

P.O. Box 50320 Midland, Texas 79710 Phone (432) 684-9696 4000 N Blg Spring, Suite 310 Midland, Texas 79705 Fax (432) 686-0600

6/28/2016

CL& F Resources, LP 111 Veterans Memorial Blvd., Suite 500 Metairie, LA 70005

Attention: Allison Gill

Re:

Well Proposal - Red Light 27-34 State Com #1H

E/2, Sec. 27 - T23S - R26E & NE/4, Sec. 34 - T23S - R26E

SHL: 190' FNL & 1650' FEL, or a legal location in Section 27 (Unit B) BHL: 2400' FNL & 1650 FEL, or a legal location in Section 34 (Unit G)

Eddy County, New Mexico

Dear Ms. Gill:

BC Operating, LLC ("BC"), as Operator, proposes to drill the Red Light 27-34 State Com #1H well as a horizontal well at the above-captioned location to a TVD of approximately 9,500° and a MD of 16,500° to test the Wolfcamp formation ("Operation"). The total cost of the Operation is estimated to be \$6,980,540 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

BC is proposing to drill this well under the terms of a modified 1989 AAPL form of Operating Agreement which will be mailed under separate cover. The Operating Agreement covers All of Section 27, T23S-R26E and the N/2 of Section 34, T23S-R26E, Eddy County, New Mexico. It has the following general provision:

- 100/300 Non-Consent penalty
- BC named as Operator
- 100/300/300 Non-consenting penalty

If you do not wish to participate in the Operation, BC would you to acquire your leasehold under the following general terms:

- \$2,000.00 per net mineral acres
- · Delivering a full net revenue interest

BC OPERATING, INC.
Hearing Date: September 15, 201



P.O. Box 56820 Midland, Texas 79710 Phone (432) 684-9696

NAME:

4000 N Big Spring, Suite 310 Midland, Texas 79705 Fax (432) 686-0600

Please indicate your participation election in the space provided below, and execute and return a copy of the enclosed AFE and Well Proposal Letter within thirty (30) days of receipt of this notice. If you have any questions or prefer to discuss this Well Proposal Letter in greater detail, please do not hesitate to give me a call at 432.684.9696. This offer is subject to the approval of BC's management and verification of title.

BC Operating, Inc.

Authorization for Expenditure

Well Name:	Red Light 27-34 S	tate Com #1H	Pros	pect: Wolfc	amp - No Pilot Hole	, 1.5 mile l	ateral
Location:	SHL: 190' FNL & 1650' F	EL Sec. 27; 9HL: 2310' FNL & 16.	50' FEL Sec. 34	Co	unty: EDDY		ST: NM
Section:	27	Horizontal TVD:	9,500ft	Township:	23S Range:	365	Prop. Depth: 16,500ft MD
Section:		MONZONIAD 140:	3,300/t	TOWNSHIP:	293 Range:	20E	TO,3001C NOD
		NGIBLE COST		Code	ТСР	Code	CC-ACP
Legal: Drilling To		SOME Case Dia		4-01	\$25,000		4,00,000
Location, Roads, Conductor, Damages, ROW, Frac Pit Day work Drilling Cost: \$14,000/day 40 Days FCP, 4 Days ACP			4-36 4-15	\$100,000 \$600,000	5-28 5-12	\$100,000	
Fuel \$4,000/day			4-66	\$160,000	4-65	\$16,000	
Mud				4-51	\$150,000		\$15,000
Cementing: 13-3/8", 9-5/8", 7" Casing, 4-1/2" Liner				4 06	\$100,000		\$40,000
Logging: Gyro, Cased Hole CBL, Perforating			4-39	\$15,000		\$150,000	
Casing Crews, Laydown Machine			4-05	\$20,000	5-05	\$40,000	
Mud Logging and Geosteering				4-52	\$25,000	L	
Stimulation; Pressure Pumping Service						5-80	\$2,400,000
Stimulation: Surface Rentals, Transfer Services, etc. Water				104	CEO 000	5-61	\$45,000
Bits				4-84 4-03	\$50,000 \$85,000	5-66 5-04	\$200,000 \$5,000
Drill String Inspection				4-31	\$5,000	5-31	\$35,000
Rig Mobilization				4-14	\$75,000		333,000
Transportation: Surf. CSG, Surface Rentals, Prod. CSG, Drill pipe, etc.				4-78	\$10,000	5-92	\$45,000
Directional Driling 25 days at \$7,500/day				4-16	\$187,500		
Surface Rentals: \$4,000/day				4-61	\$160,000	5-61	\$75,000
Sub Surface Rentals: Drill Pipe, Stabilization, Mud Motor, etc.				4-62	\$75,000		\$75,000
Overhead				4-18	\$5,000	5-18	\$5,000
Supervision				4-72	\$56,000	5-84	\$16,800
Well Control Insurance				4-87	\$7,500		
	f Casing, Set Slips, etc.			4-08	\$9,000	5-77	\$3,000
Pulling Unit/Completion Unit Testing BOP/Nipple up Crews				4-04	\$20,000	5-09	\$30,000 \$10,000
Drill String Corrosion				417	58,000		310,000
Trucking Clean Pits, SWD, Solids Disposal					38,000	5-66	\$175,000
Float Equipment				4-23	\$30,000		so
Coil Tubing and N2						5-53	\$0
Battery, Flowline, Electric Line Installation						5-77	\$50,000
Contingencies 10% TCP 5% CC					\$197,800		\$179,540
TOTAL					\$2,175,800		\$3,770,340
	τ/	ANGIBLE					
Surface Casing:	13-3/8° J-55, 54,59; 40			6-71	\$12,400		
	ising: 9-5/8" 36# J-55; 2			6-32	\$72,500		
Production Casing: 72" 264, P-110; 11,000ft @ \$23/ft				6-32	\$264,000		
Production Liner: 4-1/2". 11.6#, P-110 7,000ft @\$15/ft					\$105.000	6-60	
Tubing: 2-7/8" 6.5# L-80; 10,000ft @ \$7.00/ft			<u> </u>			6-80	\$70,000
Wellhead				6-84	\$15,000	6-84	\$15,000
Liner Hanger	pment: Gas Lift Valves					6-56	\$25,000
Pumping Unit						6-56 6-68	\$110,000 \$0
Tanks	_				<u></u>	6-76	\$175,000
Separator- Heate	er Treater		- 			6-24	\$55,500
Metering Equipm			<u></u>			6 44	510,000
Flowline Equipm	ent					6-42	\$5,000
Valves, Connecti						6-12	\$50,000
Electrical Equipm	nent					6-14	\$50,000
TOTAL					\$468,900		\$\$65,500
TOTAL TANGIBLE AND INTANGIBLE				\$2,644,700		\$4,335,840	
TOTAL WELL CO	ज				·		\$6,980,540
Created by: Jason Goss			Date: <u>5/24/2016</u>				
Joint Owner	r:						
Joint Owner	r Approval:						
Ву:					Date:		