

# OGX Production, LP

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 • Fax (432) 685-1320 • Fax (432) 686-7109

September 13, 2016

Occidental Permian LP  
5 Greenway Plaza, Ste. 110  
Houston, Texas 77046

**Certified Mail #7011 3500 0000 2040 9051**

Attn: Mr. Chris Gertson

Re: **Red Bluff Lake Prospect**  
Well Proposal  
Littlefield 34 Fed Com #1H  
T-26-S, R-29-E, N.M.P.M.  
NW/4 Section 34 and W/2 Section 27  
Eddy County, New Mexico

EXHIBIT 

Gentlemen:

OGX Operating, LLC ("OGX") hereby proposes to drill the above referenced horizontal well with a surface hole location of 380' FSL & 2,390' FWL of Section 34 and a bottom hole location of 330' FNL & 1900' FWL of Section 27, all located in T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled from a drilling pad approved by the BLM which will necessitate drilling approximately 390 feet Southwest which will be 50 feet FSL and 2001 feet FWL of said Section 34 to the first kick-off point, then drilling North to the first take point, being approximately 330' FSL and 1900' FWL of said Section 34, turning horizontal with an azimuth of 359.24 degrees for a total horizontal distance of approximately 6796' to test the Wolfcamp formation. The total measured depth is estimated to be 16,796'. The proration unit for this well will be the W/2 of Section 27 and the NW/4 of Section 34, T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico, containing 457.78 acres of land, more or less.

According to the records of Eddy County, New Mexico, Occidental Permian LP ("OXY") owns a 100.00% leasehold interest in W/2 of said Section 27 lying outside the boundaries of the Red Bluff Reservoir and less the SE/4SW/4, estimated to be 241.50 acres of land, more or less, being a portion of the lands contained in that certain USA lease NM-038636 dated February 1, 1980. Your interest in this well would be 241.50/457.78 or 52.75%.

Enclosed for your review is an AFE (in duplicate) showing the estimated drilling and completion costs for the subject well, as well as two plats showing the proposed location and production unit.

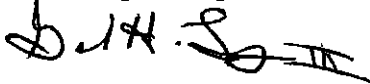
OGX invites the participation of OXY in this well. If OXY wishes to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the

undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution, which will name OGX as the Operator.

In the event OXY does not wish to participate, OGX hereby offers OXY \$2,500.00 per acre for a two (2) year term assignment covering the 241.50 acre tract, with OXY delivering a 75% net revenue. The total consideration for the term assignment would equal \$603,750.00. If you have any questions, please contact the undersigned.

Sincerely,

OGX Operating, LLC

A handwritten signature in black ink, appearing to read "G.H. Lang III", with a horizontal line extending to the right.

Garland H. Lang III  
Land Manager

Enclosures

U.S. Postal Service™  
**CERTIFIED MAIL™ RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$ 178
Certified Fee	330
Return Receipt Fee (Endorsement Required)	270
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 7.78</b>



Sent To **Occidental Permian LP**  
 Street, Apt. No. or PO Box No. **5 Greenway Plaza, Ste. 110**  
 City, State, ZIP+4 **Houston, TX 77046**

PS Form 3800, August 2005 See Reverse for Instructions

**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:

**Occidental Permian LP  
 Attn: Chris Gertson  
 5 Greenway Plaza, Ste. 110  
 Houston, TX 77046**

2. Article Number

(Transfer from service label)

**7011 3500 0000 2040 9051**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

*[Signature]*

- ☐ Agent
- ☐ Address

B. Received by (Printed Name)

**Garcia**

C. Date of Delivery

**9-16**

D. Is delivery address different from item 1? If YES, enter delivery address below:

- ☐ Yes
- ☐ No

3. Service Type

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

4. Restricted Delivery? (Extra Fee)

- ☐ Yes

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240  
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II  
811 S. First St., Artesia, NM 88210  
Phone (575) 745-1253 Fax: (575) 745-9720

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410  
Phone (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV  
1226 S. St. Francis Dr., Santa Fe, NM 87505  
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

OIL CONSERVATION DIVISION  
1226 South St. Francis Dr.  
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name LITTLEFIELD 34 FEDERAL COM	Well Number 1H
OGRID No.	Operator Name OGX OPERATING, LLC	Elevation 2884'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/South Line	FEET from the	East/West LINE	County
LOT 10	34	26 S	29 E		380	SOUTH	2390	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/South Line	FEET from the	East/West LINE	County
C	27	26 S	29 E		330	NORTH	1900	WEST	EDDY
Dedicated Acres 457.78	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

N: 371558.7  
E: 650683.9  
(NAD-83)

N: 371165.8  
E: 656083.8  
(NAD-83)

330'

1900'

BH LTP

2881.1' 2886.6'

2880.0' 2888.0'

27

38.5 ac.

