

Ameredev II, LLC
5707 Southwest Parkway
Building 1, Suite 275
Austin, Texas 78735



April 1, 2019

VIA Certified Mail

OXY Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046

RE: Pine Straw Fed Com 25-36-08 #091H Well Proposal
Township 25 South, Range 36 East, N.M.P.M., Lea County, New Mexico
SHL: 233' FNL & 290' FSL Section 5; BHL: 50' FSL & 200' FWL Section 8

Dear Working Interest Owner:

Ameredev Operating, LLC ("Ameredev"), as Operator, hereby proposes to commence to drill and complete the Pine Straw Fed Com 25-36-08 #091H Well (the "Well") to test the Bone Spring formation to a total vertical depth of 11,338' and a total measured depth of 22,150' ("Operation"). The estimated costs associated with the Operation are \$13,776,082.54 as outlined in the enclosed authority for expenditure ("AFE #2018-040"). Ameredev's records indicate OXY Y-1 Company ("OXY") owns a 1.74737893% working interest in the Well, and OXY's estimated costs associated with the Operation are approximately \$240,720.36

In addition, Ameredev proposes the Operation to be governed by the terms of the 2015 Horizontal AAPL Form 610 Operating Agreement ("OA") with the following terms:

- Contract Area consisting of Township 25 South, Range 36 East, Section 8: W2W2 & Section 5: W2W2, Section 6: E2E2 & Section 7: E2E2, with Ameredev listed as the Operator ("Contract Area")
- 100%/300%/300% non-consent risk penalties
- \$7,000/\$700 drilling and producing overhead rates

Ameredev looks forward to working with OXY on this matter. Please feel free to contact me at the information provided below with any questions. Please be advised that Ameredev may file for compulsory pooling in the near future, as such please indicate your election below and return to bforteza@ameredev.com at your earliest convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brandon Forteza", with a stylized flourish at the end.

Brandon Forteza
737-300-4721

Election Ballot for the Pine Straw Fed Com 25-36-32 #091H Well Proposal (AFE# 2018-040)

_____ OXY elects to participate in the proposed Operation by paying its proportionate share of the costs outlined in the AFE 2018-040.

_____ OXY elects to not participate in the proposed Operation.

OXY Y-1 Company

By:

Its:

Lea County, New Mexico

SHL: Sec. 5 25S-36E 233' FNL & 290' FWL

BHL: Sec. 8 25S-36E 50' FSL & 200' FWL

Pine Straw Fed Com 25-36-08 091H

AFE # 2018-040

Capital Expenditure

April 1, 2019



Ameredev II, LLC

Company Entity
Ameredev Operating, LLC

Date Prepared
April 1, 2019

AFE Type	Project	Well No.	Field Name	Cost Center	AFE No.
Capital	Pine Straw Fed Com 25-36-08	091H	Delaware	40250	2018-040

Location	County	State	Well Type
SHL: Sec. 5 25S-36E 233' FNL & 290' FWL BHL: Sec. 8 25S-36E 50' FSL & 200' FWL	Lea	NM	<i>Oil</i> <i>Expl</i> <i>Gas</i> <i>Prod</i>

Estimate Type	Start Date	Completion Date	Formation	MD
<i>Original</i> Revised <i>Supplemental</i>	September 18, 2019	November 19, 2019	Wolfcamp	22,150' TVD 11,338'

Project Description

Drill and Complete 2 Mile Wolfcamp Lateral and Pilot Hole and Build Central Tank Battery.

Total Cost**\$13,776,082.54****Comments on Associated Costs**

Water disposal not included.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory, and well costs under term of the joint operating agreement, regulatory order, or other applicable agreement covering this well.

Well Control Insurance

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$250,000 (100% W.I.) retention.

Marketing Election

Ameredev sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Ameredev, you will be subject to all of the terms of such contracts. Upon written request to Ameredev, we will share with you the terms and conditions pursuant to which gas will be sold.

☐ I elect to take my gas in kind.

☐ I elect to market my gas with Ameredev pursuant to the terms and conditions of its contracts.

