

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF KAISER-FRANCIS OIL
COMPANY COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

Case No. 20050

VERIFIED STATEMENT OF MICHAEL MAXEY

Michael Maxey, being duly sworn upon his oath, deposes and states:

1. I am a landman for Kaiser-Francis Oil Company ("KFOC"), and have personal knowledge of the matters stated herein. I have been qualified by the Division as an expert petroleum landman.
2. The following information is submitted in support of the compulsory pooling application filed herein:
 - (a) The purpose of this application is to force pool working interest owners into the Bone Spring horizontal spacing unit described below, and in wells to be drilled in the unit.
 - (b) No opposition is expected because the interest owners being pooled have been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests to the well.
 - (c) A Midland Map Co. plat outlining the unit being pooled is attached hereto as Attachment A. KFOC seeks an order approving a 238.80 horizontal spacing unit in the Bone Spring formation comprised of Lots 3 and 4 (the W/2SW/4) of Section 31, Township 25 South Range 33 East, NMPM and Lots 1-4 (the W/2W/2) of Section 6, Township 26 South, Range 33 East, NMPM. Applicant further seeks the pooling of all mineral interests in:
 - (i) Pool Code: 97994 Pool Name: WC-025 G-06 S253329D; Upper Bone Spring, to be dedicated to the Red Hills Well No. 001H; and
 - (ii) Pool Code: 97994 Pool Name: WC-025 G-06 S253329D; Upper Bone Spring, to be dedicated to the Red Hills Well No. 101H,

The wells are horizontal wells with first take points in Lot 3 of Section 31 and final take points in Lot 4 of Section 6. C-102s for the wells are attached as Attachment B.

There is no depth severance in the Bone Spring formation.

- (d) The parties being pooled and their interests are set forth in Attachment C. Their current and correct addresses are also set forth.
- (e) There are no unlocatable interest owners.
- (f) Attachment D contains a summary of contacts or attempted contacts with the interest owners, together with copies of the proposal letters sent to the interest owners.
- (g) KFOC has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed wells.
- (h) KFOC has the right to pool the overriding royalty owners in the well unit.
- (i) Attachment E contains the Authorizations for Expenditure for the proposed wells. The estimated cost of the wells set forth therein are fair and reasonable, and are comparable to the costs of other wells of similar depth and length drilled in this area of Lea County.
- (j) KFOC requests overhead and administrative rates of \$8,000.00/month for a drilling well and \$800.00/month for a producing well. These rates are fair, and are comparable to the rates charged by other operators for wells of this type in this portion of Lea County. They are also the rates set forth in the Joint Operating Agreement for the well unit. KFOC requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.
- (k) KFOC requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.
- (l) KFOC requests that it be designated operator of the wells.
- (m) The attachments to this affidavit were prepared by me, or compiled from company business records.
- (n) The granting of this application is in the interests of conservation and the prevention of waste.

VERIFICATION

STATE OF OKLAHOMA)
) ss.
COUNTY OF Tulsa)

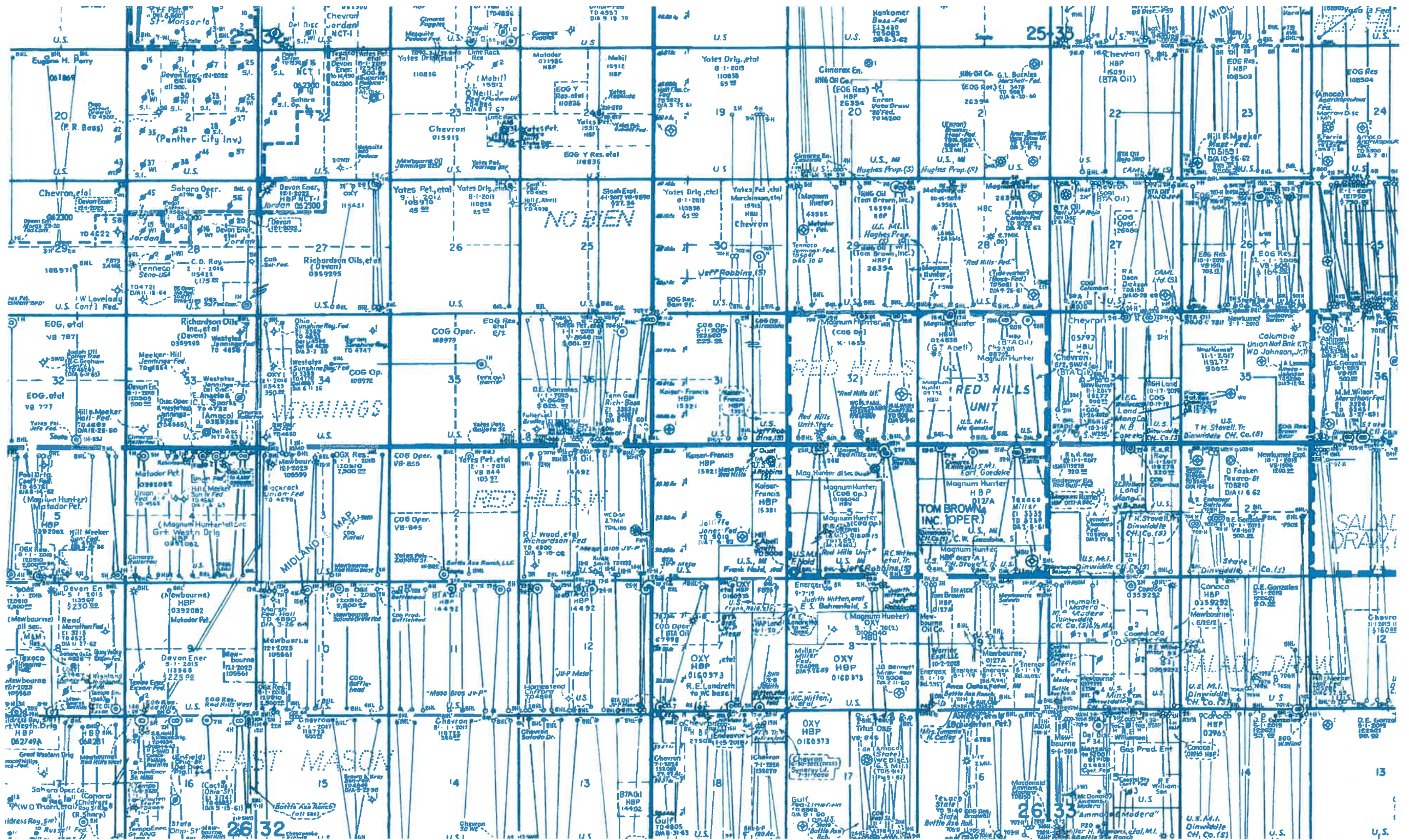
Michael Maxey, being duly sworn upon his oath, deposes and states that: He is a landman for Kaiser-Francis Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.


Michael Maxey

SUBSCRIBED AND SWORN TO before me this 13th day of November, 2018 by
Michael Maxey.

My Commission Expires: 12-15-18

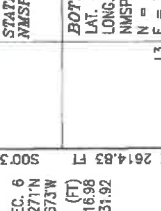




¹ API Number	² Pool Code	³ Pool Name	⁴ Well Number
⁴ Property Code	⁵ Property Name RED HILLS		001H
⁷ OGRUD No. 12361	⁶ Operator Name KAISER-FRANCIS OIL COMPANY		⁹ Elevation 3407.7

UL or lot no.	Section	Township	Range	Lot ldn	Feet from the North/South line	Feet from the East/West line	County
L	31	25 S	33 E		2250	350	LEA

UL or lot no. 4	Section 6	Township 26 S	Range 33 E	Lot Idn	Feet from the 330	North/South line SOUTH	Feet from the 350	East/West line WEST	County LEA
¹² Dedicated Acres				¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.	

