lot 3 with a bottom hole at a legal location in Section 10 Unit M (see attached plat for further detail). The well will have a targeted interval in the Wolfcamp formation to a Measured Depth of approximately 18,210'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$6,994,556, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Sections 3 & 10, Township 24 South, Range 26 East, limited from the surface to the bottom of the Wolfcamp Formation. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Well Black River 3-10 Federal WCA 2H

McCully - Chapman Exploration, Inc. will own an approximate 0.5876% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address.

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

**Chisholm Energy Operating, LLC**

Davis Armour  
Senior Landman

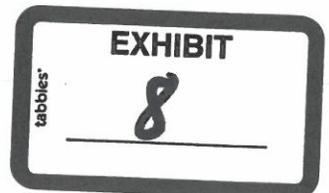
I/We hereby elect to participate in the Black River 3-10 Federal WCA 2H.

I/We hereby elect NOT to participate in the Black River 3-10 Federal WCA 2H.

Company: **McCully - Chapman Exploration, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102



**BEFORE THE OIL CONSERVATION  
DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. 3**  
Submitted by: **Chisholm Energy Operating LLC**  
Hearing Date: April 5, 2018



CHEESBROUGH  
ENERGY

Statement of Estimated Well Cost (100%)

Well \_\_\_\_\_ Black River 3-10 Federal WCA 2H  
 Field \_\_\_\_\_ Wolfcamp  
 County, State: \_\_\_\_\_ Lea, NM  
 BHL: \_\_\_\_\_ Horizontal  
 Proposed TD: \_\_\_\_\_ 18,210 MD \_\_\_\_\_ 8,650 TVD AFE# \_\_\_\_\_  
 Normal Pressure? Yes

|                                           |                                                 | BCP                | ACP      | TOTAL              |
|-------------------------------------------|-------------------------------------------------|--------------------|----------|--------------------|
| <b>COSTS TO CASING POINT: TANGIBLES</b>   |                                                 |                    |          |                    |
| 8510-400                                  | Conductor Casing or Drive Pipe                  | \$15,000           |          | \$15,000           |
| 8510-405                                  | Surface Casing                                  | \$10,647           |          | \$10,647           |
| 8510-410                                  | Intermediate Casing/Drilg Liner                 | \$30,368           |          | \$30,368           |
| 8510-415                                  | Wellhead Equipment - Surface & MLS              | \$10,500           |          | \$10,500           |
| 8510-420                                  | Other Sub-Surface Equipment                     | \$0                |          | \$0                |
| 8510-425                                  | Cementing Equipment                             | \$8,000            |          | \$8,000            |
| 8510-600                                  | Nonoperated                                     | \$0                |          | \$0                |
| 8510-700                                  | Impairment                                      | \$0                |          | \$0                |
| 8510-999                                  | Accruals                                        | \$0                |          | \$0                |
|                                           | <b>TOTAL COST TO CASING POINT - TANGIBLES</b>   | <b>\$74,515</b>    |          | <b>\$74,515</b>    |
| <b>COSTS TO CASING POINT: INTANGIBLES</b> |                                                 |                    |          |                    |
| 8500-100                                  | Roads/Location                                  | \$67,000           |          | \$67,000           |
| 8500-105                                  | Drilling Turnkey                                | \$0                |          | \$0                |
| 8500-110                                  | Drilling Daywork                                | \$495,000          |          | \$495,000          |
| 8500-115                                  | Fuel/Power                                      | \$120,000          |          | \$120,000          |
| 8500-125                                  | Equipment Rental                                | \$165,000          |          | \$165,000          |
| 8500-130                                  | Legal Fees                                      | \$0                |          | \$0                |
