

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

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21636

**RIDGE RUNNER RESOURCES OPERATING, LLC'S
HEARING EXHIBITS**

Compulsory Pooling Checklist

| | |
|-----------|---|
| Exhibit A | Self-Affirmed Statement of Bob Shelton |
| A-1 | Application |
| A-2 | C-102 |
| A-3 | Plat of Tracts, Tract Ownership, and Pooled Parties |
| A-4 | Unit Recapitulation |
| A-5 | Well Proposal Letter |
| A-6 | Summary of Communications |
| A-7 | Exhibit A to Joint Operating Agreement |
| A-8 | Proposed Notice of Hearing |
| A-9 | Hearing Notice Letter and Return Receipts |
| A-10 | Affidavit of Publication |
| A-11 | Authorization for Expenditures |
| Exhibit B | Self-Affirmed Statement of Michael Burke |
| B-1 | General Location and Cross Section Map |
| B-2 | Type Log |

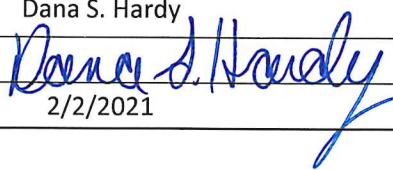
| | |
|-----|----------------------------|
| B-3 | Gun Barrel Schematic |
| B-4 | Structure Map |
| B-5 | Gross Interval Isopach Map |
| B-6 | Cross Section |

COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

| | |
|---|--|
| Case: 21636 | APPLICANT'S RESPONSE |
| Date: 2/2/21 | |
| Applicant | Ridge Runner Resources Operating, LLC |
| Designated Operator & OGRID (affiliation if applicable) | Ridge Runner Resources Operating, LLC, OGRID 373013 |
| Applicant's Counsel: | Dana S. Hardy |
| Case Title: | APPLICATION OF RIDGE RUNNER RESOURCES OPERATING, LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO |
| Entries of Appearance/Intervenors: | None |
| Well Family | Zeus |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring Formation |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Bone Spring formation |
| Pool Name and Pool Code: | Pearl Bone Spring South Pool, Code 49685 |
| Well Location Setback Rules: | Standard |
| Spacing Unit Size: | 40 acres |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 320 acres |
| Building Blocks: | 40 acre |
| Orientation: | North-South |
| Description: TRS/County | E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East, Lea County |
| Standard Horizontal Well Spacing Unit (Y/N), If No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | N/A |
| Applicant's Ownership in Each Tract | Exhibit A-3 |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | |

| | |
|--|---|
| Well #1 | Zeus 2-11 Fed Com #2H (API unassigned) SHL: 108' FNL and 2310' FWL of Section 2-T20S-R35E BHL: 100' FSL and 2310' FWL of Section 11-T20S-R35E |
| Horizontal Well First and Last Take Points | FTP: 675' FNL & 2310' FWL of Section 2-T20S-R35E LTP: 100' FSL & 2310' FWL of Section 11-T20S-R35E |
| Completion Target (Formation, TVD and MD) | Bone Spring Formation, 19,544' TMD 9,430' |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8000.00, Exhibit A |
| Production Supervision/Month \$ | \$800, Exhibit A |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | Cost plus 200%, Exhibit A |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit A-8 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit A-9 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit A-10 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit A-3 |
| Tract List (including lease numbers and owners) | Exhibit A-3 |
| Pooled Parties (including ownership type) | Exhibit A-3 |
| Unlocatable Parties to be Pooled | Exhibit A-3 |
| Ownership Depth Severance (including percentage above & below) | None, Exhibit A |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-5 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibits A-3, A-7 |

| | |
|--|---|
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-6 |
| Overhead Rates In Proposal Letter | \$800/\$8,000, Exhibit A-5 |
| Cost Estimate to Drill and Complete | Exhibit A-11 |
| Cost Estimate to Equip Well | Exhibit A-11 |
| Cost Estimate for Production Facilities | Exhibit A-11 |
| Geology | |
| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit B-1 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit B-3 |
| Well Orientation (with rationale) | Exhibit B |
| Target Formation | Bone Spring, Exhibit B |
| HSU Cross Section | Exhibit B-6 |
| Depth Severance Discussion | None, Exhibit A |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-2 |
| Tracts | Exhibit A-3 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibits A-3, A-4 |
| General Location Map (including basin) | Exhibit B-1 |
| Well Bore Location Map | Exhibits B-1, B-3 |
| Structure Contour Map - Subsea Depth | Exhibit B-4 |
| Cross Section Location Map (including wells) | Exhibit B-1 |
| Cross Section (including Landing Zone) | Exhibit B-6 |
| Additional Information | |
| Special Provisions/Stipulations | None |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Dana S. Hardy |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 2/2/2021 |

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

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21636

**SELF-AFFIRMED STATEMENT
OF BOB SHELTON**

1. I am over 18 years of age and am competent to provide this Self-Affirmed Statement. I have personal knowledge of the matters addressed herein.

2. I am the Vice President of Land at Ridge Runner Resources Operating, LLC ("Ridge Runner"). I have had direct involvement with Ridge Runner's development of the 320-acre, more or less, standard horizontal spacing unit ("HSU") that is the subject of Ridge Runner's application in this case. A copy of the application is attached as Exhibit A-1.

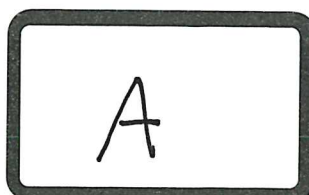
3. I have previously testified before the Division, and my qualifications as an expert in petroleum land matters were accepted.

A. Proposed Wells and HSU

4. The proposed HSU is comprised of the E/2W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County.

5. Ridge Runner seeks to pool all uncommitted interests in the Bone Spring formation underlying the HSU.

6. The horizontal spacing unit will be dedicated to Ridge Runner's proposed Zeus 2-11 Fed Com #2H well, which will be drilled from a surface location approximately 108' FNL and 2310' FWL in Section 2 to a bottom hole location approximately 100' FSL & 2310' FWL in Section



11. The first take point is 675' FNL and 2310' FWL in Section 2, and the last take point is 100' FSL and 2310' FWL in Section 11. The TMD is 19,544' and the TVD is 9,430'.

7. The proposed well will be drilled from North to South, and the completed interval of the well will be orthodox.

8. The proposed well is located in the Pearl Bone Spring South Pool, Code 49685. The primary product in the pool is oil. With respect to well setback requirements, this pool is subject to the statewide horizontal well rules set out in NMAC 19.15.16.15. Spacing in this pool is based on quarter-quarter sections, and the HSU is constructed based on quarter-quarter sections.

9. The C-102 for the proposed well is attached as Exhibit A-2.

B. Ownership Determination

10. A plat of the tracts included in the HSU is attached as Exhibit A-3. Exhibit A-3 identifies the ownership interests in each tract, provides the applicable lease numbers, and identifies the pooled parties and unlocatable interests.

11. A recapitulation is attached as Exhibit A-4.

12. There is no depth severance in the Bone Spring formation in the proposed HSU.

13. Ridge Runner has the right to pool any overriding royalty owners in the HSU.

C. Joinder

14. I sent well proposal letters to the uncommitted interests at their addresses of record on October 15, 2020 and subsequently had follow-up communication with them. A sample of my well proposal letter is attached as Exhibit A-5. A summary of my follow-up contacts with the uncommitted interests is attached as Exhibit A-6.

15. A list of interest owners (Exhibit A to Joint Operating Agreement) is attached as Exhibit A-7.

16. Ridge Runner's working interest in the proposed spacing unit will be 50%. There are no other working interests committed to the proposed well.

17. In my opinion, Ridge Runner has made a good faith effort to obtain the voluntary joinder of uncommitted interests in the proposed well.

D. Notice of Hearing

18. Ridge Runner's proposed notice of hearing is attached as Exhibit A-8.

19. Notice of Ridge Runner's application and the Division hearing was provided to the uncommitted interests by certified mail more than 20 days prior to the hearing date. A sample of the notice letter and the associated green cards are attached as Exhibit A-9.

20. Notice of Ridge Runner's application and the Division hearing was published more than ten business days prior to the hearing date. The affidavit of publication is attached as Exhibit A-10.

E. Drilling and Operating Costs

21. The AFEs for the proposed well are attached as Exhibit A-11. The estimated cost of the well is fair and reasonable and is comparable to the cost of other wells of similar depth and length drilled in Lea County.

22. Ridge Runner requests overhead and administrative rates of \$8,000 per month while the well is being drilled and \$800 per month while the well is producing. These rates are fair and are comparable to the rates charged by Ridge Runner and by other operators in the vicinity. They are also the rates set forth in the Joint Operating Agreement for the HSU. Ridge Runner further requests that the rates be adjusted periodically in accordance with the COPAS Accounting Procedure.

23. Ridge Runner requests that it be designated the operator of the well.

24. Ridge Runner also requests that a 200% risk charge be assessed against the uncommitted interests if they are non-consenting working interest owners.

25. The attached exhibits were either prepared by me or under my supervision, or were compiled from company business records.

26. In my opinion, the granting of Ridge Runner's application would prevent the drilling of unnecessary wells, protect correlative rights, and prevent waste.

27. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 26 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.


Bob Shelton

1/27/21
Date

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

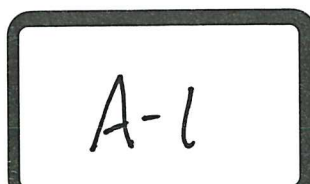
**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21636

APPLICATION

Pursuant to NMSA § 70-2-17, Ridge Runner Resources Operating, LLC (“Ridge Runner”) applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County, New Mexico. In support of its application, Ridge Runner states the following.