17 OPERATOR CERTIFICATION	
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 unless mineral interest in the land including the proposed bottom hole location 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.	
Signature	Date
Printed Name	
E-mail Address	
18 SURVEYOR CERTIFICATION	
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.	
MAY 4, 2018	Date of Survey
	
ELLIOTT F. JARAMILLO State of New Mexico Professional Surveyor Certificate Number 12797 SURVEY NO. 5940A	

NE CORNER SEC. 31		N/4 CORNER SEC. 31		S89°33'55"W 2850.63 FT		S89°36'15"W 2635.02 FT	
LAT. = 32.0943208°N	LAT. = 32.0943208°N	LAT. = 32.0943196°N	LAT. = 32.0943196°N	LAT. = 32.0943196°N	LAT. = 32.0943196°N	LAT. = 32.0943196°N	LAT. = 32.0943196°N
LONG. = 103.6028555°W	LONG. = 103.6028555°W	LONG. = 103.6113823°W	LONG. = 103.6113823°W	LONG. = 103.6113823°W	LONG. = 103.6113823°W	LONG. = 103.6113823°W	LONG. = 103.6113823°W
NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)
N = 398816.91	N = 398816.91	N = 398788.70	N = 398788.70	N = 398788.70	N = 398788.70	N = 398788.70	N = 398788.70
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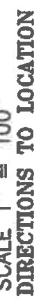
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LONG. = 103.6028547°W	LONG. = 103.6028547°W	LONG. = 103.6187913°W	LONG. = 103.6187913°W	LONG. = 103.6187913°W	LONG. = 103.6187913°W	LONG. = 103.6187913°W	
NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	
N = 396178.96	N = 396178.96	N = 396160.00	N = 396160.00	N = 396160.00	N = 396160.00	N = 396160.00	
E = 767565.60	E = 767565.60	E = 762630.25	E = 762630.25	E = 762630.25	E = 762630.25	E = 762630.25	

SECTION CORNER		SURFACE LOCATION		SURFACE LOCATION		SURFACE LOCATION	
LAT. = 32.0797963°N	LAT. = 32.0797963°N	LAT. = 32.0859981°N	LAT. = 32.0859981°N	LAT. = 32.0859981°N	LAT. = 32.0859981°N	LAT. = 32.0859981°N	
LONG. = 103.6076596°W	LONG. = 103.6076596°W	LONG. = 103.6187876°W	LONG. = 103.6187876°W	LONG. = 103.6187876°W	LONG. = 103.6187876°W	LONG. = 103.6187876°W	
NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	
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SECTION CORNER		QUARTER CORNER		QUARTER CORNER		QUARTER CORNER	
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LONG. = 103.6198847°W	LONG. = 103.6198847°W	LONG. = 103.6113923°W	LONG. = 103.6113923°W	LONG. = 103.6113923°W	LONG. = 103.6113923°W	LONG. = 103.6113923°W	
NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	NMSP EAST (FT)	
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E = 762306.72	E = 762306.72	E = 759493.16	E = 759493.16	E = 759493.16	E = 759493.16	E = 759493.16	

W/4 CORNER SEC. 6		LATITUDE AND LONGITUDE VALUES ARE NAD 83 STATE PLANE VALUES ARE NMSP EAST (FT)		LATITUDE AND LONGITUDE VALUES ARE NAD 83 STATE PLANE VALUES ARE NMSP EAST (FT)		LATITUDE AND LONGITUDE VALUES ARE NAD 83 STATE PLANE VALUES ARE NMSP EAST (FT)	
LAT. = 32.0742711°N	LAT. = 32.0742711°N	LAT. = 32.0661002°N	LAT. = 32.0661002°N	LAT. = 32.0661002°N	LAT. = 32.0661002°N	LAT. = 32.0661002°N	
LONG. = 103.6198673°W	LONG. = 103.6198673°W	LONG. = 103.6187136°W	LONG. = 103.6187136°W	LONG. = 103.6187136°W	LONG. = 103.6187136°W	LONG. = 103.6187136°W	
NMSP EAST (FT							

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.



LOCATED 2250 FT. FROM THE SOUTH LINE
AND 350 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