| 8500-135                                  | Bonds, Permits and Inspection                   | \$50,000           |          | \$50,000           |
| 8500-155                                  | Mud and Chemicals                               | \$150,000          |          | \$150,000          |
| 8500-160                                  | Cementing Services                              | \$29,000           |          | \$29,000           |
| 8500-170                                  | Supervision/Consulting                          | \$60,800           |          | \$60,800           |
| 8500-175                                  | Casing and Other Tangible Crew                  | \$24,000           |          | \$24,000           |
| 8500-180                                  | Damages/Penalties                               | \$0                |          | \$0                |
| 8500-185                                  | Coring and Analysis                             | \$0                |          | \$0                |
| 8500-190                                  | Cuttings/Fluids Disposal                        | \$125,000          |          | \$125,000          |
| 8500-195                                  | Directional Drilling Services                   | \$338,500          |          | \$338,500          |
| 8500-200                                  | Drill Bits                                      | \$60,000           |          | \$60,000           |
| 8500-210                                  | Surface Damages/ROW                             | \$0                |          | \$0                |
| 8500-215                                  | Contract Labor and Services                     | \$2,500            |          | \$2,500            |
| 8500-220                                  | Mud Logging                                     | \$37,500           |          | \$37,500           |
| 8500-235                                  | Reclamation                                     | \$0                |          | \$0                |
| 8500-240                                  | Rig Mobilization/Demob                          | \$83,000           |          | \$83,000           |
| 8500-245                                  | Fishing Tools and Services                      | \$0                |          | \$0                |
| 8500-250                                  | Testing-Drill Stem/Production                   | \$0                |          | \$0                |
| 8500-260                                  | Wireline Services                               | \$18,000           |          | \$18,000           |
| 8500-265                                  | Water                                           | \$18,250           |          | \$18,250           |
| 8500-270                                  | Camp Expenses                                   | \$52,600           |          | \$52,600           |
| 8500-285                                  | Contingencies                                   | \$0                |          | \$0                |
| 8500-290                                  | Environmental                                   | \$0                |          | \$0                |
| 8500-300                                  | Overhead                                        | \$6,000            |          | \$6,000            |
| 8500-350                                  | Insurance                                       | \$0                |          | \$0                |
| 8500-600                                  | Nonoperated                                     | \$0                |          | \$0                |
| 8500-700                                  | Impairment                                      | \$0                |          | \$0                |
| 8500-999                                  | Accruals                                        | \$0                |          | \$0                |
|                                           | <b>TOTAL COST TO CASING POINT - INTANGIBLES</b> | <b>\$1,902,150</b> |          | <b>\$1,902,150</b> |
| <b>COMPLETION COSTS: TANGIBLES</b>        |                                                 |                    |          |                    |
| 8530-415                                  | Wellhead                                        |                    | \$21,900 | \$21,900           |
| 8530-420                                  | Subsurface Equipment                            |                    | \$15,000 | \$15,000           |