1. Ridge Runner (OGRID No. 373013) is a working interest owner in the horizontal spacing unit and has the right to drill thereon.
2. The horizontal spacing unit will be dedicated to Ridge Runner’s proposed Zeus 2-11 Fed Com #2H well, which will be horizontally drilled from a surface location approximately 100' FNL & 2310' FWL in Section 2 to a bottom hole location approximately 100' FSL & 2310' FWL in Section 11.
3. The completed interval of the well will be orthodox.
4. Ridge Runner has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well but has been unable to obtain voluntary agreements from all of the mineral interest owners.
5. The pooling of uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.



6. In order to allow Ridge Runner to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in the horizontal spacing unit should be pooled.

WHEREFORE, Ridge Runner requests that this application be set for hearing on February 4, 2021 and that, after notice and hearing, the Division enter an order:

A. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County;

B. Designating Ridge Runner as operator of the Zeus 2-11 Fed Com #2H well;

C. Authorizing Ridge Runner to recover its costs of drilling, equipping, and completing the well and allocating the costs among the well's working interest owners;

D. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

E. Imposing a 200% penalty for the risk assumed by Ridge Runner in drilling and completing the well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com

Counsel for Ridge Runner Resources Operating, LLC

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

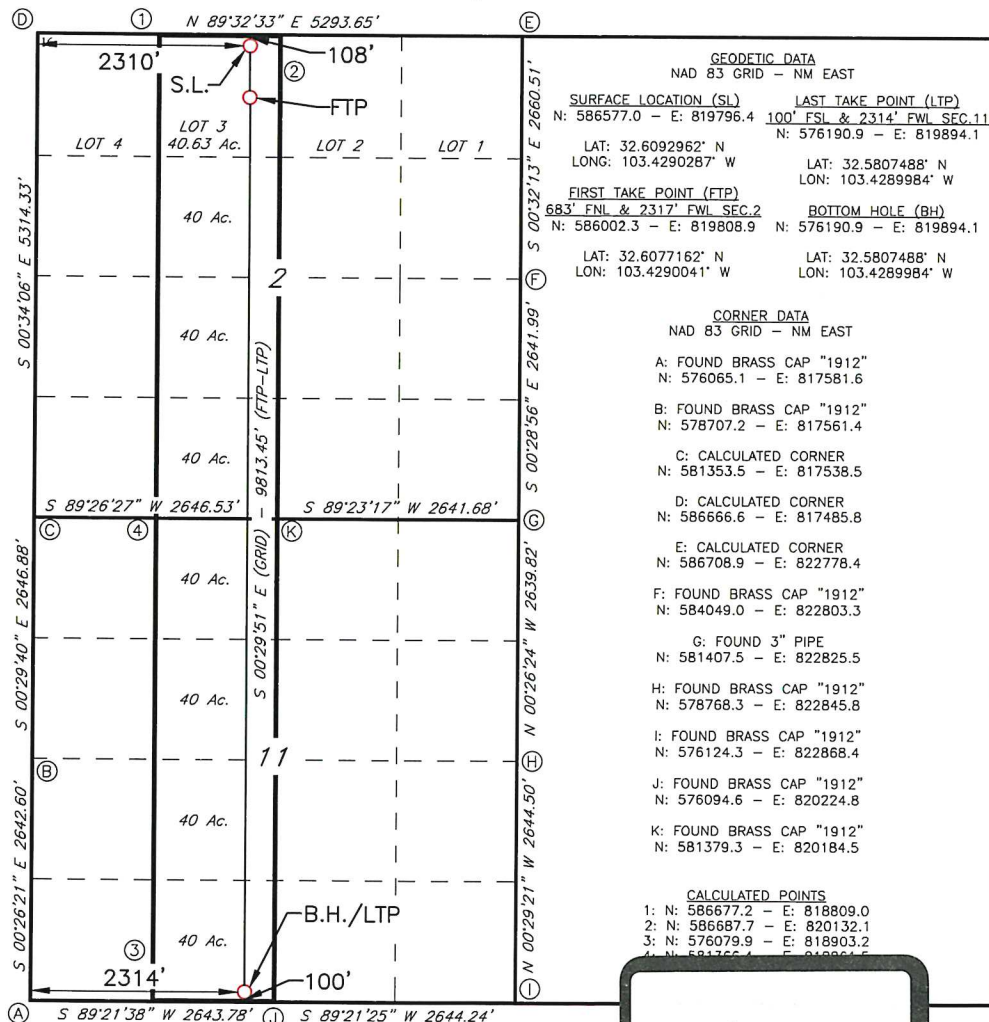
| | | | | | |
|----------------------------|--|---|--|---|--|
| ¹ API Number | | ² Pool Code 49685 | | ³ Pool Name Pearl Bone Spring South | |
| ⁴ Property Code | | ⁵ Property Name ZEUS 2/11 FED COM | | | |
| ⁷ GRID NO. | | ⁸ Operator Name RIDGE RUNNER RESOURCES OPERATING, LLC | | | |
| | | | | ⁶ Well Number 2H | |
| | | | | ⁹ Elevation 3677' | |

| ¹⁰ Surface Location | | | | | | | | | |
|--------------------------------|--------------|-----------------|--------------|---------|----------------------|---------------------------|-----------------------|------------------------|---------------|
| UL or lot no. 3 | Section 2 | Township 20S | Range 35E | Lot Idn | Feet from the 108 | North/South line NORTH | Feet From the 2310 | East/West line WEST | County LEA |

| ¹¹ Bottom Hole Location If Different From Surface | | | | | | | | | |
|--|---------------|-----------------|--------------|---------|----------------------|---------------------------|-----------------------|------------------------|---------------|
| UL or lot no. N | Section 11 | Township 20S | Range 35E | Lot Idn | Feet from the 100 | North/South line SOUTH | Feet from the 2314 | East/West line WEST | County LEA |

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

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



| 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 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. | |
| 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. | |
| 01-20-2021 | |
| Date of Survey | |
| Signature and Seal of Professional Surveyor | |
| 19680 | |
| Certificate Number | |

A-2

Job No: LS21010002

W/2 Section 2 Lease SLO
Number VC-0428

W/2W/2 Section 2 lease
BLM NMNM 25369

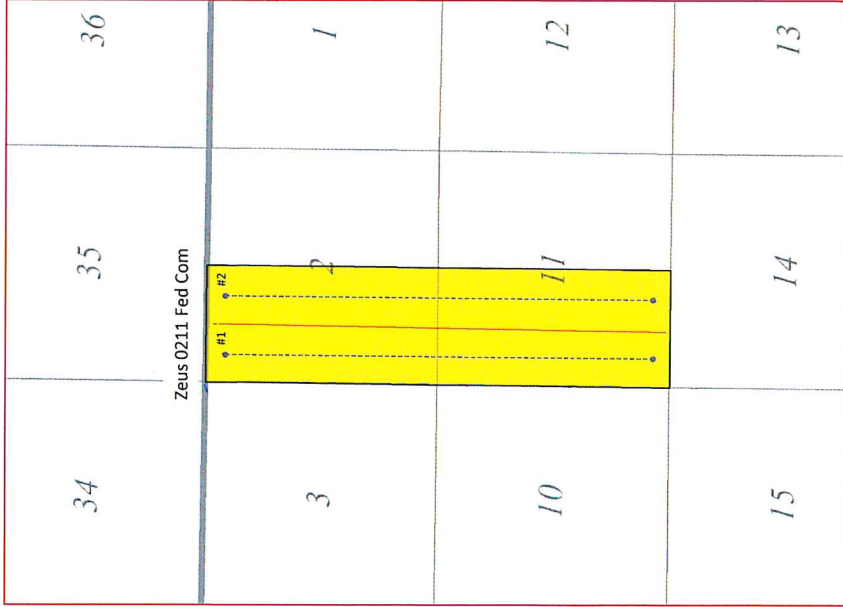
E/2W/2 Section 2 lease
BLM NMNM38470

Unlocated Parties

*denotes pooled parties

A-3

Zeus 0211 Fed Com Wells
W/2 of Section 2 and W/2 of Section 11-T20S-R35E
Lea County, New Mexico



Township 20 South
Range 35 East

Case No. 21635

W/2W/2 of Section 2 and 11-T20S-R35E, Lea County, New Mexico
Well DOI Zeus 0211 Fed Com #1H

Ridge Runner Resources Operating, LLC. 50%
American Standard Energy Corp* 25%
Geronimo Holdings* 18.75%
Total E&P, US, Inc.* 6.25%

Tract Ownership

1. W/2 Section 2 T20S-R35E
Lea County, New Mexico
Ridge Runner Resources Operating, LLC 100%
2. W/2 SW/4 Section 11 T20S-R35E
Lea County, New Mexico
American Standard Energy Corp* 100%
3. W/2NW/4 Section 11 T20S, R35E
Geronimo Holdings* 75%
Total E&P USA, Inc.* 25%

Case No. 21636

E/2W/2 of Section 2 and 11-T20S-R35E, Lea County, New Mexico
Well DOI Zeus 0211 Fed Com #2H

Ridge Runner Resources Operating LLC 50%
Nortex Corporation* 12.50%
EnMark Gas Corporation, LP 4.6875%
American Standard Energy Corp.* 14.0625%
Derrell Melton* 2.3438%
James Adams, Trustee* 2.3438%
Blue Ruby Operating, LLC* 14.0625%

Tract Ownership

1. E/2SW/4 Section 11 T20S, R35E
American Standard Energy Corp* 56.25%
Nortex Corporation* 25.00%
EnMark Gas Gathering, LP 9.375%
Derrell Melton* 4.6875%
James Melton Trustee* 4.6875%
2. E/2NW/4 Section 11 T20S, R35E
Blue Ruby Operating, LLC* 56.25%
Nortex Corporation* 25.00%
EnMark Gas Gathering, LP. 9.375%
Derrell Melton* 4.6875%
James Adams Trustee* 4.6875%.

