



VIA Certified Mail: 7013 2630 0000 2877 3797

July 10, 2015

Oxy USA, Inc.
5 Greenway Plaza, Suite 110
Houston, TX 77046
Attn: Joel Johnson, Land Negotiator

RE: GMT's Proposed Romeo Federal Com #1H
W/2W/2, Section 22, T24S-R34E
Lea County, New Mexico

Dear Mr. Johnson:

GMT Exploration Company, LLC ("GMT") hereby proposes to drill the captioned well, a horizontal well drilled as a standup proration unit encompassing the W/2W/2 of Section 22 in Township 24 South, Range 34 East. GMT plans to drill into the 2nd Bone Spring formation to a total vertical depth of 11,175' and a total measured depth of 15,500', for a total completed cost of \$6,832,821, as shown on the attached AFE. Also included in the proposal package is the drilling prognosis along with the survey of the well location, both of which have been submitted to the BLM to begin the permitting process.

According to preliminary ownership reports, Oxy USA, Inc. owns 23.85% of the operating rights of BLM lease NM-77090 in the NW/4 of lands in Section 22-T24S-R34E. We are in the process of rendering a drilling title opinion and your proportionate share of the well will be verified prior to drilling.

Upon request, we will send our standard joint operating agreement for your review. Should you wish to participate in the drilling of said well, please sign one copy of this letter and the attached AFE and return to the undersigned at the letterhead address within thirty (30) days of receipt of this letter.

If you have any questions in regard to the enclosures or proposed operations, please don't hesitate to contact me.

Sincerely,


Lindsey W. Reiss
Landman

_____ Oxy USA, Inc. hereby elects to participate in the Romeo Federal Com #1H.

_____ Oxy USA, Inc. hereby elects NOT to participate in the Romeo Federal Com #1H.

OXY USA, INC.

By: _____

Name: _____

Title: _____

Date: _____

Approval For Expenditure

GMT Exploration Company, LLC
1560 Broadway, Suite 2000
Denver, CO 80202
Ph 720.946.3028 / Fax 720.946.3034



Prepared By: Keith Kress
Operator: GMT Exploration Company, LLC
Lease: NM77090
Well: Romeo Federal Com #1H
S/T/R: S22 T245 R34E
Projected Depth(s): 15,500'TMD 11,175'TVD

AFE Number:
Date: 7/7/2015
County: Lea
State: NM

AFE Description:

This is the estimated well costs with a conventional, non-piled well. Fracture stimulation represents ~1500 lb/linear foot job. Per above, the lateral length for this well will be approximately 4,325'.