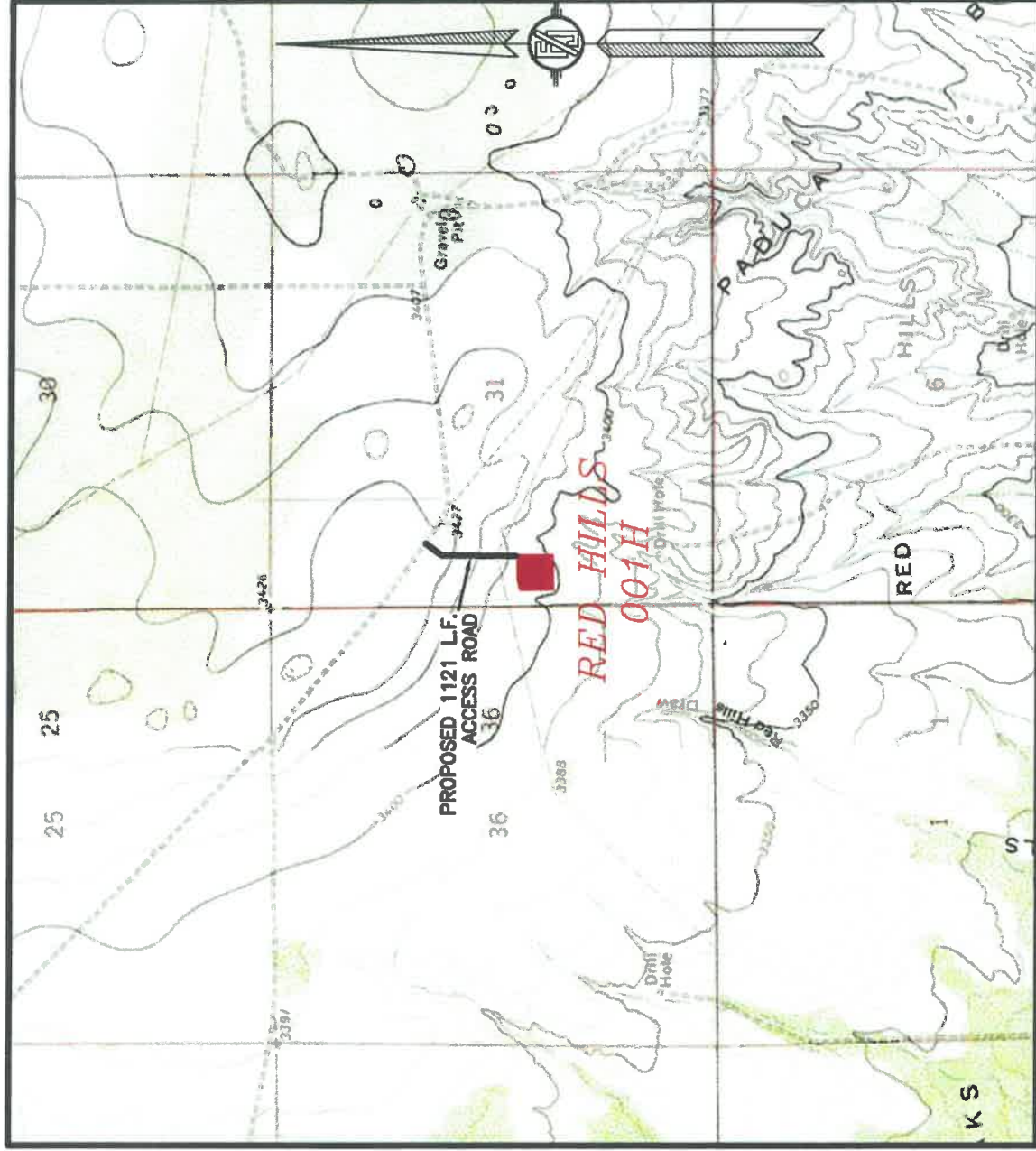
SURVEY NO. 5942A

MADRON SURVEYING, INC. 301 SOUTH CANAL
(575) 234-3341

SURVEY NO. 5942A

CARLSBAD, NEW MEXICO

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
LOCATION VERIFICATION MAP



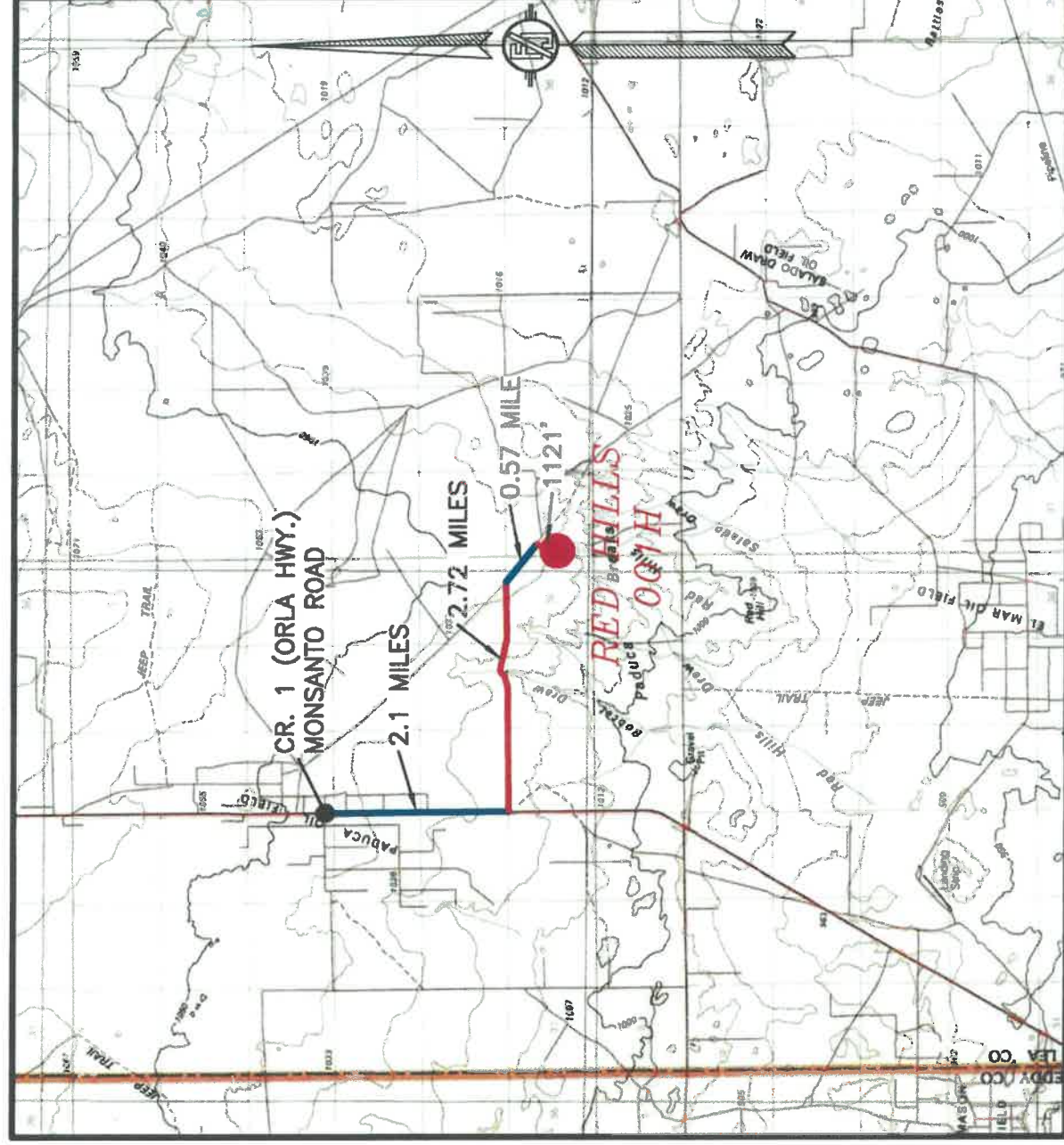
KAISER-FRANCIS OIL COMPANY
RED HILLS 001H

LOCATED 2250 FT. FROM THE SOUTH LINE
AND 350 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. (575) 234-3341
SURVEY NO. 5942A
CARLSBAD, NEW MEXICO

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
VICINITY MAP



DISTANCES IN MILES

NOT TO SCALE

DIRECTIONS TO LOCATION
FROM THE INTERSECTION OF CR. 1 (ORLA HWY.) AND MONSANTO ROAD, GO SOUTH ON CR. 1 2.1 MILES TO A CALICHE ROAD ON LEFT (EAST), TURN LEFT AND GO EAST ON CALICHE ROAD 2.72 MILES TO A "Y" INTERSECTION, BEAR RIGHT (SOUTHEAST) AND GO SOUTHEAST 0.57 MILE TO A ROAD SURVEY ON RIGHT (SOUTH), FOLLOW ROAD SURVEY SOUTH 1121' TO THE NORTHEAST PAD CORNER FOR THIS LOCATION.

KAISER-FRANCIS OIL COMPANY
RED HILLS 001H
LOCATED 2250 FT. FROM THE SOUTH LINE
AND 950 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO
SURVEY NO. 5942A

301 SOUTH CANAL
(575) 234-3341

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
AERIAL PHOTO



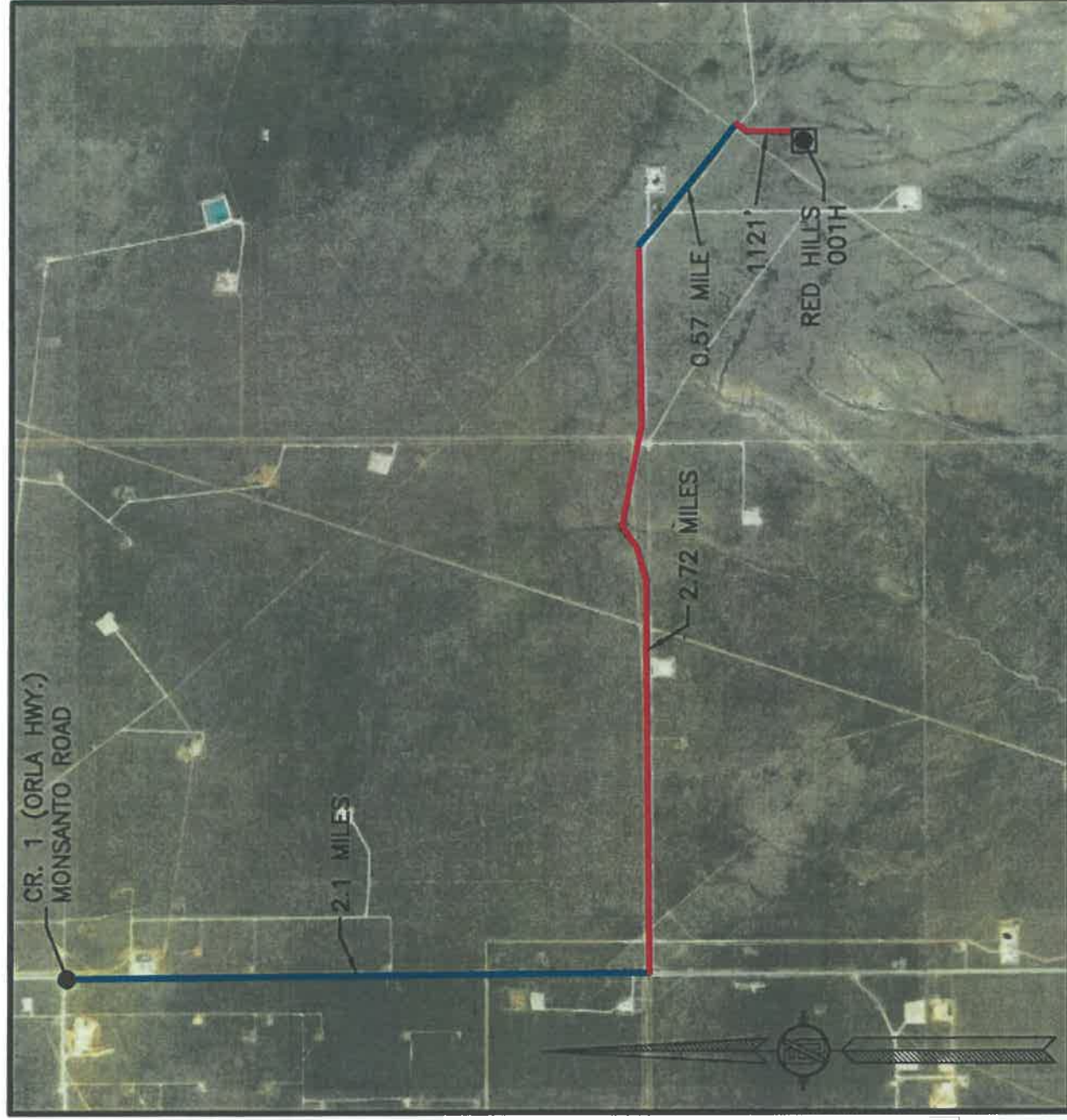
NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
NOV. 2015

KAISER-FRANCIS OIL COMPANY
RED HILLS 001H
LOCATED 2250 FT. FROM THE SOUTH LINE
AND 350 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO
SURVEY NO. 5942A

