



Jace McKenzie
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 Rockies Business Unit
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February 10, 2017

Watkins Farm Homeowners Association
 P.O. Box 328
 Watkins, CO 80137

Re: B&D Land 4-64 4-5 #4BH Well Proposal/AFE
 Sections 4 and 5, T4S-R64W
 Arapahoe County, CO

Attn: Watkins Farm Homeowners Association,

ConocoPhillips Company ("COPC") hereby proposes the drilling and completion of the B&D Land 4-64 4-5 #4BH well to the Niobrara formation with the following details:

- An approved 1,280-acre, more or less, spacing unit for Sections 4 and 5 of T4S-R64W
- An estimated 7,595' true vertical depth
- A proposed 7,000' lateral
- An approximate surface location in the SE/4 of Section 4, T4S-R64W, SHL: 810' FSL, 350' FEL.
- An approximate bottom-hole location for the lateral is in the SW/4 of Section 5, T4S-R64W, BHL: 900' FSL, 2140' FWL.
- An estimated spud date of Q3 2017.

As a potential working interest owner, you are entitled to participate in the proposed well by assuming your proportionate share of the cost to drill, complete, and equip the well. Your working interest ownership in the proposed well is 0.910151% within the captioned lands based on our current records.

Enclosed for your review is a copy of the Authority for Expenditure ("AFE"), estimating the total cost to drill, complete and equip the proposed well at \$10.33 MM. Should you elect to participate in the drilling and completion of the referenced well, you will be responsible for your proportionate share of the costs set forth in the attached AFE.

In lieu of making an election in the proposed well, COPC is prepared to assume all your working interest in the drilling unit upon your full execution of a COPC standard form oil and gas lease between you, as Lessor, and COPC as Lessee. In consideration for your execution and delivery to COPC of an oil and gas lease providing for a three (3) year primary term with an option to extend an additional two (2) years, and a 1/5th (20%) royalty on allocated production, contingent upon final verification of title, COPC would tender to you a bonus payment in the amount of \$2,000.00 per net mineral acre leased. Please contact Jace McKenzie by phone or email at the number and address provided if it is your desire to lease your interest.

Please execute and return this letter, as well as one (1) copy of the enclosed AFE, no later than thirty-five (35) days from receipt to advise COPC of your election. Failure to respond within thirty-five (35) days of receipt shall be deemed as an election NOT to participate in the proposed well.

Sincerely,
 CONOCOPHILLIPS COMPANY


 Jace McKenzie

Watkins Farm Homeowners Association

_____ Elects to participate in the drilling, completing and equipping of the B&D Land 4-64 4-5 #4BH well.

_____ Elects NOT to participate in the drilling, completing and equipping of the B&D Land 4-64 4-5 #4BH well.

_____ Lease my interest in Section 4 and/or 5 of T4S-64W to COPC as per the leasing option above (COPC standard form lease: 3-year primary term + 2-year option to extend; 1/5th (20%) royalty; \$2,000.00 per net acre). This offer to lease shall terminate (35) days from receipt.

By: _____

Title: _____

Date: _____

AFE Cost Summary

This document contains proposed and estimated well costing information which is proprietary and confidential to ConocoPhillips.



Rockies Business Unit

Well Name: B & D LAND 4-64 4-5 4BH

AFE: WAY.CDR.0030

Cost Feature Code/Name:	Drilling \$\$	Completion \$\$	P & A \$\$	Facility \$\$
A000: CASING & TUBING	\$242,140.68	\$34,700.00	\$0.00	\$44,400.00
B000: WELLHEAD, XMAS TREE, & ASST EQUIPT	\$25,500.00	\$64,400.00	\$0.00	\$0.00
C000: COMPLETION EQUIPMENT & OTHER	\$0.00	\$20,000.00	\$0.00	\$1,082,000.00
D000: LOCATION (WELLSITE RELATED)	\$491,280.00	\$16,800.00	\$0.00	\$50,500.00
E000: RIGS AND RIG RELATED	\$569,145.57	\$26,500.00	\$0.00	\$55,000.00
F000: DRILLING & COMPLETION UTILITIES (ALL)	\$70,943.86	\$446,800.00	\$0.00	\$0.00
G000: FLUID AND CHEMICALS SERVICES	\$190,036.90	\$35,800.00	\$0.00	\$0.00
H000: DIRECTIONAL DRILLING / MWD / LWD	\$132,358.51	\$0.00	\$0.00	\$0.00
J000: CEMENTING MATERIALS, SVCS,& CSG ACCS	\$120,750.00	\$0.00	\$0.00	\$0.00
K000: FORMATION EVALUATION	\$55,321.63	\$4,500.00	\$0.00	\$0.00
M000: COMPLETION & TESTING	\$0.00	\$2,451,500.00	\$0.00	\$0.00
N000: FORMATION STIMULATION & TREATING	\$0.00	\$993,800.00	\$0.00	\$0.00
O000: CERTIFICATION, INSPECT, CONTROL & TEST	\$22,500.00	\$0.00	\$0.00	\$10,000.00
P000: TRANSPORTATION SUPPLY & DISPOSAL	\$40,639.14	\$241,500.00	\$0.00	\$22,500.00
Q000: DRLG TOOLS & EQPT RENTAL WWO OPR	\$83,162.72	\$172,900.00	\$0.00	\$0.00
R000: BITS & MILLS	\$37,600.00	\$0.00	\$0.00	\$0.00
S000: SPECIAL SERVICES	\$45,712.50	\$532,800.00	\$0.00	\$0.00
T000: MISCELLANEOUS	\$225,483.02	\$141,200.00	\$0.00	\$553,900.00
U000: PERFORATING & SLICKLINE SERVICES	\$0.00	\$277,000.00	\$0.00	\$0.00
V000: ENG & CONSTRUCTION(E&C), CONSLT, R&D	\$0.00	\$0.00	\$0.00	\$65,000.00
W000: GENERAL FEES	\$56,000.00	\$0.00	\$0.00	\$0.00
X000: CONOCOPHILLIPS LABOR & OVERHEAD	\$127,791.41	\$143,000.23	\$0.00	\$66,400.00
Y000: TOTALS, CONTINGENCY & MISCELLANEOUS	\$43,838.50	\$0.00	\$0.00	\$198,680.00
Tangibles:	\$267,640.68	\$119,100.00	\$0.00	\$1,126,400.00
Intangibles:	\$2,312,563.77	\$5,484,100.23	\$0.00	\$1,021,980.00
TOTAL:	\$2,580,204.45	\$5,603,200.23	\$0.00	\$2,148,380.00
		Total Tangibles:	\$1,513,140.68	
		Total Intangibles:	\$8,818,644.00	
		Grand Total:	\$10,331,784.68	

Drilling Cost Estimates Approved: Cline, Kristal

Date: 2017-01-31 08:26:17

Completion Cost Estimates Approved: Cline, Kristal

Date: 2017-01-31 08:26:17

Facility Cost Estimates Approved: Cline, Kristal

Date: 2017-01-31 08:26:17

P&A Cost Estimates Approved:

Date:

Working Interest Owner Approval: _____

Date: _____