



March 31 2017

OXY Y I Company  
Attn Mr Jeremy D Murphrey  
5 Greenway Plaza Suite 110  
Houston Texas 77046

RE Prizehog BWZ State Com 1H Well Proposal  
Township 26 South, Range 36 East N M P M , Lea County New Mexico  
Section 19 SHL 330 FNL & 1650' FWL BHL 330 FSL & 1650 FWL

Dear Working Interest Owner

OneEnergy Partners Operating, LLC ( 'OEP ), as Operator, hereby proposes drilling and completing the Prizehog BWZ State Com 1H well (the 'Well') to test the Wolfcamp formation ( 'Operation ) The estimated costs associated with the Operation are \$7 362 875 00, as outlined in the enclosed Authority For Expenditure dated March 31 2017 ( AFE ) OEP s records indicate OXY Y-I Company ( OXY ) owns a 0 20000000 working interest in the Well and OXY s estimated costs associated with the Operation is approximately \$1 472,575 00

The Well was previously proposed to OXY by Yates Petroleum Corporation ( "Yates' ) on September 10 2015 under the terms of that certain Operating Agreement dated January 1, 1987 between Yates as Operator, and Yates Drilling Company et al as Non Operators ( 'Yates JOA' ) as a lease saving operation, to which OXY elected to go non-consent As mentioned over the phone Yates has been perpetuating the leases associated with the Well using spudder operations since 2015 Effective March 28 2017 OEP has taken over operations from EOG Y Resources, Inc , Yates successor in interest and has decided to change the target in the Well to the Wolfcamp formation from the Bone Spring, as previously proposed by Yates

In addition OEP hereby proposes the Operation under the terms of a modified 2015 Horizontal AAPL Form 610 Operating Agreement ( "OA " ) with the following basic terms

- Contract Area consisting of Township 26 South Range 36 East Section 19 All & Section 20 All, with OEP listed as the Operator ( 'Contract Area )
- 100%/300%/300% non consent risk penalties
  - \$7 000 00/\$700 00 drilling and producing overhead rates

A copy of the OA body is enclosed herein for your review, and a complete copy will be furnished in the very near future In the event OXY chooses not to participate OEP is willing to propose the following alternatives

Prizehog BWZ State Com 1H well proposal

- OXY farmout its leasehold interest in the Contract Area, delivering to OEP all of its working interest and leasehold interest, reserving an overriding royalty interest equal to the positive difference if any between twenty-five percent (25%) and existing leasehold burdens, subject to proportionate reduction with the option to convert said overriding royalty interest into a proportionately reduced twenty-five percent (25%) working interest in the Well and associated project area upon payout of the Well
- OXY sell its entire leasehold interest in the Contract Area to OEP for Five Hundred dollars (\$500 00) per net mineral acre, delivering an Eighty percent (80%) net revenue interest in the leases included in the Contract Area

Please be advised that the Operation is a lease saving endeavor and OEP intends to move forward in order to perpetuate the leases associated with the Well, including filing for compulsory pooling for any uncommitted working interest owners in the next forty five (45) days if necessary OEP looks forward to working with OXY on this matter As such, please indicate your election in the Operation on the following page and return to Jeff Lierly at [jlrierly@oneenergypartners.com](mailto:jlrierly@oneenergypartners.com) at your earliest convenience

Respectfully,

OneEnergy Partners Operating, LLC



Jeff Lierly, CPL  
Vice President of Land

Enclosures

Prizehog BWZ State Com 1H well proposal

☐ OXY hereby elects to participate in the proposed Operation by paying its proportionate share of the costs outlined on the Prizehog BWZ State Com 1H AFE

☒ OXY hereby elects to go non consent in the proposed Operation

☐ OXY hereby elects to farmout its interest in the Contract Area to OEP

☐ OXY hereby elects to sell its interest in the Contract Area to OEP

Working Interest Owner

OXY Y-1 Company

                      
By  
Title



OneEnergy Partners, LLC  
2929 Allen Parkway, Suite 200  
Houston, TX 77019  
Phone: 713.714.6842  
oneenergypartners.com

#### AUTHORITY FOR EXPENDITURE

Well Name: Prizehog BWZ State Com 1H  
SHL: 330' FNL & 1650' FWL; BHL: 330' FSL & 1650' FWL  
Location: Section 19, 26S 36E  
Operator: OneEnergy Partners, LLC  
Purpose: Drill and complete a 4500' Wolfcamp A well with pilot hole with 40 BW/B and 2100 lbs/H Slickwater frac