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
AERIAL ACCESS ROUTE MAP



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
NOV. 2015

KAISER-FRANCIS OIL COMPANY

RED HILLS 001H

LOCATED 2250 FT. FROM THE SOUTH LINE
AND 350 FT. FROM THE WEST LINE OF

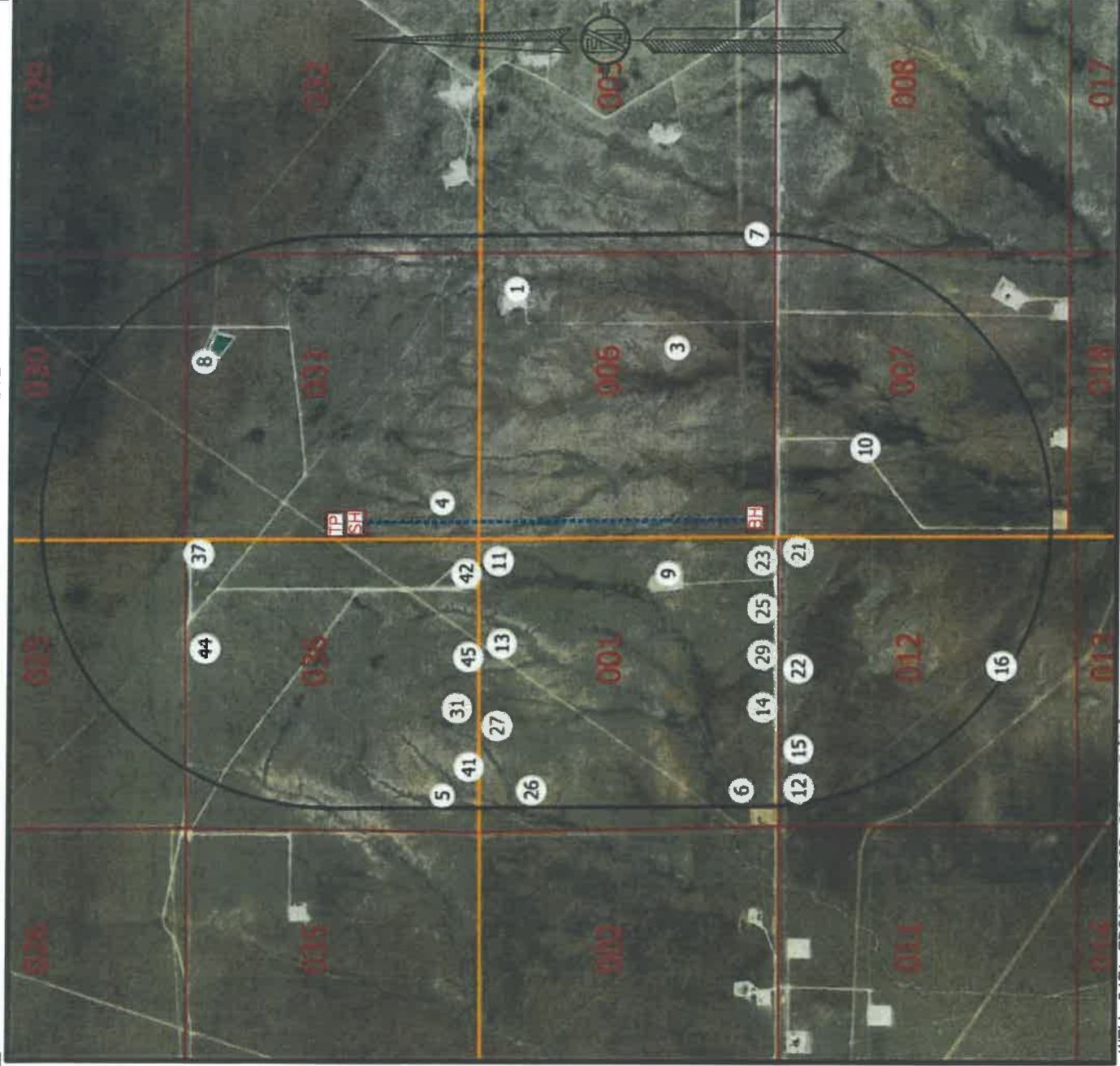
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.

LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. SURVEY NO. 5942A
CARLSBAD, NEW MEXICO

1-MILE WELLS



WELL DATA FROM NMOCD GIS - 5/2/18

SH SURFACE LOCATION

BH BOTTOM OF HOLE

XX WELLS WITHIN 1 MILE

--- WELL PATH

— 1-MILE BOUNDARY

KAISER-FRANCIS OIL COMPANY
RED HILLS 001H

LOCATED 2250 FT. FROM THE SOUTH LINE
AND 350 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
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LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

SURVEY NO. 5942A

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO

301 SOUTH CANAL
(575) 234-3341

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 Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
⁴ Property Code	⁵ Property Name RED HILLS	⁶ Well Number 101H
⁷ OGRID No. 12361	⁸ Operator Name KAISER-FRANCIS OIL COMPANY	⁹ Elevation 3407.8

¹⁰ Surface Location				
UL or lot no.	Section	Township	Range	Lot Idn
L	31	25 S	33 E	
				Feet from the
				North/South line
				SOUTH
				Feet from the
				East/West line
				WEST
				County
				LEA

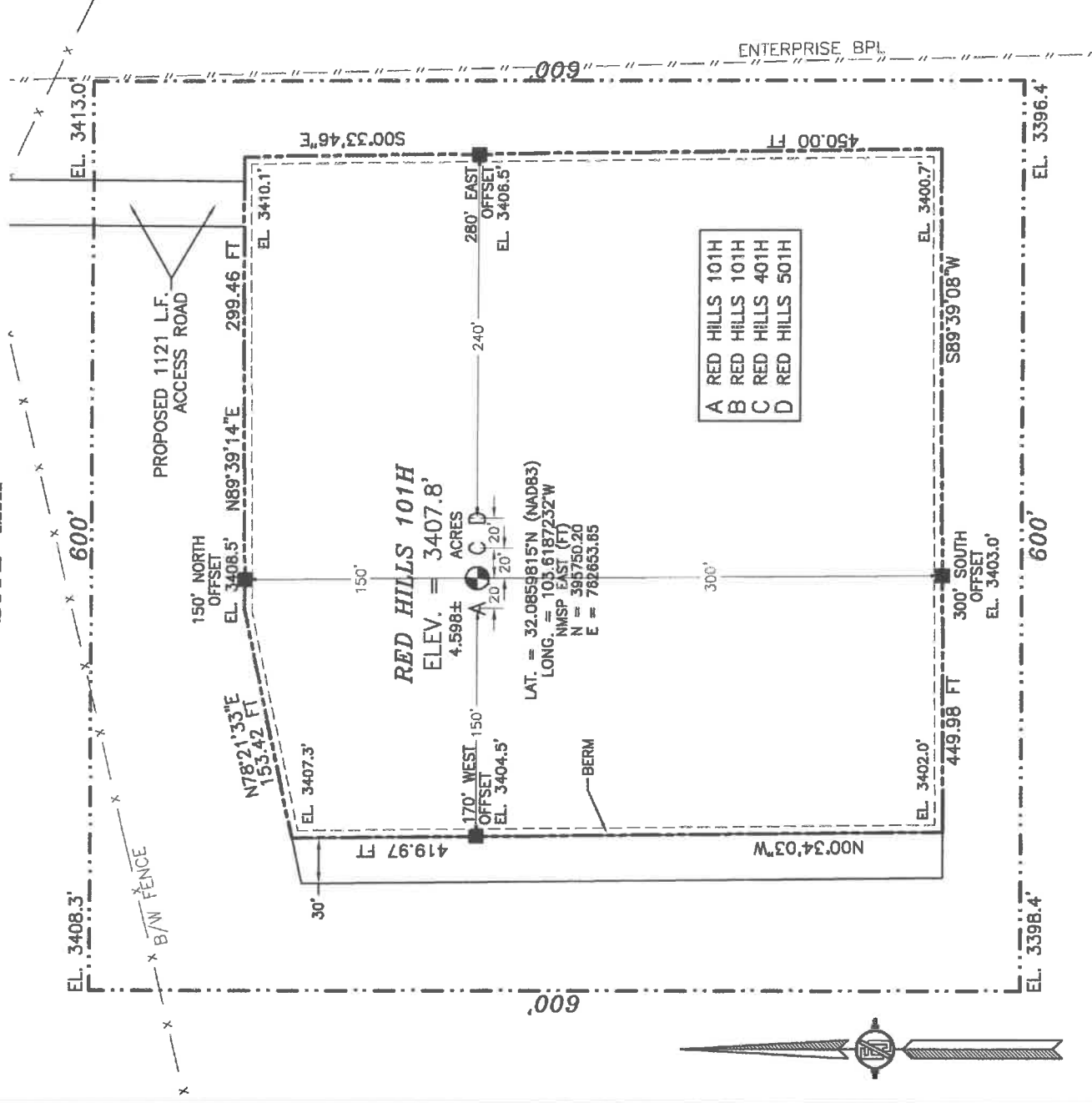
¹¹ Bottom Hole Location If Different From Surface				
UL or lot no.	Section	Township	Range	Lot Idn
4	6	26 S	33 E	
				Feet from the
				North/South line
				SOUTH
				Feet from the
				East/West line
				WEST
				County
				LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

