

Delaware Basin Mineral Classified Opportunity



Private Seller

A private seller (“Seller”) is offering for sale its mineral classified interests located in the highly active core of the Delaware Basin along the Reeves/Ward County border. The assets offers an attractive opportunity to acquire (i) **~620 acres of mineral & surface rights** with structures and infrastructure supporting regional development with fresh-water wells and caliche pits; (ii) **16 highly economic undeveloped locations** across 3 horizons of the most productive and economic horizontal targets in North America; and (iii) **286 acres of unleased tracts** allowing the potential for meaningful lease bonus income and near-term development with direct negotiation with the future operator.

618 Net Royalty Acres

~100% Mineral Classified

- Mineral classified interest provides royalty interest and a valuable surface position with buildings and income generating infrastructure
 - ~620 acres with surface rights
 - ~\$1MM/year in potential income from water wells and caliche sales
- 286 open NMA with lease bonus potential and ability to negotiate lease terms with the operator

High-Interest Position

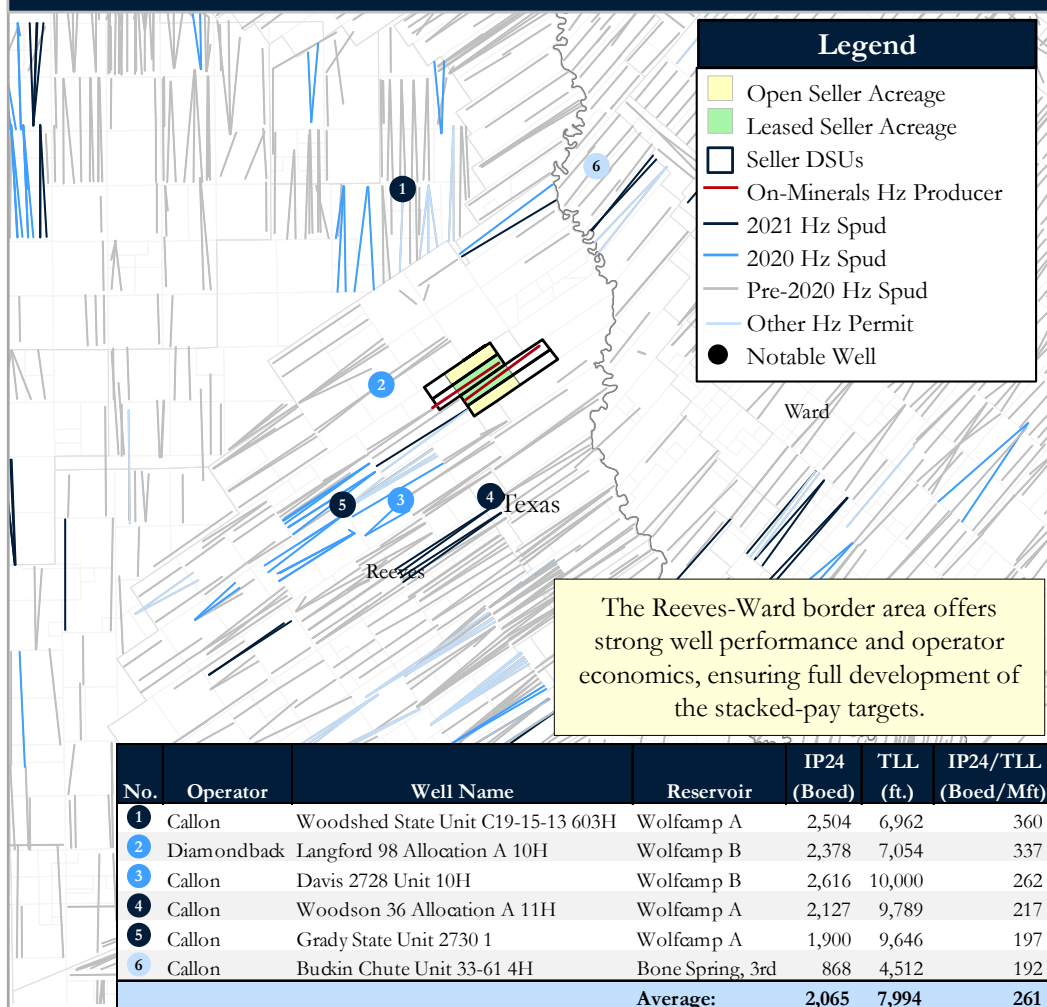
Avg. 7.6% Royalty Interest⁽¹⁾

- Avg. RI of 7.6% in two leased units
 - Includes 2 PDP wells generating a PV8 of \$2MM
- Avg. RI of 7.7% in two unleased/open units (at 25% royalty)
- Assets include >1.3 net wells/locations (~1.2 net undeveloped)
 - 0.68 net wells leased