68.1 ac.

LOT 8 LOT 7 LOT 6 LOT 5

LOT 9 LOT 10 LOT 11 LOT 12

2390'

380'

34

330'

KOP

N: 366346.7  
E: 650516.5  
(NAD-83)

N: 363970.4  
E: 655826.7  
(NAD-83)

N: 363964.4  
E: 650503.8  
(NAD-83)

producing area

**BOTTOM HOLE LOCATION**  
**LAST TAKE POINT**  
330 FNL & 1900 FWL  
Lat - N 32°01'10.92"  
Long - W 103°58'27.95"  
NMSPCE- N 371090.6  
E 652569.9  
(NAD-83)

**FIRST TAKE POINT**  
330 FSL & 1900 FWL  
Lat - N 32°00'03.69"  
Long - W 103°58'30.12"  
NMSPCE- N 364296.6  
E 652405.6  
(NAD-83)

**KICK OFF POINT**  
50 FSL & 2001 FWL  
Lat - N 32°00'00.92"  
Long - W 103°58'28.97"  
NMSPCE- N 364016.7  
E 652505.6  
(NAD-83)

**SURFACE LOCATION**  
Lat - N 32°00'04.19"  
Long - W 103°58'24.43"  
NMSPCE- N 364347.0  
E 652895.4  
(NAD-83)

**OPERATOR CERTIFICATION**  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

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

Email Address \_\_\_\_\_

**SURVEYOR CERTIFICATION**  
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

DATE SURVEYED: AUGUST 15, 2016

Date Surveyed \_\_\_\_\_

Signature of Professional Surveyor \_\_\_\_\_

Certification Number: 7977

Scale: 1" = 2000'

WO Num.: 32406



# SDS PETROLEUM CONSULTANTS OIL AND GAS DRILL & COMPLETE PROJECT TEMPLATE

## Project Information

Project Number	Project Name	PRF Number	PRF Name
1	Littelfield 34 Federal Com #1H		
Date Submitted	Est Spud Date		
	TBD		

## Budget Information

Investment Category	Reserve Category	Reserve Association	Peep GUID (optional)	Peep Case Name (optional)

## Budget Description


## Description of Work (This Info will be Printed on Partner Ballots)

DRILL AND COMPLETE -16,796' MD 10,000' TVD horizontal Wolfcamp A with 6,796' lateral. Located near Red Bluff Lake in Eddy Co., NM


## Team Comments (optional)


## Land Information

Co Number	Company Name (Operator)	Prospect Number	Prospect Name
	OGX Operating, LLC		Wolfcamp A 6,796' lateral
Operated	Field	Field Group	Region (Project Area)
	Wildcat-Wolfcamp		
Country	County	State	API#
USA	Eddy	NM	
Working Interest Info	Pre-Spud		
OGX WIK	OGX		
100.00000000%	100.00000000%		

Surface Location Data				Bottom Hole Location Data			
Legal Description				Legal Description			
380' FSL & 2390' FWL Sec 34 T26S-R29E				330' FNL & 1900' FWL Sec 27 T26S-R29E			
Surface Coordinates		Surface Footage from Unit/Lease Lines		Bottom Hole Coordinates		Btm Hole Footage from Unit/Lease Lines	
Latitude	Longitude	Direction	Direction	Latitude	Longitude	Direction	Direction
364347	652895.4	Ft Distance	Ft Distance	371090	652569.9	Distance (ft)	Distance (ft)

## Well Info:

Primary Reservoir	WOLF CAMP A	Depths:					
Completion Type	Plug and Perf	Total MD	Total TVD	PBTMD	PBTVD	KB Elev	Ground Elev
Product Type		16,765	10,000	16,580	10,000		

