



March 10, 2022

To: Mineral Interest Owners Located within Proposed Development Units
Within City Limits of Big Spring, Texas

Re: Offer to Lease, Voluntarily Pool and Participate in Proposed Drilling of Horizontal Wells or
Alternatively Purchase Mineral Interest, Well No. #1WA, Marcy MIPA Unit

Dear Mineral Owner:

Since 2017, Sinclair Oil & Gas Company, Four Sevens Operating Co. LTD and FS Minerals Ltd. (collectively "Sinclair") have been leasing acreage within the City of Big Spring ("City") in order to drill horizontal oil wells. In 2018, Sinclair requested that the Railroad Commission of Texas ("Railroad Commission") approve certain "drilling units" in order to pool all oil and gas production attributable to four wells that would be drilled beneath a certain geographic area within the City ("2018 Units"). The Railroad Commission approved the applications, and Sinclair drilled those wells in 2019 and 2020. Thereafter, in 2020, two more wells were drilled within city limits to the west, outside of the previously pooled units as an expansion of the project. Sinclair is preparing to seek Railroad Commission approval to form pooled units of approximately 640 acres ("Proposed Units") for each of these two wells, in order to fulfill a commitment to city leaders that no tract included within the boundary of its production units will be left out. Sinclair has already obtained oil and gas leases covering a majority of the acreage in the Proposed Units and filed declarations of pooling fixing the *outlines* of these units; however, some mineral owners within the Proposed Units, primarily owners of individual city lots, have not responded to Sinclair's earlier inquiries. The purpose of this letter is to provide those unleased mineral interest owners with a final opportunity to lease or otherwise benefit from development of their unleased mineral estate ("Mineral Interest") in a way that avoids imposition on them of drilling costs and a risk penalty.

This letter relates to the proposed Marcy MIPA Unit, having a proposed size of 631.625 acres, *more or less*, and with a lateral drainhole length of 10,463.84 feet between first take point and last take point. Sinclair is presently operating the unit well, and proposes to continue to do so. As with the 2018 Units, the Railroad Commission will hold an administrative hearing to consider Sinclair's request and to issue a pooling order. One of the purposes behind pooling is to ensure that each mineral owner can participate in and benefit from development of the mineral estate. The proposed unit will include a currently producing horizontal well known as the Marcy #1WA Well originally permitted for drilling in the Spraberry (Trend Area) Field (Field ID Number 85280300). Please be aware of the possibility that the Railroad Commission will restrict its approval for the first well on each unit to oil units not greater than 160 acres plus tolerance acreage of ten percent. Other operators developing the field with horizontal drilling on all surrounding sides of Big Spring are forming 640 acre or larger units for their first wells, so the larger unit sizes being proposed by Sinclair match adjacent oilfield development practices. Sinclair will be seeking approval of the larger unit size, from the beginning, and the smaller units, as an alternative. Please be aware that if the Railroad Commission will not approve the Marcy MIPA Unit herein proposed,

but instead approves four smaller units of approximately 160 acres each, Sinclair intends to pool all four smaller units together into one Unit, having a size of 631.625 acres, more or less. In this way, if a unit boundary splits a tract, the owners thereof will not be financially impacted. In the event that the Railroad Commission orders 160 (plus ten percent tolerance) acre units, Sinclair will propose that such units take the approximate shape of long narrow rectangles, with the wellbore paths centered from first take point to last take point, with an extra 100 feet in both directions. The rectangles may bend in cases where there is a wellbore bend or to follow lot lines. Further, we advise you it is possible that Sinclair will request permitting of wells using a regulatory concept called a production sharing agreement, which essentially allows pooled units to be pooled with other pooled units. A production sharing agreement provides acreage combinations that support longer wells.

Our research indicates that you may own an unleased Mineral Interest within the boundaries of the Proposed Unit. As such, Sinclair 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 “B” with this letter, your Mineral Interest will be pooled with the Proposed Unit. The five alternatives are identified below, and details for each alternative are provided in Exhibit “A” included with this letter. Your response is requested within 21 days. This letter withdraws all of Sinclair’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 “2022 Expansion”.

Based on the foregoing, in the interest of preventing waste and protecting correlative rights, Sinclair proposes to form a contiguous pooled proration unit of approximately 631.625 acres, more or less (the "Marcy MIPA Unit"), more particularly described on the enclosed plat marked Exhibit “C”, and in the alternative four small units of approximately 160 (plus ten percent tolerance) acres each. Exhibit “D” shows the alternative smaller units proposed.

In connection with its plan to form the Proposed Units, Sinclair 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 “B”. Once you have made your selection, please sign the Voluntary Election Form and return it to Sinclair 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 right away. If Sinclair 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 Proposed Units.**

Please be advised that if you take no action to voluntarily pool your Mineral Interest into the Proposed Units 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. Sinclair would seek a hearing before the Railroad Commission to consider its application for relief pursuant to the MIPA, and Sinclair will request that a risk penalty of 100% be assessed against mineral owners who do not agree to voluntarily join the Proposed Unit. 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, and likely will be scheduled for some time in the first half of 2022. Sinclair 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 Sinclair'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.

Further, please note that some owners of lots or tracts within the City have leased to parties other than Sinclair or its local representatives, Four Sevens Operating Co. LTD or FS Minerals Ltd. Sinclair is or will be in contact with those lessees and will invite them to pool their acreage in the Proposed Units so that no owner of acreage within the boundaries of the Proposed Units 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 such unit is later pooled with adjacent units. Please be aware that additional wells may be drilled at a later time, on the same pooled 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 be aware there could be minor changes in the ultimate unit size. For instance, there may be a need to correct surveying errors or the City's tract mapping or ownership records, if errors are disclosed in the preparation of a division order title opinion. Finally, as would normally be expected when dealing with a great many very small tracts, we are finding instances of defects or gaps in mineral title, for instance in cases where there has been a death with no probate, or a transfer of an ownership interest which has not been recorded in the real property records of the County. Revenue attributable to such tracts may be held in escrow until any title questions are resolved.

Should you have any questions concerning the terms of the options set forth herein, please do not hesitate to contact Chad Loudermilk or Cody Hix directly at 682-708-8196. We also suggest you consider seeking separate legal counsel concerning your rights as a mineral owner, the options set forth herein respecting your Mineral Interest and the administration of the Mineral Interest Pooling Act by the Railroad Commission.

Sincerely,

Sinclair Oil & Gas Company

David Donegan

Senior Vice President

Enclosures

Exhibit A – Voluntary Election Form

Exhibit B – Alternative Detail

Exhibit C – Unit Plat

Exhibit D- Smaller Units Alternative

Exhibit E – Form of Oil & Gas Lease