Threshold Prospect - Zeus wells E/2W/2 Section 2 and E/2W/2 Section 11, T-20-S, R-35-E, Lea County - 320 unit acres

| <u>Tract</u> | <u>Gross acres</u> | <u>Net Unit acres</u> | <u>Tract Interest</u> | <u>Company</u> | <u>Company Unit Interest</u> |
|--------------------|--------------------|-----------------------|--|--|--|
| E/2W/2 Section 2 | 160 | 160/320 | 1.000000 | Ridge Runner Resources Operating, LLC | 0.500000 |
| E/2SW/4 Section 11 | 80 | 80/320 | 0.562500 0.250000 0.093750 0.046875 | American Standard Energy Corporation Nortex Corporation Enmark Gas Gathering, LP Derrel C. Melton | 0.140625 0.062500 0.023438 0.011719 |
| | | | 0.046875 | James W. Adams Trustee of the Admas Family Trust | 0.011719 |
| E/2NW/4 Section 11 | 80 | 80/320 | 1.000000 0.562500 0.250000 0.093750 0.046875 | Blue Ruby Operating, LLC Nortex Corporation Enmark Gas Gathering, LP Derrel C. Melton | 0.140625 0.062500 0.023438 0.011719 |
| | | | 0.046875 | James W. Adams Trustee of the Admas Family Trust | 0.011719 |
| | | | 1.000000 | | 1.000000 |

A-4

Robert (Bob) Shelton
Vice President Land
BShelton@3roperating.com
Cell 432.528.6134



1004 N. Big Spring Street
Suite 325
Midland, TX 79701
(432) 684-7877

October 1, 2020

Enmark Gas Gathering, LP
17430 Campbell Rd., Suite 230
Dallas, Texas 75252

Re: Zeus 2-11 Federal Com #1H and #2H,
W/2 of Section 2 and the W/2 of
Section 11, T-20-S, R-35-E, Lea
County, New Mexico
Threshold Prospect

Via: Certified Mail Return Receipt Requested

Dear Enmark Gas Gathering, LP,

Ridge Runner Resources Operating, LLC, "RRR" hereby proposes the Zeus 2-11 Federal Com #1H and #2H wells to be drilled at a SHL in the W/2 of Section 2 and a BHL in the W/2 of Section 11, T-20-S, R-35-E, Lea County New Mexico.

The Zeus 2-11 Federal Com #1H well will be drilled from a SHL 100' FNL and 330' FWL of Section 2 to a BHL of 100' FSL and 330' FWL of Section 11.

The Zeus 2-11 Federal Com #2H well will be drilled from a SHL of 100' FNL and 2,310' FWL of section 2 and a BHL of 100' FSL and 2,310' FWL of Section 11.

Both wells will test the 1st Bone Spring Formation at an approximate depth of 9,430'. Estimated total well cost is \$8,741,627.00, please see the attached AFE's.

Attached hereto, please find RRR's proposed Operating Agreement covering the captioned acreage, as the Contract Area.

As a leasehold owner, Enmark Gas Gathering, LP, "Enmark", has the right to participate for its share of working interest in the 2 wells. In the event that Enmark elects not to participate for its WI share, RRR is agreeable to making a mutually agreeable acreage trade or for the acquisition of Enmark's interest under other mutually agreeable terms. In the event that Enmark elects not to participate and RRR is unable to make a satisfactory trade arrangement, RRR will file for a compulsory pooling with the New Mexico Oil Conservation Division.

A-5

Enmark Gas Gathering, LP

October 1, 2020

Page 2

If Enmark desires to participate in the two (2) proposed wells, please execute and return copies of the 2 AFE's and the executed signature pages to the Operating Agreement.

Thank you for considering RRR's proposal. We look forward to your response.

Yours truly,

Bob Shelton
Vice President Land

Zeus 2-11 Fed Com #2H

| Date of Contact | From | To | Regarding |
|-----------------|-------------------------------------|---|--|
| 10/2/2020 | RRR | American Standard Energy | Original JOA Mailed to Parties |
| 10/2/2020 | RRR | Blue Ruby Operating | Original JOA Mailed to Parties |
| 10/2/2020 | RRR | Derrel Melton | Original JOA Mailed to Parties |
| 10/2/2020 | RRR | James Adams | Original JOA Mailed to Parties |
| 10/2/2020 | RRR | Nortex Corporation | Original JOA Mailed to Parties |
| 10/19/2020 | RRR | American Standard Energy | Amended Exhibit A Letter Sent |
| 10/19/2020 | RRR | Blue Ruby Operating | Amended Exhibit A Letter Sent |
| 10/19/2020 | RRR | Derrel Melton | Amended Exhibit A Letter Sent |
| 10/19/2020 | RRR | James Adams | Amended Exhibit A Letter Sent |
| 10/19/2020 | RRR | Nortex Corporation | Amended Exhibit A Letter Sent |
| 12/29/2020 | RRR | Blue Ruby Operating | Sent Original JOA to New Address |
| 12/29/2020 | RRR | Derrel Melton | Sent Original JOA to New Address |
| 1/5/2021 | RRR | Blue Ruby Operating | Sent Corrected/Updated JOA & Exhibit A |
| 1/5/2021 | RRR | Derrel Melton | Sent Corrected/Updated JOA & Exhibit A |
| 1/5/2021 | RRR | American Standard Energy | Sent Corrected/Updated JOA & Exhibit A |
| 1/5/2021 | RRR | Nortex Corporation | Sent Corrected/Updated JOA & Exhibit A |
| 1/5/2021 | RRR | James Adams | Sent Corrected/Updated JOA & Exhibit A |
| 1/8/2021 | Bob Shelton | Daniel Barker - Blue Ruby Operating | Verified Ownership and Secured Deeds. Called Daniel to review and furnish deeds. Forwarded info to Steve Person with American Standard Energy. BRO thinks that American Standard was deeded all of XOG and Geronimo's interest. |
| 1/14/2021 | Daniel Barker - Blue Ruby Operating | Bob Shelton | Mr. Melton received the JOA & wants to make a trade. |
| 1/19/2021 | Bob Shelton | Derrel Melton | Discussed interest and potential offer |
| 1/21/2021 | Derrel Melton | Bob Shelton | Discussed interest and potential offer |
| 1/21/2021 | Bob Shelton | Derrel Melton | Derrel is going to go through his files to confirm his interest. |
| 1/21/2021 | Derrel Melton | Bob Shelton | Ready to make an offer in the W/2, but not the E/2 |
| 1/26/2021 | Bob Shelton | Derrel Melton | Proposed offer |
| 1/28/2021 | Bob Shelton | Derrel Melton | Following up on offer made |
| 1/28/2021 | Derrel Melton | Bob Shelton | Would like some more time to consider the offer made |
| 1/28/2021 | Bob Shelton | Derrel Melton | Follow up on offer made |
| 1/29/2021 | Daniel Barker - Blue Ruby Operating | Bob/Cyndee | Requesting copies of the AFE's for the proposed wells |
| 2/1/2021 | Bob Shelton | Steve Person - American Standard Energy | Called and made an offer |
| 2/1/2021 | Cyndee Phipps | Daniel Barker - Blue Ruby Operating | Sent copies of AFE's |
| 2/8/2021 | Bob Shelton | Derrel Melton | Follow up on offer made |
| 2/9/2020 | Bob Shelton | Derrel Melton | Follow up on offer made |
| 2/9/2020 | Bob Shelton | Steve Person - American Standard Energy | Follow up on offer made |
| 2/2021 | Bob Shelton | Derrel Melton | Follow up regarding ownership interest |

A-6

Exhibit "A"

Attached to and made a part of that certain Operating Agreement dated October 1, 2020, by and between Ridge Runner Resources Operating, LLC, as Operator and COG Operating, LLC, et al, as Non-Operators.

1) Lands Subject to this agreement:

Contract Area One

The West Half of the West Half (W/2W/2) of Section 2 and the West Half of the West Half (W/2W/2) of Section 11, T-20-S, R-35-E, Lea County, New Mexico.

Contract Area Two

The East Half of the West Half (E/2W/2) of Section 2 and the East Half of the West Half (E/2W/2) of Section 11, T-20-S, R-35-E, Lea County, New Mexico.

2) Depth Restrictions and Exclusions:

This agreement is limited to the Bone Spring formation. The top of the Bone Spring formation being the stratigraphic equivalent of 7,822'. As found in the Threshold Development Co. State 2-M #1 well located in Section 2, T-20-S, R-35-E, Lea County, New Mexico, API Number 30-025-34807.

