

# Permian Basin Opportunity

MECO IV, LLC



**MECO IV, LLC** (“MECO”) has retained Detring Energy Advisors to market for sale its oil and gas leasehold, minerals, surface, and infrastructure assets in Winkler and Ward Cos., TX, and Lea Co., NM. The assets offer an attractive opportunity to acquire (i) a **concentrated, operated Central Basin Platform (“CBP”) position** with substantial production, valuable infrastructure, and a multitude of economic development opportunities; (ii) an **operated “War-Wink” horizontal development program** with 11 remaining highly economic locations; and (iii) a **non-operated Lea County footprint** with exposure to imminent development from well-capitalized operators.

## Diversified Permian Platform

~13,000 Net Acres | 100% HBP

- **Rare opportunity to acquire meaningful exposure to multiple asset classes across the Permian, the most active basin in the Lower 48**
  - Single entry to conventional (CBP) and unconventional (Delaware) projects underpinned by significant production and cash flow
- **~18,000 gross acre footprint across core Delaware & CBP focus areas**
  - 12,923 net acres (WT)
  - 106 NMA (CBP/Winkler Co.)
  - 1,440 surface acres (Winkler Co.)

## Robust Prod. & Cash Flow

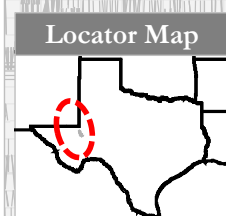
2,030 Boed | \$27MM Op. CF

- **Substantial cash flow base generated by operated, non-operated, royalty, surface, and income-generating infrastructure assets**
  - Net PDP Reserves: 7.1 MMBoe
  - Net PDP PV10: \$104MM

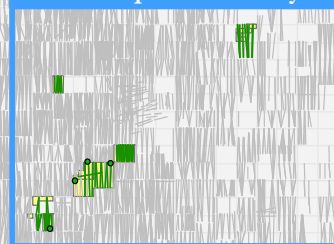
## Subsurface Analysis Supports Significant Upside Potential

- **In-depth technical characterization substantiates a multitude of low-risk dev’t projects and significant upside:**
  - CBP: Infill drilling, modern frac stimulation programs, and waterflood opportunities
  - War-Wink: 11 remaining op. and 4 remaining non-operated horizontal locations across prolific Wolfcamp and Bone Spring targets
  - Lea Co.: 12 non-op. wells scheduled for spud November 2021 across the highly economic L. Avalon and BS2

