



Cody Cole
Land Representative
Mid-Continent Business Unit
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**Chevron North America Exploration
and Production Company**
a division of Chevron U.S.A. Inc.
1400 Smith St. Room 43192
Houston, Texas 77002

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

July 24, 2014

Burlington Resources Oil & Gas Company
ATTN: Ashley Manning-Dyke
600 N. Dairy Ashford Rd
P10-5-Office 5026
Houston, TX 77079

Re; Well Proposal for Gramma Ridge 14-24-34-5H ("Gramma Ridge 5H")
E/2W/2 of Section 14, T24S, R34E, NMPM Lea County New Mexico

Dear Ashley Manning-Dyke,

Chevron U.S.A. Inc. ("Chevron") hereby proposes to operate the Gramma Ridge 5H well for oil and gas production from the Bone Spring formation. The Gramma Ridge 5H will comprise a one-hundred sixty (160) acre standard unit in the E/2W/2 of Section 14, T24S, R34E, NMPM Lea County, New Mexico.

The Surface location of Gramma Ridge 5H will be 330 feet from the north line and 2,310 feet from the west line. The bottom hole location will be 280 feet from the South line and 1,980 feet from the west line. Chevron expects to navigate the Gramma Ridge 5H through the following depths:

- TD Lateral MD (TVD) = 16,606 feet
- Landing MD (TVD) = 12,106 feet

With respect to the E/2W/2 of Section 14, T24S, R34E, public records indicate you own a **12.5%** working interest. I have enclosed an Authorization for Expenditure ("AFE"). The total estimated cost to drill, complete, and equip Gramma Ridge 5H is \$7,753,151.73 divided as follows:

- Drilling = \$4,296,634.04
- Completion = \$2,472,362.81
- Facilities = \$984,154.88
- Total = \$7,753,151.73

Please indicate whether you elect to participate in the Gramma Ridge 5H by making your election in the space provided on the next page. Once you have made your election, please sign in the space below and return it to me at your earliest convenience. Chevron's Joint Operating Agreement will be furnished if requested prior to

**BEFORE THE OIL CONVERSATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: **CHEVRON U.S.A., INC.**
Hearing Date: September 17, 2014

your election. If you elect to not participate and would like to lease your working interest to Chevron, or if you have any question about this matter, please contact me at either 713-372-1103 or ccole@chevron.com.

Sincerely,

CHEVRON U.S.A. INC.

Cody Cole, RPL
Land Representative

Burlington Resources Oil & Gas Company elects;

☐ Not to Participate in Gramma Ridge 5H

☐ To Participate in Gramma Ridge 5H at **12.5 %** for **\$969,143.97**

By: _____

Date: _____

By: _____

Date: _____

Version 4	DRILLING - WELL APPROPRIATION - DETAIL OF COST ESTIMATE					Date	03/02/2014
Project Name	Well Name	Drilltime Range	14-24-34-38			By	Kyle Johnson
Cost Element	Description	Units	Rate	Quantity	Amount		Amount
74400001	Rig - Daywork	days	35.18	rate	25000	\$/day	879,532
74400002	Drilling Rig Footage/Turnkey	feet		rate		\$/foot	0
74400003	Rig Up/Rig Down						0
74400004	Full Purchased Natural Gas & Propane						0
71200100	Fuel - Diesel / Motor Fuel						167,316
71250000	Utilities - Other (potable water)						0
74500001	Mobilization / De-Mobilization	Rig Days	4	Rig/Trucking	100000		200,000
							1,246,848
86010100	Company Supervision	days	38.18	rate	4500	\$/day	173,316
70000300	Contract Project Supervision	days	38.18	rate	900	\$/day	34,363
	Supervision Total - Intangible						211,578
68000100	Offshore Catering						0
68050100	Offshore Casing						0
68730100	Employee Personal and Business Expenses						0
70000100	Contract Labor Surface						0
70000200	Contract Labor Casual						0
76150500	Communications - Radio						0
76150600	Communications - Telephone, CIRC						0
76200100	Communications - Cellular						0
76200300	Communications-Other						3,360
	Other People Costs Total - Intangible						3,360
74400004	Drilling Fluids						209,480
71900100	Drill and Completion Fluids (Not Service)						0
71900500	Materials, Supply, Repair Parts						18,000
	Mud, Materials Total - Intangible						218,480
72000100	Surface Equipment Rentals						458,180
72000200	Well Service Equipment Rentals						130,134
72000300	Motor Vehicle Rentals						0
73000200	Marine Transportation Allocated						0
73400000	Other Transportation Services						75,000
73400400	Air Transportation Allocated Adj						0
73400700	Hauling Services (Not Freight)						0
74400005	Downhole Survey and Service Costs						347,565
74400007	Drill String Rentals and Make						17,581
71901800	Drill Bits						72,000
74400009	Coil Tubing						0
74400010	Stimulation / Gravel Pack Materials & Service						0
74400011	Pumping Services						0
74400014	Perforating & Electric Line Services						0
74400015	Casing Services						0
74500100	Contract Equipment & Services						0
	Contract Rentals & Services Total - Intangible						1,191,808
74500105	Services - Non Facable Materials						0
74500200	Technical Services						0
75100500	HE'S Permit Costs & Fees						0
75100600	Surface Regulation / HES Inspection						0
75600200	Other Professional Services & Fees						0
75900600	Misc. Services and Fees						0
	Other Services Total - Intangible						0
74200300	Solid Waste Disposal						125,000
74200600	Waste Water Disposal						10,000
	Waste Disposal Total - Intangible						135,000
74400017	Coring						0
74400018	Feeding						0
74400019	Logging Wireline						50,000
74400020	LWD (Logging While Drilling)						0
74400021	Logging - Muc	30.06	days @	1250	\$ per day		37,602

