STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES
DIVISION OF MINERALS
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Carson City, Nevada 89703
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http://minerals.nv.gov

QUARTERLY FLOW REPORT FOR DISSOLVED MINERAL RESOURCE EXPLORATION WELL

Operator Name: COSMO E&P USA Inc.
Address: 1800 West Loop South, Suite 1810
City, State/Prov, Country, Zip: Houston, TX, 77027, USA
Well Name: CEPUSA-DV-001A
NDOM Permit Number: W0033
Project Name/BLM NVN#: Sagittarius Exploration Project / NV106391401
Reporting Quarter/Year (ex. Q3/2018): Q2/2026

Monthly flow volume information must be provided to the Division of Minerals on a quarterly basis until the permitted well has been plugged in accordance with Nevada Administrative Code (NAC) 534B. File not later than last day of the month for the preceding quarter (ex. October 31 for quarter ending September 30).

Flow Meter Specifications
Date(s) of Installation: 4/15/2026
☐ Check if Replacement
Flow Meter Serial No.: GEM24030292
Model: GEM2
Manufacturer: GloTech Corporation
Units: ◉ Gallons ○ Acre-feet
29679
Diameter: 3"

Month	Initial Reading for Month	Final Reading for Month	Monthly Net for Well	Cumulative for Well
April	841	13780	29679	29679
May	N/A	N/A	0	29679
June	N/A	N/A	0	29679

In the case that Initial Reading and Final Readings for Month do not equate to Monthly Net provide explanation with supporting data or calculations as attachment

Reporting Operator Representative: Garrett Frey
Report Date: 6/30/26

Attachment A. Explanation of Variance Between Metered Readings and Monthly Net Consumption

1. Purpose

This attachment explains why the Initial Reading and Final Reading recorded for well DV-001A 2026 Quarter 2 do not reconcile with the calculated Monthly Net consumption on the installed GloTech GEM2 electromagnetic flow meter. It documents two confirmed field findings — (1) gas entrained in the well water that interfered with accurate meter registration, and (2) sustained flow rates below 10 GPM that did not register on the meter at all — and presents the supporting bucket test methodology and calculations used to validate these findings.

2. Summary of Discrepancy

Under normal conditions, Monthly Net consumption is calculated as:

Monthly Net = Final Reading − Initial Reading

When the value calculated using this formula does not match the Monthly Net reported by the billing system, the variance is typically driven by one or more physical or mechanical conditions at the meter rather than a data entry error. Two common causes are described in Sections 3 and 4.

3. Gas in the Well

The well supplying this system was found to contain entrained gas (air/gas pockets carried in the water column from the well or pump intake). This is a well-recognized cause of inaccurate flow registration on magnetic (electromagnetic) flow meters such as the installed GEM2 unit, for the following reasons:

- A magnetic flow meter measures flow by sensing the velocity of a conductive, liquid-full pipe between its electrodes. Entrained gas breaks up the continuous conductive water column passing through the measuring section.
- Gas pockets traveling through the meter body displace water from the electrodes, causing intermittent loss of signal, erratic/jumpy readings, or momentary “empty pipe” conditions even while the pipe is nominally full of fluid.
- The manufacturer's own troubleshooting guidance for this meter identifies “air in the meter” and “air or moisture in the line” as documented causes of the meter erroneously reading zero, flickering, or registering totals inconsistent with actual delivered volume.

Because the meter intermittently lost a stable, fully-conductive flow path during these gas-entrainment events, it failed to register flow that was, in fact, occurring. This results in a Final Reading minus Initial Reading that understates the true volume delivered, producing a Monthly Net lower than the volume actually pumped or used during the period.

4. Low Flow (<10 gpm)

Field testing confirmed that sustained flow rates below 10 gallons per minute (GPM) at this installation did not register on the installed flow meter. This finding is consistent with, and explained by, the following:

- Low, steady-state flows are inherently more susceptible to signal loss from entrained gas, since a smaller, slower-moving water column allows gas pockets to occupy proportionally more of the cross-section at the electrodes for longer durations.
- At low velocity, intermittent gas pockets are more likely to fully bridge the electrode gap (causing a complete loss of signal / zero reading) rather than being diluted within a larger, faster-moving flow stream.
- The manufacturer's documented troubleshooting guidance confirms that when flow is below the meter's effective registration threshold, or when air is intermittently present in the meter body, the unit will read zero or intermittently drop signal until flow/conditions stabilize above that threshold.

In other words, the under-10-GPM non-registration observed at this site was not a meter malfunction or calibration defect — it was the expected behavior of this meter type once flow dropped into a range where entrained gas from the well could intermittently or fully interrupt the conductive measuring path. This is the basis for the variance between the Initial/Final meter readings and the Monthly Net volume known to have been pumped or used.

5. Bucket Test – Methodology

A bucket test (volume-displacement test) is a straightforward field verification method used to independently confirm actual flow rate at the discharge point. The standard procedure is:

1. Direct the full discharge stream into a container of known, calibrated volume (e.g., a 5-gallon bucket).
2. Start a stopwatch at the instant water begins entering the empty container.
3. Stop the stopwatch the instant the container reaches its known fill volume.
4. Calculate the actual flow rate from the known bucket volume and the measured fill time.

Flow Rate (GPM) = Bucket Volume (gal) ÷ Fill Time (min)

Bucket tests allowed for accurate measurements of flow rate when the flow meter could not register flow due to gas entrainment or low flows.