

Derby Exploration

P.O. Box 779 OKC, OK 73101
(405) 639-3786

AUTHORITY FOR EXPENDITURE (AFE)

AFE No.: _____ Date: 08/22/22 Lease Name & No.: Webb 15-22-1XH

Legal Description: Sec 15-18N-13W & Sec 22-18N-13W County: Blaine State: Oklahoma

Work Description: Drill and complete Mississippian Stages: 31 Estimated Lateral Length: 7,683

Estimated TD: 18,130'

		Estimated Days		47		4	
TANGIBLES		Code	Rig Release	Code	Completion	Total	
Surface Casing	1,500 ft @ \$ 54.00 /ft 9-5/8", 40#, J-55, STC	9402	\$81,000			\$81,000	
Intermediate Casing	8,840 ft @ \$ 48.00 /ft 7", 26#, P-110, BTC	9403	\$424,000			\$424,000	
Intermediate Casing	0 ft @ \$ - /ft	9403	\$0			\$0	
Production Casing	18,130 ft @ \$ 32.00 /ft 4-1/2", 15.1#, P-110, BTC	9451	\$580,000			\$580,000	
Tubing	9,700 ft @ \$ 8.00 /ft 2-3/8", 4.7#, J-55, EUE			9485	\$77,600	\$77,600	
Wellhead	9-5/8" SOW x 11" 3K x 11" 5K x 7-1/16" 10K x 2-9/16" 10K	9491	\$29,000	9491	\$15,000	\$44,000	
Packers & Subsurface Equipment				9472	\$0	\$0	
Pumping Unit				9460	\$0	\$0	
Rods & Pump				9462	\$0	\$0	
Facility				9475	\$164,000	\$164,000	
Flowline, Valves & Connections				9459	\$110,000	\$110,000	
TOTAL TANGIBLES			\$1,114,000		\$366,600	\$1,480,600	
INTANGIBLES		Code	Rig Release	Code	Completion	Total	
Legal expenses		9238	\$53,000	9338	\$1,000	\$54,000	
Damages		9241	\$35,000	9341	\$1,000	\$36,000	
Well access and site construction		9277	\$214,000	9377	\$21,000	\$235,000	
Rig		9262	\$1,178,000	9362	\$199,000	\$1,377,000	
Water		9274	\$27,000	9374	\$145,000	\$172,000	
Drilling mud & chemicals		9217	\$485,000	9317	\$143,500	\$628,500	
Bits & BHA		9201	\$319,000	9301	\$122,000	\$441,000	
Rental tools & equipment		9256	\$88,000	9356	\$73,000	\$161,000	
Drill pipe & work string		9213	\$190,000	9313	\$3,000	\$193,000	
Cementing & casing crews		9204	\$191,000	9304	\$0	\$191,000	
Testing and analysis		9271	\$42,000	9371	\$0	\$42,000	
Wireline services		9280	\$25,000	9380	\$116,000	\$141,000	
Rental tanks		9259	\$8,000	9359	\$40,000	\$48,000	
Stimulation services		9265	\$0	9365	\$2,640,000	\$2,640,000	
Miscellaneous		9244	\$237,000	9344	\$200,000	\$437,000	
Fuel		9226	\$588,000	9326	\$0	\$588,000	
Directional		9207	\$522,000	9307	\$0	\$522,000	
Inspections		9232	\$5,000	9332	\$0	\$5,000	
Fishing and remedial services		9223	\$0	9323	\$0	\$0	
Pumping services		9263	\$0	9363	\$233,000	\$233,000	
Insurance		9235	\$11,000	9335	\$10,000	\$21,000	
Disposal		9210	\$105,000	9310	\$155,000	\$260,000	
Field office expense		9220	\$92,000	9320	\$19,000	\$111,000	
Direct supervision		9268	\$245,000	9368	\$62,000	\$307,000	
Overhead		9247	\$10,000	9347	\$7,000	\$17,000	
Hazard Mitigation & HSE		9229	\$30,000	9329	\$10,000	\$40,000	
TOTAL INTANGIBLES			\$4,700,000		\$4,200,500	\$8,900,500	
TOTAL AFE			\$5,814,000		\$4,567,100	\$10,381,100	

This AFE is only an estimate of the costs to be incurred. In no event shall this AFE be construed as a representation or warrant as to the accuracy of such estimate, or construed in anyway to limit a participant's responsibility to pay its proportionate share of all costs and expenses incurred in connection with the operations.

DERBY

September 1, 2022

Re: Well Proposal – Webb 15-22-1XH
Sections 15 & 22, Township 18N, Range 13W, Blaine County, Oklahoma

To whom it may concern:

Derby Exploration, LLC (“Derby”) hereby proposes the drilling of the Webb 15-22-1XH well (the “Well”), a multi-section horizontal well to test the Mississippian formation encountered under the referenced lands. The Well will have an approximate total depth of 18,130 feet with an estimated horizontal lateral length of 7,683 feet across a portion of Section 15-18N-13W and Section 22-18N-13W. The Well will be drilled from a surface location in the NE/4 SW/4 of Section 22-18N-13W, with a bottom hole location in the NW/4 NE/4 of Section 15-18N-13W. The allocation percentages for each section prior to the final order to be issued by the Oklahoma Corporation Commission will be approximately 66.67% for Section 15-18N-13W and approximately 33.33% for Section 22-18N-13W.

For your use in evaluating this proposal, enclosed is Derby’s Authorization for Expenditure (“AFE”), indicating estimated costs of \$5,814,000.00 dry hole and \$4,567,100.00 for completion of the Well, being a total completed well cost of \$10,381,100.00.

Derby’s records indicate you may own, or claim to own, unleased minerals and/or oil and gas leasehold interests in the above reference lands. Derby respectfully requests you elect one of the following options:

1. Participate in the Well to the full extent of your interest. Should you elect this option, your share of the estimated total completed Well cost must be prepaid to Derby on or before the due date provided in any applicable Pooling Order issued by the Oklahoma Corporation Commission.

Your election made pursuant to this letter shall not serve as or be deemed in-lieu of your obligation to provide a timely written election and/or prepayment of well costs as provided in any Pooling Order issued by the Oklahoma Corporation Commission.

www.derbyenergy.com · 405.639.3786
P.O. Box 779, Oklahoma City, OK 73101



DERBY

Please indicate your election in the spaces provided below and return one copy of this letter to Dudley Land Company in the return envelope provided. This offer is subject to Derby's verification of your title, negotiation of a mutually acceptable lease form or assignment, and may be withdrawn by Derby at any time prior to your acceptance and without prior notice.

Should you have any questions or wish to assign your interest, please contact Dudley Land Company at: (405) 507-2257 or by e-mail at unitinfo@dudley-land.com.

Sincerely,

Dudley Land Company, on behalf of
Derby Exploration, LLC



Kyle Blair, CPL
Prospect Manager

Enclosure

Please place an X next to your desired election and sign in spaces provided below

Election Options – Webb 15-22-1XH, Sections 15 & 22-18N-13W, Blaine County, Oklahoma:

Signature: _____

By (Name): _____

Title: _____

Date: _____

Email: _____