Well #: 1H  
County/State: Lea Co., NM  
Date Prepared: 3/23/2017  
AFE #: DCE170302

Intangible Drilling Costs			Intangible Completion Costs		
Code	Description	Amount	Code	Description	Amount
9201	ADMINISTRATIVE OVERHEAD	\$12,500	9301	ADMINISTRATIVE OVERHEAD	\$12,500
9202	CASING CREW & EQPT	\$27,000	9302	CASED HOLE LOGS & SURVEYS	\$15,000
9203	CEMENTING INTERMEDIATE CASING	\$18,000	9303	CASING CREW & EQPT	
9204	CEMENTING SURFACE CASING	\$12,000	9304	COILED TUBING/SNUBBING UNIT	\$105,000
9205	COMMUNICATIONS	\$15,000	9305	COMMUNICATIONS	\$15,000
9206	COMPLETION FLUIDS	\$65,000	9306	COMPANY DIRECT LABOR	\$15,000
9208	CONTRACT LABOR	\$15,000	9307	COMPLETION/WORKOVER RIG	\$45,000
9209	DAMAGES		9309	CONTRACT LABOR/ROUSTABOUTS	
9210	DAYWORK CONTRACT	\$560,000	9310	DAMAGES/RECLAMATION	\$15,000
9211	DRILLING - DIRECTIONAL	\$420,000	9311	DISPOSAL SOLIDS	
9212	DRILLING - FOOTAGE		9312	ELECTRICAL POWER/GENERATION	
9213	DRILLING BITS	\$105,000	9313	ENVIRONMENTAL/CLEANUP	
9214	ELECTRICAL POWER/GENERATION	\$60,000	9314	FISHING TOOLS / SERVICES	
9215	ENGINEERING	\$15,000	9315	FUEL, POWER/DIESEL	\$25,000
9216	ENVIRONMENTAL SERVICES		9316	HEALTH & SAFETY	\$10,000
9217	EQUIPMENT RENTAL	\$122,500	9317	HOUSING AND SUPPORT SERVICES	
9218	FISHING TOOLS/SERVICES		9318	MATERIALS & SUPPLIES	
9219	HEALTH & SAFETY		9319	MISCELLANEOUS	\$50,000
9220	HOUSING AND SUPPORT SERVICES	\$25,000	9320	MUD & CHEMICALS	
9221	INSURANCE	\$16,000	9322	P&A/TA COSTS	
9222	LEGAL, TITLE SERVICES	\$5,000	9323	PERFORATING/WIRELINE SERVICE	\$130,000
9223	MATERIALS & SUPPLIES		9324	PIPE INSPECTION	\$25,000
9224	MISCELLANEOUS		9325	ROAD, LOCATIONS REPAIRS	\$15,000
9225	MOUSE/RATHOLE/CONDUIT PIPE	\$5,000	9326	STIMULATION	\$2,400,000
9226	MUD & CHEMICALS	\$120,000	9327	SUBSURFACE EQUIPMENTAL RENTAL	
9228	OPENHOLE LOGGING	\$100,000	9328	SUPERVISION	\$42,000
9229	PERMITS, LICENSES, ETC	\$2,000	9329	SURFACE EQUIP RENTAL	\$40,000
9291	POWER FUEL & WATER HAULING		9330	TRANSPORTATION/TRUCKING	\$20,000
9292	RIG MOVE & RACKING COSTS	\$200,000	9331	WATER HEATING	
9293	RIG UP TEAR OUT & STANDBY	\$50,000	9332	WELDING SERVICES	
9294	STAKING & SURVEYING	\$3,000	9333	WELL TESTING/FLOWBACK	\$100,000
9295	SUPERVISION	\$96,000	9308	CONTINGENCY COSTS 5%	\$153,975
9296	SUPERVISION - GEOLOGICAL	\$24,000			
9297	TRANSPORTATION/TRUCKING	\$25,000			
9207	CONTINGENCY 5%	\$105,900			
Total Intangible Drilling Costs:		\$2,223,900	Total Intangible Completion Costs:		\$1,233,475