¹² OPERATOR CERTIFICATION <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 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>		¹³ SURVEYOR CERTIFICATION <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>	
Signature		Date	
Printed Name		E-mail Address	
NE CORNER SEC. 31 LAT. = 32.0943209°N LONG. = 103.6028533°W NMSP EAST (FT) N = 398816.91 E = 767547.55		E/4 CORNER SEC. 31 LAT. = 32.0670895°N LONG. = 103.6028547°W NMSP EAST (FT) N = 396178.96 E = 767565.60	
TURN POINT LAT. = 32.0868434°N LONG. = 103.6187913°W NMSP EAST (FT) N = 396100.00 E = 762630.25		SECTION CORNER LAT. = 32.0797953°N LONG. = 103.6028595°W NMSP EAST (FT) N = 393532.70 E = 767582.02	
TURN POINT LAT. = 32.0859815°N (N4083) LONG. = 103.6187232°W NMSP EAST (FT) N = 395750.20 E = 762653.65		E/4 CORNER SEC. 6 LAT. = 32.0725247°N LONG. = 103.6028542°W NMSP EAST (FT) N = 390887.75 E = 767601.57	
TURN POINT LAT. = 32.0797943°N LONG. = 103.6113923°W NMSP EAST (FT) N = 390514.54 E = 764939.16		SE CORNER SEC. 6 LAT. = 32.0652983°N LONG. = 103.6028496°W NMSP EAST (FT) N = 388556.92 E = 767620.79	
TURN POINT LAT. = 32.0724271°N LONG. = 103.6198673°W NMSP EAST (FT) N = 390816.89 E = 762351.92		SW CORNER SEC. 6 LAT. = 32.0652928°N LONG. = 103.6193397°W NMSP EAST (FT) N = 388221.69 E = 762357.64	
TURN POINT LAT. = 32.0724271°N LONG. = 103.6198673°W NMSP EAST (FT) N = 390816.89 E = 762351.92		SW CORNER SEC. 6 LAT. = 32.0652928°N LONG. = 103.6193397°W NMSP EAST (FT) N = 388221.69 E = 762357.64	

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
SITE MAP



0 10 50 100 200
SCALE 1" = 100'

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CR. 1 (ORLA HWY.) AND MONSANTO ROAD, GO SOUTH ON CR. 1 2.1 MILES TO A CALICHE ROAD ON LEFT (EAST), TURN LEFT AND GO EAST ON CALICHE ROAD 2.72 MILES TO A "Y" INTERSECTION. BEAR RIGHT (SOUTHEAST) AND GO SOUTHEAST 0.57 MILE TO A ROAD SURVEY ON RIGHT (SOUTH). FOLLOW ROAD SURVEY SOUTH 1121' TO THE NORTHEAST PAD CORNER FOR THIS LOCATION.

KAISER-FRANCIS OIL COMPANY
RED HILLS 101H

LOCATED 2250 FT. FROM THE SOUTH LINE
AND 370 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.

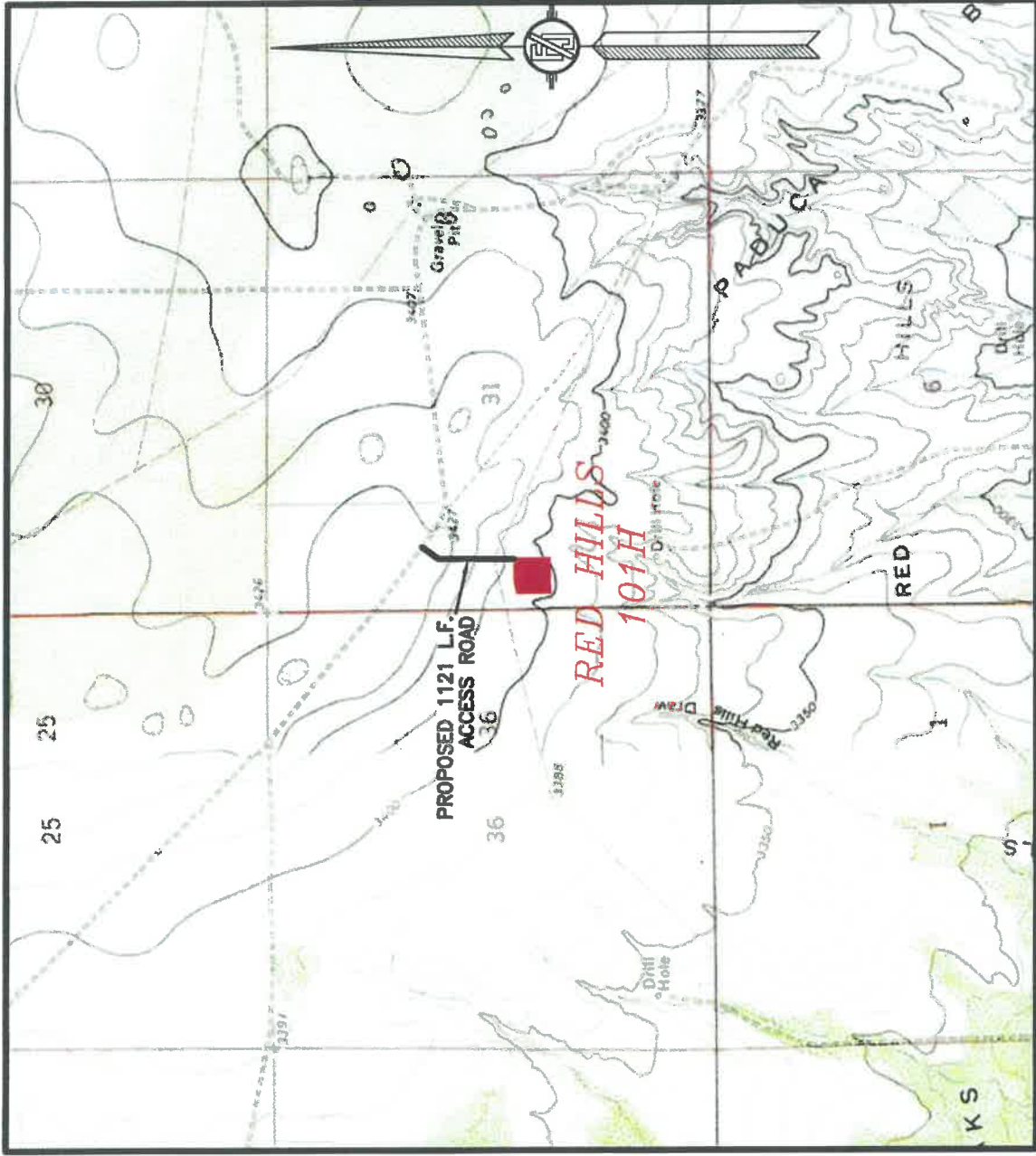
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