| ACCOUNTING CODE | | INTANGIBLE COSTS | | | |
|----------------------------------|----------|-----------------------------------------|----------------|------------------|------------------|
| DRILLING | COMPL | DESCRIPTION | DRILLING | COMPLETION | TOTAL |
| 16000201 | n/a | PERMITS | 1,000 | - | 1,000 |
| 16000203 | n/a | SURVEY WORK | 3,000 | - | 3,000 |
| 16000205 | n/a | RIGHTS OF WAY | - | - | - |
| 16000200 | 17000200 | LOCATION CONSTRUCTION | 90,000 | - | 90,000 |
| 16005600 | 17005600 | INSURANCE | 16,000 | - | 16,000 |
| 16000211 | 17000211 | RECLAMATION | 15,000 | 25,000 | 40,000 |
| 16000300 | n/a | DAMAGES | - | - | - |
| LOCATION SUBTOTAL | | | 125,000 | 25,000 | 150,000 |
| 16000800 | n/a | FOOTAGE | - | - | - |
| 16000400 | n/a | MOB/DEMOB | 90,000 | - | 90,000 |
| 16001000 | 17001000 | DAYWORK(35 days * \$16,500/day) | 580,000 | 35,000 | 615,000 |
| n/a | 17004000 | COIL TUBING UNIT | - | 105,000 | 105,000 |
| 16001800 | n/a | FUEL | 80,000 | - | 80,000 |
| 16001400 | 17001400 | BITS | 90,000 | 25,000 | 115,000 |
| 16006000 | n/a | MISC. INTANGIBLE DRILLING COSTS | 40,000 | - | 40,000 |
| n/a | 17006000 | MISC. INTANGIBLE COMPLETION COSTS | - | 75,000 | 75,000 |
| DRILLING SUBTOTAL | | | 880,000 | 240,000 | 1,120,000 |
| 16001600 | n/a | MUD COST | 120,000 | - | 120,000 |
| 16001601 | 17001601 | COMPLETION FLUID COST | 65,000 | 225,000 | 290,000 |
| 16001607 | 17001607 | STORAGE/MUD TRANSFER | 50,000 | - | 50,000 |
| 16001611 | 17001611 | TRANSPORATION | 25,000 | 8,000 | 33,000 |
| FLUIDS SUBTOTAL | | | 260,000 | 233,000 | 493,000 |
| 16001201 | 17001201 | BLOWOUT PREVENTION AND WELL CONTROL | - | - | - |
| 16001209 | 17001209 | CASING TOOLS AND CREWS | 27,000 | - | 27,000 |
| 16001225 | 17001225 | TUBING & DRILL PIPE | 28,000 | - | 28,000 |
| 16001227 | 17001227 | COMMUNICATION EQUIPMENT | 15,000 | - | 15,000 |
| 16001229 | 17001229 | TRAILERS | 20,000 | 9,000 | 29,000 |
| 16001231 | 17001231 | PUMPS | 2,500 | 30,000 | 32,500 |
| 16001233 | 17001233 | FORKLIFT | 15,000 | 12,000 | 27,000 |
| 16001241 | 17001241 | VACCUUM UNIT | - | - | - |
| 16001243 | 17001243 | SEWAGE UNIT | 15,000 | - | 15,000 |
| RENTAL EQUIPMENT SUBTOTAL | | | 122,500 | 51,000 | 173,500 |
| 16002801 | n/a | CONDUCTOR | 15,000 | - | 15,000 |
| 16002805 | n/a | SURFACE | 16,000 | - | 16,000 |
| 16002807 | n/a | INTERMEDIATE | 25,000 | - | 25,000 |
| 16002809 | n/a | PRODUCTION CASING | 36,000 | - | 36,000 |
| 16006600 | n/a | PLUG & ABANDON | - | - | - |
| CEMENTING SUBTOTAL | | | 92,000 | - | 92,000 |
| 16002400 | n/a | MUDLOGGING | 16,000 | - | 16,000 |
| 16002600 | 17002600 | ELECTRIC LOGGING | 30,000 | - | 30,000 |
| 16003000 | n/a | DIRECTIONAL SURVEYS | 3,000 | - | 3,000 |
| 16003600 | 17003600 | WIRELINE SERVICES | - | 55,000 | 55,000 |
| n/a | 17007300 | TUBING INSPECTION | 2,500 | - | 2,500 |
| n/a | 17007400 | TUBING TESTING | - | - | - |
| 16003800 | n/a | CASING INSPECTION AND TESTING | - | - | - |
| 16007500 | n/a | DRILL PIPE INSPECTION | 18,000 | - | 18,000 |
| n/a | 17007600 | PERFORATING SERVICES | - | 94,000 | 94,000 |
| 16007800 | 17007800 | TRASH AND DISPOSAL | 2,000 | - | 2,000 |
| 16007900 | 17007900 | WELDING | 6,000 | - | 6,000 |
| 16008200 | n/a | FILTRATION AND SERVICES, SCREENS | 40,000 | - | 40,000 |
| 16004400 | 17004400 | FORMATION CORING | 4,000 | - | 4,000 |
| 16003200 | 17003200 | FISHING TOOLS | 10,000 | - | 10,000 |
| 16003000 | n/a | DIRECTIONAL SERVICES MWD/LWD | 525,000 | - | 525,000 |
| 16008700 | 17008700 | BOP NIPPLE UP & TEST | 25,000 | 20,500 | 45,500 |
| 16008800 | 17008800 | COMPOSITE BRIDGE PLUGS PLUS PUMPING | - | 25,000 | 25,000 |
| 16004600 | 17004600 | CASING CREW | 18,000 | - | 18,000 |
| 16008900 | n/a | WELLHEAD SERVICES | 20,000 | - | 20,000 |
| 16004800 | 17004800 | ROUSTABOUT SERVICES | 15,000 | 15,000 | 30,000 |
| 16009000 | 17009000 | MUD,H2O, CUTTINGS, TESTING TANKS RENTAL | 9,000 | 9,690 | 18,690 |
| 16009100 | 17009100 | VACUUM TRUCK SERVICES | 30,000 | 15,000 | 45,000 |
| 16003400 | 17003400 | WELL TESTING | - | 100,000 | 100,000 |
| 16009300 | 17009300 | HOT OIL SERVICES | - | - | - |
| 16009400 | 17009400 | PACKER SERVICES | - | 15,000 | 15,000 |
| 16009500 | 17002400 | PRODUCED WATER TRUCK & DISPOSAL | 50,000 | 90,300 | 140,300 |
| 16004200 | 17004200 | FRACTURING SERVICES | - | 1,700,000 | 1,700,000 |
| 16009600 | n/a | SAFETY & ENVIRONMENTAL | 20,000 | - | 20,000 |
| 16002200 | 17002200 | TRUCKING | 90,000 | 20,000 | 110,000 |
| SERVICES SUBTOTAL | | | 933,500 | 2,159,490 | 3,092,990 |

