



OXY USA WTP LP

5 Greenway Plaza, Suite 110, Houston, Texas 77046-0521
P.O. Box 4294, Houston, Texas 77210-4294

June 7th, 2013

Nearburg Exploration Company, L.L.C.
Attn: Ken Dixon
3300 North "A" St.
Building 2, Suite 120
Midland, TX 79705-5421

Re: **West Lovington 20 #1 Well**
Township 17 South Range 37 East
Section 20: NW/4NW/4
Eddy County, New Mexico

Dear Mr. Dixon,

Enclosed please find the fully executed AFE for the subject ballot. OXY USA WTP LP ("OXY") hereby elects to participate in the drilling of West Lovington 20 #1 well. Also included is a certificate of insurance showing OXY is self-insured and a copy of OXY's geologic requirements.

Please furnish a Joint Operating Agreement as soon as possible for our review.

Feel free to contact me with any questions or concerns at 713-552-8571.

Sincerely,

Becky Bledsoe
Land Negotiator

Enclosure(s)

Exhibit 1
Case 14995
OXY USA WTP, LP
6/27/13

Nearburg Exploration Company, L.L.C.

Oil and Gas Exploration
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
432-686-8235
FAX 432-686-7806

April 30, 2013

See Attached Addressee List

**VIA CERTIFIED MAIL, RETURN RECEIPT
REQUESTED AND BY REGULAR MAIL**

Re: WEST LOVINGTON PROSPECT
Lea County, New Mexico
WEST LOVINGTON 20 M 1 WELL
387' FNL & 627' FWL
Section 20, T-17-S, R-37-E, N.M.P.M.

Gentlemen:

According to the records of Lea County, New Mexico, you own an interest in the un-leased minerals covering the lands comprising the spacing/drilling unit for the subject well. Nearburg Exploration Company, L.L.C. owns oil and gas leases covering such lands, and believes it is in the best interest of all parties to cooperate in developing such lands and the corresponding leases and mineral interests. Accordingly, Nearburg hereby proposes the drilling of the captioned vertical well to test the Strawn formation at the above surface location to a depth of 11,300', which will create a drilling/spacing unit consisting of the NW/4NW/4 of said Section 20. I have attached for your review an AFE for the proposed well.

In the event you should want to participate in the drilling of the proposed well, I will provide for your review, your approval and your execution a 1982 AAPL Form operating agreement naming Nearburg Producing Company as the operator. A full description of the oil and gas leases, mineral interests and contractual interests that would be owned by each party under this proposal will be shown on Exhibit "A" to such operating agreement.

Nearburg believes this proposal is beneficial to all parties in that it allows for the prudent development of the lands, mineral interests and the preservation of the oil and gas leases involved. Should you not want to participate in the drilling of this well with your mineral interest, please contact the undersigned at (432) 818-2910 or kdixon@nearburg.com to discuss granting Nearburg Exploration Company, L.L.C. a mutually acceptable oil and gas lease covering your mineral interest. Accordingly, we ask that you respond to this proposal at your earliest convenience.

Very truly yours,

Nearburg Exploration Company, L.L.C.


Ken Dixon
Senior Landman

Attachment

Working Interest Owners
West Lovington 20 No 1 Well
387 FNL & 627 FWL Section 20
T-17-S, R-37-E, N.M.P.M.
Lea County, New Mexico

<u>Working Interest Owner</u>	<u>Working Interest</u>
Nearburg Exploration Company, L.L.C. P. O. Box 823085 Dallas, Texas 75382-3085	51.0277788%
OXY USA WTP, LP Attn: Patrick Sparks 5 Greenway Plaza, Suite 110 Houston, TX 77046	41.666667%
XTO Energy, Inc. Attn: Dylan Boyer 810 Houston Street Fort Worth, TX 76102	4.166667%
Isaac Family, LLP 5 Inverness Drive East Englewood, CO 80112	0.555555%
Quail Creek Royalty, LLC 13831 Quail Pointe Drive Oklahoma City, OK 73134	0.555555%
E G Energy, LLC 9204 Cherokee Lane Leawood, KS 66206	0.277778%
The Beveridge Company c/o Western Reserves Oil Company, Inc. 310 W. Wall Street, Suite 301 Midland, TX 79701	0.875000%
Realeza Del Spear c/o Spear Brothers Group Attn: Shane Spear 500 W. Texas Ave. Midland, TX 79701	0.87500%
TOTAL	<u>100.00000%</u>