SURVEY NO. 5948

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
LOCATION VERIFICATION MAP



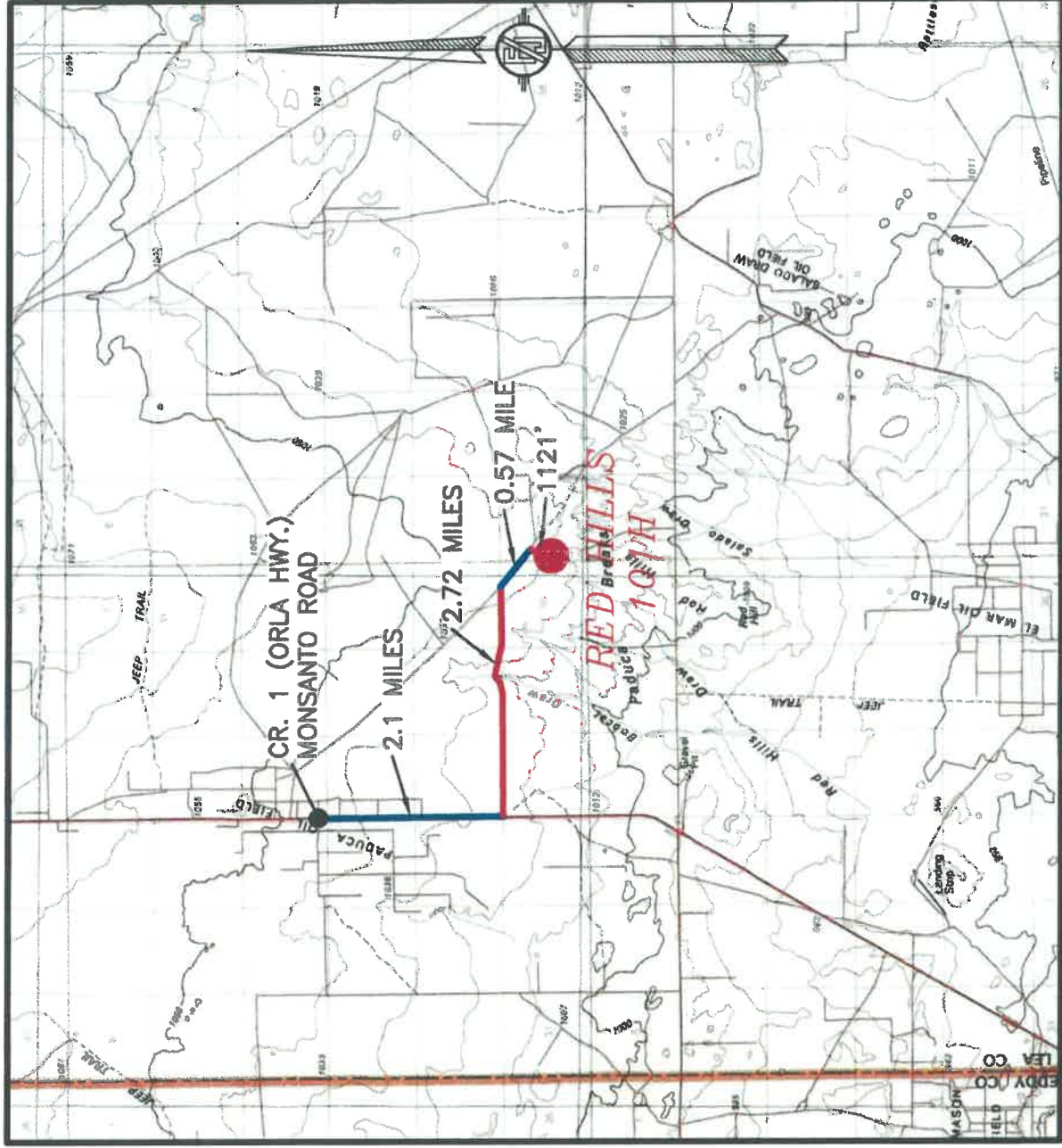
USGS QUAD MAP:
PADUCA BREAKS EAST

KAISER-FRANCIS OIL COMPANY
RED HILLS 101H
LOCATED 2250 FT. FROM THE SOUTH LINE
AND 370 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. 301 SOUTH CANAL
SURVEY NO. 5943
CARLSBAD, NEW MEXICO (575) 234-3341

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
VICINITY MAP



DISTANCES IN MILES

NOT TO SCALE

DIRECTIONS TO LOCATION
FROM THE INTERSECTION OF CR. 1 (ORLA HWY.) AND
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LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341
SURVEY NO. 5943
CARLSBAD, NEW MEXICO

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
AERIAL PHOTO



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
NOV. 2015

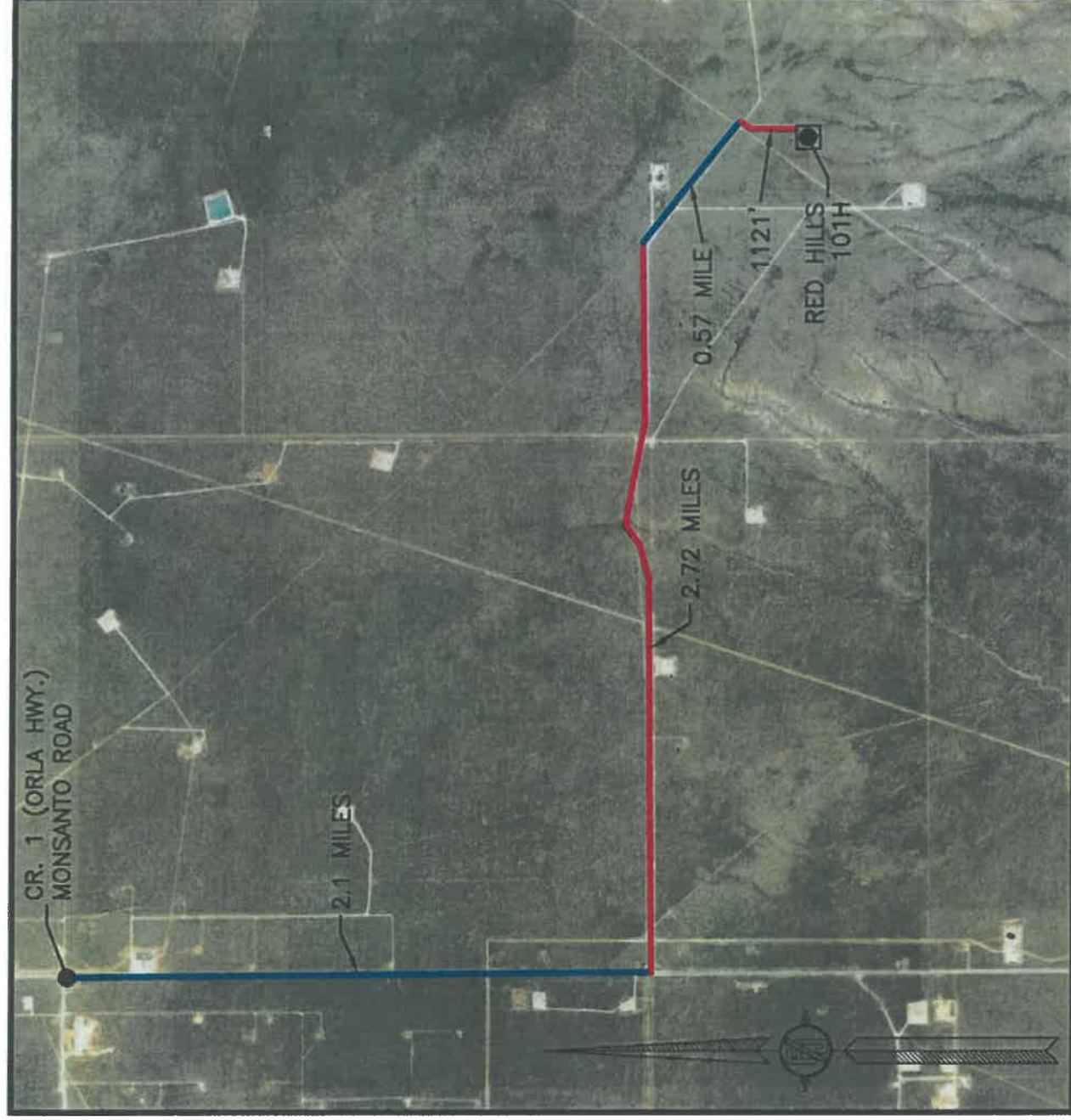
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LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

