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|---|---------------|--|--|--|----------------------|---|--|
| API No. <u>42-301-32937</u> Drilling Permit # <u>816306</u> SWR Exception Case/Docket No. <u>0300901</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. <u>774719</u> | | 2. Operator's Name (as shown on form P-5, Organization Report) SHELL WESTERN E&P | | 3. Operator Address (include street, city, state, zip): PO BOX 576 HOUSTON, TX 77001-0000 | | | |
| 4. Lease Name UNIVERSITY 20 A | | 5. Well No. <u>2003H</u> | | | | | |
| 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 <u>12400</u> | | 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| SURFACE LOCATION AND ACREAGE INFORMATION | | | | | | | |
| 11. RRC District No. <u>08</u> | | 12. County LOVING | | 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>15.6</u> miles in a <u>SE</u> direction from <u>Mentone</u> which is the nearest town in the county of the well site. | | | | | | | |
| 15. Section <u>29</u> | | 16. Block <u>20</u> | | 17. Survey <u>UL</u> | | 18. Abstract No. <u>A-U43</u> | |
| | | | | 19. Distance to nearest lease line: <u>1</u> ft. | | 20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>1282.61</u> | |
| 21. Lease Perpendiculars: <u>1653</u> ft from the <u>NE (OFFLEASE)</u> line and <u>335</u> ft from the <u>NW (OFFLEASE)</u> line. 22. Survey Perpendiculars: <u>1653</u> ft from the <u>NE (OFFLEASE)</u> line and <u>335</u> ft from the <u>NW (OFFLEASE)</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 | |
| 08 | 71052900 | PHANTOM (WOLFCAMP) | | Oil Well | 11900 | 2011.00 | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 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="text-align: center;"> George Mullen, Sr. Regulatory Specialist _____ Name of filer </div> <div style="text-align: right;"> Oct 27, 2016 _____ Date submitted </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> (832)337-0549 _____ Phone </div> <div> george.mullen@shell.com _____ E-mail Address (OPTIONAL) </div> </div> | | | |
| RRC Use Only Data Validation Time Stamp: Nov 3, 2016 3:02 PM('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**

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

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A certification of the automated data is available in the RRC's Austin office.*

| | |
|----------------|--------------|
| Permit # | 816306 |
| Approved Date: | Nov 03, 2016 |

| | | | |
|--------------------------------------|--|---|-----------------------------|
| 1. RRC Operator No. 774719 | 2. Operator's Name (exactly as shown on form P-5, Organization Report) SHELL WESTERN E&P | 3. Lease Name UNIVERSITY 20 A | 4. Well No. 2003H |
|--------------------------------------|--|---|-----------------------------|

Lateral Drainhole Location Information

| | |
|-------------------------------|---|
| 5. Field as shown on Form W-1 | PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08) |
|-------------------------------|---|

| | | | | |
|-------------------------|-----------------------|--------------------------------|-------------|------------------------------------|
| 6. Section 17 | 7. Block 20 | 8. Survey UL / A-U37 | 9. Abstract | 10. County of BHL LOVING |
|-------------------------|-----------------------|--------------------------------|-------------|------------------------------------|

| | | | | |
|--|--|--|--|--|
| | 11. Terminus Lease Line Perpendiculars 2487 ft. from the NE line. and 2877 ft. from the NW line | | | |
| | 12. Terminus Survey Line Perpendiculars 2487 ft. from the NE line. and 2411 ft. from the SE line | | | |
| | 13. Penetration Point Lease Line Perpendiculars 2451 ft. from the NE (offlease) line. and 277 ft. from the NW (offlease) 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

| | |
|----------------|--------------|
| Permit # | 816306 |
| Approved Date: | Nov 03, 2016 |

[Oct 13, 2016 10:25 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.; [FILER Oct 27, 2016 2:25 PM]: Amended permit needed to request SWR 37 exception due to FTP being 25' off lease line. A Waiver letter from the offset Operator Anadarko is attached.; [RRC STAFF Nov 3, 2016 11:17 AM]: Abstract information added for SHL and BHL.; [RRC STAFF Nov 3, 2016 11:26 AM]: The approval allowing the submittal of allocation permits was approved by conference vote on 09/10/2013.

