

API No. <u>42-003-47585</u> Drilling Permit # <u>827643</u> SWR Exception Case/Docket No. <u>0308468</u> (R37)		<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>664930</b>		2. Operator's Name (as shown on form P-5, Organization Report) <b>PIEDRA OPERATING, LLC</b>			3. Operator Address (include street, city, state, zip): <b>PO BOX 10485</b> <b>MIDLAND, TX 79702-0000</b>		
4. Lease Name <b>UNIVERSITY 8-4 H</b>		5. Well No. <b>9H</b>					
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 checked="" 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>12500</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			
SURFACE LOCATION AND ACREAGE INFORMATION							
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>14.1</u> miles in a <u>NW</u> direction from <u>Andrews</u> which is the nearest town in the county of the well site.							
15. Section <b>4</b>		16. Block <b>8</b>		17. Survey <b>UL</b>		18. Abstract No. <b>A-U222</b>	
				19. Distance to nearest lease line: <b>330</b> ft.		20. Number of contiguous acres in lease, pooled unit, or unitized tract: <b>1294.94</b>	
21. Lease Perpendiculars: <u>1831</u> ft from the <u>WEST</u> line and <u>448</u> ft from the <u>SOUTH</u> line. 22. Survey Perpendiculars: <u>1831</u> ft from the <u>WEST</u> line and <u>448</u> ft from the <u>SOUTH</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	85280300	SPRABERRY (TREND AREA)			Oil or Gas Well	12500	
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)							
<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="display: flex; justify-content: space-between;"> <div> <u>Ann Ritchie</u>            Name of filer         </div> <div> <u>Dec 18, 2017</u>            Date submitted         </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <u>(432)6846381</u>            Phone         </div> <div> <u>ann.wtor@gmail.com</u>            E-mail Address (OPTIONAL)         </div> </div>		
RRC Use Only    Data Validation Time Stamp: Jan 2, 2018 3:22 PM( Current Version )							

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 #	827643
Approved Date:	Dec 22, 2017

1. RRC Operator No. <b>664930</b>	2. Operator's Name (exactly as shown on form P-5, Organization Report) <b>PIEDRA OPERATING, LLC</b>	3. Lease Name <b>UNIVERSITY 8-4 H</b>	4. Well No. <b>9H</b>
<b>Lateral Drainhole Location Information</b>			
5. Field as shown on Form W-1 <b>SPRABERRY (TREND AREA) (Field # 85280300, RRC District 08)</b>			
6. Section <b>40</b>	7. Block <b>5</b>	8. Survey <b>UL/A-U144</b>	9. Abstract
		10. County of BHL <b>ANDREWS</b>	
11. Terminus Lease Line Perpendiculars <b>1831</b> ft. from the <b>west</b> line. and <b>330</b> ft. from the <b>North</b> line			
12. Terminus Survey Line Perpendiculars <b>1831</b> ft. from the <b>west</b> line. and <b>330</b> ft. from the <b>North</b> line			
13. Penetration Point Lease Line Perpendiculars <b>448</b> ft. from the <b>South</b> line. and <b>1831</b> ft. from the <b>West</b> line			

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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**W-1 Comments**

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[ Dec 18, 2017 1:55 PM]: 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 Dec 21, 2017 2:18 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Dec 21, 2017 5:09 PM]: Problems identified with this permit are resolved.; [RRC STAFF Dec 21, 2017 5:10 PM]: Ann Ritchie verified this is a horizontal only well.