SURVEY NO. 5943

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO

SECTION 31, TOWNSHIP 25 SOUTH, RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO
AERIAL ACCESS ROUTE MAP



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
NOV. 2016

KAISER-FRANCIS OIL COMPANY

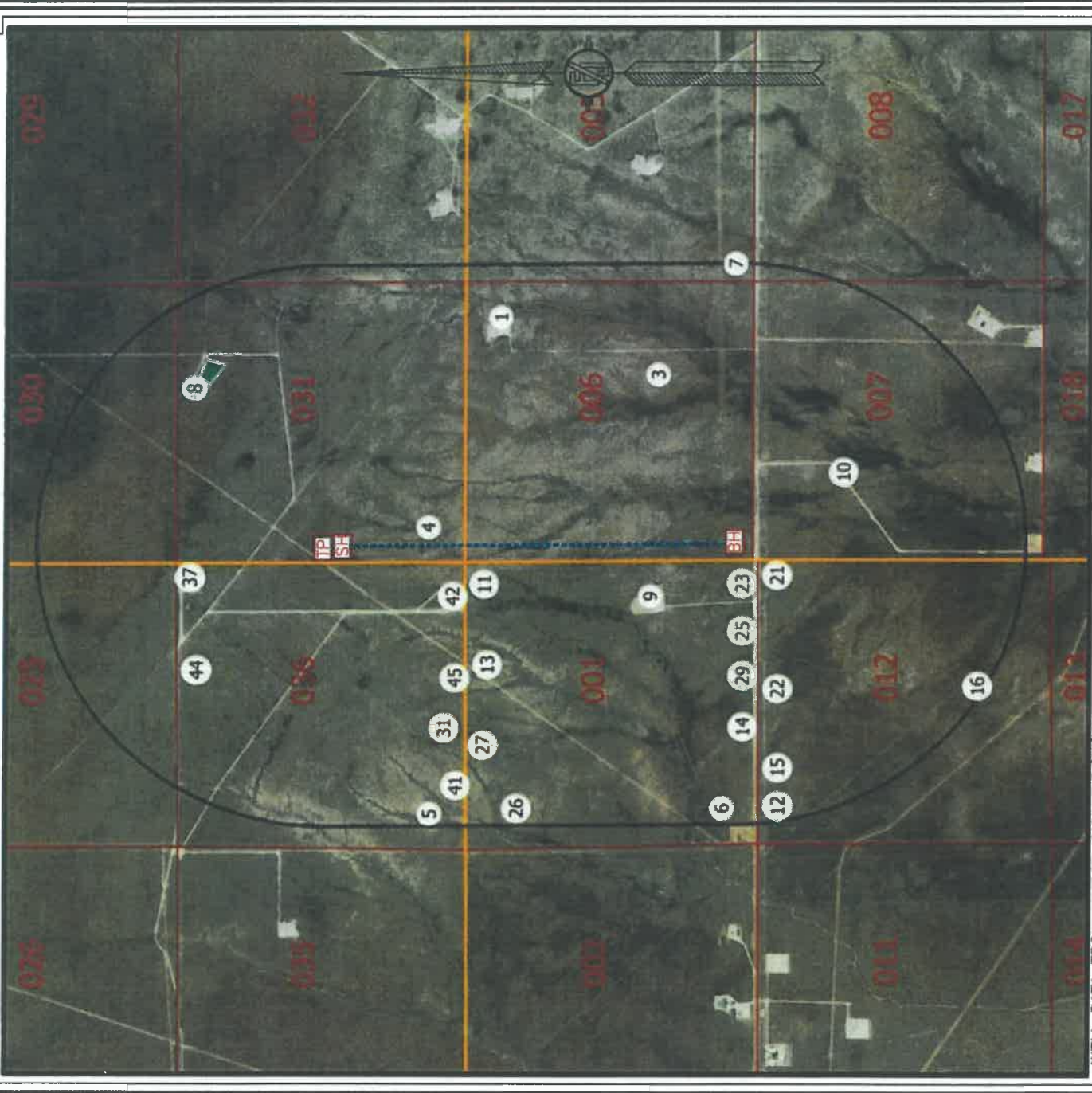
RED HILLS 101H

LOCATED 2250 FT. FROM THE SOUTH LINE
AND 370 FT. FROM THE WEST LINE OF
SECTION 31, TOWNSHIP 25 SOUTH,
RANGE 33 EAST, N.M.P.M.
LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO
SURVEY NO. 5943

1-MILE WELLS



WELL DATA FROM NMOC D GIS - 5/2/18

SURFACE LOCATION

BH BOTTOM OF HOLE

⊗ WELLS WITHIN 1 MILE

----- WELL PATH

1-MILE BOUNDARY

KAISER-FRANCIS OIL COMPANY

RED HILLS 101H

LOCATED 2250 FT. FROM THE SOUTH LINE

AND 370 FT. FROM THE WEST LINE OF

TION 31, TOWNSHIP 25 SO
RANGE 33 EAST, N.M.P.M.

LEA COUNTY, STATE OF NEW MEXICO

MAY 4, 2018

SURVEY NO. 5943

MADRON SURVEYING, INC.
301 SOUTH CANAL
(575) 234-3341

MEXICO

Attachment "C"

For Case No. 20050

Atlas OBO Energy, LP 15603 Kuykendahl Road, Suite 200 Houston, TX 77090-3655	.0357869
Royalty Clearinghouse 2003, LLC. 401 Congress Avenue, Suite 1750 Austin, TX 78701-4071	.0750000
West Texas Gas, Inc. D/B/A WTG Exploration Inc. 401 W. Wadley Avenue Midland, TX 79705-5339	.0750000

KAISER-FRANCIS OIL COMPANY

P. O. BOX 21468

TULSA, OKLAHOMA 74121-1468

6733 South Yale Avenue, 74136
(918) 494-0000

September 10, 2018

Sent by Certified Mail

Atlas OBO Energy, LP
15603 Kuykendahl Road, Suite 200
Houston, TX 77090-3655

Re: Red Hills 001H
Lost 3 and 4 and the E/2 SW/4 and SE/4 SE/4 of Section 31-25S-33E and
All of Section 6-26S-33E
Lea Co., NM

Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of a 9,250' TVD / 16,600' TMD Upper Avalon Formation test well. It will have a SHL of 2,250' FSL and 350' FWL in Section 31-25S-33E and a BHL of 330' FSL and 350' FWL in Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$3,390,390 initial drilling costs and \$9,760,866 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCDC soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424.

Respectfully,



Michael D. Maxey
Landman

Kaiser-Francis Oil Company
Authority for Expenditure

Operator:	Kaiser-Francis Oil Company	Date:	7/23/2018
Well Name:	Red Hills 001H	Field:	Red Hills
Prospect:	Red Hills	County / Psh	Lee County
Location:	Sec 31 25S 33W Lea NM (surface)	State:	New Mexico
Depth:	16600 MD	Preparer:	C Jone / D Zenger
Horizon:	Upper Avalon		
Objective:	Drill and complete a new horizontal well with a 7200' lateral		

