



September 10, 2024

Mr. Erik Vasquez
Vaquero Partners I, LLC
3 Greenway Plaza Suite 1360
Houston, TX 77046
Delivered via electronic mail:
evasquez@vaqueroenergy.com

RE: Indemnity Bond Determination to Acquire Marginal Producing Wells and
Associated Facilities

Mr. Erik Vasquez:

The purpose of this letter is to inform you that the Department of Conservation, Geologic Energy Management Division ("CalGEM") has determined that the acquiring operator of 729 marginal wells and facilities listed on Attachment A, must file a bond in the amount of \$72,547,947.00 to comply with Public Resources Code (PRC) section 3205.8.

This amount is based upon CalGEM's estimation of the cost to plug and abandon (P&A) 729 wells and decommissioning of any associated facilities. A breakdown of the summary cost estimate is provided in Attachment B. An Excel Spreadsheet is also attached to this email that details Aera Energy LLC to Vaquero Partners Cost Estimate. The estimated P&A cost for the marginal wells is based on a sampling of 76 wells (10% of total marginal well count). The acquiring operator may elect to submit a cost estimate compiled by a third-party based on the factors listed in PRC section 3205.3 (b) or the cost estimation criteria described in PRC section 3205.7 (b) for consideration by CalGEM to plug and abandon the well(s) and decommissioning of applicable associated facilities.

Vaquero Partners I, LLC initially submitted a well list that totaled 759 wells. Of those 759 wells, 729 were deemed to be marginal, 23 non-marginal, and 7 duplicates. Vaquero Partners I, LLC in addition to complying with PRC 3205.8, will also have to comply with PRC 3205(a)(1) for the 23 non-marginal wells prior to transfer. CalGEM Form OG 160 Oil and Gas Bond has been attached for review and use.

If you have any questions related to how you can comply with the bonding requirements applicable to the wells and applicable facilities, please contact CalGEM's Enterprise Risk Unit, via email, at CalGEMEntRiskUnit@conservation.ca.gov.

Sincerely,

Doug Ito

Doug Ito
State Oil and Gas Supervisor

Attachments:

A - Aera-Vaquero Well Transfer Bonding Worksheet 8-6-24_DRAFT - Marginal Well Count 729

B - Summary PRC 3205.8 Cost Estimate Breakdown

C - CalGEM Form OG 160 Oil and Gas Bond

Excel Spreadsheet - Aera Energy LLC to Vaquero Partners Cost Estimate