



India Isbell  
Land Representative

MidContinent Business Unit  
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***Via Certified Mail, Return Receipt Requested***

December 3, 2014

NAME  
ADDRESS

RE: Well Proposal for White City 21 25 27 Com #5H (the "Well")  
W/2 W/2 Section 21, Township 25 South, Range 27 East, NMPM, Eddy Co., NM

To Whom It May Concern:

Chevron U.S.A. Inc. ("Chevron") hereby proposes to drill and operate the Well for production from the 2<sup>nd</sup> Bone Spring formation. The Well will comprise a one-hundred sixty (160) acre spacing unit in the W/2 W/2 of Section 21, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico.

The surface location of the Well would be 330 feet from the south line and 990 feet from the west line. The bottom hole location would be 330 feet from the north line and 990 feet from the west line. Chevron expects to navigate the Well through the following depths:

- T.D. (M.D.) = 12,869 feet
- T.D. (T.V.D.) = 7,431 feet

With respect to the W/2 W/2 of Section 21, public records indicate you own a \_\_\_\_\_% working interest within the proposed unit. I have enclosed an Authorization for Expenditure ("AFE"). The total estimated cost to drill, complete, and equip the Well is as follows:

- Drilling = \$2,883,518
- Completions = \$2,635,237
- Facilities = \$3,436,277
- **TOTAL = \$8,955,032**

Please indicate whether you elect to participate in the Well by marking your election in the space provided below and returning it to me at your earliest convenience. As a participant in the Well, you would be responsible for your ownership percentage share of all costs associated with drilling and completing of the Well as estimated above, but would also receive your ownership percentage share of proceeds from the sale of production from the Well in lieu of a royalty. If you participate, you will be subject to a Joint Operating Agreement with Chevron as Operator of the Well. Chevron's Joint Operating Agreement will be furnished prior to your election if requested.

BEFORE THE OIL CONVERSION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 4  
Submitted by: CHEVRON U.S.A., INC.  
Hearing Date: March 19, 2015

Version 1.4

## DRILLING - WELL APPROPRIATION - DETAIL OF COST ESTIMATE

Date: 5/19/2014-MK

Field / Area:	S. Eddy - White City	Well Name:	White City 21-25-27 5H	DRILLING		COMPLETION		TOTAL
Cost Element	Description			Intangible	Tangible	Intangible	Tangible	TOTAL
74400001	Rig - Daywork			617,100				617,100
	Drilling Rig:	Ensign 759	25.5 days 24200 \$/day					
	Rig move days		4.5 days \$/day					
	Completion Rig:		days \$/day					
74400002	Drig Rig - Footage / Turnkey		feet \$/foot					0
71290100	Fuel - Diesel / Motor Fuels		\$5000 per day	127,500				127,500
71050200	Fuel - Purchased Natural Gas & Propane							0
71290300	Utilities - Other (potable water)							0
74500023	Mobilization / De-Mobilization (Trucking)			195,000				195,000
	Rig Costs Total			639,600				639,600
66010100	Company Supervision			135,000				135,000
	Drilling	30.0 days	4500 \$/day					
	Completion	days	\$/day					
70000300	Contract Project Supervision			25,500				25,500
	Drilling	30.0 days	850 \$/day					
	Completion	days	\$/day					
	Supervision Total			160,500				160,500
74400004	Drilling Fluids			90,000				90,000
71900500	Materials, Supply, Repair Parts			30,000				30,000
	Mud, Materials Total			120,000				120,000
70000200	Contract Labor Casual							0
73400300	Other Land Transportation Services (not rail)			95,000				95,000
74400006	Directional Survey and Service Costs			220,000				220,000
74400007	Drill String Rentals and Bits			75,000				75,000
72300100	Surface Equipment Rentals			185,000				185,000
72300200	Well Service Equipment Rentals			110,000				110,000
74400009	Coil Tubing							0
74400010	Stimulation / Gravel Pack Materials							0
74400011	Pumping Service							0
74400014	Perforating & Electric Line Services							0
74400015	Slickline Services							0
	Contract Rentals & Services Total			685,000				685,000
74200300	Solid Waste Disposal			195,000				195,000
74200600	Waste Water Disposal			45,000				45,000
	Waste Disposal Total			240,000				240,000
74400017	Coring							0
74400018	Testing	RFT's @	\$ per DST	0				0
74400019	Logging Wireline			0				0
74400020	LWD (Logging While Drilling)							0
74400021	Logging - Mud	22 days @	1250 \$ per day	26,875				26,875
	Formation Evaluation Total			26,875				26,875
71900022	Well Pipe Casing				285,043			285,043
	Surface	Size: 13-3/8", 48", H-40, STC	Feet: 400 \$/ft 33.58	13,432				
	Intermediate	Size: 9-5/8", 40", HC K55, LTC	Feet: 2,200 \$/ft 29.19	64,218				
	Production	Size:	Feet: \$/ft	0				
	Production	Size: 5-1/2", 17", HC P-110, CDC	Feet: 12,250 \$/ft 16.93	207,393				
	Production	Size:	Feet: \$/ft	0				
71900020	Well Pipe - Tubing Under 2" OD				0			0
	Size:	2-7/8"	Feet: \$/ft 4.92					
71900021	Well Pipe - Tubing 2" OD and over				0			0
	Size:		Feet: \$/ft					
71900100	Well Equipment / Materials / Wellhd / Xmas Tree	SH-2 wellheads			85,000			85,000
71900120	Submersible Pumps & Equipment							0
71500100	Surface Lifting Equipment / Materials							0
	Rod String	Size:	Feet: \$/ft					
	Production Pkr:							
	Well Pump:							
	Other:							
	Tangible Equipment Total				370,043			370,043
74400024	Cement & Cementing							
	Surface	Size: 17-1/2 x 13-3/8		20,000				20,000
	Intermediate	Size: 12-1/4 x 9-5/8		30,000				30,000
	Production	Size: 8-3/4 x 5-1/2		165,000				165,000
	Float Equipment			76,000				76,000
	Cement Total			291,000				291,000
74400025	Fishing Costs							0
74400013	Equipment Lost in Hole							0
74500021	Site Work / Roads / Locations			40,000				40,000
74500200	Technical Services							0
75590200	Other Professional Services & Fees							0
76200300	Communications - Other			10,500				10,500
94100700	Capitalized G&A	12.0%						0
	Total Cost Estimate			2,513,475	370,043			2,883,518

**Facilities and Central Tank Battery --  
Detail of Cost Estimate**

FIELD: Eddy Co., NM  
WELL NAME: White City 21-25-27 Fed Com #5H

Description	\$USD
<b>Battery Total:</b>	<b>257,678</b>
Contract Project Supervision	16,500
Contract Labor - Reg/Roustabout	59,967
FCR - Instruments & Electrical	16,500
Pipe, Valves & Fittings	27,500
FCR - Pressure Vessels	123,200
Sales Tax	14,011
<b>Outside Battery Limits Total:</b>	<b>1,460,461</b>
Fabrication & As-built drawings	3,025
Land & Lease Costs	16,500
Company Project Supervision	9,075
Contract Project Supervision	79,860
Utilities - Other/Water	1,375
Site Work/Roads/Location	127,435
Materials, Supply, Repair Parts	3,548
Contract Labor-Reg/Roustabout	212,494
Pipe, Valves & Fittings	584,177
Pipe - Line (Size 2" and over)	145,563
FCR - Instruments & Electrical	198,000
Sales Tax	79,410
<b>TOTAL COST</b>	<b>3,436,277</b>