## Location Map | Delaware Basin & Central Basin Platform



### Red Bull Area Non-Op. Lea County

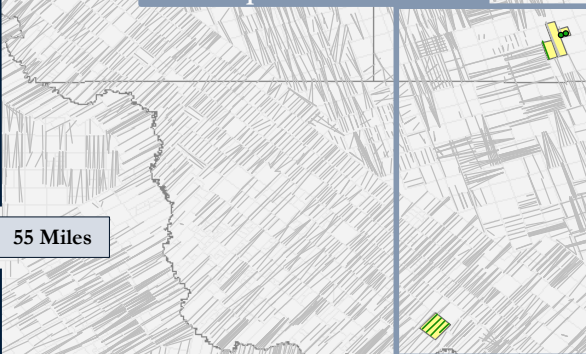


New Mexico

Texas

Loving

### War-Wink Operated Development Focus Area

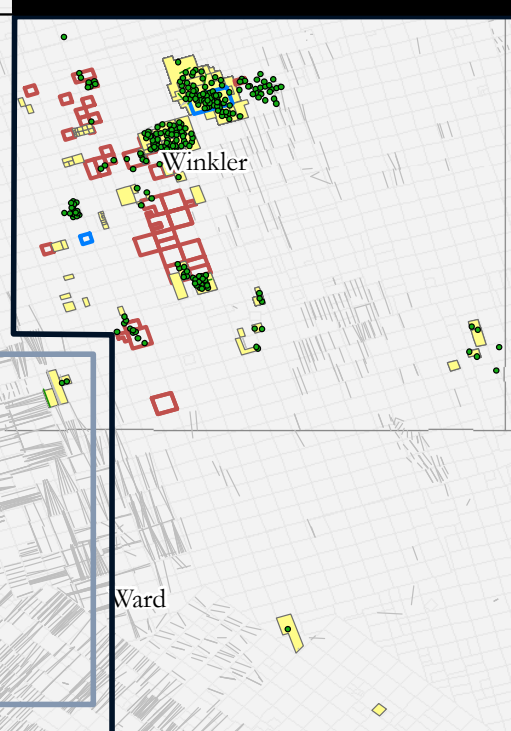


55 Miles

45 Miles

Ward

### Central Basin Platform Focus Area



Winkler

| Summary Acreage & PDP-Only Metrics By Area |               |                  |                   |                  |
|--|---------------|------------------|-------------------|------------------|
| Region                                     | Net Acres     | Net Prod. (Boed) | Net NTM CF (\$MM) | PDP NPV10 (\$MM) |
| Central Basin Platform                     | 11,325        | 1,366            | \$17              | \$62             |
| War-Wink Dev. Area                         | 1,261         | 109              | 2                 | 8                |
| Core Non-Op. Lea Co.                       | 338           | 555              | 8                 | 33               |
| <b>Total</b>                               | <b>12,923</b> | <b>2,030</b>     | <b>\$27</b>       | <b>\$104</b>     |

### Legend

- MECO Leasehold
- MECO Minerals Acreage
- MECO Surface Rights
- MECO PDP Hz Well
- MECO Vt Well
- Other Hz Well

Three distinct areas offer differentiated upside opportunities in addition to each region’s high-quality, proved producing value base, allowing for multiple avenues to growth. Fulsome 3P reserves will be provided in the virtual data room including in-depth technical documentation for asserted development projects.

# Permian Basin Opportunity

MECO IV, LLC



## Central Basin Platform

MECO's Central Basin Platform assets offer an attractive opportunity to acquire a mostly operated position with ~11,300 net acres across Winkler County, TX. The assets include ~1,400 Boed of liquids-rich net production and \$17MM NTM net cash flow from 161 PDP wells with related salt-water disposal and gas gathering infrastructure. Material behind-pipe and undeveloped opportunities are present across the position, including waterflood pilots, frac stimulation of legacy vertical wells, and infill development of legacy fields.

### Reliable PDP Vertical Assets On Steady, 12% Annual Decline

- Balanced and liquids-rich production generated from 161 PDP wells
  - Avg. 79% WI & 68% NRI (PDP)
- ~1,400 Boed of net production (53% liquids) on steady decline provides reliable cash flow of \$17MM (NTM)
  - Net PDP Reserves: 4.6 MMBoe
  - Net PDP PV10: \$62MM
- Hendricks SWD Facility with 12 mi. of gathering lines across the position
- Includes Emperor Compressor Station, 14 miles of gathering lines, and an 8 MMcf/d capacity facility