Prepared By: Keith Kress
 Operator: GMT Exploration Company, LLC
 Lease: NM77090
 Well: Romeo Federal Com #1H
 S/T/R: S22 T245 R34E
 Projected Depth(s): 15,500'TMD 11,175'TVD

AFE Number:
 Date: 7/7/2015
 County: Lea
 State: NM

AFE Description:

This is the estimated well costs with a conventional, non-piled well. Fracture stimulation represents ~1500 lb/linear foot job. Per above, the lateral length for this well will be approximately 4,325'.

| ACCOUNTING CODE | | DESCRIPTION | INTANGIBLE COSTS: | | |
|--------------------------------------------------|----------|-------------------------|-------------------|------------------|------------------|
| DRILLING | COMPL | | DRILLING | COMPLETION | TOTAL |
| 16005800 | 17005800 | ADMINISTRATION/OVERHEAD | - | - | - |
| 16005900 | 17005900 | MANAGEMENT | - | - | - |
| 16005400 | 17005400 | ENGINEERING CONSULTANTS | 15,000 | - | 15,000 |
| 16006200 | 17006200 | FIELD ENGINEERING | 8,000 | 6,500 | 14,500 |
| 16002000 | 17002000 | FIELD CONSULTANTS | 75,000 | 23,750 | 98,750 |
| SUPERVISION & ADMINISTRATIVE SUBTOTAL | | | 98,000 | 30,250 | 128,250 |
| TOTAL INTANGIBLE COSTS | | | 2,511,000 | 2,738,740 | 5,249,740 |

| ACCOUNTING CODE | | DESCRIPTION | TANGIBLE COSTS: | | |
|-------------------------------|----------|-------------------------------------------------------|-----------------|---------------|----------------|
| DRILLING | COMPL | | DRILLING | COMPLETION | TOTAL |
| 16100200 | n/a | CONDUCTOR | - | - | - |
| 16100600 | 17100600 | SURFACE(1800' * \$30.9/ft) | 55,000 | - | 55,000 |
| 16100400 | n/a | INTERMEDIATE(1250' *\$22.59/ft + 4150' * \$16.4 / ft) | 96,297 | - | 96,297 |
| 16101200 | n/a | PRODUCTION(15,500' *\$14.02/ft) | 217,310 | - | 217,310 |
| n/a | 17100800 | TUBING | - | 55,000 | 55,000 |
| n/a | 17102400 | TEST STRING | - | - | - |
| 16101000 | n/a | MISC. TANGIBLE DRILLING COSTS | 15,000 | - | 15,000 |
| n/a | 17203300 | MISC. TANGIBLE COMPLETION COSTS | - | 17,500 | 17,500 |
| n/a | 17101200 | PACKERS | - | - | - |
| TUBULAR GOODS SUBTOTAL | | | 383,607 | 72,500 | 456,107 |
| 16100800 | 17101400 | CASING HEAD | 35,000 | 20,000 | 55,000 |
| 16100807 | 17101407 | HANGERS | - | - | - |
| 16100809 | 17101409 | MUD LINER HANGER | - | - | - |
| 16100811 | 17101411 | WELLHEAD CONTROL | - | - | - |
| WELLHEAD SUBTOTAL | | | 35,000 | 20,000 | 55,000 |
| TOTAL TANGIBLE COSTS | | | 418,607 | 92,500 | 511,107 |

