



**OXY USA WTP Limited Partnership**

A subsidiary of Occidental Petroleum Corporation

5 Greenway Plaza, Suite 110, Houston, Texas 77046-0521

P.O. Box 27570, Houston, Texas 77227-7570

Phone 713.215.7000

December 10, 2013

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Bluestem Energy Assets, LLC  
421 W. 3<sup>rd</sup> St., Suite 700  
Fort Worth, TX 76102-3758

Re: Well Proposal – Carter Farms A Fee Com 3H  
SHL – 305' FNL & 1680' FWL (NENW)  
BHL – 330' FSL & 1680' FEL (SESW)  
Section 17-23S-28E, Eddy County, NM

Gentlemen:

OXY USA WTP Limited Partnership ("OXY") hereby proposes the drilling of the Carter Farms A Fee Com 3H well at the referenced surface location to its terminus at the referenced bottom hole location in Section 17-23S-28E, Eddy County, New Mexico. The proposed horizontal well will be drilled to an approximate vertical depth of 9,229', and to an approximate measured depth of 13,585' to evaluate the Third Bone Spring formation. A detailed description of the total estimated cost to drill and complete the well is set out in the enclosed AFE.

OXY is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement, enclosed herewith and dated March 1, 2014, by and between OXY USA WTP Limited Partnership, as Operator, and Trainer Properties, Ltd., et al as Non-Operator. In anticipation of drilling a future offset to the west, the contract area for the proposed Operating Agreement covers 320 acres comprising the W/2 of Section 17, Township 23 South, Range 28 East, N.M.P.M., Eddy Co., New Mexico.

Please indicate your election to participate in the drilling, completing, and equipping of the proposed well by executing and returning one copy of the enclosed AFE and extra set of signature pages to the Operating Agreement in the self addressed stamped envelope provided.

If you do not wish to participate, OXY in the alternative would consider a Term Assignment of your leasehold interest, subject to management approval, at mutually agreeable terms.

If you have any questions, or would like to discuss this proposal in greater detail, please don't hesitate to call or e-mail.

Very truly yours,

OXY USA WTP Limited Partnership

Wesley Robertson, RPL  
Land Negotiator  
Dir: 713.366.5022  
Cell: 713.918.9064  
Fax: 713.985.4944  
Email: [wesley\\_robertson@oxy.com](mailto:wesley_robertson@oxy.com)

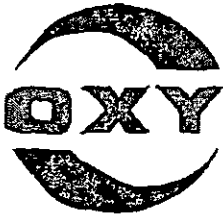
Enclosures

**BEFORE THE OIL  
CONSERVATION DIVISION**  
Santa Fe, New Mexico

**Exhibit No. 3**

Submitted by: **COG OPERATING INC.**

Hearing Date: March 6, 2014



Well name: Carter Farms A Fee Com #3H  
 Location: New Mexico  
 County: Eddy  
 SHL: 305' FNU/1680' FWL, Sec. 17, T23S, R26E  
 BHL: 330' FSU/1680' FWL, Sec. 17, T23S, R26E  
 Well type: Horizontal Lateral  
 Remarks: 3rd Bone Spring Sand  
 Field: Culebra Bluff; Bone Spring, South  
 TO: 13,585' MD - 9229' TVD  
 Date: 6-Nov-13  
 Rig: Flex III  
 Rig Type: Permian Exploration  
 RMT: Permian Exploration

	1	2	3	4	5	6
	Moving	Re-entry Preparation	Drilling & Evaluation	P&A	Production casing	Completion & Facilities
	4.0 days	0.0 days	23.0 days	0.0 days	3.0 days	22.0 days
Locations / Mobilization / Rig Move	\$ 290,000	\$ -	\$ -	\$ -	\$ -	\$ -
Location & Roads + Maintenance	\$ 170,000					
Mobilization & Demobilization						
Rig Move	\$ 120,000					
Services & equipment rentals	\$ 153,464	\$ -	\$ 1,532,779	\$ -	\$ 305,398	\$ 3,352,658
Rig Work	\$ 118,000		\$ 678,704		\$ 88,500	\$ 28,000
Camp & Catering	\$ 3,000		\$ 17,255		\$ 2,250	
Directional Drilling & LWD			\$ 250,719			
Drilling & Completion Fluids			\$ 218,566		\$ 28,500	\$ 193,473
Cementing			\$ 55,000		\$ 140,000	
Open Hole Logging			\$ 50,000			
Sub Sea						
Fishing						
Mud Logging			\$ 36,811		\$ 4,800	
Formation Testing and Coring						
Wire line & Slick line						
Perforating						\$ 84,000
Stimulation						\$ 600,000
HES & Industrial waste handling	\$ 2,000		\$ 11,503		\$ 1,500	
Miscellaneous Services	\$ 10,744		\$ 93,787		\$ 23,058	
Inspections			\$ 7,000		\$ 2,000	
Rental Downhole Equipment & Tools	\$ 8,000		\$ 46,014		\$ 6,000	\$ 247,500
Rental Surface Equipment & Tools	\$ 11,720		\$ 67,410		\$ 8,790	\$ 668,015
Misc Incidentals & Contingency						\$ 231,670
Hydrotest						
Facilities (labor, rentals)						\$ 440,000
Facilities (equipment, materials)						\$ 680,000
Consumables	\$ 18,000	\$ -	\$ 345,231	\$ -	\$ 260,000	\$ 279,215
Bits, Reamers, Scrapers, HO's			\$ 72,000			
Fuel & Lubricants	\$ 18,000		\$ 103,531		\$ 13,500	
Utilities: Electricity, Water & Sewers & Trash						
Miscellaneous supplies						
Casing & accessories			\$ 94,700		\$ 246,500	
Tubing & accessories						\$ 79,215
Artificial Lift Equipment						\$ 200,000
Hookup & Instrumentation						
Wellhead & X-mas tree			\$ 75,000			
Labor	\$ 22,800	\$ -	\$ 131,139	\$ -	\$ 17,100	\$ 16,500
Direct Supervision	\$ 22,800		\$ 131,139		\$ 17,100	\$ 16,500
Logistics & Insurance	\$ 50,625	\$ -	\$ 213,668	\$ -	\$ 58,900	\$ 173,753
Equipment Transportation Charges						
Land Vehicles						
Watercrafts						
Aircrafts						
Communications & IT	\$ 2,000		\$ 11,503		\$ 1,500	
Insurance						
Tax	\$ 48,625		\$ 202,065		\$ 58,400	\$ 173,753
<b>TOTAL</b>	<b>\$ 534,890</b>	<b>\$ -</b>	<b>\$ 2,222,717</b>	<b>\$ -</b>	<b>\$ 642,398</b>	<b>\$ 3,822,126</b>

Signature: \_\_\_\_\_

Company: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_ Approval: \_\_\_\_\_ % WI

This AFE is only an estimate. By signing, you agree to pay your proportional share of the actual costs incurred.

Total Dry Hole cost (1+2+3+4):	\$ 2,757,607
Total Producer cost (1+2+3+5):	\$ 3,400,008
Total Completed Well cost (1+2+3+5+6):	\$ 7,222,131
Tangible cost	\$ 1,355,415

Peter Sedler  
 Exploration Manager - Permian Exploration  
 Occidental Oil and Gas

Date: 01/08/14