

API No. <u>42-495-34697</u> Drilling Permit # <u>876953</u> SWR Exception Case/Docket No. <u>0333559</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>653216</u>		2. Operator's Name (as shown on form P-5, Organization Report) PERCUSSION PETROLEUM OPER II,LLC		3. Operator Address (include street, city, state, zip): 1001 FANNIN STREET STE 220 HOUSTON, TX 77002-0000			
4. Lease Name UL YELLOWTAIL WEST G 21-29-17 WA		5. Well No. <u>7H</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>13500</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 WINKLER		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>5.2</u> miles in a <u>SW</u> direction from <u>WINK</u> which is the nearest town in the county of the well site.							
15. Section <u>29</u>	16. Block <u>21</u>	17. Survey <u>UL</u>		18. Abstract No. <u>A-</u>	19. Distance to nearest lease line: ft.	20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>1281.4</u>	
21. Lease Perpendiculars: <u>590</u> ft from the <u>NORTH</u> line and <u>1573</u> ft from the <u>WEST</u> line. 22. Survey Perpendiculars: <u>590</u> ft from the <u>NORTH</u> line and <u>1573</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	31. Distance to Nearest Well in this Reservoir	
<u>08</u>	<u>71052900</u>	<u>PHANTOM (WOLFCAMP)</u>		<u>Oil or Gas Well</u>	<u>13500</u>	<u>275.00</u>	
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.			
				Name of filer <u>Karen Zornes</u> Date submitted <u>Mar 23, 2022</u> <u>(281)872-9300</u> <u>kzornes@ntglobal.com</u> Phone E-mail Address (OPTIONAL)			
RRC Use Only Data Validation Time Stamp: <u>Mar 28, 2022 5:16 PM(Current Version)</u>							

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

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Lateral Drainhole Location Information			
5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)			
6. Section 17	7. Block 21	8. Survey UL	9. Abstract
		10. County of BHL WINKLER	
11. Terminus Lease Line Perpendiculars 100 ft. from the NORTH line. and 2272 ft. from the WEST line			
12. Terminus Survey Line Perpendiculars 100 ft. from the NORTH line. and 2272 ft. from the WEST line			
13. Penetration Point Lease Line Perpendiculars 590 ft. from the NORTH line. and 2272 ft. from the WEST line			

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W-1 Comments

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[Mar 23, 2022 6:37 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.

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;">876953</div>	DATE PERMIT ISSUED OR AMENDED (AMENDED) Mar 28, 2022	DISTRICT <div style="text-align: right;">* 08</div>	
API NUMBER <div style="text-align: right;">42-495-34697</div>	FORM W-1 RECEIVED <div style="text-align: center;">Mar 23, 2022</div>	COUNTY <div style="text-align: center;">WINKLER</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: center;">1281.4</div>	
OPERATOR <div style="text-align: right;">653216</div> PERCUSSION PETROLEUM OPER II, LLC 1001 FANNIN STREET STE 220 HOUSTON, TX 77002-0000		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: (432) 684-5581	
LEASE NAME <div style="text-align: center;">UL YELLOWTAIL WEST G 21-29-17 WA</div>		WELL NUMBER <div style="text-align: center;">7H</div>	
LOCATION <div style="text-align: center;">5.2 miles SW direction from WINK</div>		TOTAL DEPTH <div style="text-align: center;">13500</div>	
Section, Block and/or Survey SECTION ⚡ 29 BLOCK ⚡ 21 ABSTRACT ⚡ SURVEY ⚡ UL			
DISTANCE TO SURVEY LINES <div style="text-align: center;">590 ft. NORTH 1573 ft. WEST</div>		DISTANCE TO NEAREST LEASE LINE <div style="text-align: center;">ft.</div>	
DISTANCE TO LEASE LINES <div style="text-align: center;">590 ft. NORTH 1573 ft. WEST</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. 0333559 </div>			
FIELD NAME LEASE NAME <hr style="border-top: 1px dashed black;"/>	ACRES NEAREST LEASE <hr style="border-top: 1px dashed black;"/>	DEPTH <hr style="border-top: 1px dashed black;"/>	WELL # NEAREST WE <hr style="border-top: 1px dashed black;"/>
** PHANTOM (WOLFCAMP) <div style="text-align: center;">UL YELLOWTAIL WEST G 21-29-17 WA</div> <hr style="border-top: 1px dashed black;"/>	1281.40	13,500	7H 275
<hr style="border-top: 1px dashed black;"/> WELLBORE PROFILE(s) FOR FIELD: Horizontal			
RESTRICTIONS: 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 style="margin-left: 40px;"> Lease Lines: 590.0 F NORTH L 2272.0 F WEST L </div> Terminus Location BH County: WINKLER Section: 17 Block: 21 Abstract: Survey: UL <div style="margin-left: 40px;"> Lease Lines: 100.0 F NORTH L 2272.0 F WEST L Survey Lines: 100.0 F NORTH L 2272.0 F WEST L </div>			
' ** ' PRECEDING FIELD NAME INDICATES RULE (R37)			
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS			

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LEASE NAME <div style="text-align: center;">UL YELLOWTAIL WEST G 21-29-17 WA</div>		WELL NUMBER <div style="text-align: right;">7H</div>
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Section, Block and/or Survey <div style="display: flex; justify-content: space-between;"> <div>SECTION ⚡ 29</div> <div>BLOCK ⚡ 21</div> <div>ABSTRACT ⚡</div> </div> <div style="display: flex; justify-content: space-between;"> <div>SURVEY ⚡ UL</div> </div>		
DISTANCE TO SURVEY LINES <div style="display: flex; justify-content: space-around;"> <div>590 ft. NORTH</div> <div>1573 ft. WEST</div> </div>		DISTANCE TO NEAREST LEASE LINE <div style="text-align: center;">ft.</div>
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**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data**

WINKLER (495) County

Formation	Remarks	Geological Order	Effective Date
RUSTLER	possible flow; possible usable quality water	1	02/09/2020
COLBY / QUEEN		2	02/09/2020
YATES		3	02/09/2020
SEVEN RIVERS / QUEEN		4	02/09/2020
CAPITAN REEF	high flows	5	02/09/2020
SAN ANDRES	high flows, H2S, corrosive	6	02/09/2020
DELAWARE		7	02/09/2020
GLORIETA		8	02/09/2020
HOLT		9	02/09/2020
CLEARFORK		10	02/09/2020
CHERRY CANYON		11	02/09/2020
BRUSHY CANYON		12	02/09/2020
BONE SPRING		13	02/09/2020
WICHITA ALBANY		14	02/09/2020
WOLFCAMP		15	02/09/2020
PENNSYLVANIAN		16	02/09/2020
CANYON		17	02/09/2020
STRAWN		18	02/09/2020
ATOKA		19	02/09/2020
MISSISSIPPIAN		20	02/09/2020
DEVONIAN		21	02/09/2020
SILURIAN		22	02/09/2020
FUSSELMAN		23	02/09/2020
MONTOYA		24	02/09/2020
WADDELL		25	02/09/2020
ELLENBURGER		26	02/09/2020
PRECAMBRIAN (UNDIFFERENTIATED)		27	02/09/2020

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. The listing order of the Formation information reflects the general stratigraphic order and relative geologic age. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information.
<http://www.rrc.texas.gov/oil-gas/compliance-enforcement/rule-13-geologic-formation-info>