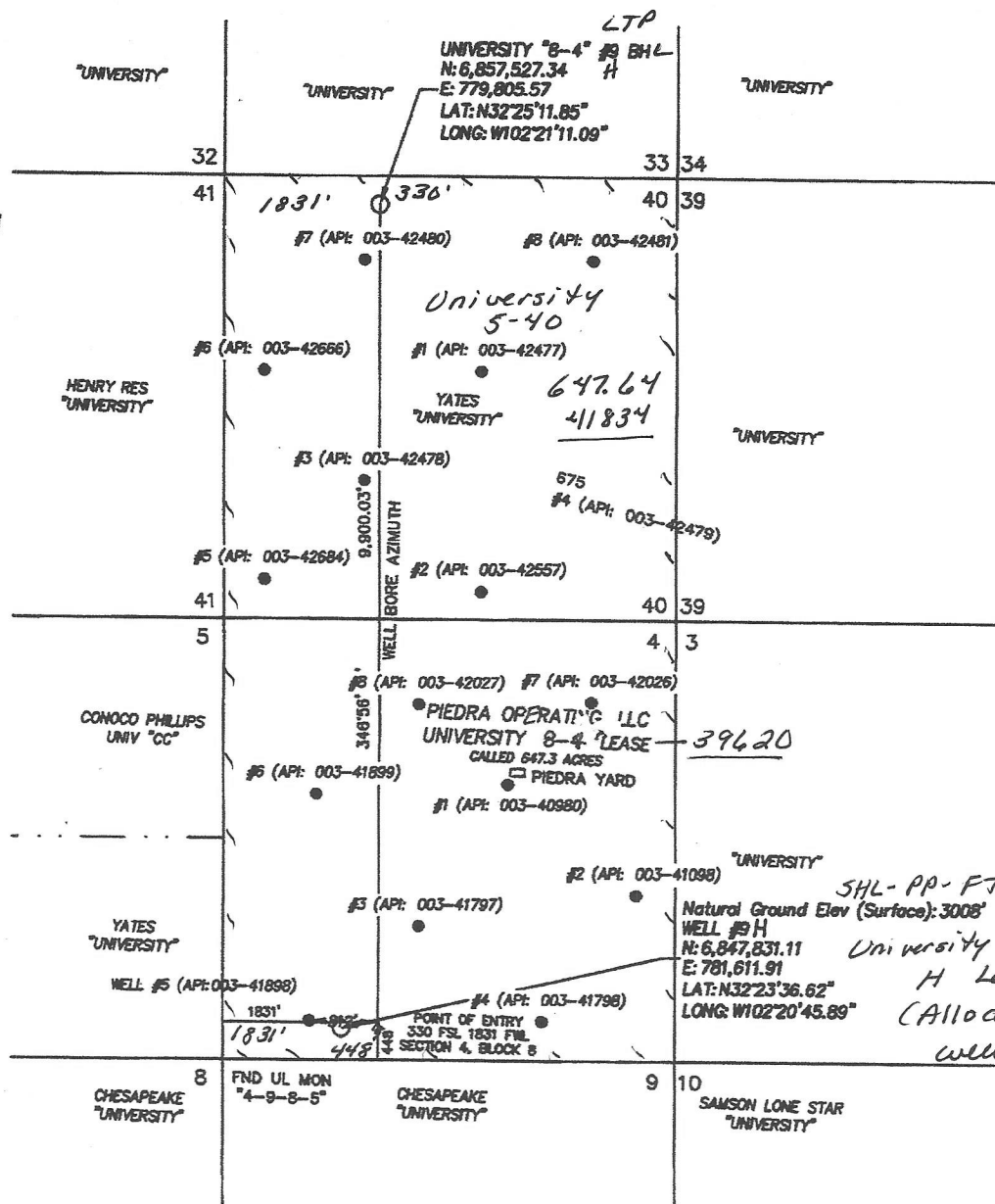
**RAILROAD COMMISSION OF TEXAS**  
**OIL & GAS DIVISION**