 - 0.69 net wells unleased/open

16 Highly Economic Undeveloped Locations

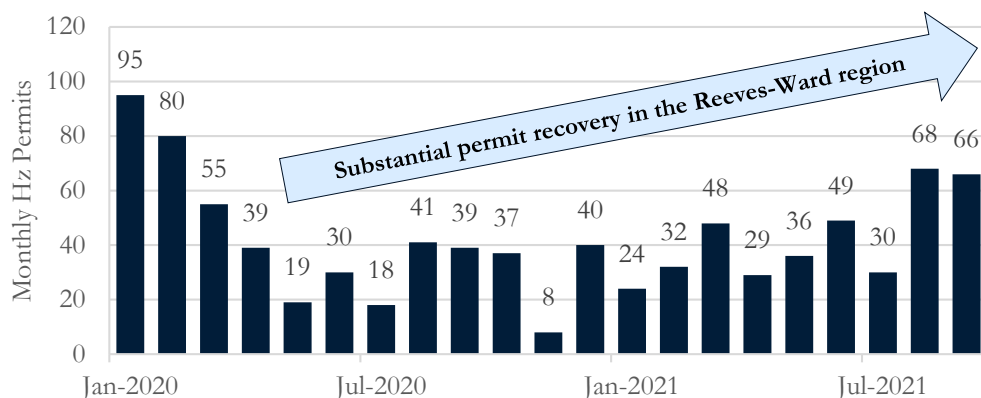
- Substantial remaining inventory from 16 additional locations across Wolfcamp A, Wolfcamp B, and 3rd Bone Spring targets
 - 3P PV10: \$34MM (\$71MM PV0)
 - 3P Net Reserves: 2.2 MMBoe
- World-class, repeatable well results generate ~190+ Boed/Mft IP (avg.)
 - IRRs of 70%+ for all major targets continue to attract capital

Location Map | Reeves & Ward County, Texas



The Reeves-Ward border area offers strong well performance and operator economics, ensuring full development of the stacked-pay targets.

Accelerating Hz Permit Activity Provides Line-of-Sight To Growth



Note: All reserves and valuation metrics are based on preliminary reserve database as of Oct. 1, 2021. Net Royalty Acres (“NRA”) are normalized to 1/8th royalty. 1. Assumes 25% royalty for unleased tracts.

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The property includes 618 acres of surface rights in Section 18, Block 4 of Reeves County, Texas, offering an attractive opportunity for additional income-generating rights-of-way, easements, and other third-party use of the properties in addition to existing water sales and caliche sales with income potential of \$1MM+ per year. The property includes 5 fresh-water wells, 2 caliche pits, a ~3,500 sq. ft. residence, and several ancillary buildings which could support regional oil & gas operations or other personal and commercial activities.

