

India Isbell
Land Representative

MidContinent Business Unit Chevron U.S.A. Inc. 1400 Smith Street, Rm. 40005 Houston, Texas 77002 Tel (713) 372-1288 indiaisbell@chevron.com

Via Certified Mail, Return Receipt Requested

December 3, 2014

NAME ADDRESS

RE: Well Proposal for White City 21 25 27 Com #5H (the "Well")

W/2 W/2 Section 21, Township 25 South, Range 27 East, NMPM, Eddy Co., NM

To Whom It May Concern:

Chevron U.S.A. Inc. ("Chevron") hereby proposes to drill and operate the Well for production from the 2nd Bone Spring formation. The Well will comprise a one-hundred sixty (160) acre spacing unit in the W/2 W/2 of Section 21, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico.

The surface location of the Well would be 330 feet from the south line and 990 feet from the west line. The bottom hole location would be 330 feet from the north line and 990 feet from the west line. Chevron expects to navigate the Well through the following depths:

- T.D. (M.D.) = 12,869 feet
- T.D. (T.V.D.) = 7,431 feet

With respect to the W/2 W/2 of Section 21, public records indicate you own a ______% working interest within the proposed unit. I have enclosed an Authorization for Expenditure ("AFE"). The total estimated cost to drill, complete, and equip the Well is as follows:

Drilling = \$2,883,518
 Completions = \$2,635,237
 Facilities = \$3,436,277
 TOTAL = \$8,955,032

Please indicate whether you elect to participate in the Well by marking your election in the space provided below and returning it to me at your earliest convenience. As a participant in the Well, you would be responsible for your ownership percentage share of all costs associated with drilling and completing of the Well as estimated above, but would also receive your ownership percentage share of proceeds from the sale of production from the Well in lieu of a royalty. If you participate, you will be subject to a Joint Operating Agreement with Chevron as Operator of the Well. Chevron's Joint Operating Agreement will be furnished prior to your election if requested.

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		Total Cost Estimate	2,513,475	370,043			2,883,518

Facilities and Central Tank Battery --Detail of Cost Estimate

FIELD:

Eddy Co., NM

WELL NAME:

White City 21-25-27 Fed Com #5H

Description	\$USD
Battery Total:	257,678
Contract Project Supervision	16,500
Contract Labor - Reg/Roustabout	59,967
FCR - Instruments & Electrical	16,500
Pipe, Valves & Fittings	27,500
FCR - Pressure Vessels	123,200
Sales Tax	14,011
Outside Battery Limits Total:	1,460,461
Fabrication & As-built drawings	3,025
Land & Lease Costs	16,500
Company Project Supervision	9,075
Contract Project Supervision	79,860
Utilities - Other/Water	1,375
Site Work/Roads/Location	127,435
Materials, Supply, Repair Parts	3,548
Contract Labor-Reg/Roustabout	212,494
Pipe, Valves & Fittings	584,177
Pipe - Line (Size 2" and over)	145,563
FCR - Instruments & Electrical	198,000
Sales Tax	79,410
TOTAL COST	3,436,277