Tangible Drilling Costs			Tangible Completion Costs		
Code	Description	Amount	Code	Description	Amount
9401	CONSTRUCTION/LOCATION & ROAD	\$80,000	9411	ARTIFICIAL LIFT	
9402	INTERMEDIATE CASING & ATTACHMENTS	\$285,000	9412	ENGINEERING	\$10,000
9404	PACKERS/SLEEVES/PLUGS		9413	FLOWLINES	\$10,000
9405	PRODUCTION CASING & ATTACHMENTS	\$410,000	9414	FLUIDS/HAULING/DISPOSAL	\$135,000
9406	SITE RESTORATION		9415	FRAC STRING	\$50,000
9407	SURFACE CASING & ATTACHMENTS	\$65,000	9416	FRAC WATER/COMPLETION FLUID	\$216,000
9408	TAXES		9418	PACKERS/SLEEVES/PLUGS/GL MANDRELS	\$25,000
9409	WELLHEAD EQUIPMENT/CASING BOWL		9419	PRODUCTION LINER	
Total Tangible Drilling Costs:		\$840,000	9420	PRODUCTION PROCESSING FACILITY	
			9421	PRODUCTION TUBING	\$55,000
			9422	ROD PUMPS	
			9423	SUBSURFACE EQUIPMENT	
			9424	TAXES	
			9425	WELLHEAD EQUIPMENT	\$20,000
			Total Tangible Completion Costs:		\$521,000

#### Office Use Only:

Total Drill:	\$3,063,900.00
Total Completion:	\$4,298,975.00
Total Intangible:	\$5,457,375.00
Total Tangible:	\$1,905,500.00

Total AFE: \$7,362,875.00

Lease and Well Equipment Costs		
Code	Description	Amount
9102	ADMINISTRATIVE OVERHEAD	\$12,500
9103	AUTOMATION/TELEMETRY/METERING	\$5,000
9104	COMMUNICATIONS	\$0
9105	COMPANY DIRECT LABOR	\$0
9106	COMPRESSORS	\$0
9108	CONTRACT LABOR/ROUSTABOUTS	\$10,000
9109	DAMAGES/RECLAMATION	\$5,000
9110	DIAGNOSTIC EQUIPMENT	\$0
9111	DISPOSAL SOLIDS	\$0
9112	ELECTRICAL	\$20,000
9113	ELECTRICAL POWER/GENERATION	\$0
9114	ENGINEERING	\$15,000
9115	ENVIRONMENTAL/CLEANUP	\$25,000
9116	FLOWLINES	\$25,000
9117	FLUIDS/HAULING/DISPOSAL	\$10,000
9118	FUEL, POWER/DIESEL	\$0
9119	HEALTH & SAFETY	\$2,000
9120	HOUSING AND SUPPORT SERVICES	\$1,500
9121	MATERIALS & SUPPLIES	\$25,000
9122	NON OPERATED	\$0
9123	PIPE/VALVES/FITTINGS	\$15,000
9124	PIPELINE & METERING	\$50,000
9125	PRODUCTION PROCESSING FACILITY	\$0
9126	PUMPS (SURFACE)	\$190,000
9127	ROAD, LOCATIONS REPAIRS	\$10,000
9128	SUBSURFACE EQUIPMENT	\$15,000
9129	SUPERVISION	\$25,000
9130	TANKS WALKWAYS, STAIRS, BUILDING STRUCTURES	\$60,000
9131	TAXES	\$0
9132	TRANSPORTATION/TRUCKING	\$5,000
9133	WELDING SERVICES	\$3,500
9134	WELLHEAD EQUIPMENT	\$15,000
Total Lease and Well Equipment Costs		\$544,500

THIS AUTHORITY FOR EXPENDITURE IS BASED ON COST ESTIMATES. BILLING WILL REFLECT YOUR PROPORTIONATE SHARE OF THE ACTUAL INVOICE COSTS.

Operator: OneEnergy Partners, LLC  
Approved By: David Ramsden-Wood  
David Ramsden-Wood  
Chief Operating Officer and Co-Founder

Date: 03.31.2017

WI Owner: \_\_\_\_\_  
Approved By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

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

ALL PARTICIPANTS MUST CARRY THEIR OWN CONTROL OF WELL INSURANCE AND ATTACH A CERTIFICATE OF INSURANCE TO THIS ELECTION OR INSURE WITH OEP