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE ("AFE")LEASE: West Lovington 20 WELL NUMBER: 1 TD: 11,300'
LOCATION: 387' FNL & 827' FWL Sec. 20, T17S, R37E, Lea County, New MexicoFIELD: West Knowles Strawn EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing /pumping Strawn oil well.DATE PREPARED: 10/4/12 EST. START DATE: 2013 EST. COMPLETION DATE: 2013
ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 11,300 Ft @ 0.00 \$/Ft	1014.001	0	NA	0	0
Drilling Daywork 40 2 17,000 \$/day	1014.002	727,800	1014.002	36,380	783,880
Drilling Turnkey	1014.100	0	1014.100	0	0
Rig Mobilization and Demobilization	1014.110	119,840	1014.110	0	119,840
Road & Location Expense	1014.120	84,530	1014.120	3,745	88,275
Closed Loop System & Disposal Cost	1014.124	289,600	NA	0	289,600
Damages	1014.125	5,000	1014.125	0	5,000
Directional Drilling - Tools and Service	1014.130	202,230	1014.130	0	202,230
Drilling Fluids	1014.132	73,830	1014.132	0	73,830
Fuel, Power, and Water	1014.140	192,600	1014.140	7,490	200,090
Supplies - Bits	1014.145	98,835	1014.145	1,070	97,905
Supplies - Casing Equipment	1014.150	2,568	1014.150	14,445	17,013
Supplies - Liner Equipment	1014.152	0	1014.152	0	0
Supplies - Miscellaneous	1014.160	5,350	1014.160	5,350	10,700
Cement and Cmt. Services - Surface Csg	1014.164	32,100	NA	0	32,100
Cement and Cmt. Services - Int. Csg	1014.170	72,780	NA	0	72,780
Cement and Cmt. Services - Prod. Csg	NA	0	1014.170	85,600	85,600
Cement and Cmt. Services - Other	1014.175	0	1014.175	0	0
Rental - Drilling Tools and Equipment	1014.180	48,150	1014.180	0	48,150
Rental - Misc.	1014.185	117,165	1014.185	10,700	127,865
Testing - Drill Stem / Production	1014.190	22,470	1014.190	10,700	33,170
Open Hole Logging	1014.200	48,150	NA	0	48,150
Mudlogging Services	1014.210	42,000	NA	0	42,000
Special Services	1014.190	0	1014.190	5,350	5,350
Plug and Abandon	1014.215	35,000	1014.215	(35,000)	0
Pulling and/or Swabbing Unit	NA	0	1014.215	47,080	47,080
Reverse Equipment	NA	0	1014.215	16,050	16,050
Wireline Services	1014.205	0	1014.205	16,050	16,050
Stimulation	NA	0	1014.221	41,185	41,185
Pump / Vacuum Truck Services	1014.220	37,100	1014.220	10,700	47,800
Transportation	1014.225	25,680	1014.225	8,580	34,240
Tubular Goods - Inspection & Testing	1014.230	8,453	1014.230	9,095	17,548
Unclassified	1014.240	5,300	1014.240	0	5,300
Telephone and Radio Expense	1014.240	4,815	1014.240	803	5,618
Engineer / Geologist / Landman	1014.250	16,500	1014.250	16,500	33,000
Company Labor - Field Supervision	1014.255	72,225	1014.255	16,500	88,725
Contract Labor / Roustabout	1014.260	42,800	1014.260	27,820	70,620
Legal and Professional Service	1014.270	5,000	1014.270	0	5,000
Insurance	1014.270	5,200	1014.270	0	5,200
Overhead	1014.280	11,500	1014.280	3,500	15,000
SUBTOTAL		2,482,351		358,683	2,822,034
Contingencies (10%)		248,235		35,868	282,203
ESTIMATED TOTAL INTANGIBLES		2,708,586		395,651	3,104,237