Version 1.4	COMPLETION - WELL APPROPRIATION - DETAIL OF COST ESTIMATE					Data	25/02/2019
P001 / Area	Well Name	Gravina Ridge 14-24-31 31				By	AS
Cost Element	Description	Units	Rate	\$500	\$/day	Intangible	Tangible
74400001	Rig - Drilling	days	4.000000	rate	\$500	\$/day	26.000
74400002	Drilling Rig (collage)/Turnkey	feet					26.000
74400003	Rig Lay-Down						0
74200020	Fuel-Purchased Natural Gas & Propane						5.000
71200100	Fuel - Diesel / Motor Fuels						0
71200300	Utilities - Other (potable water)						0
74500020	Mobilization / De Mobilization	Rig Days					13.500
		Rig Costs Total - Intangible					0
74070100	Company Supervision	days	0.000000	rate	\$/day		44.000
71000000	Contract Project Supervision	days	0.000000	rate	\$/day		46.825
		Supervision Total - Intangible					118.563
18000100	Catering						0
68200100	Catering						0
68700100	Employee Personal and Business Expense						0
70000100	Contract Labor Surface						0
70700000	Contract Labor Casual						0
76150000	Communications - Radio						0
76150000	Communications - Telephone-GTC						0
76200100	Communications- Cellular						0
76200300	Communications-Other						0
		Other People Costs Total - Intangible					0
74500004	Drilling Hook						0
71001000	Drill and Completion Fluids (per Service)						220.500
71900500	Mud, Supply, Repair Parts						0
		Mud, Materials Total - Intangible					220.500
72300100	Surface Equipment Rentals						357.000
72300200	Well Service Equipment Rentals						0
72300300	Motor Vehicle Rentals						0
72300400	Motor Transportation Allocated						0
73400000	Other Transportation Services						0
73400400	Air Transportation allocated Adj.						0
73400700	Hauling Services (not Freight)						0
74400006	Directional Survey and Service Costs						0
74400007	Drill String Rentals and Mals						85.000
71901000	Drill Bits						0
74400008	Coil Tubing						180.000
74400010	Simulation / General Pick Materials & Service						1.200.000
74400011	Pumping Services						0
74400014	Perforating & Electric Line Services						25.000
74400015	Stickline Services						0
74500100	Contract Equipment & Services						1.857.368
		Contract Rentals & Services Total - Intangible					0
74500105	Services: Non Toxicable Materials						0
74500200	Technical Services						0
75100500	HES Permit Costs & Fees						0
75100600	Surface Regulatory & HES Inspection						0
75600200	Other Professional Services & Fees						0
75000800	Misc Services and Fees						0
		Other Services Total - Intangible					0
74200000	Solid Waste Disposal						0
74200000	Waste Water Disposal						20.000
		Waste Disposal Total - Intangible					20.000
74400017	Coring						0
74400018	Testing						0
74400019	Logging Wireline						5.000
74400020	LWD (Logging While Drilling)						0
74500020	Logging - Mud	days @			\$ per day		0
		Formation Evaluation Total - Intangible					5.000

Delaware Basin - Lea County
Phase 2 - Facilities Cost Estimate

	Gramma Ridge 5H	
	Quant	Cost
GRAND TOTAL (for all items)	---	\$ 984,154.88
SUB-TOTAL (for all items)	---	\$ 826,500.00
Contingency	10%	\$ 82,650.00
Tax	8.25%	\$ 75,004.88
Battery	1	\$ -
- Civil	---	\$ -
- Goldilocks Battery (Equip.)	---	\$ -
- Goldilocks Battery (Install.)	---	\$ -
- Electrical (EDS)	---	\$ -
Site Work	1	\$ 520,500.00
- Commingle Mods*	---	\$ -
- Horizontal Heater Treater**	---	\$ 250,000.00
- Supervision	---	\$ 50,000.00
- Well Pad	---	\$ 85,000.00
- Roads	---	\$ 5,000.00
- Cattleguards	---	\$ -
- Frac Pond	---	\$ -
- Land Damages	---	\$ 50,000.00
- Mechanical	---	\$ 25,000.00
- Flowline	---	\$ 43,500.00
- POC/Well Kill	---	\$ 12,000.00
OSBL	1	\$ -
-Gas line to 3rd party	---	
-Connections		
Electrical Distribution	---	\$ 306,000.00
- Feed to Sections	1	\$ 108,000.00
- Transformer Bank	1	\$ 15,000.00
- Generator Contingency	1	\$ 183,000.00