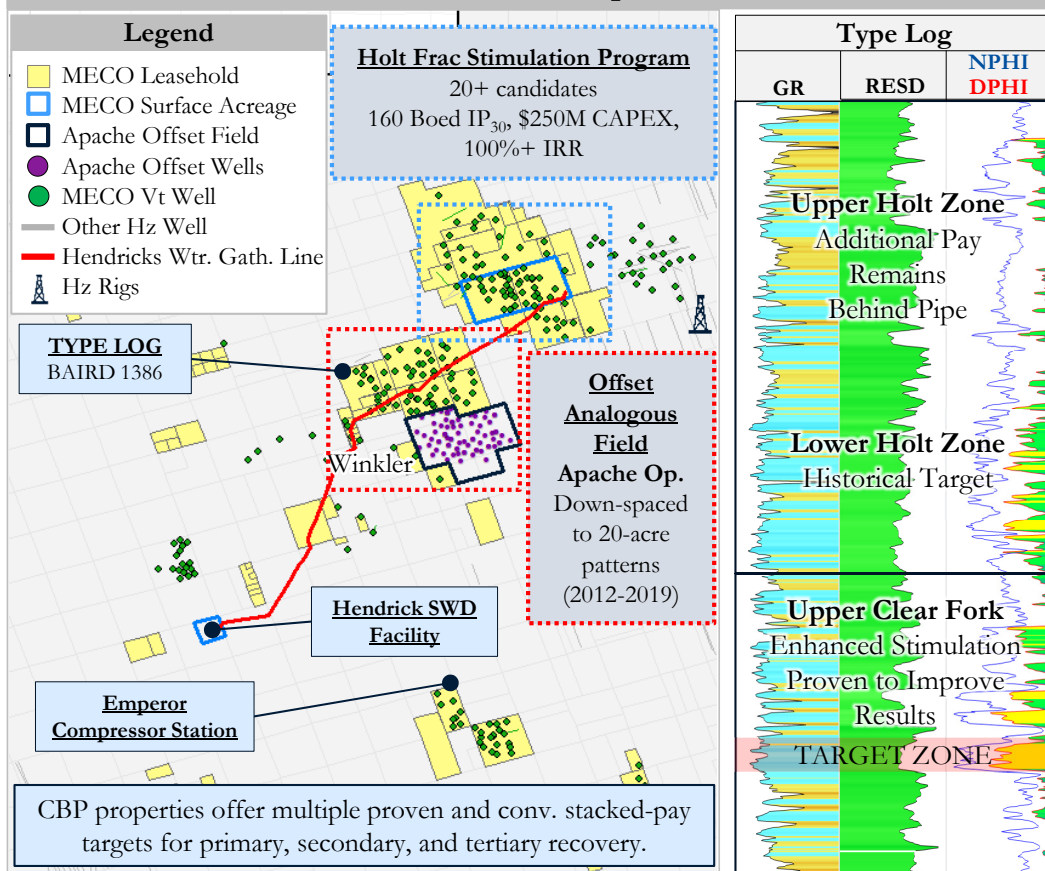
### Highly-Concentrated, Operated Winkler County Position

- Large, contiguous, operated, 100% HBP position over a ~13,000 gross acre footprint allows for efficient ops.
  - 11,325 net acres, 106 NMA (minerals), and 1,440 surface acres

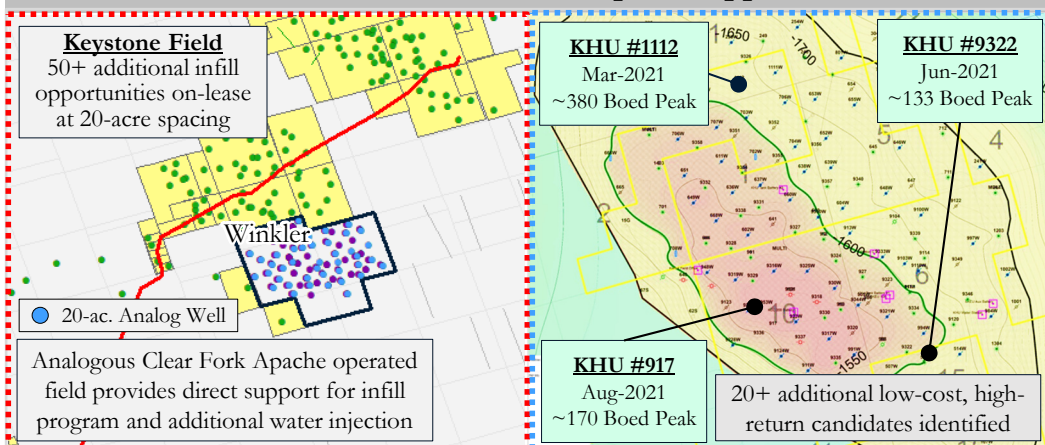
### Prolific Developed & Undeveloped Upside Programs

- Legacy wells, historically acidized, are primed to benefit from fracture re-stimulation (~20 identified)
- Baird/Lovett Clear Fork 20-acre infill development program based on offset, analogous Apache program
  - Utilizes modern stimulation to achieve ~1.4x parent res. per well when developing 20-acre patterns
- Waterflood pilot program in the Clear Fork (Baird) & San Andres (KCC) likely to further improve decline rate and result in optimized ult. recovery

### Location Map



### Economic, Well-Documented Upside Opportunities



A wealth of vertical opportunities are present across the position, supported by technical documentation and analogous results, providing long-term, low-cost development value.



