



OXY USA Inc.
Occidental Permian Ltd.
Subsidiaries of Occidental Petroleum Corporation

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PO Box 27757, Houston TX 77227-7757

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January 23, 2014

Via U.S. Postal Service Certified Delivery

ConocoPhillips Company
Attn: Mr. Tom Scarbrough
600 N Dairy Ashford Road
Houston, TX 77079-1100

Re: Well Proposal – FNR “26” Federal #2H
SHL –2060’ FSL & 330’ FWL
BHL –2060’ FSL & 350’ FEL
N/2S/2 of Section 26-T23S-R30E
Eddy County, New Mexico

Tom:

As recently discussed by phone, OXY USA Inc. (hereinafter “OXY”) proposes the drilling of the FNR “26” Federal #2H well. The FNR “26” Federal #2H well has an approximate spud date of May 1, 2014, and will be drilled at the captioned Surface Hole Location (SHL) to its terminus at the captioned Bottom Hole Location in Section 26, Township 23 South, Range 30 East, Eddy County, New Mexico. The directional well will be drilled to an approximate vertical depth of 7,725’ and to an approximate measured depth of 13,000’ to evaluate the Delaware formation.

OXY’s enclosed AFE provides pertinent details for the proposed operation and the estimated costs to drill and complete the well. OXY is proposing to drill this well under the terms of a modified A.A.P.L. Form 610-1982 Model Form Operating Agreement dated January 1, 2014, which is also attached for your review and approval. The ownership under the Operating Agreement is OXY 50.00% and ConocoPhillips Company 50.00%.

Please execute, date and return one copy of this letter and the enclosed AFE within 30 days, or at your earliest convenience, to indicate your approval of and election to participate in drilling, completing and equipping the FNR “26” Federal #2H well.

If you have any questions concerning this proposal, please let me know. Your favorable consideration and early reply will be appreciated.

Thank you.

Best regards,

OXY USA Inc.

Mark E. Hodge
Mark E. Hodge

Attachments

ConocoPhillips Company elects to:

_____ participate in the drilling of the FNR “26” Federal #2H

_____ non-consent the drilling of the FNR “26” Federal #2H

By: _____

Title: _____

AUTHORIZATION FOR EXPENDITURE

Project Name: FNR 26 #2H

Lease/Unit: Sand Dunes

Operator: OXY USA Inc.

Formation: Delaware

Location: 330' FWL & 2060' FSL Section 26, T23S, R30E (surface location)

350' FEL & 2060' FSL Section 26, T23S, R30E (bottom hole location)

County, State: Eddy County, New Mexico



	1	2	3	4	5	6
	Moving	Re-entry Preparation	Drilling & Evaluation	P&A	Production casing	Completion & Facilities
	4.0 days	0.0 days	25.0 days	0.0 days	2.0 days	18.0 days
Location / Mobilization / Rig Move	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ -
Location & Roads + Maintenance	\$ 160,000	\$ -	\$ -	\$ -	\$ -	\$ -
Mobilization & Demobilization	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -
Rig Move	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Services & equipment rentals	\$ 180,840	\$ -	\$ 1,760,892	\$ -	\$ 158,620	\$ 1,663,000
Rig Work	\$ 118,000	\$ -	\$ 738,870	\$ -	\$ 59,000	\$ 93,000
Camp & Catering	\$ 3,000	\$ -	\$ 18,785	\$ -	\$ 1,500	\$ -
Directional Drilling & LWD	\$ -	\$ -	\$ 241,288	\$ -	\$ -	\$ -
Drilling & Completion Fluids	\$ 30,000	\$ -	\$ 187,099	\$ -	\$ 15,000	\$ 100,000
Cementing	\$ -	\$ -	\$ 145,000	\$ -	\$ -	\$ -
Electric Logging	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ 15,000
Fluid Hauling	\$ 14,000	\$ -	\$ 87,663	\$ -	\$ 7,000	\$ -
Fishing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mud Logging	\$ -	\$ -	\$ 40,074	\$ -	\$ 3,200	\$ -
Formation Testing and Coring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wire line & Slick line	\$ -	\$ -	\$ 18,000	\$ -	\$ -	\$ 5,000
Perforating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Stimulation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,000
HES & Industrial waste handling	\$ 2,000	\$ -	\$ 12,523	\$ -	\$ 1,000	\$ -
Miscellaneous Services	\$ -	\$ -	\$ 47,000	\$ -	\$ 15,000	\$ 215,000
Rental Downhole Equipment & Tools	\$ 8,000	\$ -	\$ 111,022	\$ -	\$ 52,000	\$ -
Rental Surface Equip - BOP	\$ 2,000	\$ -	\$ 46,523	\$ -	\$ 1,000	\$ -
Rental Surface Equipment & Tools	\$ 3,840	\$ -	\$ 24,045	\$ -	\$ 1,920	\$ 185,000
Misc Incidentals & Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,000
Service Inspection	\$ -	\$ -	\$ 13,000	\$ -	\$ -	\$ -
Facilities (labor, rentals)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Facilities (equipment, materials)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumables	\$ 18,000	\$ -	\$ 728,524	\$ -	\$ 339,000	\$ 355,000
Bits, Reamers, Scrapers, HO's	\$ -	\$ -	\$ 43,500	\$ -	\$ -	\$ -
Fuel & Lubricants	\$ 18,000	\$ -	\$ 112,708	\$ -	\$ 9,000	\$ -
Utilities: Electricity, Water & Sewers & Trash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Casing & accessories	\$ -	\$ -	\$ 487,000	\$ -	\$ 330,000	\$ -
Tubing & accessories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000
Artificial Lift Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Hookup & Instrumentation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000
Wellhead & X-mas tree	\$ -	\$ -	\$ 85,315	\$ -	\$ -	\$ 10,000
Labor	\$ 22,800	\$ -	\$ 142,765	\$ -	\$ 11,400	\$ 25,000
Direct Supervision	\$ 22,800	\$ -	\$ 142,765	\$ -	\$ 11,400	\$ 25,000
Logistics, Insurance & Tax	\$ 50,364	\$ -	\$ 276,993	\$ -	\$ 51,802	\$ 82,000
Equipment Transportation Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000
Land Vehicles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Watercrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aircrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communications & IT	\$ 2,000	\$ -	\$ 12,523	\$ -	\$ 1,000	\$ -
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax	\$ 48,364	\$ -	\$ 264,470	\$ -	\$ 50,802	\$ 47,000
TOTAL	\$ 632,004	\$ -	\$ 2,909,174	\$ -	\$ 558,822	\$ 2,125,000

WORKING INTEREST OWNER APPROVAL

Company Name: _____

Signature: _____

Title: _____

Date: _____

Total Dry Hole cost (1+2+3+4):	\$ 3,441,178
Total Producer cost (1+2+3+5):	\$ 4,000,000
Total Completed Well cost (1+2+3+5+6):	\$ 6,125,000
Drilling Op/Tangible Cost:	\$ 1,031,307

NOTICE TO NONOPERATOR: Costs shown on this form are estimates only. Non Operators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.