



Jason A. Levine
Land Representative
713-372-5313
jlevine@chevron.com

MidContinent Business Unit
Chevron North America Exploration and
Production Company,
a division of Chevron U.S.A. Inc.
1400 Smith Street, Room 40006
Houston, Texas 77002

VIA CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 12, 2013

Mr. and Mrs. Ray and Karen L. Westall
429 West Funk Road
Arthur, NM 88253

**Re: Well Proposal for Bell Lake 18-23-34 #1H ("Bell Lake")
S/2N/2 of Section 18, T23S, R34E, NMPM Lea County, New Mexico**

Dear Mr. and Mrs. Westall:

Chevron U.S.A. Inc. ("Chevron") hereby proposes to operate Bell Lake for oil production from the second Bone Spring Sands formation of the Bell Lake Bone Spring North Pool. Bell Lake will comprise a one-hundred sixty (160) acre non-standard unit in the S/2N/2 of Section 18, T23S, R34E, NMPM Lea County, New Mexico.

The surface location of Bell Lake would be 2,290 feet from the north line and 330 feet from the west line. The bottom hole location would be 2,290 feet from the north line and 330 feet from the east line. Chevron expects to navigate Bell Lake through the following depths:

- TD Pilot MD (TVD) = 11,000 feet
- TD Lateral MD (TVD) = 14,817 feet
- Landing MD (TVD) = 10,477 feet

With respect to the S/2N/2 of Section 18, T23S, R34E, public records indicate that you own a 4.046250% working interest. I have enclosed an Authorization for Expenditure ("AFE"). The total estimated cost to drill, complete, and equip Bell Lake is **\$9,866,258.13** divided as follows:

- Drilling = \$4,194,128.00
- Completions = \$2,731,961.00
- Facilities = \$2,940,196.13
- **Total = \$9,866,258.13**

Please indicate whether you elect to participate in Bell Lake by marking your election in the space provided on the next page. Please also sign your counterpart on the next page and return it to me at your

BEFORE THE OIL
CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: **CHEVRON USA INC.**
Hearing Date: February 20, 2014

November 19, 2013

Page 2

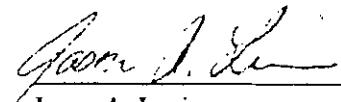
earliest convenience. Chevron's Joint Operating Agreement will be furnished if requested prior to your election. If you elect not to participate in Bell Lake, then Chevron desires to lease your mineral estate under these conditions:

- Term = 3 year primary term
- Bonus per acre = \$1,000 / net acre
- Royalty = 25%

I encourage you to contact me at either 713-372-5313 or jlevine@chevron.com if you have any questions about this matter.

Sincerely,

CHEVRON U.S.A. INC.



Jason A. Levine
Land Representative

Mr. and Mrs. Ray and Karen L. Westall elects:

☐ Not to Participate in Bell Lake.

☐ To Participate in Bell Lake at 4.046250% for \$399,214.56

By: _____
Ray Westall

Date: _____

By: _____
Karen L. Westall

Date: _____