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

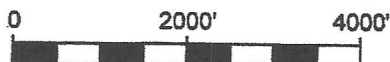
PERMIT NUMBER <div align="center">827643</div>	DATE PERMIT ISSUED OR AMENDED (AMENDED)    Dec 22, 2017	DISTRICT <div align="center">*    08</div>			
API NUMBER <div align="center">42-003-47585</div>	FORM W-1 RECEIVED <div align="center">Dec 18, 2017</div>	COUNTY <div align="center">ANDREWS</div>			
TYPE OF OPERATION <div align="center">NEW DRILL</div>	WELLBORE PROFILE(S) <div align="center">Vertical, Horizontal</div>	ACRES <div align="center">1294.94</div>			
OPERATOR <div align="center">           664930            PIEDRA OPERATING, LLC            PO BOX 10485            MIDLAND, TX 79702-0000         </div>		NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. <b>District Office Telephone No:</b> <div align="center">(432) 684-5581</div>			
LEASE NAME <div align="center">UNIVERSITY 8-4 H</div>		WELL NUMBER <div align="center">9H</div>			
LOCATION <div align="center">14.1 miles NW direction from ANDREWS</div>		TOTAL DEPTH <div align="center">12500</div>			
Section, Block and/or Survey <div>           SECTION    4                      BLOCK    8                      ABSTRACT    U222            SURVEY    UL         </div>					
DISTANCE TO SURVEY LINES <div align="center">1831 ft. WEST    448 ft. SOUTH</div>		DISTANCE TO NEAREST LEASE LINE <div align="center">330 ft.</div>			
DISTANCE TO LEASE LINES <div align="center">1831 ft. WEST    448 ft. SOUTH</div>		DISTANCE TO NEAREST WELL ON LEASE <div align="center">See FIELD(s) Below</div>			
FIELD(s) and LIMITATIONS: <div align="center">           *    SEE FIELD DISTRICT FOR REPORTING PURPOSES    *            **    THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE 37(h)(2)(B)    **            CASE NO. 0308468         </div>					
FIELD NAME LEASE NAME		ACRES NEAREST LEASE	DEPTH NEAREST LEASE	WELL # NEAREST WE	DIST
** SPRABERRY (TREND AREA) <div align="center">UNIVERSITY 8-4 H</div>		1294.94 330	12,500 0	9H 0	08
----- WELLBORE PROFILE(s) FOR FIELD: Vertical, Horizontal -----					
RESTRICTIONS:    Lateral: TH1 Penetration Point Location <div>           Lease Lines:            448.0 F SOUTH L                                         1831.0 F WEST L            Terminus Location            BH County: ANDREWS            Section: 40                      Block: 5                      Abstract:            Survey: UL/A-U144            Lease Lines:            1831.0 F WEST L                                         330.0 F NORTH L            Survey Lines:            1831.0 F WEST L                                         330.0 F NORTH L         </div>					
' ** ' PRECEDING FIELD NAME INDICATES RULE (R37)					
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.					

## PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

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### GRAPHIC SCALE



( IN FEET )  
1 inch = 2000 ft.

#### NOTES:

- COURSES, DISTANCES, COORDINATES AND ACREAGE SHOWN HEREON ARE LAMBERT GRID AND CONFORM TO THE "TEXAS COORDINATE SYSTEM", TEXAS NORTH CENTRAL ZONE, NORTH AMERICAN DATUM OF 1983. ALL DISTANCES AND COORDINATES ARE SHOWN IN GRID FEET.
- DISTANCE TO THE NEAREST WELL IN THIS FIELD AS SHOWN.

DATED THIS 22ND DAY OF MAY, 2017

RJ DAUM  
TEXAS RPLS 4826

REVISED AS PER P. WILKINSON - 12/01/2017  
REVISED AS PER P. WILKINSON - 12/05/2017  
REVISED AS PER P. WILKINSON - 12/08/2017

**SCHUMANN ENGINEERING CO., INC.**

REGISTERED PROFESSIONAL LAND SURVEYORS

REGISTERED PROFESSIONAL CIVIL ENGINEERS

**Civil Engineering ~ Land Surveying**

TEXAS FIRM No. F1880

TEXAS FIRM No. 10149500

408 N. PECOS STREET - P. O. BOX 504  
MIDLAND, TEXAS 79702-0504

Office (432) 684-5548  
Fax (432) 684-6973

THIS WELL IS TO BE LOCATED 14.1 MILES IN A NORTHWEST DIRECTION FROM ANDREWS, TEXAS WHICH IS THE NEAREST TOWN IN THE COUNTY OF THE WELL SITE.

### LOCATION PLAT

PIEDRA OPERATING, LLC  
WELL NO. 9H  
UNIVERSITY 8-4 LEASE  
SURFACE LOCATION  
448 FEET FROM THE SOUTH LINE AND  
1831 FEET FROM THE WEST LINE  
SECTION 4, BLOCK 8,  
BOTTOM HOLE LOCATION  
330 FEET FROM THE NORTH AND  
1831 FEET FROM THE WEST LINES  
SECTION 40, BLOCK 5,  
ALL IN UNIVERSITY LANDS SURVEY,  
ANDREWS COUNTY, TEXAS

QUAD: FIVE WELLS RANCH  
SCALE: 1" = 2000'

PROJECT: 755623PO  
JOB NO: 75623-BRR

University 8-4 H, well #9H  
vsd permit 827643