|          |                                            |  |  |                    |                    |
|----------|--------------------------------------------|--|--|--------------------|--------------------|
| 8530-500 | Production Casing                          |  |  | \$217,974          | \$217,974          |
| 8530-510 | Tubing                                     |  |  | \$42,818           | \$42,818           |
| 8530-515 | Rods                                       |  |  | \$0                |                    |
| 8530-525 | Artificial Lift Equipment                  |  |  | \$25,000           | \$25,000           |
| 8530-530 | Gas Metering Equipment                     |  |  | \$48,000           | \$48,000           |
| 8530-535 | LACT Unit                                  |  |  | \$0                |                    |
| 8530-540 | Production Facilities and Flowlines        |  |  | \$120,000          | \$120,000          |
| 8530-545 | Pumping Unit                               |  |  | \$100,000          | \$100,000          |
| 8530-550 | Separator, Heater, Treater                 |  |  | \$75,000           | \$75,000           |
| 8530-555 | Tank Battery                               |  |  | \$118,000          | \$118,000          |
| 8530-560 | Vapor Recovery Unit                        |  |  | \$0                |                    |
| 8530-590 | Other Misc Equipment                       |  |  | \$15,000           | \$15,000           |
| 8530-600 | Nonoperated                                |  |  | \$0                |                    |
| 8530-700 | Impairment                                 |  |  | \$0                |                    |
| 8530-999 | Accruals                                   |  |  | \$0                |                    |
|          | <b>TOTAL COMPLETION COST - TANGIBLES</b>   |  |  | <b>\$798,691</b>   | <b>\$798,691</b>   |
|          | <b>COMPLETION COSTS: INTANGIBLES</b>       |  |  |                    |                    |
| 8520-100 | Roads/Location                             |  |  | \$20,000           | \$20,000           |
| 8520-120 | Perforating Services                       |  |  | \$157,500          | \$157,500          |
| 8520-125 | Equipment Rental                           |  |  | \$193,000          | \$193,000          |
| 8520-135 | Bonds, Permits and Inspection              |  |  | \$0                |                    |
| 8520-145 | Completion Unit                            |  |  | \$48,000           | \$48,000           |
| 8520-150 | Frac Plugs                                 |  |  | \$67,500           | \$67,500           |
| 8520-155 | Mud and Chemicals                          |  |  | \$128,000          | \$128,000          |
| 8520-160 | Cementing Services                         |  |  | \$60,000           | \$60,000           |
| 8520-165 | Acidizing and Fracturing                   |  |  | \$2,610,000        | \$2,610,000        |
| 8520-170 | Supervision/Consulting                     |  |  | \$42,000           | \$42,000           |
| 8520-175 | Casing and Other Tangible Crew             |  |  | \$15,000           | \$15,000           |
| 8520-190 | Cuttings/Fluids Disposal                   |  |  | \$120,000          | \$120,000          |
| 8520-200 | Drill Bits                                 |  |  | \$6,000            | \$6,000            |
| 8520-210 | Surface Damages/ROW                        |  |  | \$0                |                    |
| 8520-215 | Contract Labor and Services                |  |  | \$5,000            | \$5,000            |
| 8520-230 | Pump/Vacuum Trucks                         |  |  | \$40,000           | \$40,000           |
| 8520-235 | Reclamation                                |  |  | \$0                |                    |
| 8520-245 | Fishing Tools and Services                 |  |  | \$0                |                    |
| 8520-250 | Well Testing                               |  |  | \$84,000           | \$84,000           |
| 8520-255 | Trucking and Hauling                       |  |  | \$0                |                    |
| 8520-260 | Wireline Services                          |  |  | \$5,000            | \$5,000            |
| 8520-270 | Camp Expenses                              |  |  | \$25,200           | \$25,200           |
| 8520-275 | Coiled Tubing Services                     |  |  | \$0                |                    |
| 8520-280 | Frac Water                                 |  |  | \$593,000          | \$593,000          |
| 8520-285 | Contingencies                              |  |  | \$0                |                    |
| 8520-290 | Environmental                              |  |  | \$0                |                    |
| 8520-300 | Overhead                                   |  |  | \$0                |                    |
| 8520-350 | Insurance                                  |  |  | \$0                |                    |
| 8520-600 | Nonoperated                                |  |  | \$0                |                    |
| 8520-700 | Impairment                                 |  |  | \$0                |                    |
| 8520-999 | Accruals                                   |  |  | \$0                |                    |
|          | <b>TOTAL COMPLETION COST - INTANGIBLES</b> |  |  | <b>\$4,219,200</b> | <b>\$4,219,200</b> |
|          | <b>TOTAL WELL COST</b>                     |  |  | <b>\$1,976,665</b> | <b>\$5,017,891</b> |
|          |                                            |  |  | <b>\$6,994,556</b> |                    |

