

PAYROCK ENERGY, LLC

AUTHORIZATION FOR EXPENDITURE

EXPLORATION DRILLING / COMPLETION AFE

WELLNAME: 1406 1-30MH PROSPECT: DIAN DATE:  
 AFE TITLE: Drilling/Completion  
 PROJECT AFE NC 1500XX DEPTH: 14,000' 8634'  
 FIELD: Sooner Trend COUNTY: Kingfisher OK  
 SURFACE LOC: 165' FSL 1320' FEL Sec30 T14N R6W  
 BTM HOLE LOC: 165' FNL 1320' FEL Sec30 T14N R6W  
 OTHER LOC DESCRIPTION: Kingfisher Co, OK  
 GEOLOGIC OBJECTIVE: Meramec



PROJECT SCOPE: Drill and Complete +/-5000' Meramec Lateral

| ACCOUNT CODE                             | ITEM                                  | DRY HOLE           | PRODUCER           | DESCRIPTION |
|--|---------------------------------------|--------------------|--------------------|-------------|
| <b>INTANGIBLE DRILLING COSTS</b>         |                                       |                    |                    |             |
| 100-001                                  | Survey, Archaeology & Permits         | \$50,000           |                    |             |
| 100-011                                  | Surface Damages & ROW                 | 25,000             |                    |             |
| 100-021                                  | Location & Roads                      | 90,000             |                    |             |
| 100-031                                  | Rig Move                              | 120,000            |                    |             |
| 100-041                                  | Drilling - Footage                    | —                  |                    |             |
| 100-051                                  | Drilling - Daywork \$17,500 / Day     | 490,000            |                    |             |
| 100-061                                  | Drilling Supervision                  | 51,800             |                    |             |
| 100-071                                  | Disposal, Restoration & Backfill      | 42,000             |                    |             |
| 100-081                                  | Turnkey Bid                           | —                  |                    |             |
| 100-091                                  | Drilling Fluids                       | 172,400            |                    |             |
| 100-101                                  | Drill Bits & Reamers                  | 83,600             |                    |             |
| 100-111                                  | Water                                 | 28,000             |                    |             |
| 100-121                                  | Open Hole Logs                        | —                  |                    |             |
| 100-131                                  | Coring & Analysis                     | —                  |                    |             |
| 100-141                                  | Mud Logging & Geologist               | 41,500             |                    |             |
| 100-151                                  | Fuel and Power                        | 147,000            |                    |             |
| 100-161                                  | Cement and Services                   | 33,000             |                    |             |
| 100-171                                  | Communications - Drilling             | 2,100              |                    |             |
| 100-181                                  | Casing Crew                           | 45,650             |                    |             |
| 100-191                                  | BOP Testing                           | 25,000             |                    |             |
| 100-201                                  | Drill Stem Test                       | —                  |                    |             |
| 100-211                                  | Fishing Tools & Services              | —                  |                    |             |
| 100-221                                  | Tool & Equipment Rentals              | 137,400            |                    |             |
| 100-231                                  | Inspections                           | —                  |                    |             |
| 100-241                                  | Wireline Services                     | —                  |                    |             |
| 100-251                                  | Engineering & Geology-Field           | —                  |                    |             |
| 100-261                                  | Engineering & Geology-Office          | —                  |                    |             |
| 100-271                                  | Other Labor                           | 47,000             |                    |             |
| 100-281                                  | Other Drilling Costs                  | 5,000              |                    |             |
| 100-291                                  | Multishot & Gyro                      | 7,000              |                    |             |
| 100-301                                  | Directional Services                  | 180,000            |                    |             |
| 100-311                                  | Re-Entry Services                     | —                  |                    |             |
| 100-321                                  | Camps & Trailers - Drilling           | 44,000             |                    |             |
| 100-331                                  | Safety Equipment and H2S              | —                  |                    |             |
| 100-341                                  | Trucking - Intangible Drilling        | 63,000             |                    |             |
| 100-351                                  | Drilling Insurance & Overhead         | 21,000             |                    |             |
| 100-361                                  | Drilling Contingency                  | —                  |                    |             |
| <b>TOTAL INTANGIBLE DRILLING COSTS</b>   |                                       | <b>\$1,951,450</b> | <b>\$—</b>         |             |
| <b>TANGIBLE DRILLING COSTS</b>           |                                       |                    |                    |             |
| 200-001                                  | Casing - Surface                      | \$23,125           |                    |             |
| 200-011                                  | Casing - Conductor                    | —                  |                    |             |
| 200-021                                  | Casing - Intermediate                 | 192,000            |                    |             |
| 200-031                                  | Drilling Liner                        | —                  |                    |             |
| 200-041                                  | Liner Hanger & Associated Equipment   | —                  |                    |             |