Joint Interest Approval

Company	Approved By	Date



Single Well Project

Pine Straw Fed Com 25-36-08 091H

Intangibles	Code	Dry Hole Cost	After Casing Point Cost	Total Cost
MISC PREPARATION COSTS	0.004	\$ 20,000.00	\$ -	\$ 20,000.00
EASEMENT, ROW, AND ACQUISITION	0.006	\$ 100,000.00	\$ -	\$ 100,000.00
ROAD / LOCATION PREP / RESTORATION	0.008	\$ 100,000.00	\$ -	\$ 100,000.00
DRILLING RIG	0.010	\$ 1,000,003.20	\$ 90,200.00	\$ 1,090,203.20
COIL TUBING	0.012	\$ -	\$ 130,000.00	\$ 130,000.00
FUEL	0.016	\$ 230,000.00	\$ 2,500.00	\$ 232,500.00
TRAILER, CAMP, AND CATERING	0.018	\$ 38,600.00	\$ 19,305.00	\$ 57,905.00
WATER & SEPTIC	0.020	\$ 72,900.00	\$ -	\$ 72,900.00
SURFACE RENTALS	0.024	\$ 91,500.00	\$ 70,660.00	\$ 162,160.00
DRILL BITS	0.028	\$ 87,000.00	\$ 3,500.00	\$ 90,500.00
DOWNHOLE RENTALS	0.030	\$ 17,775.00	\$ 81,700.00	\$ 99,475.00
DIRECTIONAL DRILLING	0.032	\$ 630,865.00	\$ -	\$ 630,865.00
COMPOSITE PLUGS	0.034	\$ -	\$ 63,000.00	\$ 63,000.00
TUBING & BHA INSPECT & REPAIR	0.042	\$ 10,803.50	\$ -	\$ 10,803.50
RENTAL TUBING	0.046	\$ -	\$ 32,500.00	\$ 32,500.00
WELL CONTROL EQUIP / SERVICES	0.048	\$ 95,129.60	\$ 216,048.00	\$ 311,177.60
PUMP TRUCK / PRESSURE TESTING	0.054	\$ -	\$ 1,000.00	\$ 1,000.00
MUD, ADDITIVES, AND CHEMICALS	0.060	\$ 304,240.00	\$ 312,400.00	\$ 616,640.00
FRAC PUMPING CHARGES	0.061	\$ -	\$ 3,500,000.00	\$ 3,500,000.00
WATER RIGHTS / TRANSFER / STORAGE	0.062	\$ 43,600.00	\$ 724,500.00	\$ 768,100.00
SOLIDS CONTROL EQUIP / SERVICES	0.066	\$ 106,672.00	\$ -	\$ 106,672.00
MUD / FLUIDS DISPOSAL CHARGES	0.068	\$ 106,000.00	\$ 28,430.00	\$ 134,430.00
CASING CREWS	0.070	\$ 47,500.00	\$ -	\$ 47,500.00
CEMENTING	0.072	\$ 290,000.00	\$ -	\$ 290,000.00
CASING / LINER / FLOAT EQUIPMENT	0.074	\$ 41,500.00	\$ -	\$ 41,500.00
MOBILIZE & DEMOBILIZE	0.086	\$ 235,000.24	\$ 3,000.00	\$ 238,000.24
SUPERVISION / CONTRACT	0.094	\$ 208,800.00	\$ 141,750.00	\$ 350,550.00
CONTRACT ROUSTABOUT	0.103	\$ -	\$ 50,000.00	\$ 50,000.00
CONTRACT LANDWORK / SURVEY	0.114	\$ -	\$ 10,000.00	\$ 10,000.00
REGULTRY / ENVIRON CONSULTANT	0.122	\$ 10,050.00	\$ -	\$ 10,050.00
SAFETY AND EMERGENCY RESPONSE	0.124	\$ 3,876.00	\$ 117,990.00	\$ 121,866.00
GEOLOGY	0.186	\$ 10,000.00	\$ -	\$ 10,000.00
FLOW TESTING / EQUIP	0.194	\$ -	\$ 109,125.00	\$ 109,125.00
MUD LOGGING	0.198	\$ 150,000.00	\$ -	\$ 150,000.00
WIRELINE / PERF / PUMPDOWN COSTS	0.200	\$ 210,000.00	\$ 545,050.00	\$ 755,050.00
