



# GMT EXPLORATION COMPANY LLC

ACQUISITIONS • EXPLORATION • PRODUCTION

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:

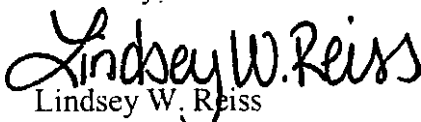
GMT Exploration Company, LLC ("GMT") hereby proposes to drill the captioned well, a horizontal well drilled as a standup proration unit encompassing the W/2W/2 of Section 22 in Township 24 South, Range 34 East. GMT plans to drill into the 2<sup>nd</sup> Bone Spring formation to a total vertical depth 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

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Lindsey W. Reiss, Landman    lreiss@gmtexploration.com  
1560 Broadway, Suite 2000    Denver, CO 80202  
Direct: 303.586.9277 • Main 720.946.3028 • Fax 720.946.3034

\_\_\_\_\_ 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	TRANSPORTATION	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	VACUUM 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		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



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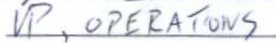
ACCOUNTING CODE		INTANGIBLE COSTS:			
DRILLING	COMPL	DESCRIPTION	DRILLING	COMPLETION	TOTAL
16005800	17005800	ADMINISTRATION/OVERHEAD	-	-	-
16005900	17005900	MANAGEMENT	-	-	-
16005400	17005400	ENGINEERING CONSULTANTS	15,000	-	15,000
16006200	17006200	FIELD ENGINEERING	8,000	6,500	14,500
16002000	17002000	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		TANGIBLE COSTS:			
DRILLING	COMPL	DESCRIPTION	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		LEASEHOLD AND PRODUCTION FACILITY/COST:			
DRILLING	COMPL	DESCRIPTION	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: GMT Exploration Company, LLC PROPORTIONATE SHARE(%) 100.00% DRILLING 3,180,707 COMPLETION 3,652,114 TOTAL 6,832,821

Operator:   
 Approved By:  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.

**GMT**  
Exploration Company LLC  
**DRILLING PROGNOSIS**

**PROSPECT:** **Solomon**

**WELL NAME:** Romec Federal 1H

**DATE:** 7/2/2015

**LOCATION:** Surface T 24 S R 34 E Sec 22 400' FNL 660' FWL  
Lea County, New Mexico

**API #:**  
**FIELD:** Red Hills North

**ELEVATION:** KB: 3554 (est) GL: 3534

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

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

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

**DRILLING CONTRACTOR:**

<b>DRILLING PROGRAM</b>	<b>Hole Size</b>	<b>Casing Size</b>	<b>Depth</b>	<b>Comments</b>
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	5,340	-1,786	
Delaware Bell Canyon	5,365	-1,811	
Cherry Canyon	6,560	-3,026	
Brushy Canyon	7,750	-4,226	
Lower Brushy Canyon Marker	8,955	-5,401	Possible Oil and Gas Show
Bone Spring	9,125	-5,571	
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	-6,806	Possible Chert Zone
2nd Bone Spring Sand	10,735	-7,181	Possible Oil and Gas Show
<b>NO Pilot</b>	<b>TVD 11,175</b>	<b>-7,621</b>	

**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: 720-946-2583  
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 8/2014
Buff '22'	T 24 S R 34 E Sec 22 -	TVD 15,525	Date 9/1983
Madera B 8706 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  
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Cell: 303-358-2197  
email: mdilli@gmtexploration.com

**Alternate**  
William Lancaster  
Office: 303-586-9278  
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 Cartaya  
Office: 720-946-3032  
Cell: 303-973-3440  
email: hcartaya@gmtexploration.com

**This well is a TIGHT hole**