## Permian Basin Opportunity

MECO IV, LLC



## Delaware Basin

MECO's Delaware Basin properties provide exposure to **meaningful production (~665 Boed)**, **cash flow (~\$10MM NTM PDP)**, and **prolific operated and non-operated horizontal development opportunities**. The War-Wink area include 8 producers and **11 op. locations** across the WCA and BS3 buttressed by continued offset development, while MECO's non-op. Lea Co. properties include 67 producers and **12 locations scheduled for spud November 2021** in the most fertile and active region in the highest-returning basin in the United States.

Operated War-Wink

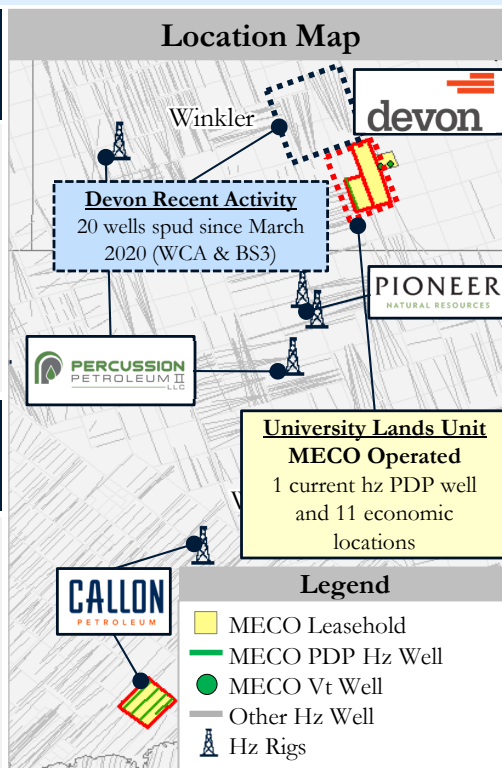
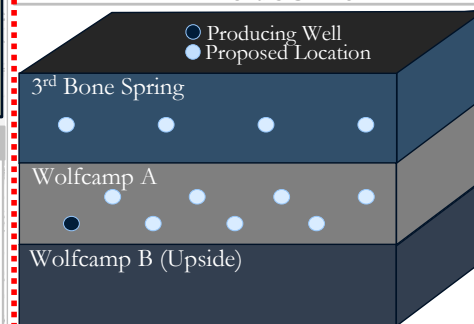
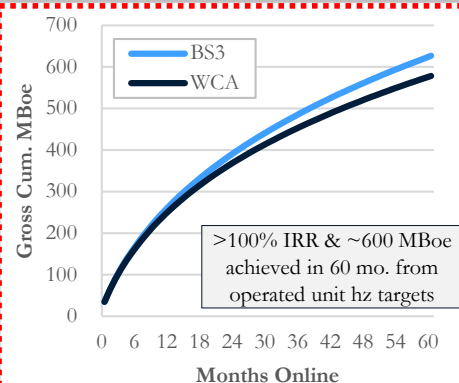
## War-Wink Development Area

~110 Boed | \$2MM Op. Cash Flow

- Blocky, contiguous, positions in Winkler (op.) and Ward (non-op.)
- 1,261 net acres (1,121 net op. acres)
  - 100% HBP, allowing flexibility on development timing
- Meaningful value from 8 PDP wells
  - Net PDP PV10: \$8.5MM

## 11 Operated Locations Primed For Active Development

- Seven operated Wolfcamp A and four operated 3<sup>rd</sup> Bone Spring locations
- 20 wells spud by Devon since March 2020 (WCA & BS3) offset to the north
- Highly economic well perf. generates 120 Boed/Mft (>100% IRR)
  - 100% WI & 75% NRI

Top-Performing Hz Targets<sup>(1)</sup>

Non-Op. Lea County (Red Bull Area)