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">816306</div> | DATE PERMIT ISSUED OR AMENDED (AMENDED) Nov 03, 2016 | DISTRICT <div align="center">* 08</div> | |
| API NUMBER <div align="center">42-301-32937</div> | FORM W-1 RECEIVED <div align="center">Oct 27, 2016</div> | COUNTY <div align="center">LOVING</div> | |
| TYPE OF OPERATION <div align="center">NEW DRILL</div> | WELLBORE PROFILE(S) <div align="center">Horizontal</div> | ACRES <div align="center">1282.61</div> | |
| OPERATOR <div align="center"> SHELL WESTERN E&P PO BOX 576 HOUSTON, TX 77001-0000 </div> | | NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: <div align="center">(432) 684-5581</div> | |
| LEASE NAME <div align="center">UNIVERSITY 20 A</div> | | WELL NUMBER <div align="center">2003H</div> | |
| LOCATION <div align="center">15.6 miles SE direction from MENTONE</div> | | TOTAL DEPTH <div align="center">12400</div> | |
| Section, Block and/or Survey <div> SECTION 29 BLOCK 20 ABSTRACT U43 SURVEY UL </div> | | | |
| DISTANCE TO SURVEY LINES <div align="center">1653 ft. NE (OFFLEASE) 335 ft. NW (OFFLEASE)</div> | | DISTANCE TO NEAREST LEASE LINE <div align="center">1 ft.</div> | |
| DISTANCE TO LEASE LINES <div align="center">1653 ft. NE (OFFLEASE) 335 ft. NW (OFFLEASE)</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. 0300901 </div> | | | |
| FIELD NAME LEASE NAME <hr/> | | ACRES NEAREST LEASE <hr/> | DEPTH NEAREST LEASE <hr/> |
| ** PHANTOM (WOLFCAMP) <div align="center">UNIVERSITY 20 A</div> | | <div align="center">1282.61 1</div> | <div align="center">11,900 2011</div> |
| DIST <div align="center">08</div> | | | |
| <hr/> WELLBORE PROFILE(s) FOR FIELD: Horizontal <hr/> | | | |
| RESTRICTIONS: Permitted for oil only. This is a hydrogen sulfide field. Hydrogen Sulfide Fields with perforations must be isolated and tested per State Wide Rule 36 and a Form H-9 filed with the district office. Fields with SWR 10 authority to downhole commingle must be isolated and tested individually prior to commingling production. Lateral: TH1 Penetration Point Location <div> Lease Lines: 2451.0 F NE (OFFLEASE) L 277.0 F NW (OFFLEASE) L </div> Terminus Location BH County: LOVING Section: 17 Block: 20 Abstract: Survey: UL / A-U37 <div> Lease Lines: 2487.0 F NE L 2877.0 F NW L Survey Lines: 2487.0 F NE L 2411.0 F SE L </div> | | | |