Approved by: *Tom Krenck* *Tom Krenck* Date: *2-15-18*

*Vice President  
McCoy-Chapman Exploration, Inc.*

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_



January 12, 2018

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W2 Sections 3 & 10: T24S-R26E  
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Very truly yours,

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Davis Armour  
Senior Landman

I/We hereby elect to participate in the Black River 3-10 Federal WCA 3H.

I/We hereby elect NOT to participate in the Black River 3-10 Federal WCA 3H.

Company: **McCully - Chapman Exploration, Inc.**

By: \_\_\_\_\_  
Name: Alan Kump  
Title: Vice President  
Date: 1/12/18

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102



CHEVRON ENERGY

Statement of Estimated Well Cost (100%)

Well: Black River 3-10 Federal WCA 3H  
 Field: Wolfcamp  
 County, State: Lea, NM  
 BHL: Horizontal  
 Proposed TD: 18,000 MD 8,650 TVD AFE#  
 Normal Pressure? Yes

|                                           |                                                 | BCP                | ACP      | TOTAL              |
|-------------------------------------------|-------------------------------------------------|--------------------|----------|--------------------|
| <b>COSTS TO CASING POINT: TANGIBLES</b>   |                                                 |                    |          |                    |
| 8510-400                                  | Conductor Casing or Drive Pipe                  | \$15,000           |          | \$15,000           |
| 8510-405                                  | Surface Casing                                  | \$10,647           |          | \$10,647           |
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| 8510-415                                  | Wellhead Equipment - Surface & MLS              | \$10,500           |          | \$10,500           |
| 8510-420                                  | Other Sub-Surface Equipment                     | \$0                |          | \$0                |
| 8510-425                                  | Cementing Equipment                             | \$8,000            |          | \$8,000            |
| 8510-600                                  | Nonoperated                                     | \$0                |          | \$0                |
| 8510-700                                  | Impairment                                      | \$0                |          | \$0                |
| 8510-999                                  | Accruals                                        | \$0                |          | \$0                |
|                                           | <b>TOTAL COST TO CASING POINT - TANGIBLES</b>   | <b>\$74,515</b>    |          | <b>\$74,515</b>    |
| <b>COSTS TO CASING POINT: INTANGIBLES</b> |                                                 |                    |          |                    |
| 8500-100                                  | Roads/Location                                  | \$67,000           |          | \$67,000           |
| 8500-105                                  | Drilling Turnkey                                | \$0                |          | \$0                |
| 8500-110                                  | Drilling Daywork                                | \$495,000          |          | \$495,000          |
| 8500-115                                  | Fuel/Power                                      | \$120,000          |          | \$120,000          |
| 8500-125                                  | Equipment Rental                                | \$165,000          |          | \$165,000          |
| 8500-130                                  | Legal Fees                                      | \$0                |          | \$0                |
| 8500-135                                  | Bonds, Permits and Inspection                   | \$50,000           |          | \$50,000           |
| 8500-155                                  | Mud and Chemicals                               | \$150,000          |          | \$150,000          |
| 8500-160                                  | Cementing Services                              | \$29,000           |          | \$29,000           |
| 8500-170                                  | Supervision/Consulting                          | \$60,800           |          | \$60,800           |
| 8500-175                                  | Casing and Other Tangible Crew                  | \$24,000           |          | \$24,000           |
| 8500-180                                  | Damages/Penalties                               | \$0                |          | \$0                |
| 8500-185                                  | Coring and Analysis                             | \$0                |          | \$0                |
| 8500-190                                  | Cuttings/Fluids Disposal                        | \$125,000          |          | \$125,000          |
| 8500-195                                  | Directional Drilling Services                   | \$338,500          |          | \$338,500          |
| 8500-200                                  | Drill Bits                                      | \$60,000           |          | \$60,000           |
| 8500-210                                  | Surface Damages/ROW                             | \$0                |          | \$0                |
| 8500-215                                  | Contract Labor and Services                     | \$2,500            |          | \$2,500            |
| 8500-220                                  | Mud Logging                                     | \$0                |          | \$0                |
| 8500-235                                  | Reclamation                                     | \$0                |          | \$0                |
| 8500-240                                  | Rig Mobilization/Demob                          | \$83,000           |          | \$83,000           |
| 8500-245                                  | Fishing Tools and Services                      | \$0                |          | \$0                |
| 8500-250                                  | Testing-Drill Stem/Production                   | \$0                |          | \$0                |
| 8500-260                                  | Wireline Services                               | \$0                |          | \$0                |
| 8500-265                                  | Water                                           | \$18,250           |          | \$18,250           |
| 8500-270                                  | Camp Expenses                                   | \$52,600           |          | \$52,600           |
| 8500-285                                  | Contingencies                                   | \$0                |          | \$0                |
| 8500-290                                  | Environmental                                   | \$0                |          | \$0                |
| 8500-300                                  | Overhead                                        | \$6,000            |          | \$6,000            |
| 8500-350                                  | Insurance                                       | \$0                |          | \$0                |
| 8500-600                                  | Nonoperated                                     | \$0                |          | \$0                |
| 8500-700                                  | Impairment                                      | \$0                |          | \$0                |
| 8500-999                                  | Accruals                                        | \$0                |          | \$0                |
|                                           | <b>TOTAL COST TO CASING POINT - INTANGIBLES</b> | <b>\$1,846,650</b> |          | <b>\$1,846,650</b> |
| <b>COMPLETION COSTS: TANGIBLES</b>        |                                                 |                    |          |                    |
| 8530-415                                  | Wellhead                                        |                    | \$21,900 | \$21,900           |
| 8530-420                                  | Subsurface Equipment                            |                    | \$15,000 | \$15,000           |