JIB Code	Intangible Drilling and Completion Costs	Drilling	Completion	Eqpt/Const	Total
500/600	Location / Road Expense / Frac Pit Construction	\$83,333	\$14,000	\$44,000	\$141,333
501/***	Cond. Rat Hole, Mouse Hole Services	\$45,000			\$45,000
502/602	Location Damages	\$20,000			\$20,000
504/604	Turnkey Completion Rig		\$13,500		\$13,500
	Footage @ 22 days at per foot				\$0
505/605	Coiled Tubing & Related Services	\$550,000	\$300,000		\$850,000
506/606	Rig Mob / Demob				\$300,000
507/***	Directional Drilling Services	\$146,667			\$146,667
508/608	Bits & Reamers	\$266,000			\$266,000
510/610	Fuel/Power	\$108,000			\$108,000
512/612	Drilling Water / Completion Fluid	\$121,000			\$121,000
514/614	Mud & Chemicals	\$42,000	\$576,250		\$618,250
515/615	Closed Loop System / Mud & Cuttings Disposal / SWD	\$145,000	\$35,000		\$180,000
516/616	Surface Equipment Rental / Inspection	\$180,000	\$20,000		\$200,000
517/617	Downhole Equipment Rental / Inspection	\$294,280	\$103,370		\$397,650
518/618	Transportation & Loading	\$76,100	\$75,000		\$151,100
520/***	DST, Coring & Analysis	\$45,000	\$63,000		\$108,000
522/622	OH Logs / CH Logs / Perforating / Slideline / Plugs		\$328,000		\$0
523/***	Mud Logging / Geosteering / LWD	\$22,800			\$22,800
524/624	Cementing & Squeezing	\$210,000			\$210,000
526/626	Casing Crews & Equipment	\$54,500			\$54,500
528/628	Plug & Abandon				\$0
***/630	Stimulation		\$3,780,000		\$3,780,000
532/632	Geological & Engineering				\$0
534/634	Supervision	\$103,000	\$45,750		\$148,750
536/636	Miscellaneous Contract Labor	\$32,000	\$60,000	\$45,000	\$137,000
538/638	Prof. Fees & Abstracts				\$0
541/641	Liability Insurance / Bonds				\$0
542/642	Drilling Overhead / Completion Overhead	\$17,600	\$5,250		\$22,850
544/644	Miscellaneous & Unforeseen	\$219,190	\$270,956	\$4,450	\$494,596
	Total Intangible Drilling & Completion	\$2,781,470	\$5,690,076	\$93,450	\$8,564,996
JIB Code	Tangible Well and Lease Equipment Costs	Drilling	Completion	Eqpt/Const	Total
700	Conductor				\$0
701	Surface Casing				\$45,000
702	Intermediate Casing	13-5/8" 54.50# J-55 BTC	1000		\$45,000
702	Intermediate Casing	9-5/8" 40# P-110 HC LTC	4800		\$157,200
704	Drilling Liner (BCP)				\$0
703	Production Liner (ACP)				\$0
706	Production Casing (ACP)	5-1/2" P110 20# GBCD	16600		\$310,600
710	Tubing	2-7/8" 6.5# N-80 EUE	9500		\$57,000
721/720	Wellhead Equip. BCP/ACP		\$57,000		\$57,000
724	Packers & Downhole Equipment	\$45,000	\$35,000		\$80,000
726	Rods & Pumps		\$20,000		\$20,000
737	Line Pipe / Fittings / Pipeline				\$0
747	Valves			\$60,000	\$60,000
752	Tanks & Walkways			\$40,000	\$40,000
765	Heaters / Treaters / Separator / VRU			\$125,000	\$125,000
768	Artificial Lift / Compressor			\$80,000	\$80,000
770	Gas Sales Unit / Dehy / Line Heater / Flare			\$60,000	\$60,000
775/774	Transportation and Freight BCP/ACP		\$2,000	\$5,000	\$5,000
777/776	Inspect/Test Tubulars BCP/ACP	\$24,000	\$5,000	\$50,000	\$52,000
779/778	Non-Controllable Equipment BCP/ACP	\$27,120	\$5,950	\$42,000	\$29,000
	Total Well and Lease Equipment	\$698,920	\$124,950	\$462,000	\$75,070
	Total Drilling and Completion Cost	\$3,390,390	\$5,815,026	\$555,450	\$9,760,866

WFOC APPROVALS

PARTNER APPROVAL


Robert J. Smith
Drilling


Michael P. May
Completion


Chris Malley
Land


Kelly Johnson
Geology


David Swenson
Reservoir


James R. Radman
Asset Manager
Chief Operating Officer

Signature

Printed Name

Position

Company

Date

KAISER-FRANCIS OIL COMPANY

P. O. BOX 21468

TULSA, OKLAHOMA 74121-1468

6733 South Yale Avenue, 74136
(918) 494-0000

September 10, 2018

Sent by Certified Mail

Atlas OBO Energy, LP
15603 Kuykendahl Road, Suite 200
Houston, TX 77090-3655

Re: Red Hills 101H
Lost 3 and 4 and the E/2 SW/4 and SE/4 SE/4 of Section 31-25S-33E and
All of Section 6-26S-33E
Lea Co., NM

Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of a 9,850' TVD / 17,200' TMD Lower Avalon Formation test well. It will have a SHL of 2,250' FSL and 370' FWL in Section 31-25S-33E and a BHL of 330' FSL and 350' FWL in Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$3,509,390 initial drilling costs and \$9,879,866 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

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Respectfully,



Michael D. Maxey
Landman

Kaiser-Francis Oil Company
Authority for Expenditure

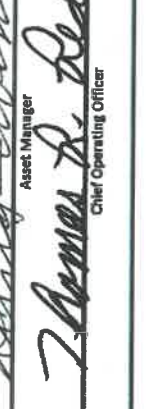
Operator:	Kaiser-Francis Oil Company			Date:	7/27/2018
Well Name:	Red Hills 101H			Field:	Red Hills
Prospect:	Red Hills			County / Pch	Lea County
Location:	Sec 31 25S 33W Lea NM (surface)			State:	New Mexico
Depth:	17200 MD			Preparer:	C. Jones / D Zerger
Horizon:	Lower Avalon				

Objective: Drill and complete a new horizontal well with a 7000' lateral

JIB Code	Location / Road Expense / Frac Pk Construction	Drilling	Completion	Eqpt/Const	Total
500/600	Intangible Drilling and Completion Costs	\$83,333	\$14,000	\$44,000	\$141,333
501/***	Cond, Rat Hole, Mouse Hole Services	\$45,000			\$45,000
502/602	Location Damages	\$20,000			\$20,000
504/604	Turnkey		\$13,500		\$13,500
	Footage @ 24 days et per foot				\$0
505/605	Coiled Tubing & Related Services	\$600,000			\$600,000
506/606	Rig Mob / Demob		\$300,000		\$300,000
507/***	Directional Drilling Services	\$146,667			\$146,667
508/608	Bits & Reamers	\$283,000			\$283,000
510/610	Fuel/Power	\$108,000			\$108,000
512/612	Drilling Water / Completion Fluid	\$132,000			\$132,000
514/614	Mud & Chemicals	\$42,000	\$576,250		\$618,250
515/615	Closed Loop System / Mud & Cuttings Disposal / SWD	\$145,000	\$35,000		\$180,000
516/616	Surface Equipment Rental / Inspection	\$180,000	\$20,000		\$200,000
517/617	Downhole Equipment Rental / Inspection	\$295,180	\$103,370		\$398,550
518/618	Transportation & Loading	\$85,600	\$75,000		\$160,600
520/***	DST, Coring & Analysis	\$45,000	\$63,000		\$108,000
522/622	OH Logs / CH Logs / Perforating / Slideline / Plugs		\$328,000		\$0
523/***	Mud Logging / Geosteering / LWD	\$25,200			\$328,000
524/624	Cementing & Squeezing	\$210,000			\$25,200
526/626	Casing Crews & Equipment	\$54,500			\$210,000
528/628	Plug & Abandon				\$54,500
*** 630	Stimulation				\$0
532/632	Geological & Engineering		\$3,780,000		\$3,780,000
534/634	Supervision				\$0
536/636	Miscellaneous Contract Labor	\$111,000	\$45,750		\$156,750
538/638	Prof. Fees & Abstracts	\$32,000	\$60,000	\$45,000	\$137,000
541/641	Liability Insurance / Bonds				\$0
542/642	Drilling Overhead / Completion Overhead	\$19,200	\$5,250		\$0
544/644	Miscellaneous & Unforeseen	\$228,190	\$270,956	\$4,450	\$24,450
	Total Intangible, Drilling & Completion	\$2,890,870	\$5,690,076	\$93,450	\$8,674,396
JIB Code	Tangible Well and Lease Equipment Costs	Drilling	Completion	Eqpt/Const	Total
700	Conductor				\$0
701	Surface Casing	\$45,000			\$45,000
702	Intermediate Casing	\$157,200			\$157,200
702	Intermediate Casing				\$0
704	Drilling Liner (BCP)				\$0
708	Production Liner (ACP)				\$0
706	Production Casing (ACP)	\$320,200			\$320,200
710	Tubing				\$0
721/720	Wellhead Equip. BCP/ACP	\$57,000			\$57,000
724	Packers & Downhole Equipment	\$35,000			\$80,000
726	Rods & Pumps	\$20,000			\$20,000
737	Line Pipe / Fittings / Pipeline				\$0
747	Valves			\$60,000	\$60,000
752	Tanks & Walkways			\$40,000	\$40,000
765	Heaters / Treaters / Separator / VRU			\$125,000	\$125,000
768	Artificial Lift / Compressor			\$80,000	\$80,000
770	Gas Sales Unit / Dehy / Line Heater / Flare			\$60,000	\$60,000
775/774	Transportation and Freight BCP/ACP	\$2,000		\$5,000	\$5,000
777/776	Inspect/Test Tubulars BCP/ACP	\$24,000		\$50,000	\$52,000
779/778	Non-Controllable Equipment BCP/ACP	\$7,120	\$5,950	\$42,000	\$29,000
	Total Well and Lease Equipment	\$618,520	\$124,950	\$462,000	\$75,070
	Total Drilling and Completion Cost	\$3,509,390	\$5,815,026	\$355,450	\$1,205,470

KOC APPROVALS

PARTNER APPROVAL

 Drilling
 Completion
 Land
 Geology
 Reservey
 Asset Manager
 Chief Operating Officer

Signature

Printed Name

Position

Company

Date