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 style="text-align: right;">816306</div> | DATE PERMIT ISSUED OR AMENDED (AMENDED) Nov 03, 2016 | DISTRICT <div style="text-align: right;">* 08</div> |
| API NUMBER <div style="text-align: right;">42-301-32937</div> | FORM W-1 RECEIVED <div style="text-align: center;">Oct 27, 2016</div> | COUNTY <div style="text-align: center;">LOVING</div> |
| TYPE OF OPERATION <div style="text-align: center;">NEW DRILL</div> | WELLBORE PROFILE(S) <div style="text-align: center;">Horizontal</div> | ACRES <div style="text-align: right;">1282.61</div> |
| OPERATOR <div style="text-align: right;">774719</div> <div style="text-align: center;">SHELL WESTERN E&P</div> <div style="text-align: center;">PO BOX 576</div> <div style="text-align: center;">HOUSTON, TX 77001-0000</div> | | NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: <div style="text-align: center;">(432) 684-5581</div> |
| LEASE NAME <div style="text-align: center;">UNIVERSITY 20 A</div> | | WELL NUMBER <div style="text-align: right;">2003H</div> |
| LOCATION <div style="text-align: center;">15.6 miles SE direction from MENTONE</div> | | TOTAL DEPTH <div style="text-align: right;">12400</div> |
| Section, Block and/or Survey <div style="display: flex; justify-content: space-between;"> <div>SECTION ◀ 29</div> <div>BLOCK ◀ 20</div> <div>ABSTRACT ◀ U43</div> </div> <div style="display: flex; justify-content: space-between;"> <div>SURVEY ◀ UL</div> <div></div> <div></div> </div> | | |
| DISTANCE TO SURVEY LINES <div style="display: flex; justify-content: space-between;"> <div>1653 ft. NE (OFFLEASE)</div> <div>335 ft. NW (OFFLEASE)</div> </div> | | DISTANCE TO NEAREST LEASE LINE <div style="text-align: center;">1 ft.</div> |
| DISTANCE TO LEASE LINES <div style="display: flex; justify-content: space-between;"> <div>1653 ft. NE (OFFLEASE)</div> <div>335 ft. NW (OFFLEASE)</div> </div> | | DISTANCE TO NEAREST WELL ON LEASE <div style="text-align: center;">See FIELD(s) Below</div> |
| FIELD(s) and LIMITATIONS: <div style="text-align: center;"> * SEE FIELD DISTRICT FOR REPORTING PURPOSES * ** THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE 37(h)(2)(B) ** CASE NO. 0300901 </div> | | |
| FIELD NAME LEASE NAME | ACRES NEAREST LEASE | DEPTH NEAREST WE |
| WELL # NEAREST WE | | |
| DIST NEAREST WE | | |
| ' ** ' 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. No acreage will be assigned until acreage is reassigned from the base leases to accommodate the acreage assigned to this well. The designated interval for one or more of the fields approved in this permit appears to overlap with the designated interval of another field or fields in this district. In the case of conflicting designated intervals you will be required to be consistent in field designation on this lease. Further, if the designated interval overlap of wells on this lease results in an actual or potential double assignment of reservoir and the applicant cannot conclusively demonstrate that there is no double assignment, the permitted well may not be assigned an allowable until the conflict is resolved. Because of the overlapping designated intervals in this area, issuance of this permit does not guarantee that the completion of the well will be approved or that the well will receive an allowable in any given field, even if that field is listed on the approved permit application. Currently there are no identified formations listed for this county. It is still the operators responsibility to isolate and report any potential flow zones that are encountered in the completion of this well. | | |

UNIVERSITY 20 A 2003H
WELL LOCATION
1282.61 ACRES (MEASURED)
SECTIONS 17 & 20, BLOCK 20, UNIVERSITY LAND SURVEY
LOVING COUNTY, TEXAS

