

Proposal letter sent to OXY 1/15/13

Green card signed by OXY 1/18/13

Chris Gertson called 1/23/13 and asked for our interest calculations because he didn't agree

I e-mailed a spreadsheet of our calculations 1/24/13

Chris e-mailed 2/6/13 that he received the spreadsheet, the numbers don't match, he requested a copy of the title opinion.

2/6/13 I e-mailed the pages of the title opinion covering the tracts in which OXY has an interest

Chris called 2/13/13 and left message asking me to call

I returned his call 2/18/13 and left message

Chris e-mailed 2/20/13 and said the well is on our drilling schedule to be spud 7/6/2014 so why are we proposing the well so early?

I returned his call and told him our drilling schedule is fluid, we move wells up as they are ready to drill. I told him this well will be moved up as soon as it's ready which includes obtaining a pooling order.

Chris called 2/26/13 and said they had a lease expiring in June, he asked if we would spud in time to save it.

I e-mailed Chris 2/26/13 and told him we would be able to spud before June 1 if we got a pooling order and if we could get the curative completed.

Chris called 3/7/13, he asked if COG would be interested in taking a TA (75% NRI, 180 day term) and I said yes. I asked him to send their TA to me.

Andrew Hendricks set up GoToMeeting.com for himself, Craig Rohwer, Chris Benzer, Greg Clark and me on 3/18/13 at 10:00. He had maps and production plots he wanted to discuss. He wanted to know when the well was scheduled to spud, I told him we would move it up as soon as we got a pooling order.

January 15, 2013

via Facsimile and Certified Mail
Certificate Number:

Oxy Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046-0521

Attn: Mr. Christopher Gertson

RE: **Well Proposal – Stonewall 9 Fee #1H**
SHL: 300' FSL & 330' FWL (Unit M)
BHL: 330' FNL & 330' FWL (Unit D)
Section 9, T19S, R26E, Eddy County, New Mexico

Dear Mr. Gertson:

COG Operating LLC ("COG"), as Operator, proposes to drill the Stonewall 9 Fee #1H at the above-captioned location or at an approved surface location within location unit letter M, to a depth of approximately 3100' TVD, 7415' MD to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,524,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before September 1, 2013.

COG is proposing to drill this well under the terms of a modified 1989 AAPL Model Form Operating Agreement ("OA") covering the W ½ of the W ½ of Section 9, T-19-S, R-26-E, with the following general provisions:

- 100/300 Non-consenting penalty
- Drilling and Producing rate:
 - \$4500/\$450 for vertical wells from surface to 8000'
 - \$5450/\$545 for vertical wells below 8000' and horizontal wells all depths
- COG named as Operator

This is the same form of OA with the same terms as the OA Oxy Y-1 and COG have agreed to for the operations of other jointly owned wells in the Lakewood area.

COG's proposed OA is enclosed; a completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages if you choose to participate.

If you do not wish to participate in the Operation, COG would like to acquire a Lease or Term Assignment of your interest for the following general terms:

- Three year primary term
- Delivering a 77.5% NRI, proportionately reduced
- \$500 per net acre bonus consideration

This offer to acquire your interest is subject to the approval of COG's management and verification of title.

If we do not reach an agreement within 30 days of the date of this letter COG will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well.

If you desire to receive well information regarding the subject operations, please return a Well Information Requirements list to COG. Technical questions should be directed to Carl Bird at 432-686-3057 and land questions to the undersigned at 432-685-4354.

Yours Truly,

COG Operating LLC

Stuart A. Dirks, CPL
Senior Landman

One Concho Center
600 W. Illinois Avenue
Midland, TX 79701
Attn: Emily Bourland

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

OXY Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046-0521
Attn: Mr. Christopher Gertson
Stonewall 9 Fee #1H

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

- ☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

- D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☒ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes2. Article Number
(Transfer from service label)

91 7199 9991 7030 4013 6028

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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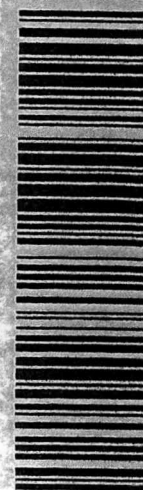
91 7199 9991 7030 4013 6028

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

91 7199 9991 7030 4013 6028



CERTIFIED MAIL

Confirmation
Services

Package ID: 917199991703040136028
Destination ZIP Code: 77046
Customer Reference
Recipient Address:
OXY Y-1 Company

Electronic Certified
Priority Envelope or package CBP

PBP Account #: 41592288
Serial #: 1364097
JAN 16 2013 4:32 PM