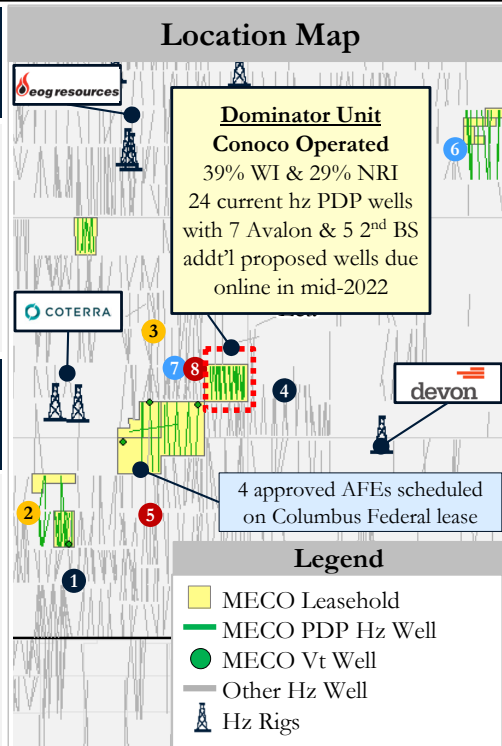
## Core Non-Op. Lea County

555 Boed | \$8MM NTM CF

- Substantial production from 67 active wells (online an avg. 3+ yrs) provides predictable cash flow to support scheduled horizontal development
  - Net PDP PV10: \$33MM
  - Avg. 16% WI & 12% NRI (PDP)

## Active Development Spurred On By Attractive Economics

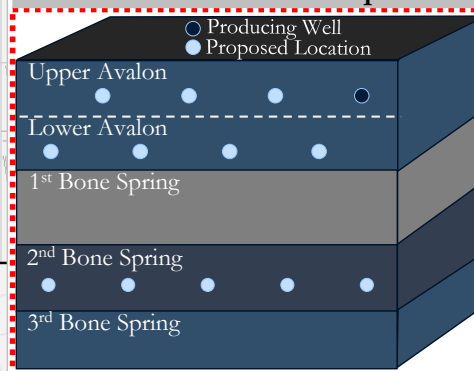
- ~340 net acres across southern Lea County, NM, overlaying the best unconventional rock in the country
  - 100%+ IRRs across mult. targets
- 12 approved AFEs in the Dominator Unit scheduled for spud November 2021 and online June-July 2022
  - 7 L. Avalon and 5 2nd Bone Spring



## Recent Lea County Performance

| Ref. | Oper.    | Res. | IP30/TLL (Boed/Mft) |
|------|----------|------|---------------------|
| 1    | EOG      | WCA  | 577                 |
| 2    | EOG      | BS2  | 443                 |
| 3    | EOG      | BS2  | 438                 |
| 4    | EOG      | WCA  | 384                 |
| 5    | BT A Oil | AVA  | 365                 |
| 6    | EOG      | WCB  | 273                 |
| 7    | MRO      | WCB  | 255                 |
| 8    | CVX      | AVA  | 238                 |

## Dominator Unit Development



Note: All values, including cash flow, reserves, PV10, and IRR's, are based on an effective date of 11/1/2021 and five-year NYMEX strip as of 10/27/2021. 1. Production normalized to 10,000 TLL.

## Permian Basin Opportunity





MECO IV, LLC



## Process Timeline

| November 2021 |    |    |    |    |    |    |
|---------------|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F  | S  |
|               | 1  | 2  | 3  | 4  | 5  | 6  |
| 7             | 8  | 9  | 10 | 11 | 12 | 13 |
| 14            | 15 | 16 | 17 | 18 | 19 | 20 |
| 21            | 22 | 23 | 24 | 25 | 26 | 27 |
| 28            | 29 | 30 |    |    |    |    |

| December 2021 |    |    |    |    |    |    |
|---------------|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F  | S  |
|               |    |    | 1  | 2  | 3  | 4  |
| 5             | 6  | 7  | 8  | 9  | 10 | 11 |
| 12            | 13 | 14 | 15 | 16 | 17 | 18 |
| 19            | 20 | 21 | 22 | 23 | 24 | 25 |
| 26            | 27 | 28 | 29 | 30 | 31 |    |

-  VDR Opens
-  Evaluation Period
-  Bids Due
-  Holidays



MECO anticipates PSA execution by early January 2022 and closing by February 28, 2022.  
A strong preference will be given to cash offers for the entirety of the properties; however, offers for sub-portions of the assets will also be considered.