| 200-051                                  | Trucking - Tangible Drilling          | 63,000             |                    |             |
| 200-061                                  | Wellhead Equipment                    | 12,400             |                    |             |
| 200-071                                  | Re-Entry Equipment                    | —                  |                    |             |
| <b>TOTAL TANGIBLE DRILLING COSTS</b>     |                                       | <b>\$290,525</b>   | <b>\$—</b>         |             |
| <b>TOTAL DRILLING COSTS</b>              |                                       | <b>\$2,241,975</b> | <b>\$—</b>         |             |
| <b>INTANGIBLE COMPLETION COSTS</b>       |                                       |                    |                    |             |
| 300-001                                  | Completion/Workover Rig               | \$7,000            |                    |             |
| 300-011                                  | Roads & Location                      | 25,000             |                    |             |
| 300-021                                  | Completion Rental Equipment           | —                  |                    |             |
| 300-031                                  | Drilling Rig for Completion           | —                  |                    |             |
| 300-041                                  | Completion Fluids                     | 25,000             |                    |             |
| 300-051                                  | Water                                 | 160,000            |                    |             |
| 300-061                                  | Cased Hole Logs                       | —                  |                    |             |
| 300-071                                  | Safety Equipment                      | —                  |                    |             |
| 300-081                                  | Cement & Cementing Services           | 25,000             |                    |             |
| 300-091                                  | Casing Crews                          | 9,000              |                    |             |
| 300-101                                  | Perforating                           | 245,000            |                    |             |
| 300-111                                  | Acidizing                             | —                  |                    |             |
| 300-121                                  | Fishing tools & Services              | —                  |                    |             |
| 300-131                                  | Frac Treatment                        | 2,000,000          |                    |             |
| 300-141                                  | Other Stimulation                     | —                  |                    |             |
| 300-151                                  | Wellsite Supervision                  | 25,900             |                    |             |
| 300-161                                  | Engineering                           | —                  |                    |             |
| 300-171                                  | Inspections                           | —                  |                    |             |
| 300-181                                  | Well Testing                          | —                  |                    |             |
| 300-191                                  | Trucking - Intangible Completion      | 183,500            |                    |             |
| 300-201                                  | Other Completion Costs                | 5,000              |                    |             |
| 300-211                                  | Completion Contingency                | —                  |                    |             |
| 300-251                                  | Communications - Completion           | 1,100              |                    |             |
| 300-231                                  | Camps & Trailers - Completion         | 25,300             |                    |             |
| 300-241                                  | BOP Testing - Completion              | 10,000             |                    |             |
| 300-051                                  | Completion Overhead                   | 6,000              |                    |             |
| 300-271                                  | Other Labor                           | 71,000             |                    |             |
| <b>TOTAL INTANGIBLE COMPLETION COSTS</b> |                                       | <b>\$—</b>         | <b>\$2,823,800</b> |             |
| <b>TANGIBLE COMPLETION COSTS</b>         |                                       |                    |                    |             |
| 400-001                                  | Production Casing or Production Liner | \$75,000           |                    |             |
| 400-011                                  | Liner Hanger & Associated Equipment   | 65,000             |                    |             |
| 400-021                                  | Production Tubing                     | 40,800             |                    |             |
| 400-031                                  | Rods                                  | —                  |                    |             |
| 400-041                                  | Subsurface Pumping Equipment          | —                  |                    |             |
| 400-051                                  | Surface Pumping Equipment             | —                  |                    |             |
| 400-061                                  | Downhole Equipment                    | 12,000             |                    |             |
| 400-071                                  | Wellhead Equipment                    | 27,100             |                    |             |
| 400-081                                  | Trucking - Tangible Completion        | 5,000              |                    |             |
| 400-091                                  | Lease Surface Equipment               | 175,000            |                    |             |
| 400-101                                  | Flowlines                             | 15,000             |                    |             |
| <b>TOTAL TANGIBLE COMPLETION COSTS</b>   |                                       | <b>\$—</b>         | <b>\$414,900</b>   |             |
| <b>TOTAL COMPLETION COSTS</b>            |                                       | <b>\$—</b>         | <b>\$3,238,700</b> |             |
| <b>TOTAL ESTIMATED WELL COST</b>         |                                       | <b>\$2,241,975</b> | <b>\$5,480,675</b> |             |

Prepared by: Steve Henley



MAR 28 2016

3/24/16

CD201600900