3) Addresses of Parties to this Agreement:

Operator: Ridge Runner Resources Operating, LLC
1004 North Big Spring Street, Suite 325
Midland, Texas 79701
Email: Bshelton@3roperating.com

Nortex Corporation
3009 Post Oak Blvd., Suite 1212
Houston, Texas 77056
Email:

Total E&P USA, Inc.
1201 Louisiana Street
Houston, Texas 77002
Email:

Enmark Gas Gathering, LP
14730 Campbell Road, Suite 230
Dallas, Texas 75252
Email:

Derrel C. Melton
3205 Hampshire Court
Frisco, Texas 75034
Email:

American Standard Energy Corporation
400 W Illinois Ave., Suite 950
Midland, Texas 79701
Email:

Blue Ruby Operating, LLC
7201 E County Rd 112
Midland, Texas 79701
Email:

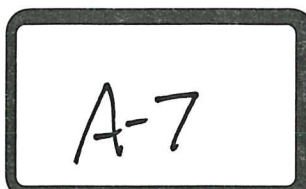
James W. Adams, Trustee of the
Adams Family Living Trust
7740 El Pastel
Dallas, Texas 75248
Email:

Geronimo Holdings, LP
1801 West Texas Avenue
Midland, Texas 79701
Email:

4) Percentages of Parties to this Agreement: (Subject to pending Title Examination)

Contract Area One

| | |
|---------------------------------------|----------|
| Ridge Runner Resources Operating, LLC | 0.500000 |
| American Standard Energy Corporation | 0.250000 |
| Geronimo Holdings, LP | 0.187500 |
| Total E&P USA, Inc. | 0.062500 |



Contract Area Two

| | |
|---|----------|
| Ridge Runner Resources Operating, LLC | 0.500000 |
| Nortex Corporation | 0.125000 |
| Enmark Gas Gathering, LP | 0.046876 |
| American Standard Energy Corporation | 0.140625 |
| Derrel C. Melton | 0.023438 |
| James W. Adams, Trustee of the Adams Family Trust | 0.023438 |
| Blue Ruby Operating, LLC | 0.140625 |

5) Oil and Gas Leases Subject to this Agreement:**1 Lease for Oil and Gas**

| | |
|---------------|--|
| Date: | August 1, 2018 |
| Lease Number: | VC-0428-0000 |
| Recording: | State of New Mexico Records |
| Lessor: | State of New Mexico |
| Lessee: | Ridge Runner Resources Operating, LLC |
| Description: | <u>Township-20-South, Range-35-East, N.M.P.M.</u> The S/2NW/4 and the SW/4 of Section 2 |

2 Lease for Oil and Gas

| | |
|---------------|--|
| Date: | June 1, 1975 |
| Lease Number: | NM-25369 |
| Recording: | Federal Record |
| Lessor: | The United States of America |
| Lessee: | Weldon C. Abbott |
| Description: | <u>Township-20-South, Range-35-East, N.M.P.M.</u> Insofar as the W/2W/2 of Section 11 |

3 Lease for Oil and Gas

| | |
|---------------|--|
| Date: | February 1, 1980 |
| Lease Number: | NM-38470 |
| Recording: | Federal Record |
| Lessor: | The United States of America |
| Lessee: | Amoco Production Company |
| Description: | <u>Township-20-South, Range-35-East, N.M.P.M.</u> The E/2W/2 of Section 11, containing 160 acres more or less |

**6) Burdens on Production
Of Record**

Application of Ridge Runner Resources Operating, LLC for Compulsory Pooling, Lea County, New Mexico. Applicant applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County. The horizontal spacing unit will be dedicated to applicant's proposed Zeus 2-11 Fed Com #2H well, which will be horizontally drilled from a surface location approximately 100' FNL & 2310' FWL in Section 2 to a bottom hole location approximately 100' FSL & 2310' FWL in Section 11. The completed interval of the well will be orthodox. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs, the designation of Ridge Runner Resources Operating, LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed well is located approximately 16 miles Southwest of Hobbs, New Mexico.

A-8



HINKLE SHANOR LLP

ATTORNEYS AT LAW

PO BOX 2068

SANTA FE, NEW MEXICO 87504

505-982-4554 (FAX) 505-982-8623

WRITER:

Dana S. Hardy, Partner
dhardy@hinklelawfirm.com

January 7, 2021

VIA CERTIFIED MAIL

Nortex Corporation
3009 Post Oak Boulevard, Suite 1212
Houston, TX 77056

Re: Ridge Runner Resources Operating, LLC New Mexico Oil Conservation Division Application

Dear Sir/Madam:

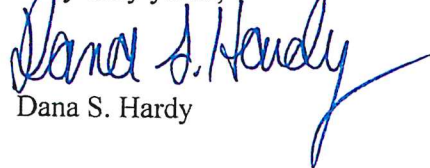
Enclosed is a copy of an application that Ridge Runner Resources Operating, LLC ("Ridge Runner") has filed with the New Mexico Oil Conservation Division ("the Division") (Case No. 21636). Ridge Runner seeks an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County, New Mexico.

During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on February 4, 2021 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>. You are not required to attend the hearing, but as an owner of an interest that may be affected by the application, you may appear at the hearing and present testimony. If you do not appear at that time and become a party of record, you will be precluded from contesting the matter at a later date.

A party appearing in a Division case is required by the Division's Rules to file a Pre-Hearing Statement, which in this matter must be filed no later than Thursday, January 28, 2021. The Pre-Hearing Statement must be filed with the Division and should include: the name of the party and the party's attorney; a concise statement of the case; the name(s) of the witness(es) the party will call to testify at the hearing; the approximate amount of time the party will need to present the party's case; and an identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to me.

Thank you for your attention to this matter.

Very truly yours,


Dana S. Hardy

Enclosure

PO BOX 10
ROSWELL, NEW MEXICO 88202
575-622-6510
(FAX) 575-623-9332

PO BOX 1720
ARTESIA, NEW MEXICO 87504
575-622-6510
(FAX) 575-746-6510

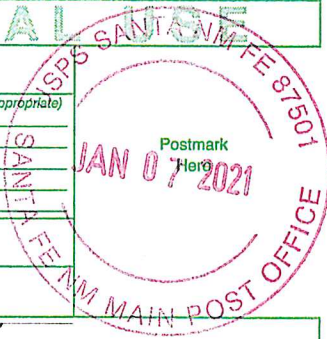
PO BOX 2068
SANTA FE, NEW MEXICO 87504
505-982-4554
(FAX) 505-982-8623

7601 JEFFERSON ST NE • SUITE 180
ALBUQUERQUE, NEW MEXICO 87109
505-858-8320
(FAX) 505-858-8321

A-9

7020 0640 0000 0303 0696

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| <input type="checkbox"/> Certified Mail Restricted Delivery | \$ |
| <input type="checkbox"/> Adult Signature Required | \$ |
| <input type="checkbox"/> Adult Signature Restricted Delivery | \$ |
| Postage | \$ |
| Total Postage and Fees | \$ |
| Sent To | Emark Gas Gathering, LP |
| Street | 17430 Campbell Road |
| City, St | Dallas, TX 75252 |
| PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions | |



| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
|--|--|
| <ul style="list-style-type: none"> Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. | <p>A. Signature</p> <p>X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> |
| <p>1. Article Addressed to:</p> <p>Emark Gas Gathering, LP 17430 Campbell Road Dallas, TX 75252</p> | <p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™</p> <p><input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <input checked="" type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Signature Confirmation Restricted Delivery</p> <p><input type="checkbox"/> Insured Mail</p> <p><input type="checkbox"/> Insured Mail Restricted Delivery (over \$500)</p> |
| <p>2. Article Number (Transfer from service label)</p> <p>7020 0640 0000 0303 0696</p> | |



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Postage

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Total Postage and Fees

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Sent To

Derrel C. Melton
3205 Hampshire Court
Frisco, TX 75034

City

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Derrel C. Melton*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

1/13/21

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☒ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
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- ☐ Insured Mail
- ☐ Insured Mail Restricted Delivery (over \$500)
- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☒ Return Receipt for Merchandise
- ☐ Signature Confirmation™
- ☐ Signature Confirmation Restricted Delivery

SENDER: COMPLETE THIS SECTION

- ☒ Complete items 1, 2, and 3.
- ☒ Print your name and address on the reverse so that we can return the card to you.
- ☒ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Derrel C. Melton
3205 Hampshire Court
Frisco, TX 75034



9590 9402 5941 0062 9780 10

2. Article Number (Transfer from service label)

7020 0640 0000 0303 0719

PS Form 3811, July 2015 PSN 7530-02-000-9053

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☐ Adult Signature Required \$

☐ Adult Signature Restricted Delivery \$

Postage

\$

Total Postage and Fees

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Sent To Nortex Corporation

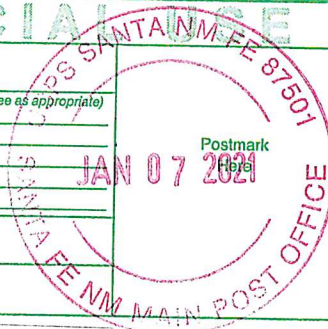
Street 3009 Post Oak Boulevard, 1212

City, St Houston, TX 77056

City, St

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Nortex Corporation
3009 Post Oak Boulevard
Suite 1212
Houston, TX 77056



9590 9402 5941 0062 9779 83

2. Article Number (Transfer from service label)

7020 0640 0000 0303 0689

PS Form 3811, July 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

A. Signature

[Signature]

☐ Agent

☐ Addressee

B. Received by (Printed Name)

[Signature]

C. Date of Delivery

[Signature]

D. Is delivery address different from item 1?

If YES, enter delivery address below:

☐ Yes

☐ No

3. Service Type

☐ Adult Signature

☐ Adult Signature Restricted Delivery

☒ Certified Mail®

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☐ Collect on Delivery

☐ Collect on Delivery Restricted Delivery

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| Extra Services & Fees (check box, add fee as appropriate) | \$ |
| <input type="checkbox"/> Return Receipt (hardcopy) | \$ |
| <input type="checkbox"/> Return Receipt (electronic) | \$ |
| <input type="checkbox"/> Certified Mail Restricted Delivery | \$ |
| <input type="checkbox"/> Adult Signature Required | \$ |
| <input type="checkbox"/> Adult Signature Restricted Delivery | \$ |
| Postage | \$ |
| Total Postage and Fees | \$ |
| Sent to Blue Ridge Operating, LLC, IM, IN | |
| Street | 7201 East CR 112 |
| City, State | Midland, TX 79706 |
| PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions | |

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
|--|---|
| <ul style="list-style-type: none">Complete items 1, 2, and 3.Print your name and address on the reverse so that we can return the card to you.Attach this card to the back of the mailpiece, or on the front if space permits. | A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee |
| 1. Article Addressed to: Blue Ridge Operating, LLC 7201 East CR 112 Midland, TX 79706 | B. Received by (Printed Name) C. Date of Delivery |
| | D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No |
| 2. Article Number (Transfer from service label) 7020 0640 0000 0303 0733 | 3. Service Type <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail <input type="checkbox"/> Insured Mail Restricted Delivery (over \$500) <input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery |

PS Form 3811, July 2015 PSN 7530-02-000-9053

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|--|----|
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| <input type="checkbox"/> Return Receipt (electronic) | \$ |
| <input type="checkbox"/> Certified Mail Restricted Delivery | \$ |
| <input type="checkbox"/> Adult Signature Required | \$ |
| <input type="checkbox"/> Adult Signature Restricted Delivery | \$ |

Postage
\$

Total Postage and Fees
\$

Sent To
American Standard Energy
Street 400 W. Illinois St., #950
City, State Midland, TX 79701

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions
ON THE RETURN ADDRESS, FOLD AT DOTTED LINE

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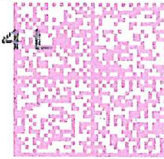
LE SHANOR LLP
ATTORNEYS AT LAW
OFFICE BOX 2068
E, NEW MEXICO 87504



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ALBUQUERQUE NM 870

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Midland, TX

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Postage

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Total Postage and Fees

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Sent To James W. Adams, Trustee
Adams Family Trust

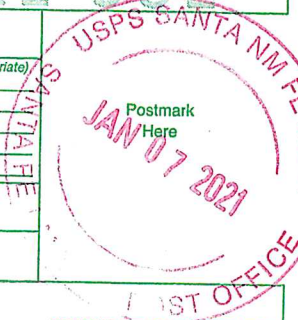
Street at 7740 El Pastel

City, State Dallas TX 75248

City, State Dallas TX 75248

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions



7020 0640 0000 0303 0726

Affidavit of Publication

Ad # 0004542621

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HINKLE SHANOR LLP
218 MONTEZUMA

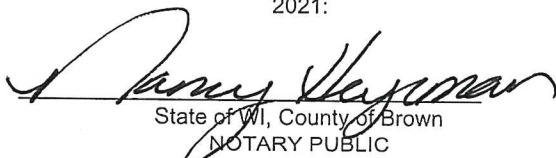
SANTA FE, NM 87501

I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

01/12/2021


Legal Clerk

Subscribed and sworn before me this January 12, 2021:


State of WI, County of Brown
NOTARY PUBLIC
5.15.23
My commission expires

This is to notify all interested parties, including Nortex Corporation, Emark Gas Gathering, LP, American Standard Energy Corporation, Derrel C. Melton, James W. Adams, Trustee of the Adams Family Trust, Blue Ridge Operating, LLC, and their successors and assigns, that the New Mexico Oil Conservation Division will conduct a hearing on an application submitted by Ridge Runner Resources Operating, LLC (Case No. 21636). During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on February 4, 2021 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>. Applicant applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 320-acre, more or less, standard horizontal spacing unit comprised of the E/2 W/2 of Sections 2 and 11, Township 20 South, Range 35 East in Lea County. The horizontal spacing unit will be dedicated to applicant's proposed Zeus 2-11 Fed Com #2H well, which will be horizontally drilled from a surface location approximately 100' FNL & 2310' FWL in Section 2 to a bottom hole location approximately 100' FSL & 2310' FWL in Section 11. The completed interval of the well will be orthodox. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs, the designation of Ridge Runner Resources Operating, LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed well is located approximately 16 miles Southwest of Hobbs, New Mexico.
\$4542621, Current Argus, January 12, 2021

Ad # 0004542621
PO #: 4542621
of Affidavits 1

This is not an invoice

NANCY HEYRMAN
Notary Public
State of Wisconsin

A-10

Authority for Expenditure (AFE)

Project: Laguna Valley - Threshold Prospect
Field: Pearl; Bone Spring, South
Well: Zeus 2-11 Fed Com #2H
Location: SHL 108' FNL & 2,310' FWL of Section 2-T20S-R35E
 BHL 100' FSL & 2,310' FWL of Section 11-T20S-R35E
 Lea Co., NM

| | | |
|---------------------------|-----------------|-------|
| | | AFE # |
| TD (MD): | 19,544 ft MD | |
| TVD: | 9,430 ft | |
| Drilled Lateral Length: | 10,360 ft VS | |
| Completed Lateral Length: | 9,785 ft | |
| Target: | 1st Bone Spring | |

Surface location is approximate and may be moved to find a suitable legal location free of terrain/obstacles/habitat/cultural or other surface constraints.

| Prognosis: New drill horizontal 1st Bone Spring well. Closed loop. Completion: 9,787' perf interval x 2,500 lb/ft (24.5 MM lb), 2,500 gal/ft (583k bbl), 60 bpm. 151' stages = 65 stages, plug & perf frac. Rigless prep w/ acid crew. CT drill-out. Flow up tubing and packer, then gas lift. | | | | | Code | Drilling Intangibles | Code | Completion Intangibles | Code | Production Intangibles | Total Cost |
|--|--|--|--|--|------|----------------------|------|------------------------|------|------------------------|------------|
| Permits/Well Signs | | | | | 149 | 15,000 | | | | | 15,000 |
| Damages/Right of Way | | | | | 179 | 30,000 | 379 | | | | 30,000 |
| Title & Abstracts, Drilling Title Opinion | | | | | 142 | 10,000 | | | | | 10,000 |
| Survey and Stake Location | | | | | 181 | 5,000 | 381 | | | | 5,000 |
| Locations and Roads, Frac Pit | | | | | 143 | 100,000 | 343 | 100,000 | | | 200,000 |
| Pit Lining Closed Loop Drilling (no reserve pit), frac pit | | | | | 143 | | 335 | 10,000 | | | 10,000 |
| Conductor (drilled & set) | | | | | 121 | 20,000 | | | | | 20,000 |
| Mobilization/Demobilization 4 days pre-spud (\$80k) + trucks & cranes (\$100k) | | | | | 167 | 180,000 | 367 | | | | 180,000 |
| Drilling (Day Work) 22 days spud - RR \$16,000 per day | | | | | 104 | 352,000 | 304 | | | | 352,000 |
| Bits | | | | | 115 | 75,000 | 315 | 3,000 | | | 78,000 |
| Downhole Drilling Tools & Stabilization, Survey Tool | | | | | 128 | 50,000 | | | | | 50,000 |
| Mud Logging 12 days \$2,000 per day | | | | | 147 | 24,000 | | | | | 24,000 |
| Open Hole Surveys/Gyro | | | | | 148 | | | | | | - |
| Water Well, Pump & Line | | | | | 190 | 5,000 | | 10,000 | | | 15,000 |
| Water/Brine/Mud Hauling | | | | | 189 | 10,000 | 389 | 20,000 | | | 30,000 |
| Fresh Water \$2.50 10,000 bbl drilling 699,071 bbl compl'n (20% excess) | | | | | 190 | 25,000 | | 1,747,678 | | | 1,772,678 |
| Brine Water | | | | | 116 | 10,000 | 316 | | | | 10,000 |
| Fuel \$2.00 1,400 gal/day | | | | | 108 | 61,600 | 308 | | | | 61,600 |
| Mud & Chemicals Oil based mud in lateral, 9.0 ppg | | | | | 146 | 200,000 | 346 | 25,000 | | | 225,000 |
| Tubular Inspection DP: Cat IV on 1 strings. Casing: Clean, drift, visual 3 strings | | | | | 139 | 30,000 | 339 | | | | 30,000 |
| Drill String Rental | | | | | 128 | | | | | | - |
| Casing Crew & LD Machine, CRT | | | | | 117 | 25,000 | 317 | | | | 25,000 |
| Welding | | | | | 191 | 1,500 | 391 | | | | 1,500 |
| Cementing | | | | | 118 | 200,000 | 318 | | | | 200,000 |
| Directional Drilling 16 days spud - RR \$13,000 per day | | | | | 127 | 208,000 | | | | | 208,000 |
| Wellsite Supervisor | | | | | 106 | 55,000 | 306 | 40,000 | | | 95,000 |
| Open Hole Logs | | | | | 144 | | | | | | - |
| Solids Control Equipment \$3,000 per day | | | | | 172 | 66,000 | | | | | 66,000 |
| Cuttings Haul-Off & Disposal | | | | | 141 | 150,000 | | | | | 150,000 |
| Surface Rental Equipment \$4,000/d Drilling. Frac stack, light towers, generators, housing. | | | | | 132 | 88,000 | 332 | 280,000 | | | 368,000 |
| BOP Rental, Stripper Head | | | | | 160 | | 360 | | | | - |
| Pulling Unit 5 days, 4,000/d | | | | | | 354 | 354 | 20,000 | 354 | 12,000 | 32,000 |
| Acidizing Acid Crew to prep toe. | | | | | | | 310 | 20,000 | | | 20,000 |
| Frac Frac: See Prognosis above | | | | | | | 334 | 2,000,000 | | | 2,000,000 |
| Water Transfer | | | | | | | 386 | 30,000 | | | 30,000 |
| Completion Tools 64 frac plugs | | | | | | | 321 | 96,000 | | | 96,000 |
| Cased Hole Wireline & Perforating 65 stage (6 guns per stage), 10k lube | | | | | | | 344 | 475,000 | | | 475,000 |
| Coiled Tubing + Tools, Nitrogen | | | | | | | 319 | 225,000 | | | 225,000 |
| Flowback & Well Testing | | | | | | | 333 | 120,000 | | | 120,000 |
| Trucking | | | | | 187 | 30,000 | 387 | 30,000 | | | 60,000 |
| Environmental, Pit Closure | | | | | | | 348 | 25,000 | | | 25,000 |
| Materials & Supplies | | | | | 176 | 5,000 | 376 | | | | 5,000 |
| Contract Labor, Roustabouts Wellhead field service, NU crews, pit cleaning, battery construction | | | | | 169 | 10,000 | 369 | 10,000 | 369 | 40,000 | 60,000 |
| Contingencies | | | | | | | | | | | - |
| TOTAL INTANGIBLES | | | | | | 2,041,100 | | 5,286,678 | | 52,000 | 7,379,778 |