Rig Names and Rates			Breakdown of Well in Days				
BCP - Rig Name		Operational	BCP	BCP	ACP	ACP	Total
BCP - Rig Rates	14,000	Phases	Days	Evaluation	Suspend	Evaluation	Days
ACP - Rig Name		Surface I	2				2
ACP - Rig Rates	14,000	Intermediate I	3				3
Completion - Rig Name		Intermediate II	11				11
Completion - Rig Rates		Drig Liner I					0
Rounding (Sub details)		Drig Liner II					0
Rounding (Totals Only)		Drig Tieback I					0
Spread Rates:	Total \$	\$/Day	Prod Hole	11	5		16
DH Intangible Only	z	#VALUE!	Prod Liner I				0
DH Tangible Only	285,750	10,583	Prod Liner II				0
TOTAL	285,750	10,583	Prod Tieback I				0
			Prod Tieback II				0
			Comp Rig Days				0
			Totals	27	0	5	32
			Evaluation				
			Allocation				
			Percentage				

Team Members	Name	Confirm	AFE Structure Cost Estimate Summary			
Land		<input type="checkbox"/>	AFE Number	AFE Description	Gross \$	Net \$
Reservoir		<input type="checkbox"/>				
Geologist		<input type="checkbox"/>				
Geophysicist		<input type="checkbox"/>		Before Casing Point	\$2,292,565	\$2,292,565
Drilling Engineer		<input checked="" type="checkbox"/>		After Casing Point	\$635,633	\$635,633
Prod/Ops Engineer		<input type="checkbox"/>		Complete	\$2,808,782	\$2,808,782
Drilling Superintendent	Jacky Brown	<input type="checkbox"/>		Site Equip	\$600,000	\$600,000
Other		<input type="checkbox"/>		Well Tie In	\$0	\$0
Other		<input type="checkbox"/>				
Other		<input type="checkbox"/>				
Other		<input type="checkbox"/>				
Date:	9/12/2016	Version	1.0	Total D&C	\$6,336,980	\$6,336,980