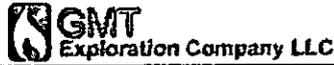
| ACCOUNTING CODE | | DESCRIPTION | LEASEHOLD AND PRODUCTION FACILITY/COST: | | |
|----------------------------------------------------------|----------|-------------------------|-----------------------------------------|----------------|----------------|
| DRILLING | COMPL | | DRILLING | COMPLETION | TOTAL |
| n/a | 17201000 | TANKS | - | 104,000 | 104,000 |
| n/a | 17201200 | FLOWLINES | - | 23,000 | 23,000 |
| n/a | 17200200 | HEATERS/TREATERS | - | 18,000 | 18,000 |
| n/a | 17201400 | GLYCOL SYSTEMS | - | - | - |
| n/a | 17200400 | SEPARATORS | - | 15,000 | 15,000 |
| n/a | 17202200 | VALVES & FITTINGS | - | 83,000 | 83,000 |
| n/a | 17200800 | COMPRESSOR | - | - | - |
| n/a | 17200600 | ARTIFICIAL LIFT SYSTEMS | - | 215,000 | 215,000 |
| n/a | 17202000 | LABOR | - | 39,000 | 39,000 |
| n/a | 17202600 | SUPERVISION | - | - | - |
| n/a | 17201600 | PIPELINE | - | 50,000 | 50,000 |
| LEASE EQUIPMENT SUBTOTAL | | | - | 547,000 | 547,000 |
| TOTAL LEASEHOLD & PRODUCTION FACILITIES COSTS | | | - | 547,000 | 547,000 |

| DRILLING & COMPLETION TOTAL COSTS | | DRILLING | COMPLETION | TOTAL |
|-------------------------------------|--|------------------|------------------|------------------|
| TOTAL INTANGIBLE COSTS | | 2,511,000 | 2,738,740 | 5,249,740 |
| TOTAL TANGIBLE COSTS | | 418,607 | 92,500 | 511,107 |
| CONTINGENCY | | 251,100 | 273,874 | 524,974 |
| LEASE & PRODUCTION FACILITIES COSTS | | - | 547,000 | 547,000 |
| TOTAL COSTS | | 3,180,707 | 3,652,114 | 6,832,821 |

| WORKING INTEREST OWNER: | PROPORTIONATE SHARE(%) | DRILLING | COMPLETION | TOTAL |
|------------------------------|------------------------|-----------|------------|-----------|
| GMT Exploration Company, LLC | 100.00% | 3,180,707 | 3,652,114 | 6,832,821 |

Operator: _____
 Approved By: [Signature] Date: 7/9/2015
 Title: VP, OPERATIONS
 Non-Operator: _____
 Approved By: _____ Date: _____
 Title: _____

DISCLAIMER: The information on this AFE is only an estimate which may or may not be based on any actual contracts or bids.