AUTHORITY FOR EXPENDITURE ("AFE")

LEASE: West Lovington 20 WELL NUMBER: 1 TD: 11,300
LOCATION: 387' FNL & 627' FWL Sec 20, T17S R37E, Lea County, New Mexico

FIELD: West Knowles Strawn EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing / pumping Strawn oil well

DATE PREPARED: 10/4/12 EST. START DATE: 2013 EST. COMPLETION DATE: 2013
ACCOUNTING WELL NUMBER:

TANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing 45 Ft @ 240.00 \$/Ft	1328 262	10,800	NA	0	10,800
Surface Csg 455 Ft @ 43.50 \$/Ft	1329 318	20,228	NA	0	20,228
Intermediate Csg 4,650 Ft @ 28.00 \$/Ft	1329 313	130,200	NA	0	130,200
Protection Csg 0 Ft @ 25.00 \$/Ft	1329 320	0	NA	0	0
Production Csg 11,300 Ft @ 16.50 \$/Ft	NA	0	1328 378	186,450	186,450
Protection Liner 0 Ft @ 0.00 \$/Ft	1328 330	0	NA	0	0
Production Liner 0 Ft @ 0.00 \$/Ft	NA	0	1328 330	0	0
Tubing 11,300 Ft @ 6.00 \$/Ft	NA	0	1328 340	67,800	67,800
Rods 11,300 Ft @ 3.00 \$/Ft	NA	0	1328 348	33,900	33,900
Artificial Lift Equipment	NA	0	1328 350	128,400	128,400
Tank Battery	NA	0	1328 356	65,065	65,065
Separators/Heater Treater/Gas Units/FWKO	NA	0	1328 360	18,500	18,500
Well Head Equipment & Christmas Tree	1328 365	5,000	1328 363	13,375	18,375
Subsurface Well Equipment	NA	0	1328 370	6,025	6,025
Flow Lines & Pipe Lines	NA	0	1328 375	5,350	5,350
Seawater Disposal Pump	NA	0	1328 381	0	0
Gas Meter	NA	0	1328 385	5,350	5,350
Lact Unit	NA	0	1328 387	0	0
Vapor Recovery Unit	NA	0	1328 389	0	0
Other Well Equipment	NA	0	1328 390	0	0
ROV and Damages	NA	0	1328 393	5,350	5,350
Surface Equipment Installation Costs	NA	0	1328 395	32,100	32,100
Elect. Installation	NA	0	1328 397	32,100	32,100
ESTIMATED TOTAL TANGIBLES		168,228		621,765	789,993
ESTIMATED TOTAL WELL COSTS		2,874,814		1,017,418	3,892,232

By: By checking this box, Non-Operator hereby waives and rejects coverage under Operator's Extra Expense Indemnity Insurance and relies on the coverage provided by its own insurance, and shall within 15 days of approval of this AFE by Non-Operator, provide Operator with a certificate of insurance reflecting current coverage comparable to those provided by Operator. Failure to check this box shall be deemed an election to obtain coverage under Operator's Extra Expense Indemnity Insurance.

