

API No. <u>42-389-38840</u> Drilling Permit # <u>860225</u> SWR Exception Case/Docket No. <u>0324748</u> (R37)		RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER <i>This facsimile W-1 was generated electronically from data submitted to the RRC.</i> <i>A certification of the automated data is available in the RRC's Austin office.</i>				FORM W-1 07/2004 Permit Status: Approved	
1. RRC Operator No. 676550		2. Operator's Name (as shown on form P-5, Organization Report) PRI OPERATING, LLC			3. Operator Address (include street, city, state, zip): 110 WEST LOUISIANA STE 500 MIDLAND, TX 79701-0000		
4. Lease Name LEOPARD UNIT 5A61			5. Well No. 61H				
GENERAL INFORMATION							
6. Purpose of filing (mark ALL appropriate boxes): <input checked="" type="checkbox"/> New Drill <input type="checkbox"/> Recompletion <input type="checkbox"/> Reclass <input type="checkbox"/> Field Transfer <input type="checkbox"/> Re-Enter <input type="checkbox"/> Amended <input type="checkbox"/> Amended as Drilled (BHL) (Also File Form W-1D)							
7. Wellbore Profile (mark ALL appropriate boxes): <input type="checkbox"/> Vertical <input checked="" type="checkbox"/> Horizontal (Also File Form W-1H) <input type="checkbox"/> Directional (Also File Form W-1D) <input type="checkbox"/> Sidetrack							
8. Total Depth 9800		9. Do you have the right to develop the minerals under any right-of-way ? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
SURFACE LOCATION AND ACREAGE INFORMATION							
11. RRC District No. 08		12. County REEVES		13. Surface Location <input checked="" type="checkbox"/> Land <input type="checkbox"/> Bay/Estuary <input type="checkbox"/> Inland Waterway <input type="checkbox"/> Offshore			
14. This well is to be located <u>20.5</u> miles in a <u>SE</u> direction from <u>PECOS</u> which is the nearest town in the county of the well site.							
15. Section 5		16. Block C1		17. Survey PSL/HORNSBY, A D		18. Abstract No. A-1228	
				19. Distance to nearest lease line: <u>1</u> ft.		20. Number of contiguous acres in lease, pooled unit, or unitized tract: 1279.44	
21. Lease Perpendiculars: <u>196</u> ft from the <u>NORTH</u> line and <u>692</u> ft from the <u>WEST</u> line. 22. Survey Perpendiculars: <u>196</u> ft from the <u>NORTH</u> line and <u>692</u> ft from the <u>WEST</u> line.							
23. Is this a pooled unit? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			24. Unitization Docket No:		25. Are you applying for Substandard Acreage Field? <input type="checkbox"/> Yes (attach Form W-1A) <input checked="" type="checkbox"/> No		
FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.							
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)			29. Well Type	30. Completion Depth	
08	80544500	SANDBAR (BONE SPRING)			Oil or Gas Well	9800	
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)							
Remarks See W1 Comments attached					Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. <div style="display: flex; justify-content: space-between;"> <div> <u>Mandy Curry</u> Name of filer </div> <div> <u>Dec 19, 2019</u> Date submitted </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <u>(432)686-9801</u> Phone </div> <div> <u>mcurry@patriot-resources.com</u> E-mail Address (OPTIONAL) </div> </div>		
RRC Use Only Data Validation Time Stamp: Dec 30, 2019 11:07 AM('As Approved' Version)							

Permit Status:	Approved
<i>The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.</i>	

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OIL & GAS DIVISION**

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Permit #	860225
Approved Date:	Dec 30, 2019

1. RRC Operator No. 676550	2. Operator's Name (exactly as shown on form P-5, Organization Report) PRI OPERATING, LLC	3. Lease Name LEOPARD UNIT 5A61	4. Well No. 61H
Lateral Drainhole Location Information			
5. Field as shown on Form W-1 SANDBAR (BONE SPRING) (Field # 80544500, RRC District 08)			
6. Section 8	7. Block C1	8. Survey PSL/EDDINS, L	9. Abstract 4538
10. County of BHL REEVES			
11. Terminus Lease Line Perpendiculars 10 ft. from the SOUTH line. and 690 ft. from the WEST line			
12. Terminus Survey Line Perpendiculars 10 ft. from the SOUTH line. and 690 ft. from the WEST line			
13. Penetration Point Lease Line Perpendiculars 196 ft. from the NORTH line. and 692 ft. from the WEST line			

Permit Status: **Approved**

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W-1 Comments

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[Dec 19, 2019 10:07 AM]: Commission Staff expresses no opinion as to whether a 100% ownership interest in each of the leases alone or in combination with a "production sharing agreement" confers the right to drill across lease/unit lines or whether a pooling agreement is also required. However, until that issue is directly addressed and ruled upon by a Texas court of competent jurisdiction it appears that a 100% interest in each of the leases and a production sharing agreement constitute a sufficient colorable claim to the right to drill a horizontal well as proposed to authorize the removal of the regulatory bar and the issuance of a drilling permit by the Commission, assuming the proposed well is in compliance with all other relevant Commission requirements.

Issuance of the permit is not an endorsement or approval of the applicant's stated method of allocating production proceeds among component leases or units. All production must be reported to the Commission as production from the lease or pooled unit on which the wellhead is located and reported production volume must be determined by actual measurement of hydrocarbon volumes prior to leaving that tract and may not be based on allocation or estimation. Payment of royalties is a contractual matter between the lessor and lessee. Interpreting the leases and determining whether the proposed proceeds allocation comports with the relevant leases is not a matter within Commission jurisdiction but a matter for the parties to the lease and, if necessary, a Texas court of competent jurisdiction.

The foregoing statements are not, and should not be construed as, a final opinion or decision of the Railroad Commission.