|          |                                            |  |                    |                    |                    |
|----------|--------------------------------------------|--|--------------------|--------------------|--------------------|
| 8530-500 | Production Casing                          |  |                    | \$215,460          | \$215,460          |
| 8530-510 | Tubing                                     |  |                    | \$42,818           | \$42,818           |
| 8530-515 | Rods                                       |  |                    | \$0                |                    |
| 8530-525 | Artificial Lift Equipment                  |  |                    | \$25,000           | \$25,000           |
| 8530-530 | Gas Metering Equipment                     |  |                    | \$48,000           | \$48,000           |
| 8530-535 | LACT Unit                                  |  |                    | \$0                |                    |
| 8530-540 | Production Facilities and Flowlines        |  |                    | \$120,000          | \$120,000          |
| 8530-545 | Pumping Unit                               |  |                    | \$100,000          | \$100,000          |
| 8530-550 | Separator, Heater, Treater                 |  |                    | \$75,000           | \$75,000           |
| 8530-555 | Tank Battery                               |  |                    | \$118,000          | \$118,000          |
| 8530-560 | Vapor Recovery Unit                        |  |                    | \$0                |                    |
| 8530-590 | Other Misc Equipment                       |  |                    | \$15,000           | \$15,000           |
| 8530-600 | Nonoperated                                |  |                    | \$0                |                    |
| 8530-700 | Impairment                                 |  |                    | \$0                |                    |
| 8530-999 | Accruals                                   |  |                    | \$0                |                    |
|          | <b>TOTAL COMPLETION COST - TANGIBLES</b>   |  |                    | <b>\$796,178</b>   | <b>\$796,178</b>   |
|          | <b>COMPLETION COSTS: INTANGIBLES</b>       |  |                    |                    |                    |
| 8520-100 | Roads/Location                             |  |                    | \$20,000           | \$20,000           |
| 8520-120 | Perforating Services                       |  |                    | \$157,500          | \$157,500          |
| 8520-125 | Equipment Rental                           |  |                    | \$193,000          | \$193,000          |
| 8520-135 | Bonds, Permits and Inspection              |  |                    | \$0                |                    |
| 8520-145 | Completion Unit                            |  |                    | \$48,000           | \$48,000           |
| 8520-150 | Frac Plugs                                 |  |                    | \$67,500           | \$67,500           |
| 8520-155 | Mud and Chemicals                          |  |                    | \$128,000          | \$128,000          |
| 8520-160 | Cementing Services                         |  |                    | \$60,000           | \$60,000           |
| 8520-165 | Acidizing and Fracturing                   |  |                    | \$2,610,000        | \$2,610,000        |
| 8520-170 | Supervision/Consulting                     |  |                    | \$42,000           | \$42,000           |
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| 8520-200 | Drill Bits                                 |  |                    | \$6,000            | \$6,000            |
| 8520-210 | Surface Damages/ROW                        |  |                    | \$0                |                    |
| 8520-215 | Contract Labor and Services                |  |                    | \$5,000            | \$5,000            |
| 8520-230 | Pump/Vacuum Trucks                         |  |                    | \$40,000           | \$40,000           |
| 8520-235 | Reclamation                                |  |                    | \$0                |                    |
| 8520-245 | Fishing Tools and Services                 |  |                    | \$0                |                    |
| 8520-250 | Well Testing                               |  |                    | \$84,000           | \$84,000           |
| 8520-255 | Trucking and Hauling                       |  |                    | \$0                |                    |
| 8520-260 | Wireline Services                          |  |                    | \$5,000            | \$5,000            |
| 8520-270 | Camp Expenses                              |  |                    | \$25,200           | \$25,200           |
| 8520-275 | Coiled Tubing Services                     |  |                    | \$0                |                    |
| 8520-280 | Frac Water                                 |  |                    | \$593,000          | \$593,000          |
| 8520-285 | Contingencies                              |  |                    | \$0                |                    |
| 8520-290 | Environmental                              |  |                    | \$0                |                    |
| 8520-300 | Overhead                                   |  |                    | \$0                |                    |
| 8520-350 | Insurance                                  |  |                    | \$0                |                    |
| 8520-600 | Nonoperated                                |  |                    | \$0                |                    |
| 8520-700 | Impairment                                 |  |                    | \$0                |                    |
| 8520-999 | Accruals                                   |  |                    | \$0                |                    |
|          | <b>TOTAL COMPLETION COST - INTANGIBLES</b> |  |                    | <b>\$4,219,200</b> | <b>\$4,219,200</b> |
|          | <b>TOTAL WELL COST</b>                     |  | <b>\$1,921,165</b> | <b>\$5,015,378</b> | <b>\$6,936,543</b> |