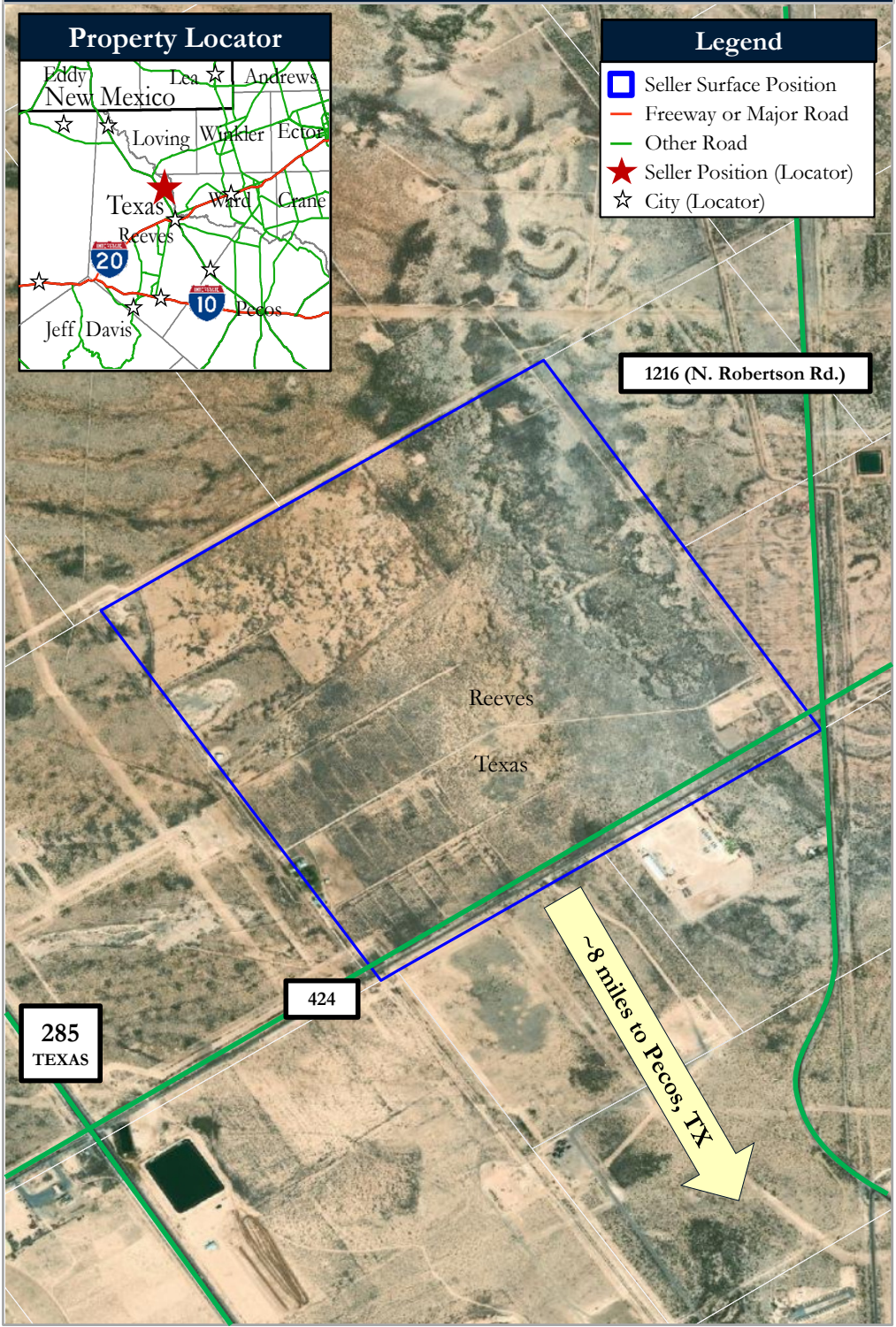
618 Acres of Surface Rights \$1MM+ Annual Income Potential

- Surface rights in the heart of regional Delaware Basin development ready to support operations
- Current income generating infrastructure includes 5 fresh-water wells and 2 caliche pit with historical sales of ~\$1MM/year
- Additional, potential income-generating activities include:
 - Solar energy generation
 - Rights-of-way
 - Easements
- Existing structures supporting business functions and residence
 - 3,500 sq. ft. residence
 - >8,500 sq. ft. of additional buildings for various business uses

Multiple Structures Support Regional Business Functions



Surface Rights Map | Reeves County, Texas



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Process Timeline

October 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						

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				

- VDR Opens
- Evaluation Period
- Bids Due
- Holidays

Seller anticipates PSA execution by early December and closing by January 2022.

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Please contact Melinda Faust to request access to the virtual data room or to learn more about this opportunity. Please route all communications through Detring.

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