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

Nearburg Producing Company

By:

Mail Lee, Operations Manager

By:

Terry Gent, Midland Manager

Date: 5/1/2013

Geology WGC

Engineering: JS

Land: WGC

WI APPROVAL

COMPANY

BY

TITLE

DATE

Occidental
Roy S. Brookmeyer
President / General Manager
6-5-13



Occidental Petroleum Corporation

Occidental Petroleum Corporation
Occidental Tower
5005 LBJ Freeway, Dallas, TX 75244-6119
P.O. Box 809050, Dallas, TX 75380-9050
972/404-3542 FAX: 972/404-3937
Internet Address: steven_jones@oxy.com

Steven H. Jones
Assistant Director – Casualty Insurance

June 6, 2013

Nearburg Exploration Company, LLC
Attn: Ken Dixon
3300 North "A" St.
Building 2, Suite 120
Midland, TX 79705-5421

Re: West Lovington 20 #1

Dear Mr. Dixon,

OXY USA WTP LP, a subsidiary or affiliate of Occidental Petroleum Corporation, is insured through Occidental's worldwide insurance program. Occidental Petroleum Corporation is a multi-national corporation with assets in excess of \$64.2 billion dollars and stockholders' equity in excess of \$40 billion dollars. Occidental, like other multi-national corporations, self-insures, directly or indirectly, through deductibles and other risk finance alternatives, the majority of its primary layers of casualty and property insurance. This letter will serve as evidence that Occidental agrees to, directly or indirectly, self-insure the liability assumed in the subject agreement.

This self insured letter will remain in effect throughout the term of the subject agreement. You can obtain current information about Occidental Petroleum Corporation by going to our website at www.oxy.com.

Any questions regarding this letter should be directed to the undersigned.

Sincerely,

Steven H. Jones, CPCU, ARM
Assistant Director - Casualty Insurance

cc: Becky Bledsoe – Oxy USA, Inc.



**OXY PERMIAN NOJV
WELL ACTIVITY AND GEOLOGICAL REQUIREMENTS**

Field / Well: West Lovington 20 #1 Well
Operator: Nearburg Exploration Company, L.L.C.
Date: June 7th, 2013

A. Oxy shall be notified in sufficient time for an Oxy representative to witness the running of logs, coring, and testing. The Oxy representative shall have access to the derrick floor at all times. Oxy shall be furnished with all information on drilling progress and well status.

**B. The data required below shall be emailed to the following email address:
Oxy_Permian_Joint_Interest@oxy.com**

Drilling

1. Daily Reports

- a. Daily drilling report from spud to final report describing the previous day's activity, tests, costs and cumulative costs.

2. Mudlogs

- a. Daily electronic updates of mudlogs if/when a mudlogger is on location. All mudlog data (if mudlogger used) supplied in LAS format on CD or digital file. Color copy paper prints of mudlog (if mudlogger used).

3. Surveys and Tests

- a. Electronic copies of all directional surveys, MWD's, LWD's, DST's, pressure transient tests and analyses, core analyses, and any other tests or analyses paid for by the joint account.

4. Logs and Cores

- a. Electronic copies (tiff and LAS or the industry standard format then in use) of all well logs and analyses paid for by the joint account. For the purpose of downloading LAS and other wire line data or core data from a service company website, submit login credentials to Oxy_Permian_Joint_Interest@oxy.com
- b. DLIS files of all electric log data to be provided by logging company upon Oxy's request.

Completion

5. Daily Operations and Service Company Reports

- a. Detailed completion and stimulation reports including all service company reports as soon as available, following work performed.
- b. Potential Test, first well test (oil, water, gas), and other available production data and reports including fluid analysis data.

Production

6. Test Data

- a. Any reports from water, pressure build-up or PVT analyses
- b. All well test data (oil, water, gas) in digital format for the first 3 months of production.

Regulatory

7. Filings

- a. Electronic images (pdf, tiff, jpeg, etc.) of all regulatory filings.

The data required below shall be mailed to the following physical address:

Shipping Address

Occidental Oil and Gas

5 Greenway Plaza, Suite 110

Houston, Texas 77046-0521

Attention: Rick Story (713-215-7035)

- 1. Two copies of final prints of all well logs and analysis paid for by the joint account. Final DLIS files to be provided by logging company to Oxy. Oxy has the right to contact logging company for this information if not provided in a timely manner.***
- 2. Two copies of final prints of mudlogs.***
- 3. Two copies of DST's, pressure transient tests, core analysis, and any other tests or analysis paid for by the joint account.***