## Detring Energy Advisors Contact Information

|  |  |  |   |   |
|--|--|--|---|---|
| <b>Derek Detring</b><br>President<br>derek@detring.com<br>(713) 595-1001 | <b>Melinda Faust</b><br>Managing Director<br>mel@detring.com<br>(713) 595-1004 | <b>Matt Lowenstein</b><br>Director<br>matt@detring.com<br>(713) 595-1003 | <b>Richard Ball</b><br>Director, Geology<br>richard@detring.com<br>(713) 595-1005 | <b>Jonathan Bristol</b><br>Vice President<br>jonathan@detring.com<br>(713) 595-1010 |
|--|--|--|---|---|

Please contact Melinda Faust to request a confidentiality agreement or to learn more about this opportunity. Please route all communications through Detring and do not contact MECO directly.

This Information Flyer is based on material provided by MECO IV, LLC and its affiliates ("Seller") and is offered to interested parties for the sole purpose of providing an overview of an opportunity to acquire certain of the Seller's assets (the "Transaction"). This Information Flyer is delivered on behalf of Seller by Detring & Associates, LLC ("Advisor"). The information contained in this Information Flyer ("Information") is for informational purposes only and does not constitute an obligation by Seller to enter into any future transaction. The Information should not be relied upon by the recipient in considering the Transaction, and the recipient should consider its own financial situation when evaluating the Transaction. This Information Flyer does not constitute investment, legal, financial, tax, accounting or other counsel of any kind, and the recipient should conduct its own independent examination and assessment of the Information, including obtaining investment, legal, tax, accounting and such other counsel as it considers suitable. Seller may change or otherwise modify the transaction process at any time without notice to the recipient, including but not limited to accepting any proposal at any point in time, altering the dates of the process, or terminating the process completely without defining any reason and without any liability to any interested party. Advisor and its directors, employees, consultants and agents ("Group") make no representation or warranty as to the accuracy, completeness, timeliness or reliability of the contents of this Information Flyer or any information provided during the course of the Transaction process. The Information has been prepared on the basis of publicly accessible information and material made available to Advisor by Seller. Advisor has relied upon and assumed, without independent verification, the accuracy or completeness of all such information, which does not claim to be all-inclusive or to contain all of the information that may be relevant to the Transaction. The recipient acknowledges that conditions may change and that the Information may become out-of-date as a result. Advisor is under no obligation to update or correct this Information. Seller and Advisor are under no obligation to provide the recipient with access to any further information. Seller and Group shall have no liability for any representations (expressed or implied) other than, in the case of Seller, those given by Seller in the purchase and sale agreement, for any written or oral communications with any Interested Parties in the course of their review of the Transaction, or for any implied terms or obligations arising from operation of law or otherwise. To the maximum extent permitted by law, no member of the Group accepts any liability (including, without limitation, any liability arising from fault or negligence on the part of any of them) for any loss whatsoever arising from the use of this Information Flyer or its contents or otherwise arising in connection with it or from the use of any information provided throughout the course of the Transaction procedure. Certain statements contained herein may constitute forward-looking statements which involve risks and uncertainties that could cause actual events or results to differ materially from the projected or expected events or results implied or conveyed in such forward-looking statements. In particular, statements regarding oil and gas reserves may include the implied assessment that the resources described can be profitably produced in the future, based on certain estimates and assumptions. No constituent of the Group represents or warrants that such forward-looking statements will be achieved or will prove to be correct. Actual future results and operations could vary materially from the forward-looking statements. Similarly, no representation or warranty is made that the assumptions on which the forward-looking statements are based may be reasonable. No audit, review or verification has been undertaken by the Group or an independent third party of the assumptions, data, results, calculations and forecasts presented or referred to herein. The recipient acknowledges that neither it nor Advisor intends that Advisor acts or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. Each of the recipient and Advisor, by accepting and providing this Information Flyer respectively, expressly disclaims any fiduciary relationship and agrees that the recipient is responsible for making its own independent judgments with respect to any transaction and any other matters regarding this Information Flyer. Subsequent modifications may be provided as required.