

**APPLICATION OF OPAL RESOURCES OPERATING CO., LLC  
AND OPAL RESOURCES II, LLC  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT, A NON-STANDARD PROJECT AREA,  
AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**AFFIDAVIT OF EXPERT WITNESS RICK CASTAGNO**

I, **Rick Castagno**, hereby swear and affirm that the following statements are true and correct to the best of my knowledge and belief.

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5. I misunderstood the Examiner and thought the Examiner was questioning me on overall well costs, and I responded that due to the proposed type of completion, the well costs were reasonable and in line with industry standard.

6. The Examiner requested Applicant to provide justification for its administrative charges and Applicant agreed to supplement the record.

7. After the hearing, I spoke with Applicant's attorney who explained the Examiner was questioning the administrative charge and not the total cost of the well.

8. I desire to correct and amend my testimony with regard to the Opal Administrative Charge.

9. The Opal Administrative Charge is based on arms-length negotiation of this charge with contractual working interest owners whose interests arise pursuant to an Exploration and Development Agreement with Applicant ("E&D") covering an Area of Mutual Interest.

10. A separate Joint Operating Agreement on AAPL FORM 610-1989 ("JOA") governs operations on each well drilled under the E&D.

11. The subject Jade Well will be drilled under JOA dated October 1, 2015.

12. Exhibit C of the JOA, COPAS Accounting Procedure, Art. III.1.B(1) states that:

the Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month \$9,750 for horizontal wells (prorated for less than full month)

Drilling Well Rate per month \$4,875 for vertical wells (prorated for less than full month)

Producing Well Rate per month \$975 for horizontal wells

Producing Well Rate per month \$487 for vertical wells.

13. The same parties to the E&D have drilled eight wells in the same area in the same formation under the same form of JOA with the same administrative charge.

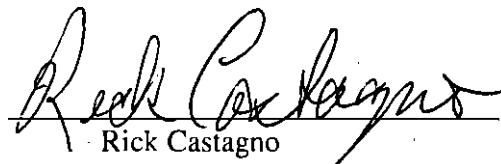
14. A breakdown of the rest of the previously negotiated JOAs with said E&D contractual working interest owners, locations of wells, and charges used are as follows:

| CONTRACT #            | DATE      | LEGAL DESCRIPTION            | WELL TYPE      | DRILLING   | PRODUCTION |
|-----------------------|-----------|------------------------------|----------------|------------|------------|
| <b>FULLERTON AREA</b> |           |                              |                |            |            |
| 901743                | 11/1/2015 | Section 23, Block A-28       | San Andres     | \$9,750.00 | \$975.00   |
| 901848                | 4/27/2016 | W/2 of Section 4, Block A-29 | Wichita Albany | \$9,750.00 | \$975.00   |
| 901902                | 7/12/2016 | Section 25, Block A-28       | San Andres     | \$9,750.00 | \$975.00   |
| 901903                | 7/12/2016 | Section 25, Block A-28       | San Andres     | \$9,750.00 | \$975.00   |
| 901907                | 6/1/2016  | Section 6, Block A-12        | San Andres     | \$9,750.00 | \$975.00   |
| 901946                | 8/1/2016  | Section 12, Block A-28       | San Andres     | \$9,750.00 | \$975.00   |
| 901966                | 8/1/2016  | T19S, R39E<br>Section 18     | San Andres     | \$9,750.00 | \$975.00   |
| 901967                | 7/15/2016 | W/2 of Section 6, Block A-28 | Wichita Albany | \$9,750.00 | \$975.00   |

15. I agree with the Hearing Examiner that a charge of \$7,500 per month during drilling and \$750 per month during production is a reasonable charge; however, since the contractual working interest owners have contracted for a higher rate on all other occasions in the area, I believe the higher rate is also a reasonable charge.

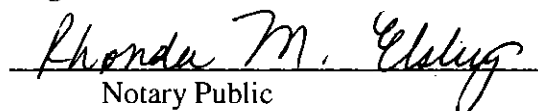
Further affiant sayeth not.

Dated this 13th day of March, 2017.

  
Rick Castagno

Subscribed, Sworn to and acknowledged before me on March 13th 2017 by Rick Castagno.

My Commission Expires:

  
Notary Public