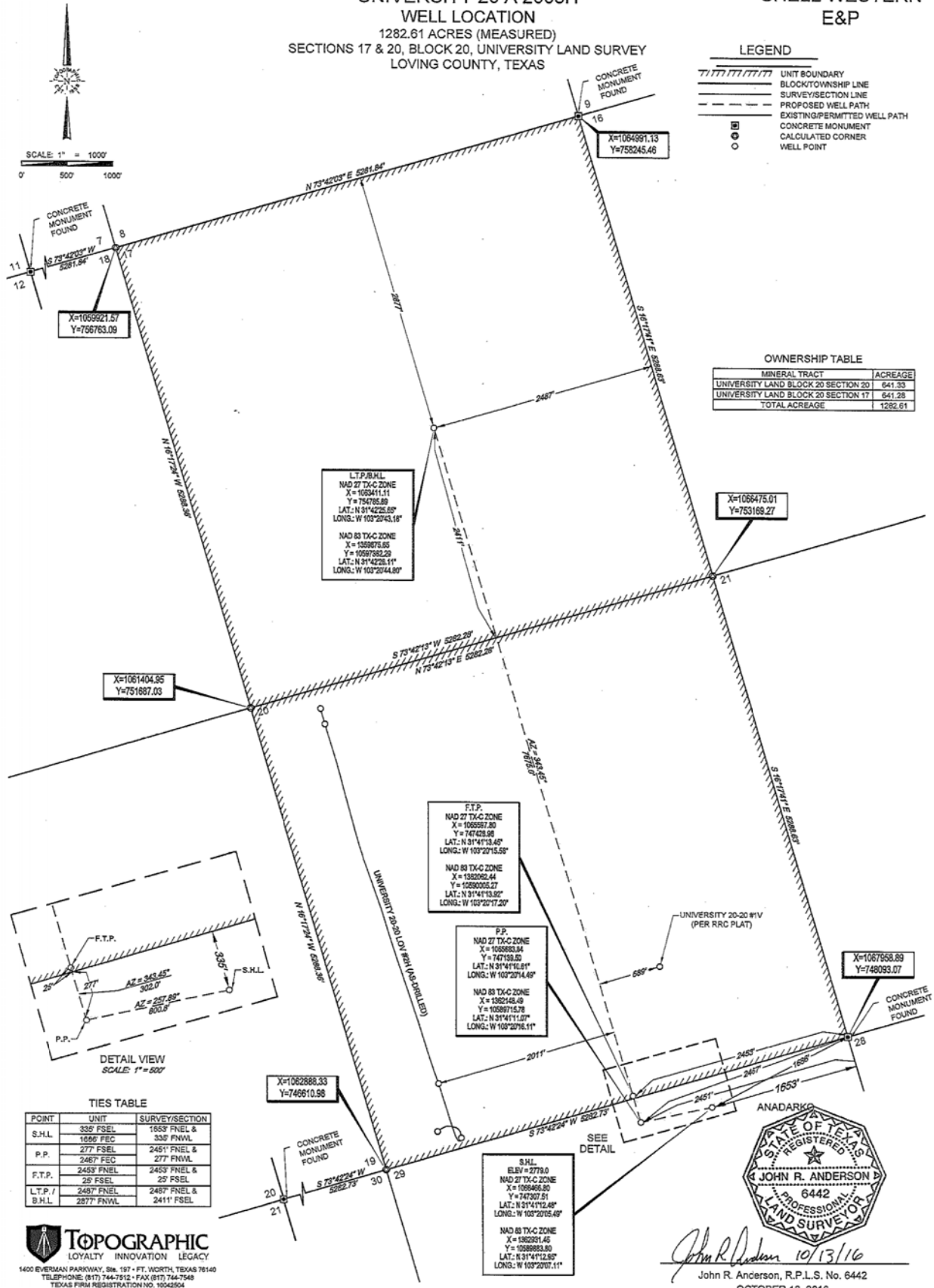
SHELL WESTERN
E&P

LEGEND

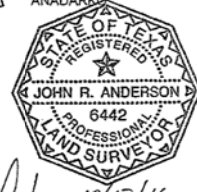
| | |
|------------------------------|------------------------------|
| UNIT BOUNDARY | UNIT BOUNDARY |
| BLOCK/TOWNSHIP LINE | BLOCK/TOWNSHIP LINE |
| SURVEY/SECTION LINE | SURVEY/SECTION LINE |
| PROPOSED WELL PATH | PROPOSED WELL PATH |
| EXISTING/PERMITTED WELL PATH | EXISTING/PERMITTED WELL PATH |
| CONCRETE MONUMENT | CONCRETE MONUMENT |
| CALCULATED CORNER | CALCULATED CORNER |
| WELL POINT | WELL POINT |

OWNERSHIP TABLE

| MINERAL TRACT | ACREAGE |
|-------------------------------------|---------|
| UNIVERSITY LAND BLOCK 20 SECTION 20 | 641.33 |
| UNIVERSITY LAND BLOCK 20 SECTION 17 | 641.28 |
| TOTAL ACREAGE | 1282.61 |



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John R. Anderson 10/13/16
John R. Anderson, R.P.L.S. No. 6442
OCTOBER 13, 2016

| UNIVERSITY 20 A 2003H | REVISION: | |
|-------------------------------------|-----------|------------|
| | INT | DATE |
| | O.M. | 05/23/2016 |
| | J.R.A. | 06/22/2016 |
| DATE: 05/04/2016 | O.M. | 07/28/2016 |
| FILE: LO UNIVERSITY 20 A 2003 H REV | O.M. | 10/13/2016 |
| DRAWN BY: O.M. | | |
| SHEET: 1 OF 1 | | |