Approved by: *Jean Kowalski* Date: 2-15-18  
*Luis Kroppek*  
 Vice President  
 McClure-Chapman Exploration, Inc.

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_



January 12, 2018

**VIA CERTIFIED MAIL**

McCully - Chapman Exploration, Inc.  
PO Box 421  
Sealy, TX 77474

RECEIVED  
RY: \_\_\_\_\_

RE: Black River 3-10 Federal WCA 4H  
W2 Sections 3 & 10: T24S-R26E  
Eddy County, New Mexico

Gentlemen,

Chisholm Energy Operating, LLC ("Chisholm") hereby proposes the drilling of the Black River 3-10 Federal WCA 4H in Sections 3 & 10, Township 24 South, Range 26 East, Eddy County, New Mexico. The surface location for this well is proposed at a legal location in Section 3 Lot 3 with a bottom hole at a legal location in Section 10 Unit N (see attached plat for further detail). The well will have a targeted interval in the Wolfcamp formation to a Measured Depth of approximately 18,000'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$6,936,543, being the total estimated cost to drill and complete said well.

Chisholm is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2 of Sections 3 & 10, Township 24 South, Range 26 East, limited from the surface to the bottom of the Wolfcamp Formation. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Production rate
- Chisholm Energy Operating, LLC named as Operator
- Initial Well Black River 3-10 Federal WCA 2H

McCully - Chapman Exploration, Inc. will own an approximate 0.5876% working interest in the well, subject to title verification. Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address.

Should you have any questions, please do not hesitate to contact myself at 817-953-0480.

Very truly yours,

Chisholm Energy Operating, LLC

Davis Armour  
Senior Landman

I/We hereby elect to participate in the Black River 3-10 Federal WCA 4H.

I/We hereby elect NOT to participate in the Black River 3-10 Federal WCA 4H.

Company: **McCully - Chapman Exploration, Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: 2-15-18

Address: Chisholm Energy Operating, LLC 801 Cherry Street Suite 1200 Unit 20 Fort Worth, TX 76102



# CHISHOLM ENERGY

## Statement of Estimated Well Cost (100%)

Well: Black River 3-10 Federal WCA 4H  
 Field: Wolfcamp  
 County, State: Lea, NM  
 BHL: Horizontal  
 Proposed TD: 18,000 MD 8,650 TVD AFE#  
 Normal Pressure? Yes