| Prognosis: 3 string casing program: deep 13-3/8" surface, shallow 9-5/8" intermediate in Lamar Lm, KOP 8,857' then 10"/100' BUR curve, 5-1/2" longstring. \$400k single well allocation for single well tank battery (scaleable for additional wells). | | | | | Code | Drilling Tangibles | Code | Completion Tangibles | Code | Production Tangibles | Total Cost |
|--|--------|-----------------------------|----------------------|------------------|---------|--------------------|---------|----------------------|------|----------------------|------------------|
| Tubulars | Length | Size | Description | Price/ft FOB Loc | | | | | | | |
| Surface | 1,900 | 13 3/8 | 54.5# J55 BT&C | \$41.00 | 204 | 77,900 | | | | | 77,900 |
| 1st Intermediate | 5,900 | 9 5/8 | 40# HCK55 LT&C | \$40.00 | 206 | 236,000 | | | | | 236,000 |
| 2nd Intermediate | | | | | 206 | | | | | | - |
| Production | | | | | 408 | | 408 | | | | - |
| Production | 19,544 | 5 1/2 | 20# CY P110 Semiprem | \$21.00 | 408 | 410,424 | 408 | | | | 410,424 |
| Tubing | 8,850 | 2 7/8 | 6.5# L80 EUE | \$6.50 | | | 412 | 57,525 | | | 57,525 |
| Wellhead Equipment | | | | | 293 | 20,000 | 493 | 10,000 | | | 30,000 |
| Float Equipment & Centralizers, Wet Shoe | | | | | 233,210 | 35,000 | 410 | | | | 35,000 |
| Liner Hanger, Packer, TAC, Other Tools | | | | | 254 | | 454 | 20,000 | | | 20,000 |
| Flowlines, Valves, Fittings | | | | | | | 434,432 | 45,000 | | | 45,000 |
| Tanks | | | | | | | | | 480 | 65,000 | 65,000 |
| Battery: Pumps 458/Meters 450/Controls/Valves/Connections 432/Vapor Rec 484 | | | | | | | | | 480 | 215,000 | 215,000 |
| Separation Equipment | | | | | | | | | 478 | 75,000 | 75,000 |
| Gas Lift Valves and Surface Equipment | | | | | | 439 | 40,000 | | | | 40,000 |
| Compressors/Dehydrators | | High pressure gas available | | | | | | | 438 | | - |
| Gas Meter Run | | | | | | 450 | 15,000 | | | | 15,000 |
| Downhole Pumping Equipment & Rods | | | | | | 462,470 | | | | | - |
| Pumping Unit, Base and Prime Mover | | | | | | 465 | | | | | - |
| Electrical Installation | | | | | | | | | 428 | 40,000 | 40,000 |
| Contingencies | | | | | | | | | | | |
| TOTAL TANGIBLES | | | | | | 779,324 | | 187,525 | | 395,000 | 1,361,849 |

A-11

| | | | | | | | | |
|-----------------|--|--|-----------|--|------------|--|------------|-----------|
| TOTAL WELL COST | | | Drilling | | Completion | | Production | Total |
| | | | 2,820,424 | | 5,474,203 | | 447,000 | 8,741,627 |

Prepared By: Kelvin Fisher

Date: 9/15/2020

Drill & Complete 8,294,627

Approval:

Kelvin Fisher, COO

Date: 9/15/2020

Partner Approval

Amount:

Joint Owner:

Working Interest:

Joint Owner Approval:

By execution of this AFE, the above signee is agreeing to be covered by the Operator's well control insurance and agreeing to the limits within and carrier of such insurance, neither of which is guaranteed as sufficient by Operator. In order to decline coverage by Operator's well control insurance, you must sign below and provide a Certificate of Insurance with waiver of subrogation prior to spud date and agree to hold Operator harmless for any loss to your interest not covered by your insurance or as otherwise set forth in Exhibit D of the Operating Agreement.

Agree to decline coverage, provide proof, and hold harmless:

By:

Date:

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

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21635

**APPLICATION OF RIDGE RUNNER
RESOURCES OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. 21636

**SELF-AFFIRMED STATEMENT OF
MICHAEL BURKE**

1. I am over 18 years of age and am competent to provide this Self-Affirmed Statement. I have personal knowledge of the matters addressed herein.
2. I am a geologist at Ridge Runner Resources Operating, LLC ("Ridge Runner"). I am familiar with the geological matters that pertain to Ridge Runner's application.
3. I have previously testified before the New Mexico Oil Conservation Division as an expert in geology, and my qualifications were accepted.
4. A general location map of the proposed horizontal spacing units ("HSU") is attached as Exhibit B-1. The map depicts both vertical & horizontal wells that have been completed in or permitted to the Bone Spring formation. They are marked with a brown dot at the bottom hole location. The horizontal wells vary in length from 1 mile to 2 miles. The map also shows a line of cross section for the proposed Zeus 2-11 Fed Com #1H and #2H wells.

Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit B

5. Attached as Exhibit B-2 is a type log, which consists of the well logs of a well drilled within the paths of the proposed laterals that shows the formation tops, the significant producing zones, and the target depths of the lateral wellbores.

6. A gun barrel diagram is attached as Exhibit B-3.

7. A structure map of the Bone Spring formation is attached as Exhibit B-4. The map shows that in this vicinity the subsurface is uniformly underlain by this formation at a depth of ~9300' – ~10,400' MD (H = ~1100'). The formation consists of alternating and continuous beds of sandstone, shale, & limestone, all of which have value as reservoirs and source rocks for oil and gas accumulations. The structural dip is to the west at ~100' per mile (~1 degree). There are no significant structural or stratigraphic interruptions (faults, truncation, etc.). The various individual stratigraphic zones do exhibit local thickness and reservoir quality variations.

8. Attached as Exhibit B-5 is a gross interval isopach map of the Bone Spring formation, which contains the target zones for the proposed wells. It shows that the Bone Spring formation across the HSU is continuous.

9. Attached as Exhibit B-6 is a north to south cross section. The well logs on the cross section provide a representative sample of the Bone Spring formation in this area. The target zone(s) for the proposed wells are continuous across the HSU.

10. A north to south well orientation is preferred in this area based on horizontal stress.

11. The wells' producing intervals will be orthodox.

12. Based on the information discussed above, I am able to conclude that:

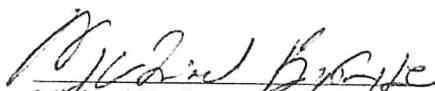
- (a) the HSUs are justified from a geologic standpoint;
- (b) there is no faulting or other geologic impediment that could adversely affect the drilling of the proposed wells; and

(c) each quarter-quarter section in the HSUs will contribute more or less equally to production.

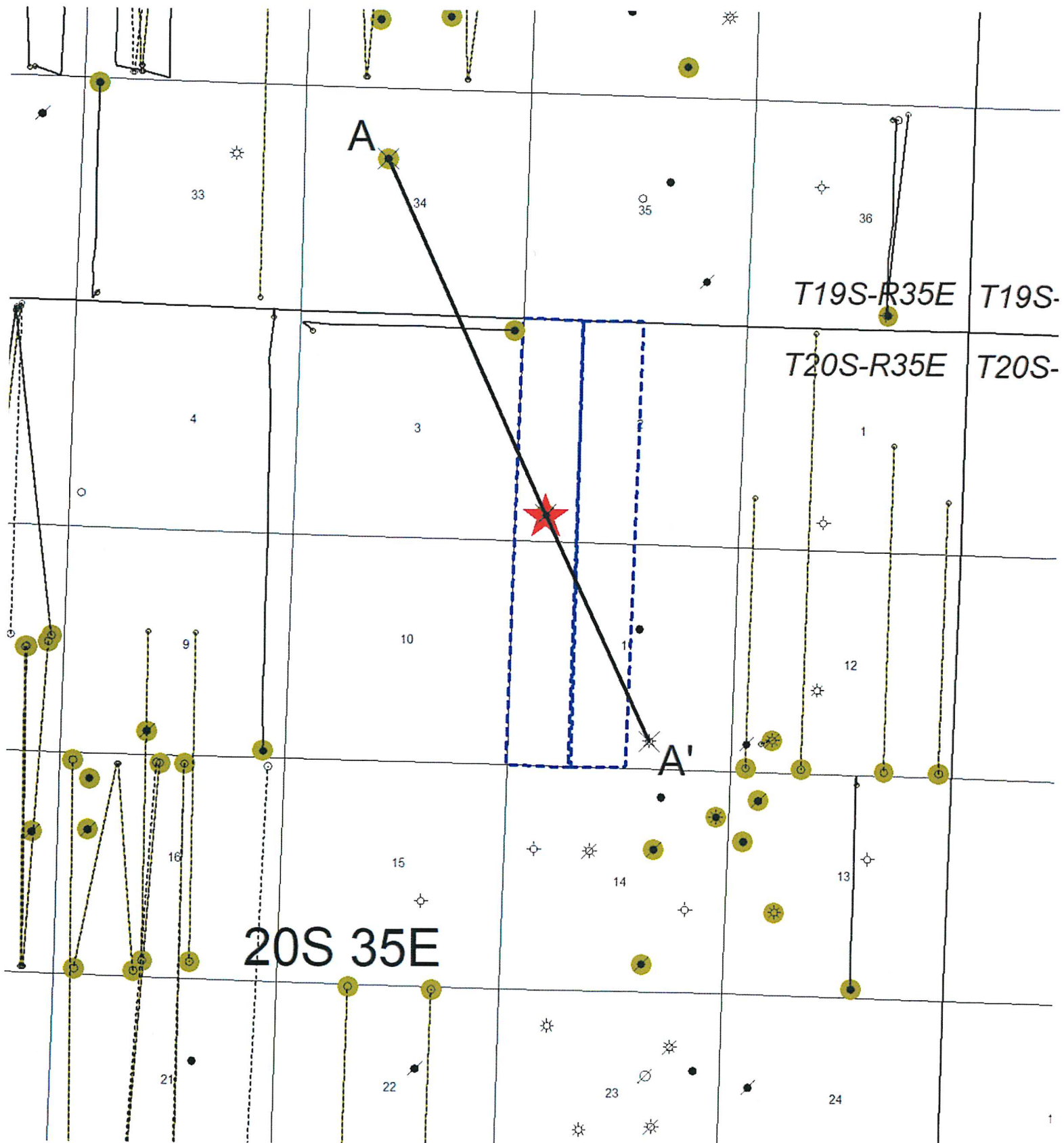
13. In my opinion, the granting of Ridge Runner's application will prevent the drilling of unnecessary wells, protect correlative rights, and prevent waste.

