



November 7, 2024

To: Mineral Interest Owners Located in Proposed Expansion Unit
Within the City Limits of Big Spring, Texas

Re: Offer to Voluntarily Pool and Participate in Proposed Drilling of Horizontal Well or
Alternatively Purchase or Lease Mineral Interest, Comanche Trail Expansion Unit

Dear Mineral Owner:

You are receiving this letter because our research indicates that you may own an unleased mineral interest ("Mineral Interest") within the boundaries of proposed oil and gas development. Sinclair Oil & Gas Company commenced acquiring oil and gas leases in and around the City of Big Spring in 2016 for the drilling of horizontal wells. To date, the company has drilled 20 such wells on pooled units including more than 8000 town lots and tracts. Sinclair sold its refining and marketing assets to a company named Holly Frontier in 2022, but kept its oil and gas exploration and production division. That division is now doing business as SOGC, LLC (hereinafter SOGC), and continues to operate all the City of Big Spring wells that it drilled.

In order to drill beneath the city, SOGC found it necessary to ask the Railroad Commission of Texas (which regulates the Texas oil and gas industry) to apply the provisions of a statute called the Texas Mineral Interest Pooling Act ("MIPA") to create units including mineral owners who could not be located, or did not respond to leasing requests. Without such regulatory authority it would not have been possible to drill beneath the city. This same approach has been taken by different oil companies under other Texas cities, including Midland and Fort Worth.

When SOGC designed its first drilling units in 2017, it planned for horizontal well laterals about 9,500 to 10,500 feet long. In the intervening years, there have been improvements in drilling and completion technology. SOGC now desires to use these recent improvements to drill some longer wells. To do this, SOGC proposes to add an additional expansion unit next to its previously-approved Comanche Trail Unit, allowing it to drill longer laterals reaching into a previously undrilled area of the city. This area is some 174.79 acres in size and includes about 250 separate tracts ("Expansion Unit"). SOGC has been able to lease more than 60% of the acreage, but as to the remaining parcels, the mineral owners have been nonresponsive. In order to form the Expansion Unit and include the nonresponsive tracts, SOGC will be making application to the Railroad Commission for a hearing, which will take place in early 2025.

The Comanche Trail Unit is currently about 10,500 feet long, in a north-south direction. Based on the foregoing, in the interest of preventing waste and protecting correlative rights, SOGC proposes to create the Expansion Unit to the northwest of it, allowing wellbores that cross both units to reach about 15,000 feet in length. SOGC proposes to drill a new unit well, the



Comanche Trail MIPA PSA 2WA Well ("Proposed Well"), on the combination of the two units and a third leased tract, completing it in the Spraberry (Trend Area) field. Attached as Exhibit "C" is a plat illustrating the proposed Expansion Unit, and as Exhibit "D" the Proposed Well underlying both units and an additional tract. The estimated total cost of the proposed operations to SOGC (as the proposed operator for drilling and completion) is \$9,500,000.

The application being taken to hearing at the Railroad Commission, if approved, will result in the formation of the Expansion Unit having a size of about 174.79 acres. The Proposed Well will thereafter be drilled across both units and the additional tract by the issuance of an allocation well permit or execution of a production sharing agreement and associated drilling permit. The Unit wellbore would not be limited to the Expansion Unit, which will be too small to hold it. Instead, the wellbore would start about 10,500 feet to the south, at the south end of the original Comanche Trail Unit approved by the Railroad Commission in Oil & Gas Docket No. OG-22-00009050 in 2023, and at its northern end penetrate the Expansion Unit created by the MIPA Order. Allocation of production from the Proposed Well among the two units and additional tract will be according to lateral feet of wellbore underlying each respective block of land, and using that determination, will be allocated by surface acreage within each block or pooled unit. While this will lower your net revenue interest in production from the Proposed Well compared to a well drilled exclusively on the Expansion Unit, the added length and greater production gained by the longer lateral is expected to offset the difference. For this reason it is not expected to significantly change your resulting income; rather you will have a smaller piece of a larger pie since the 174.79 acre unit is not large enough to economically support a well on its own. An exhibit will be submitted at the hearing showing the mathematical outcome of this plan, for a sample parcel.

Further, please note that some owners of lots or tracts within the City have leased to parties other than SOGC or its local representatives, Four Sevens Operating Co. LTD and FS Minerals Ltd. SOGC is or will be in contact with those lessees and will invite them to pool their acreage in the Expansion Unit so that no owner of acreage within the boundaries of the Expansion Unit will be excluded. In other words, you are free to lease to any company you wish, or not to lease at all, but in any event, we will seek the inclusion of your Mineral Interest in a pooled unit for production. As a result, you will be paid according to the Order in which the Railroad Commission sets forth the size of the unit it approves, or as production from wells producing from such unit is later allocated to it. Please be aware that additional wells may be drilled at a later time, on the same Expansion Unit proposed by this letter, and any election you make in response to this letter will also govern the form of your participation in such future wells.