|                                           |                                                 | BCP                | ACP      | TOTAL              |
|-------------------------------------------|-------------------------------------------------|--------------------|----------|--------------------|
| <b>COSTS TO CASING POINT: TANGIBLES</b>   |                                                 |                    |          |                    |
| 8510-400                                  | Conductor Casing or Drive Pipe                  | \$15,000           |          | \$15,000           |
| 8510-405                                  | Surface Casing                                  | \$10,647           |          | \$10,647           |
| 8510-410                                  | Intermediate Casing/Drig Liner                  | \$30,368           |          | \$30,368           |
| 8510-415                                  | Wellhead Equipment - Surface & MLS              | \$10,500           |          | \$10,500           |
| 8510-420                                  | Other Sub-Surface Equipment                     | \$0                |          |                    |
| 8510-425                                  | Cementing Equipment                             | \$8,000            |          | \$8,000            |
| 8510-600                                  | Nonoperated                                     | \$0                |          |                    |
| 8510-700                                  | Impairment                                      | \$0                |          |                    |
| 8510-999                                  | Accruals                                        | \$0                |          |                    |
|                                           | <b>TOTAL COST TO CASING POINT - TANGIBLES</b>   | <b>\$74,515</b>    |          | <b>\$74,515</b>    |
| <b>COSTS TO CASING POINT: INTANGIBLES</b> |                                                 |                    |          |                    |
| 8500-100                                  | Roads/Location                                  | \$67,000           |          | \$67,000           |
| 8500-105                                  | Drilling Turnkey                                | \$0                |          |                    |
| 8500-110                                  | Drilling Daywork                                | \$495,000          |          | \$495,000          |
| 8500-115                                  | Fuel/Power                                      | \$120,000          |          | \$120,000          |
| 8500-125                                  | Equipment Rental                                | \$165,000          |          | \$165,000          |
| 8500-130                                  | Legal Fees                                      | \$0                |          |                    |
| 8500-135                                  | Bonds, Permits and Inspection                   | \$50,000           |          | \$50,000           |
| 8500-155                                  | Mud and Chemicals                               | \$150,000          |          | \$150,000          |
| 8500-160                                  | Cementing Services                              | \$29,000           |          | \$29,000           |
| 8500-170                                  | Supervision/Consulting                          | \$60,800           |          | \$60,800           |
| 8500-175                                  | Casing and Other Tangible Crew                  | \$24,000           |          | \$24,000           |
| 8500-180                                  | Damages/Penalties                               | \$0                |          |                    |
| 8500-185                                  | Coring and Analysis                             | \$0                |          |                    |
| 8500-190                                  | Cuttings/Fluids Disposal                        | \$125,000          |          | \$125,000          |
| 8500-195                                  | Directional Drilling Services                   | \$338,500          |          | \$338,500          |
| 8500-200                                  | Drill Bits                                      | \$60,000           |          | \$60,000           |
| 8500-210                                  | Surface Damages/ROW                             | \$0                |          |                    |
| 8500-215                                  | Contract Labor and Services                     | \$2,500            |          | \$2,500            |
| 8500-220                                  | Mud Logging                                     | \$0                |          |                    |
| 8500-235                                  | Reclamation                                     | \$0                |          |                    |
| 8500-240                                  | Rig Mobilization/Demob                          | \$83,000           |          | \$83,000           |
| 8500-245                                  | Fishing Tools and Services                      | \$0                |          |                    |
| 8500-250                                  | Testing-Drill Stem/Production                   | \$0                |          |                    |
| 8500-260                                  | Wireline Services                               | \$0                |          |                    |
| 8500-265                                  | Water                                           | \$18,250           |          | \$18,250           |
| 8500-270                                  | Camp Expenses                                   | \$52,600           |          | \$52,600           |
| 8500-285                                  | Contingencies                                   | \$0                |          |                    |
| 8500-290                                  | Environmental                                   | \$0                |          |                    |
| 8500-300                                  | Overhead                                        | \$6,000            |          | \$6,000            |
| 8500-350                                  | Insurance                                       | \$0                |          |                    |
| 8500-600                                  | Nonoperated                                     | \$0                |          |                    |
| 8500-700                                  | Impairment                                      | \$0                |          |                    |
| 8500-999                                  | Accruals                                        | \$0                |          |                    |
|                                           | <b>TOTAL COST TO CASING POINT - INTANGIBLES</b> | <b>\$1,846,650</b> |          | <b>\$1,846,650</b> |
| <b>COMPLETION COSTS: TANGIBLES</b>        |                                                 |                    |          |                    |
| 8530-415                                  | Wellhead                                        |                    | \$21,900 | \$21,900           |
| 8530-420                                  | Subsurface Equipment                            |                    | \$15,000 | \$15,000           |

