

API No. <u>42-343-30132</u> Drilling Permit # <u>904693</u> SWR Exception <u>(R37)</u>		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. <u>727892</u>		2. Operator's Name (as shown on form P-5, Organization Report) ROSE CITY RESOURCES, LLC			3. Operator Address (include street, city, state, zip): 100 INDEPENDENCE PLACE STE 405 TYLER, TX 75703-0000		
4. Lease Name LUXOR		5. Well No. 1H					
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 checked="" 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 13000		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. 06		12. County MORRIS		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>1.4</u> miles in a <u>SE</u> direction from <u>Lone Star</u> which is the nearest town in the county of the well site.							
15. Section	16. Block	17. Survey DALBY, J B		18. Abstract No. A-89	19. Distance to nearest lease line: ft.	20. Number of contiguous acres in lease, pooled unit, or unitized tract: 679.07	
21. Lease Perpendiculars: <u>1043</u> ft from the <u>SOUTH</u> line and <u>1724</u> ft from the <u>EAST</u> line. 22. Survey Perpendiculars: <u>1043</u> ft from the <u>SOUTH</u> line and <u>1724</u> ft from the <u>EAST</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	31. Distance to Nearest Well in this Reservoir	
06	41090100	HIDDEN ROCK (COTTON VALLEY LIME)		Oil Well	11700	1491.00	
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>Chad Holliday, Manager</u> Name of filer </div> <div> <u>Jan 07, 2025</u> Date submitted </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <u>(903)4809500</u> Phone </div> <div> <u>cholliday@rosecityres.com</u> E-mail Address (OPTIONAL) </div> </div>			
RRC Use Only				Data Validation Time Stamp: Feb 5, 2025 11:53 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>	

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

Form W-1H
Supplemental Horizontal Well Information

07/2004

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Approved Date: Feb 05, 2025	

1. RRC Operator No. 727892	2. Operator's Name (exactly as shown on form P-5, Organization Report) ROSE CITY RESOURCES, LLC	3. Lease Name LUXOR	4. Well No. 1H	
Lateral Drainhole Location Information				
5. Field as shown on Form W-1 HIDDEN ROCK (COTTON VALLEY LIME) (Field # 41090100, RRC District 06)				
6. Section	7. Block	8. Survey MILLER, P	9. Abstract 200	10. County of BHL MORRIS
11. Terminus Lease Line Perpendiculars 739 ft. from the West line. and 1 ft. from the South line				
12. Terminus Survey Line Perpendiculars 1926 ft. from the North line. and 559 ft. from the West line				
13. Penetration Point Lease Line Perpendiculars 95 ft. from the North line. and 150 ft. from the West line				

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W-1 Comments

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[Jan 6, 2025 9:12 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.; [RRC STAFF Jan 8, 2025 8:20 AM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jan 9, 2025 2:56 PM]: Distance to Nearest Well changed from 1483 to 1480 per revised plat.; [RRC STAFF Jan 9, 2025 3:00 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jan 9, 2025 4:24 PM]: Problems identified with this permit are resolved. Filer sent in a revised P-12, P-16, and plat.; [RRC STAFF Jan 10, 2025 10:12 AM]: RRC updated the Survey Line Perpendiculars for the SHL, the Distance to Nearest Survey Line from Surface Location, and the nearest well on the W-1.; [RRC STAFF Feb 5, 2025 11:53 AM]: Exception Admin Approved. 37(h)(2)(A). Service List.