FISHING & SIDETRACK SERVICES	0.203	\$ 136,000.00	\$ -	\$ 136,000.00
FACILITY ELECTRIC & AUTOMATION	0.258	\$ -	\$ 60,000.00	\$ 60,000.00
SWD CONNECTION	0.262	\$ -	\$ 8,000.00	\$ 8,000.00
CRANE FOR CONSTRUCTION	0.278	\$ -	\$ 3,000.00	\$ 3,000.00
OIL TREATING	0.356	\$ -	\$ 88,000.00	\$ 88,000.00
Contingency	5.00%	\$ 219,890.73	\$ 320,582.90	\$ 540,473.63
Tax	6.25%	\$ 274,863.41	\$ 400,728.63	\$ 675,592.03
Total Intangible Cost		\$ 4,892,568.68	\$ 7,132,969.53	\$ 12,025,538.20
Tangibles - Well Equipment		Dry Hole Cost	After Casing Point Cost	Total Cost
PIPELINE MECH MATERIALS / EQUIP	0.134	\$ -	\$ -	\$ -
FACILITY MECH MATERIALS / EQUIP	0.136	\$ -	\$ -	\$ -
DRIVE PIPE	0.204	\$ -	\$ -	\$ -
CONDUCTOR PIPE	0.206	\$ 8,400.00	\$ -	\$ 8,400.00
WATER STRING	0.208	\$ -	\$ -	\$ -
SURFACE CASING	0.210	\$ 74,400.00	\$ -	\$ 74,400.00
INTERMEDIATE CASING	0.212	\$ 386,500.00	\$ -	\$ 386,500.00
REMEDIAL CASING	0.213	\$ -	\$ -	\$ -
DRILLING LINER	0.214	\$ -	\$ -	\$ -
PRODUCTION CASING	0.216	\$ 486,500.00	\$ -	\$ 486,500.00
TUBING	0.217	\$ -	\$ 69,000.00	\$ 69,000.00
WELLHEAD / TREE / CHOKES	0.218	\$ 65,173.00	\$ 95,000.00	\$ 160,173.00
DRILLING LINER HANGER	0.220	\$ -	\$ -	\$ -
ISOLATION PACKER	0.222	\$ -	\$ 12,000.00	\$ 12,000.00
PUMPING UNIT, ENGINE	0.232	\$ -	\$ -	\$ -
SURFACE LIFT EQUIP	0.233	\$ -	\$ -	\$ -
DOWNHOLE LIFT EQUIPMENT	0.234	\$ -	\$ 10,000.00	\$ 10,000.00
TANK BATT / PROCESS EQUIP / MAINT	0.236	\$ -	\$ 14,750.00	\$ 14,750.00
Tangibles - Lease Equipment		Dry Hole Cost	After Casing Point Cost	Total Cost
LINE PIPE	0.238	\$ -	\$ -	\$ -
POWERLINES & SUBSTATION	0.242	\$ -	\$ -	\$ -
TANKS, TANKS STEPS, STAIRS	0.244	\$ -	\$ 22,000.00	\$ 22,000.00
BATTERY (HEATER TREATERS)	0.246	\$ -	\$ 30,000.00	\$ 30,000.00
BATTERY (SEPARATOR)	0.248	\$ -	\$ 24,800.00	\$ 24,800.00
BATTERY (GAS TREATING EQUIP)	0.250	\$ -	\$ 20,000.00	\$ 20,000.00
BATTERY (MISC EQUIP)	0.252	\$ -	\$ -	\$ -
FLOW LINE (PIPE WH TO FACILITY)	0.266	\$ -	\$ 80,000.00	\$ 80,000.00
PIPELINE TO SALES	0.270	\$ -	\$ -	\$ -
METERS AND METERING EQUIPMENT	0.274	\$ -	\$ 75,000.00	\$ 75,000.00
VALVES, FITTINGS, PROD INSTRUM	0.282	\$ -	\$ 100,000.00	\$ 100,000.00
BUILDINGS	0.310	\$ -	\$ -	\$ -
Contingency	5.00%	\$ 51,048.65	\$ 27,627.50	\$ 78,676.15
Tax	6.25%	\$ 63,810.81	\$ 34,534.38	\$ 98,345.19
Total Tangible Cost		\$ 1,135,832.46	\$ 614,711.88	\$ 1,750,544.34
TOTAL		\$ 6,028,401.14	\$ 7,747,681.40	\$ 13,776,082.54