14. Exhibits B-1 through B-6 were either prepared by me or compiled from company records.

15. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 14 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.



Michael Burke

1-27-2021
Date



Case Nos. 21635 & 21636
Ridge Runner Resources
Exhibit B-1



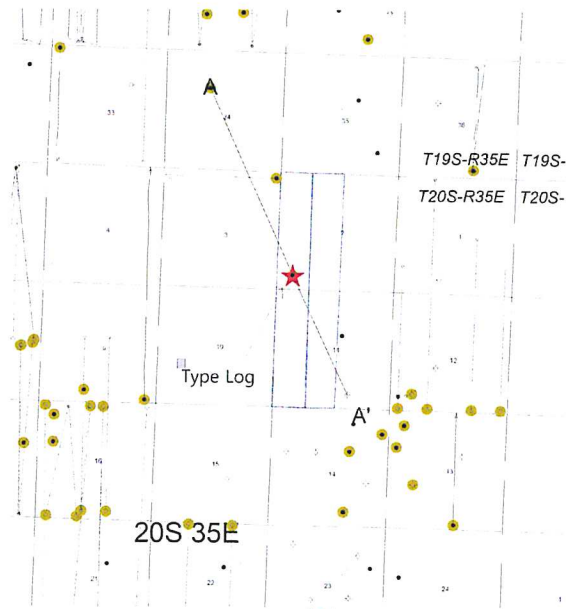
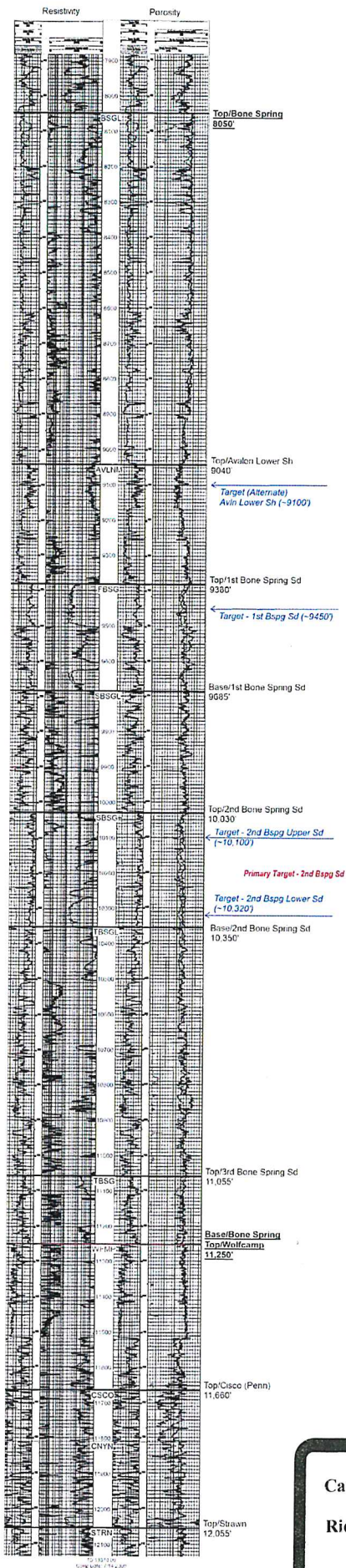


RIDGE RUNNER
RESOURCES

Bone Spring Well & X-Section Index Map
Zeus 2-11 Fed Com Area
Lea Co., New Mexico

| | | |
|-------------------|-------------------------------------|--------------------|
| Author: mburke | Bubbles: Brown Bone Spring Wells | Date: 1/26/2021 |
| Wells: > 9000' | Scale: 1" = 3000' | C.I.: N/A |

2013/05/01
Ridge Runner Resources, LLC
Type Log
Type Log



Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit B-2

Ridge Runner Resources, LLC

Bone Spring Well & X-Section Index Map
Zeus 2-11 Fed Com Area
Lea Co., New Mexico

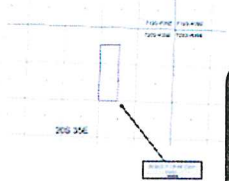
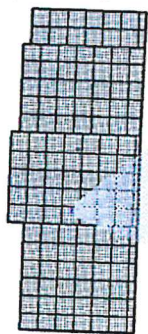
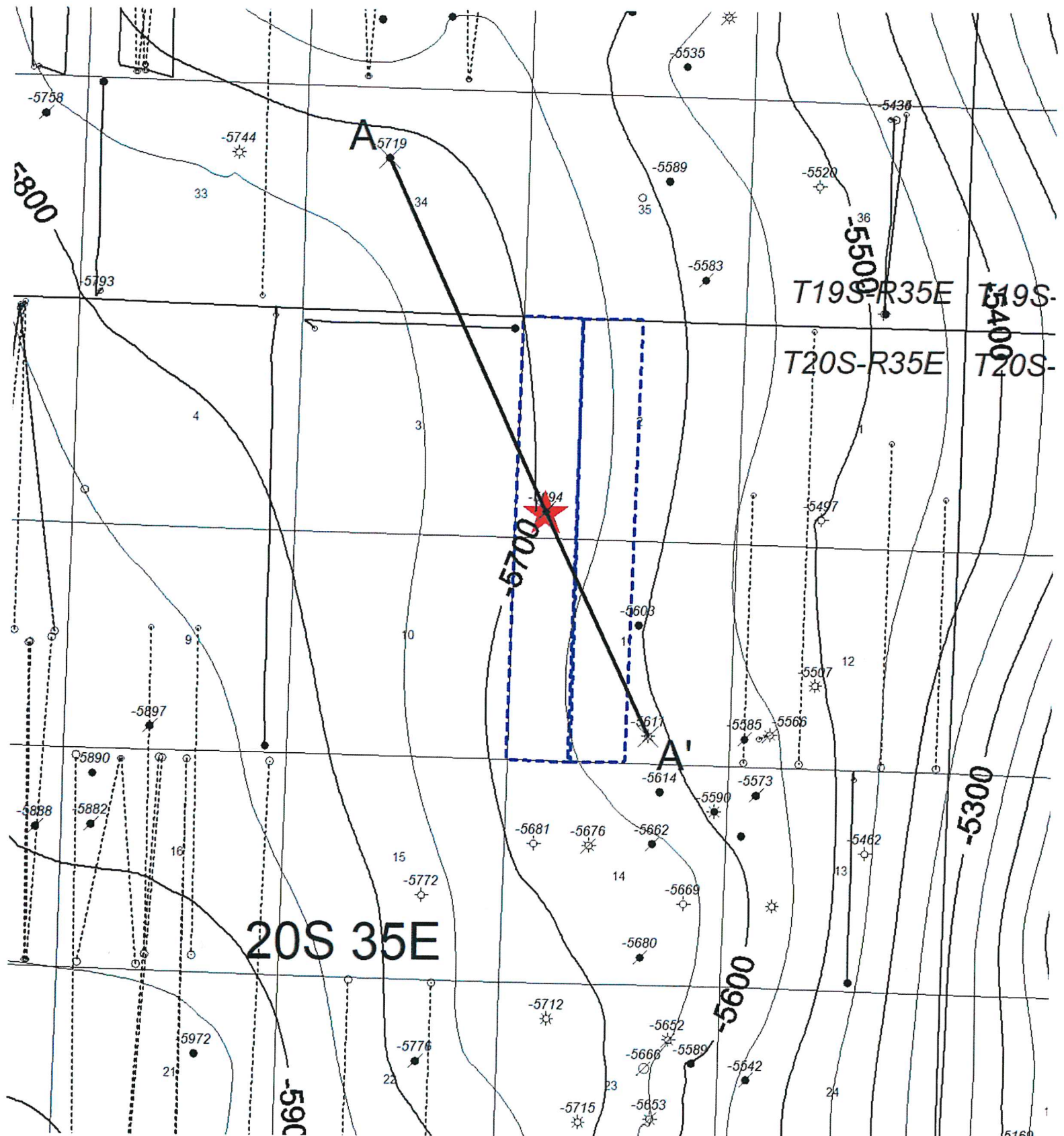
| | | |
|----------------|-------------------------|-------------------|
| Author mike | Reviewed Bryan Brown | Date 1/29/2021 |
| Well 19070 | Scale 1" = 300' | CL 1A |