|          |                                            |  |                    |                    |
|----------|--------------------------------------------|--|--------------------|--------------------|
| 8530-500 | Production Casing                          |  | \$215,460          | \$215,460          |
| 8530-510 | Tubing                                     |  | \$42,818           | \$42,818           |
| 8530-515 | Rods                                       |  | \$0                |                    |
| 8530-525 | Artificial Lift Equipment                  |  | \$25,000           | \$25,000           |
| 8530-530 | Gas Metering Equipment                     |  | \$48,000           | \$48,000           |
| 8530-535 | LACT Unit                                  |  | \$0                |                    |
| 8530-540 | Production Facilities and Flowlines        |  | \$120,000          | \$120,000          |
| 8530-545 | Pumping Unit                               |  | \$100,000          | \$100,000          |
| 8530-550 | Separator, Heater, Treater                 |  | \$75,000           | \$75,000           |
| 8530-555 | Tank Battery                               |  | \$118,000          | \$118,000          |
| 8530-560 | Vapor Recovery Unit                        |  | \$0                |                    |
| 8530-590 | Other Misc Equipment                       |  | \$15,000           | \$15,000           |
| 8530-600 | Nonoperated                                |  | \$0                |                    |
| 8530-700 | Impairment                                 |  | \$0                |                    |
| 8530-999 | Accruals                                   |  | \$0                |                    |
|          | <b>TOTAL COMPLETION COST - TANGIBLES</b>   |  | <b>\$796,178</b>   | <b>\$796,178</b>   |
|          | <b>COMPLETION COSTS: INTANGIBLES</b>       |  |                    |                    |
| 8520-100 | Roads/Location                             |  | \$20,000           | \$20,000           |
| 8520-120 | Perforating Services                       |  | \$157,500          | \$157,500          |
| 8520-125 | Equipment Rental                           |  | \$193,000          | \$193,000          |
| 8520-135 | Bonds, Permits and Inspection              |  | \$0                |                    |
| 8520-145 | Completion Unit                            |  | \$48,000           | \$48,000           |
| 8520-150 | Frac Plugs                                 |  | \$67,500           | \$67,500           |
| 8520-155 | Mud and Chemicals                          |  | \$128,000          | \$128,000          |
| 8520-160 | Cementing Services                         |  | \$60,000           | \$60,000           |
| 8520-165 | Acidizing and Fracturing                   |  | \$2,610,000        | \$2,610,000        |
| 8520-170 | Supervision/Consulting                     |  | \$42,000           | \$42,000           |
| 8520-175 | Casing and Other Tangible Crew             |  | \$15,000           | \$15,000           |
| 8520-190 | Cuttings/Fluids Disposal                   |  | \$120,000          | \$120,000          |
| 8520-200 | Drill Bits                                 |  | \$6,000            | \$6,000            |
| 8520-210 | Surface Damages/ROW                        |  | \$0                |                    |
| 8520-215 | Contract Labor and Services                |  | \$5,000            | \$5,000            |
| 8520-230 | Pump/Vacuum Trucks                         |  | \$40,000           | \$40,000           |
| 8520-235 | Reclamation                                |  | \$0                |                    |
| 8520-245 | Fishing Tools and Services                 |  | \$0                |                    |
| 8520-250 | Well Testing                               |  | \$84,000           | \$84,000           |
| 8520-255 | Trucking and Hauling                       |  | \$0                |                    |
| 8520-260 | Wireline Services                          |  | \$5,000            | \$5,000            |
| 8520-270 | Camp Expenses                              |  | \$25,200           | \$25,200           |
| 8520-275 | Coiled Tubing Services                     |  | \$0                |                    |
| 8520-280 | Frac Water                                 |  | \$593,000          | \$593,000          |
| 8520-285 | Contingencies                              |  | \$0                |                    |
| 8520-290 | Environmental                              |  | \$0                |                    |
| 8520-300 | Overhead                                   |  | \$0                |                    |
| 8520-350 | Insurance                                  |  | \$0                |                    |
| 8520-600 | Nonoperated                                |  | \$0                |                    |
| 8520-700 | Impairment                                 |  | \$0                |                    |
| 8520-999 | Accruals                                   |  | \$0                |                    |
|          | <b>TOTAL COMPLETION COST - INTANGIBLES</b> |  | <b>\$4,219,200</b> | <b>\$4,219,200</b> |
|          | <b>TOTAL WELL COST</b>                     |  | <b>\$1,921,165</b> | <b>\$5,015,378</b> |
|          |                                            |  |                    | <b>\$6,936,543</b> |

Approved by: Jan Kunkel Date: 2-15-18

*Jan Kunkel*  
Vice President  
McCully-Chapman Exploration, Inc

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_