Also please be aware there could be minor changes in the ultimate unit size. For instance, if errors are discovered in the preparation of a division order title opinion, there may be a need to correct surveying errors or the City's tract mapping or ownership records. There may also be instances of defects or gaps in mineral title. In some cases, this occurs where there has been a death with no probate, a transfer of an ownership interest which has not been recorded in the county records, or abandonment of the land, with unpaid taxes that are more than 20 years in arrears. Revenue attributable to such tracts may be held in escrow until any title question are resolved. In addition, we anticipate some question as to whether town lot mineral owners also own the mineral interest to the centerline of adjoining city streets. It is possible that review will indicate you should be given a small amount of extra mineral acreage credit in such event, which would slightly change the size of your decimal Mineral Interest ownership. For this reason, among



others, the acreage figure attributable to your Mineral Interest will be stated as a number "more or less", with a final resolution of the exact decimal depending on title review and curative work which will take place as a part of the division order title opinion review process.

As noted above, our research indicates that you own an unleased mineral interest within the boundaries of the Expansion Unit. As such, SOGC is providing alternatives by which you may voluntarily participate in development of your Mineral Interest ("Voluntary Election"). By selecting one of the options as provided on the "Voluntary Election" form included as Exhibit "A" with this letter, your Mineral Interest will be pooled with the Expansion Unit or purchased by SOGC if that is your preference. The five alternatives are identified below, and details for each alternative are provided in Exhibit "B" included with this letter. Your response is requested within 21 days. This letter withdraws all of SOGC's previous lease offers and replaces them with the alternatives identified herein.

We have established a website accessible at www.bigspringwells.com ("Project Website") where you can find answers to frequently asked questions and additional information related to this project. Please note, it is possible that the pooling proposal may change somewhat, prior to the Railroad Commission hearing, and we encourage you to refer to the Project Website to stay up to date, selecting the tab marked "2024 Expansion".

In connection with its plan to form the Expansion Unit, SOGC offers unleased mineral owners the following options as "Voluntary Alternatives":

- Alternative 1. Lease Mineral Interest
- Alternative 2. Participate as a working interest owner on a cost sharing basis
- Alternative 3. Farmout Mineral Interest
- Alternative 4. Sell Mineral Interest
- Alternative 5. Take no action regarding Mineral Interest

Each Voluntary Alternative will be binding on the parties' successors and assigns. Please review the Voluntary Alternatives carefully, before placing an "X" next to your selection in the space provided on the Voluntary Election Form in Exhibit "A". Once you have made your selection, please sign the Voluntary Election Form and return it to SOGC using the enclosed postage prepaid envelope or scan and email a copy of the completed form to cloudermilk@foursevens.net. Please send your signed Voluntary Election soon. If SOGC has not received your Voluntary Election within twenty-one (21) calendar days of the date of this letter, we will consider that to be a decision by you to decline to voluntarily pool your Mineral Interest in the Expansion Unit.

Please be advised that if you take no action to voluntarily pool your Mineral Interest into the Expansion Unit within the twenty-one (21) day period set forth above, pursuant to its authority under the Mineral Interest Pooling Act (Chapter 102 of the Texas Natural Resources Code) ("MIPA"), the Railroad Commission may form a compulsory pooled unit that will include your Mineral Interest on a combined royalty and working interest (cost bearing) basis. The Railroad Commission has held similar hearings in recent years for drilling beneath the West Texas cities of Midland, Pecos and Rankin, and more easterly portions of Big Spring. SOGC would seek a hearing before the Railroad Commission to consider its application for relief pursuant to the MIPA, and SOGC will request that a risk penalty of 100% be assessed against mineral owners who do not



agree to voluntarily join the Expansion Unit. This is the same risk penalty assessed by the Railroad Commission of Texas in SOGC's previous cases at Big Spring. Unleased Mineral Interest owners will receive notice of the hearing from the Railroad Commission, via regular mail. Notice of the hearing also will be published in the Big Spring Herald. The hearing will take place in Austin, Texas before a Railroad Commission staff Judge and technical examiner, on a date to be scheduled early in 2025. SOGC will submit technical evidence in support of its application at the hearing and members of the public are welcome to attend.

If you consider any term in the Voluntary Alternatives to be unfair or unreasonable, please respond in writing, and describe the reasons you believe the offers to be unfair or unreasonable. Please include in your response any revision to the terms that you would propose for SOGC's consideration and reply. If you are receiving this letter for multiple tracts, or for a single tract but we find that you own or control multiple tracts within the project area, we will apply your decision to all unit tracts in which you own or control an interest.

While best efforts have been made to correctly translate this letter to Spanish, it is possible that there may be some minor unintended change in context or meaning. For the avoidance of doubt, in the case of any conflict in meaning or intent, the version in English is that which is legally intended.

Should you have any questions concerning the terms of the options set forth herein, please do not hesitate to call Chad Loudermilk or Cody Hix, leasing agents for SOGC, at (940) 654-5029, or email questions or elections to cloudermilk@foursevens.net. If you retain counsel for advice on this matter, they are welcome to contact our counsel, William Osborn, at william@texasenergyllaw.com or by telephone to (512) 476-3529. **Para Español, por favor llame Antonio Chavez al (432) 606-5038.**

Sincerely,

SOGC, LLC

Jamie Benard, President

Encl: Exhibit A – Voluntary Election Form
Exhibit B – Alternative Details
Exhibit C – Expansion Unit Plat
Exhibit D – Plat of Proposed Well
Exhibit E – Form of Oil & Gas Lease