AUTHORIZATION FOR EXPENDITURE



Littelfield 34 Federal Com #1H

Eddy	COST CTR NUM	AFE NUMBER
		AFE DATE

SURFACE LOCATION: 380' FSL & 2390' FWL Sec 34 T26S-R29E / BOTTOM HOLE LOCATION: 330' FNL & 1900' FWL Sec 27 T26S-R29E

Drill and Complete Cost Plan Summary

Cost Element Description	BCP	ACP	Complete	Site Equip	Well Tie In	Element	Totals
Employee Salaries	\$0	\$0	\$0	\$0	\$0		\$0
Contract Labor						\$0	\$0
Dyed Liquid Fuels (Texas Only)	\$0	\$0	\$0	\$0			\$0
Liquid Fuels - Other	\$68,040	13125	\$0	\$0			\$81,165
Electricity & Utilities	\$0		\$15,750	\$0			\$15,750
Disposal - Saltwater & Other Fluids	\$0		\$0				\$0
Fluids - Water	\$20,000		\$0				\$20,000
Fluids - Lube & Hydraulic Oil						\$0	\$0
Permitting, Surveying & Title Services	\$26,250		\$0	\$0	\$0		\$26,250
Right Of Way						\$0	\$0
Roads & Location Recovery	\$0		\$0				\$0
Road & Site Preparation Materials & Supplies	\$0			\$0		\$0	\$0
Road & Site Preparation Services	\$91,875	\$0	\$0	\$0	\$0		\$91,875
Damages & Remediation	\$0	\$0		\$0	\$0		\$0
Measurement Equipment				\$0		\$0	\$0
Communication Services - Other	\$7,350	\$1,050	\$2,625	\$0			\$11,025
Enviro - Community Consultations							\$0
Enviro - Compliance & Fines						\$0	\$0
Enviro - Services	\$14,753	\$2,100	\$2,100				\$18,953
Logging, Perf & W/L Services (CH Only)	\$0	\$0	\$119,175				\$119,175
Materials & Supplies	\$11,375	\$5,688	\$5,688	\$0	\$0		\$22,750
Pulling & Swabbing Services			\$0				\$0
Snubbing & Coil Tubing Services			\$126,000				\$126,000
Vehicles - Usage	\$0	\$0	\$0	\$0	\$0		\$0
Trucking & Hauling	\$35,175	\$44,625	\$21,000	\$0	\$0		\$100,800
Welding services	\$0	\$0	\$12,500				\$12,500
Other Roustabout Services	\$0	\$0	\$0				\$0
Inspection Services	\$0	\$21,000	\$0	\$0	\$0		\$21,000
Consultants - Technical & Professional Fees	\$141,960	\$19,688	\$33,863	\$0	\$0		\$195,510
Stimulation Services			\$2,164,575				\$2,164,575
Casing & Tubular Services	\$26,250	\$18,375	\$10,500				\$55,125
Cementing Services	\$39,813	\$63,000	\$0				\$102,813
Daywork Costs	\$396,900	\$73,500	\$0				\$470,400
Turnkey Drilling Costs	\$0	\$0	\$0				\$0
Directional Services	\$240,923	\$0					\$240,923
Drill Bits	\$82,469	\$0	\$0				\$82,469
Drilling and Completion Fluids & Services	\$318,045	\$18,113	\$0				\$336,158
Fishing Services	\$0	\$0	\$0				\$0
Footage Costs	\$0	\$0					\$0
Mob & Demobilization	\$152,040	\$152,040	\$0				\$304,080
Open Hole Evaluation	\$77,910	\$0					\$77,910
Well Testing Services			\$115,500				\$115,500
Equipment Services - Surface Rentals	\$121,331	\$15,063	\$16,223	\$0	\$0		\$152,616
Equipment Services - Downhole Rentals	\$47,408	\$21,875	\$0				\$69,283
Construction Services						\$0	\$0
Land						\$0	\$0
Other Services	\$61,950	\$15,015	\$24,675	\$0	\$0		\$101,640
Electrical, Instrumentation & Control Services				\$0			\$0
Safety Services				\$0			\$0
Casualty & Property Insurance	\$25,000	\$0	\$26,250				\$51,250
Overhead	\$0	\$0	\$0	\$0	\$0		\$0
Leasehold Rentals							\$0
Other Leasehold Costs							\$0
TOTAL INTANGIBLE ITEMS	2,006,815	484,255	2,696,423	0	0		5,187,493
Dehydration Equipment				\$0	\$0		\$0
Heaters & Heat Exchange Equipment				\$0			\$0
Separator Equipment				\$0	\$0		\$0
Treater & Free Water Knockout Equipment				\$0			\$0
Storage Vessels & Tanks				\$600,000			\$600,000
Pumps - Surface				\$0			\$0
Valves					\$0		\$0
Artificial Lift Equipment			\$36,750				\$36,750
Casing - Conductor & Drive Pipe	\$4,550						\$4,550
Sucker Rods			\$17,063				\$17,063
Oil Country Tubular Goods Tubing			\$30,678				\$30,678
Wellhead Equipment	\$15,925	\$0	\$10,806				\$26,731
Surface Casing	\$14,719						\$14,719
Intermediate Casing	\$250,556						\$250,556
Intermediate Casing II	\$0		\$0				\$0
Production Casing		\$173,253	\$0				\$173,253
Production Liner							\$0
Equipment Other			\$17,063	\$0	\$0		\$17,063
Corrosion Protection Equip				\$0	\$0		\$0
Pipe, Fitting, Flanges & Couplings				\$0	\$0		\$0
Comm devices and accessories - SCADA				\$0			\$0
Electrical, Instrumentation & Control Equip				\$0			\$0
Measurement Equipment				\$0			\$0
Engines & Motors				\$0			\$0
TOTAL TANGIBLE ITEMS	285,750	173,253	112,360	600,000	0		1,171,362
TANGIBLE SPLIT %	12	26	4	100	0		18
AFE TOTAL	2,292,565	657,508	2,808,782	600,000	0		6,358,855

Costs on this form are estimates only. Working Interest Owners should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

Cost Element Description	BCP	ACP	Complete	Site Equip	Well Tie In	Element	Totals
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Occidental Permian LP

BY:

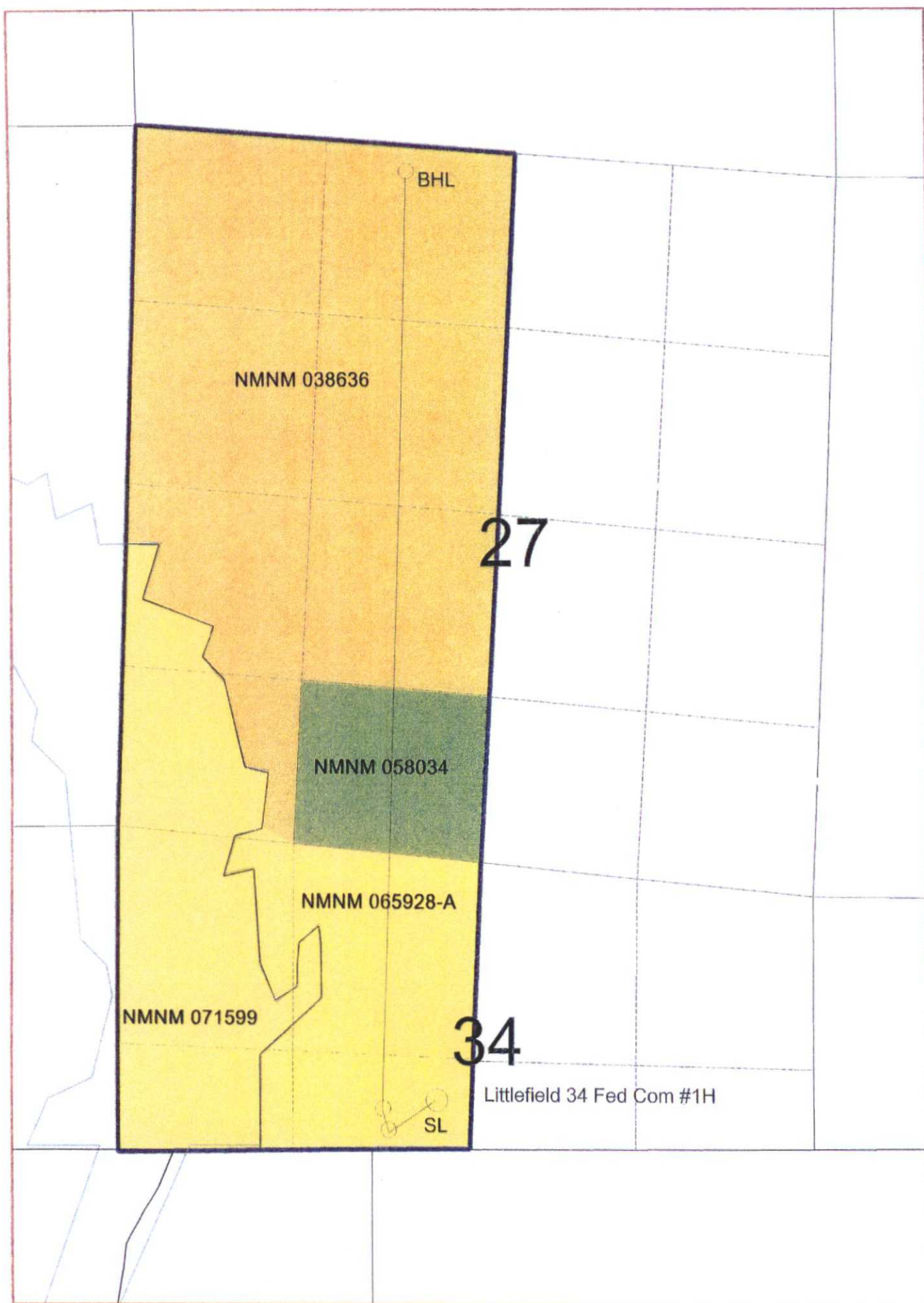
Printed Name:

Title:

Date:

WI% 52.75%





-  OGX Leasehold
-  OXY Leasehold
-  Khody L&M Leasehold

Project Area



OGX OPERATING LLC	
<b>Red Bluff Prospect</b> State Line Area Eddy County, New Mexico Loving & Reeves Counties, Texas	
WEH	Red Bluff OGX vs OXY
2/28/15	