DRILLING PROGNOSIS

PROSPECT: **Solomon**

WELL NAME: Romeo Federal 1H **DATE:** 7/2/2015

LOCATION: Surface T 24 S R 34 E Sec 22 400' FNL 660' FWL **API #:**
Lea County, New Mexico **FIELD:** Red Hills North

ELEVATION: Point T 24 S R 34 E Sec 22 330' FSL 660' FWL **GL:** 3534
KB: 3554 (est)

ESTIMATED TD: ~ 15,500 MD -11,175 TVD

FORMATION AT TD: 2nd Bone Spring Sand **OBJECTIVE FORMATION:** 2nd Bone Spring Sand

DRILLING CONTRACTOR:

| DRILLING PROGRAM | Hole Size | Casing Size | Depth | Comments |
|---------------------|-----------|-------------|-------|----------|
| Surface Casing | | | TBD | |
| Intermediate Casing | | | TBD | |
| Production Casing | | | TBD | |

FORMATION TOPS

| FORMATION | DRILL DEPTH (est.) | DATUM (est.) | COMMENTS |
|----------------------------|--------------------|---------------|---------------------------|
| Rustler | 1.160 | 2.394 | |
| Salt Top | 1.215 | 2.339 | |
| Salt Base | 3.015 | 539 | |
| Lamar Limestone | 3.030 | 524 | |
| Delaware Mountain Group | 5.345 | -1.785 | |
| Delaware Bell Canyon | 5.365 | -1.811 | |
| Cherry Canyon | 6.560 | -3.025 | |
| Brushy Canyon | 7.750 | -4.225 | |
| Lower Brushy Canyon Marker | 8.955 | -5.401 | Possible Oil and Gas Show |
| Bone Spring | 9.125 | -5.671 | |
| Avalon Shale Top | 9.175 | -5.621 | Possible Oil and Gas Show |
| Avalon Carbonate | 9.420 | -5.866 | Possible Chert Zone |
| 1st Bone Spring Sand | 10.160 | -6.606 | Possible Oil and Gas Show |
| 1st Bone Spring Carb | 10.360 | -6.606 | Possible Chert Zone |
| 2nd Bone Spring Sand | 10.735 | -7.181 | Possible Oil and Gas Show |
| NO Pilot | TVD 11.175 | -7.621 | |

LOGGING PROGRAM

OPEN HOLE LOGS: NA

MWD/LWD LOGS Gamma Ray

LOGGING COMPANY:

SCHLUMBERGER
Denver Contact = Brian Holmes
Office: 303-352-1230
Cell: 303-513-1272
bholmes1@slb.com

LOGGING COMPANY:

WEATHERFORD
Contact = Matt McClellan
Office: 720-946-2563
Cell: 261-861-1215
matt.james.mcclellan@weatherford.com

MUD LOGGER:

Marco Geological Services
3603 National Park Highway
Carlsbad, New Mexico 88220

Contacts:

Corky Stewart
Cell: (575) 361-1270

Two manned unit after 8,500'

OFFSET WELLS

| WELL NAME | LOCATION | Depth | Date |
|------------------|------------------------|-------------|-------------|
| Pirate #2H Pilot | T 24 S R 34 E Sec 16 - | TVD 12,700 | Date 9/2014 |
| Buff #22 | T 24 S R 34 E Sec 22 - | TVD 15,525 | Date 9/1983 |
| Madera B 37GE JV | T 24 S R 34 E Sec 22 - | TVD 15,500' | Date 7/1988 |

REMARKS

ANTICIPATED COMPLETION: 2nd Bone Spring Sand

SPECIAL CONSIDERATION: Chert intervals may be encountered - these areas have been denoted in the formation tops section

GMT EXPLORATION CONTACTS

| | | |
|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Geology Sarah Heger Office: 303-586-9288 Cell: 720-412-2787 email: sheger@gmtexploration.com | Alternate Mike Dilli Office: 303-586-9282 Cell: 303-358-2197 email: mdilli@gmtexploration.com | Alternate William Lancaster Office: 303-586-9275 Cell: 303-808-0857 email: wdl@gmtexploration.com |
| Engineering Keith Kress Office: 303-586-9281 Cell: 720-237-5986 email: kkress@gmtexploration.com | Alternate Hugo Carlaya Office: 720-946-3032 Cell: 303-973-3440 email: hcarlaya@gmtexploration.com | Alternate |

This well is a TIGHT hole