Sec. 2 & 11 / T19S / R 35E - Lea Co., New Mexico

Well Orientation & Spacing


Sec. 2 & 11 / T19S / R 35E

Future Location



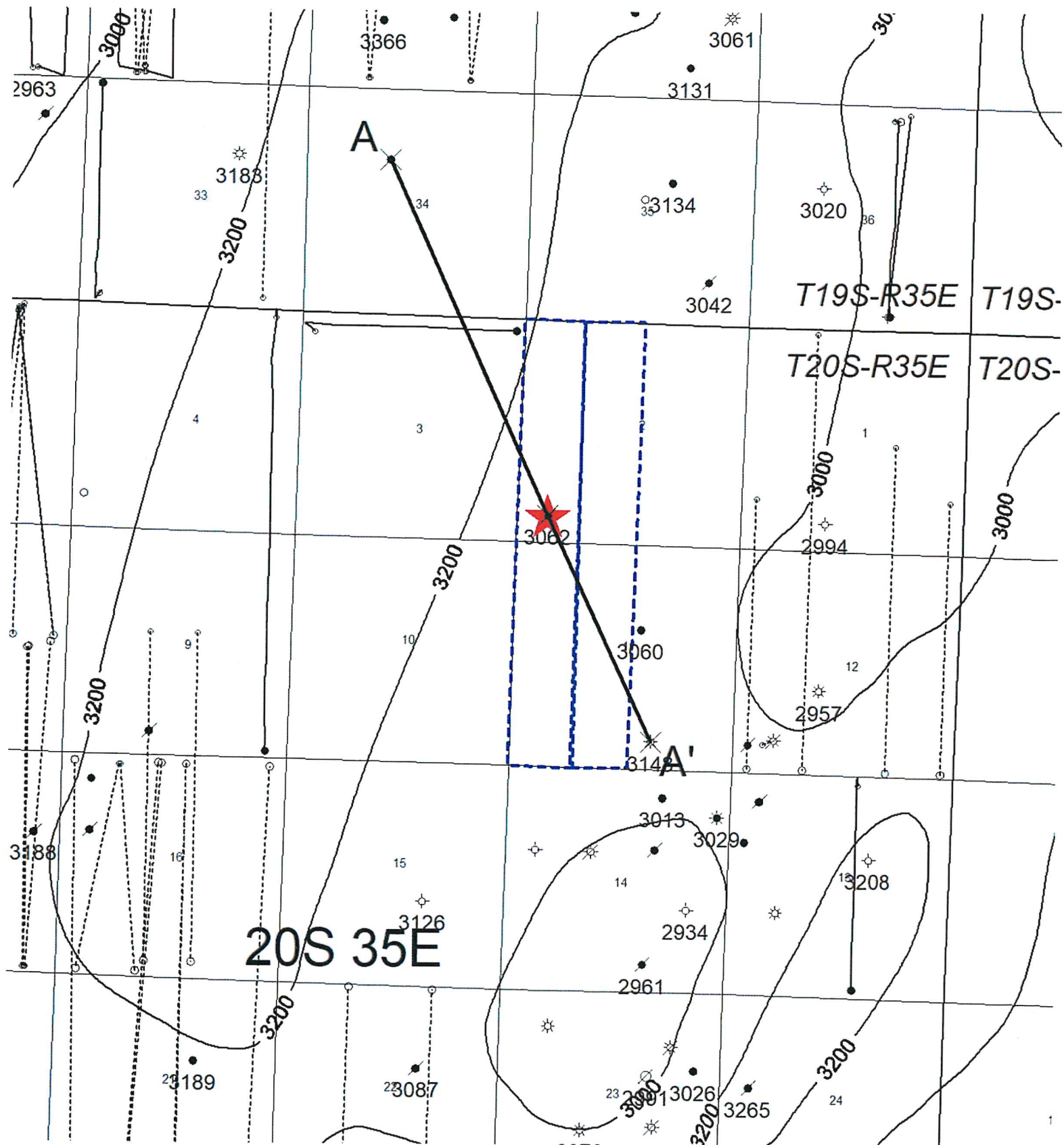
Case Nos. 21635 & 21636
 Ridge Runner Resources
 Exhibit B-4





1st Bone Spring Sand Structure Map
 Zeus 2-11 Fed Com Area
 Lea Co., New Mexico

| | | |
|-------------------|----------------------|--------------------|
| Author: mburke | Bubbles: N/A | Date: 1/26/2021 |
| Wells: > 9000' | Scale: 1" = 3000' | C.I.: 50' |



Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit B-5



RRR RIDGE RUNNER
RESOURCES

Bone Spring Gross Isopach Map
Zeus 2-11 Fed Com Area
Lea Co., New Mexico

Author:

mburke

Bubbles:

N/A

Date:

1/26/2021

Wells:

> 9000'

Scale:

1" = 3000'

C.I.:

200'

Structural X-Section A - A' (North - South) - Datum: -5000'
Zeus 2-11 Fed Com #1H Area - Lea Co., NM

A

300253491100
DOMINION OIL CO
TORO 34 STATE 1
TWP. 19 S - Range 35 E - Sec. 34

9223 ft

300253480700
THRESHOLD DEV CO
STATE 24M 1
TWP. 20 S - Range 35 E - Sec. 2

9504 ft

300252802000
MARATHON OIL CO
JORDAN B 1
TWP. 29 S - Range 35 E - Sec. 11

A'

Resistivity

Porosity

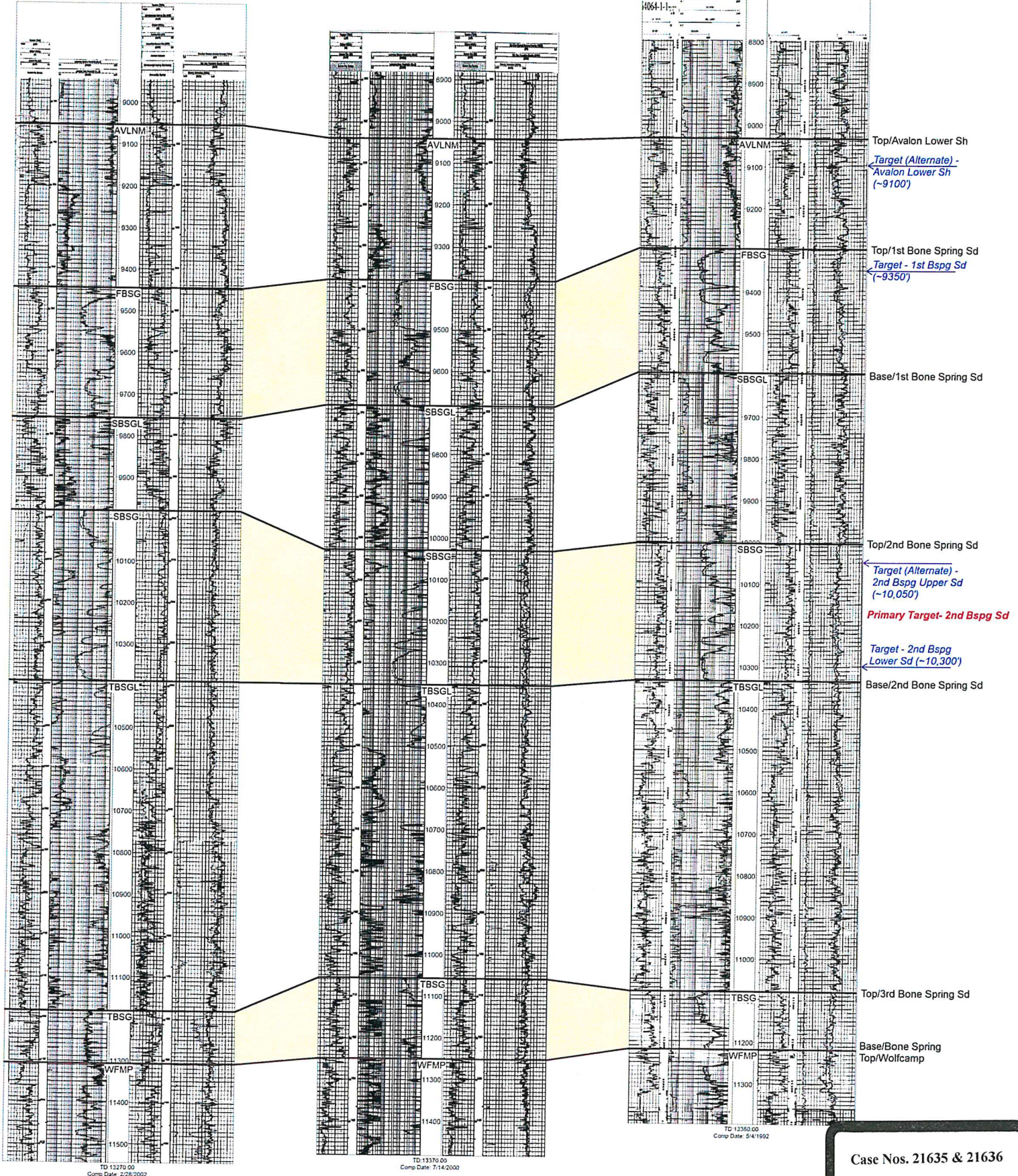
Resistivity

Porosity

Resistivity

Porosity

Type Log



Case Nos. 21635 & 21636

Ridge Runner Resources

Exhibit B-6