

API No. <u>42-003-49198</u> Drilling Permit # <u>909631</u> SWR Exception <u>(R37)</u>		<b>RAILROAD COMMISSION OF TEXAS</b> <b>OIL &amp; GAS DIVISION</b> <b>APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER</b> <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>				<b>FORM W-1</b> 07/2004 Permit Status: <b>Approved</b>	
1. RRC Operator No. <b>741937</b>		2. Operator's Name (as shown on form P-5, Organization Report) <b>SABALO II OPERATING, LLC</b>			3. Operator Address (include street, city, state, zip):  <b>P O BOX 2907</b> <b>CORPUS CHRISTI, TX 78403-0000</b>		
4. Lease Name <b>MONARCH 28-33 D</b>		5. Well No. <b>1BN</b>					
<b>GENERAL INFORMATION</b>							
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 <b>12300</b>		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			
<b>SURFACE LOCATION AND ACREAGE INFORMATION</b>							
11. RRC District No. <b>08</b>		12. County <b>ANDREWS</b>		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>7.96</u> miles in a <u>SE</u> direction from <u>Andrews</u> which is the nearest town in the county of the well site.							
15. Section <b>28</b>	16. Block <b>3</b>	17. Survey <b>PSL / MURPHY, M</b>		18. Abstract No. <b>A-1468</b>	19. Distance to nearest lease line: ft.	20. Number of contiguous acres in lease, pooled unit, or unitized tract: <b>1085.36</b>	
21. Lease Perpendiculars: <u>405</u> ft from the <u>N</u> line and <u>699</u> ft from the <u>E</u> line. 22. Survey Perpendiculars: <u>405</u> ft from the <u>N</u> line and <u>699</u> ft from the <u>E</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			
<b>FIELD INFORMATION    List all fields of anticipated completion including Wildcat. List one zone per line.</b>							
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	
<b>08</b>	<b>28899040</b>	<b>EMMA (BARNETT SHALE)</b>		<b>Oil or Gas Well</b>	<b>12000</b>	<b>0.00</b>	
<b>BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)</b>							
<b>Remarks</b> See W1 Comments attached				<b>Certificate:</b> I certify that information stated in this application is true and complete, to the best of my knowledge. <div style="text-align: center;"> <b>Shelly Carrigan, Regulatory</b>  <b>Coordinator</b> </div> <div style="display: flex; justify-content: space-between;"> <div> <u>Name of filer</u>  <b>(361)888-7708, x6015</b>            Phone         </div> <div> <u>Date submitted</u>  <b>Aug 01, 2025</b>  <b>scarrigan@sabaloenergy.com</b>            E-mail Address (OPTIONAL)         </div> </div>			
<b>RRC Use Only</b> Data Validation Time Stamp: <b>Aug 8, 2025 10:32 AM( 'As Approved' Version )</b>							

Permit Status: <b>Approved</b>  <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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RAILROAD COMMISSION OF TEXAS  
 OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

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Permit #	909631
Approved Date:	Aug 08, 2025

1. RRC Operator No. 741937	2. Operator's Name (exactly as shown on form P-5, Organization Report) SABALO II OPERATING, LLC	3. Lease Name MONARCH 28-33 D	4. Well No. 1BN
Lateral Drainhole Location Information			
5. Field as shown on Form W-1      EMMA (BARNETT SHALE) (Field # 28899040, RRC District 08)			
6. Section 33	7. Block 3	8. Survey PSL / MURPHY, M	9. Abstract 1469
10. County of BHL ANDREWS			
11. Terminus Lease Line Perpendiculars 100 ft. from the        S        line. and    330 ft. from the        E        line			
12. Terminus Survey Line Perpendiculars 100 ft. from the        S        line. and    330 ft. from the        E        line			
13. Penetration Point Lease Line Perpendiculars 10 ft. from the        S        line. and    400 ft. from the        E        line			

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**W-1 Comments**

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[ Jul 31, 2025 10:19 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 Aug 1, 2025 2:13 PM]: Changed Nearest Distance from the First/Last Take Point (Heel/Toe) to a Lease Line from 100 to 1.; [RRC STAFF Aug 1, 2025 2:23 PM]: Changed SHL survey from A-1470 to A-1468.; [RRC STAFF Aug 1, 2025 2:28 PM]: Added additional information to BHL survey.; [RRC STAFF Aug 1, 2025 2:46 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Aug 7, 2025 8:24 AM]: Uploaded revised plat.; [RRC STAFF Aug 7, 2025 8:24 AM]: Problems identified with this permit are resolved.; [RRC STAFF Aug 8, 2025 10:32 AM]: Exception Admin Approved. 37(h)(2)(B). Own Offset.