



P.O. Box 10152  
Midland, Texas 79702  
432-682-4002  
432-684-4741 Fax

September 20, 2004

Jessie Pearl Butz and Lyle R. Butz  
9504 Sunland Blvd.  
Sunland, CA 91040

RE: Proposed Oil and Gas Lease  
N/2NW/4SE/4NE/4 Section 19, T-24-S, R-28-E, N.M.P.M.  
Eddy County, New Mexico

Dear Ms. Butz and Mr. Butz:

The attached letter and Oil and Gas Lease were mailed to you on or about July 9, 2004. We received the documentation back on July 20, 2004, however, the lease was not executed, nor was any notation made as to your response to our proposal. We request that you execute the Oil and Gas Lease and return to the undersigned in the envelope provided.

**In the alternative, you may participate in the drilling of this well. You will be expected to pay your proportionate share of the total well cost. Your 5/320 interest in the well will cost an estimated \$6,921.88. Attached is an AFE detailing the proposed operations and potential pay zones.**

**Failure on your part to elect to one of the above options within 10 days of the receipt of this letter will make your interest subject to Forced Pooling proceedings under the laws of the State of New Mexico.**

Thank you for your cooperation in this matter. Inasmuch as we have been unable to contact you by telephone, we would appreciate a telephone call from you, should you have any questions.

Yours very truly,

A handwritten signature in black ink, appearing to read "Kenneth C. Dickeson", written over a horizontal line.

Kenneth C. Dickeson  
Consulting Landman

Olbutz2

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

**OFFICIAL USE**

7000 1530 0004 2499 6707

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.88

Postmark  
Here

Sent To	
Jesse P. Butz & Lyle R. Butz	
Street, Apt. No.; or PO Box No.	
9504 Sunland Blvd.	
City, State, ZIP+4	
Sunland, CA 91040	

PS Form 3800, May 2000

See Reverse for Instructions



**DICKESON**  
Oil and Gas Properties

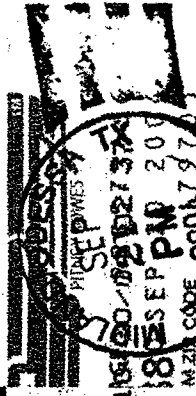
P.O. Box 10152 UNITED  
Midland, Texas 79702

**CERTIFIED MAIL**

7000 1530 0004 2499 6707

*11240 Lake View  
Spokane, WA 99342  
Jesse Pearl Butz and Lyle R. Butz  
9504 Sunland Blvd.  
Sunland, CA 91060*

*received 1996*



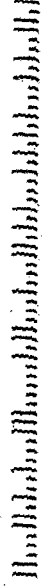
1st NOTICE 10-30  
2nd NOTICE  
RETURNED

NIXIE 913 1 30 10/28/04

RETURN TO SENDER  
ATTEMPTED - NOT KNOWN  
UNABLE TO FORWARD

BC: 79702715232 \*3032-04215-28-28

797027152



TO THE FRONT OF RETURN ADDRESS  
FOLD AT DOTTED LINE

**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:

Jessie P. Butz &  
Lyle R. Butz  
9504 Sunland Blvd.  
Sunland, CA 91040

**COMPLETE THIS SECTION ON DELIVERY**

- A. Signature ☒ Agent ☐ Addressee
- B. Received by (Printed Name) ☒ Date of Delivery
- D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number  
(Transfer from service label)

7000 1530 0004 2499 6707

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1035

Date: 4/22/04

**WILLOW PROSPECT**

Pardue "19" Com. #1 Well

1980' FSL & 660' FEL, Sec. 19, T-24-S, R-28-E,

Eddy County, New Mexico

Casing: 16" @ 622' cemented to surface w/1240 sx

10-3/4" @ 2335' cemented to surface w/2300 sx

7-5/8" @ 10,286' 2 stage cement job w/1900 sx

TOC 3250' 5" liner 9998' - 12,900' cement to TOL w/450 sx

No casing pulled.

Operator: Internorth, Inc. Spud 1/22/82 P&A 6/26/82

Subject well was completed in 12' of Morrow Sand which was frac treated with 36,250# sand & 12,000# bauxite, then production tested for limited gas deliverability of about 100 mcfpd with no water. There is potential that the frac job was ineffective due to crushing of the sand due to over-burden pressure. Plan is to re-frac this interval with high strength propanit & include additional Morrow sands in the frac treatment.

Complete as Morrow gas well.

	ITEM COST	TOTAL
<b>Intangible Drilling Costs:</b>		
Land and legal work	\$8,000	
Location & road restoration, dig pits, cattleguard(s), anchors, dig cellar, weld on wellhead	\$30,000	
Pulling unit - 25 days @ \$2000/day	\$50,000	
Reverse unit package, pumps, power swivel, pits 20 days @ \$1000/day	\$20,000	
Bits (6-1/2" & 3-3/4")	\$8,000	
Rentals - BOP, frac tanks, pipe racks, rig mats, etc.	\$15,000	
Trucking	\$8,000	
Cement - Squeeze non-rodutive Atoka perfs	\$10,000	
Water	\$18,000	
Cased hole logging & perforating	\$16,000	
Stimulation - Frac job w/high strength propanit	\$60,000	
Supervision	\$13,000	
Insurance	\$5,000	
Miscellaneous supplies and labor	\$14,000	
Contingencies 5%	\$15,000	
<b>TOTAL INTANGIBLE DRILLING COST</b>		<b>\$290,000</b>

CONTINUE ON PAGE 2

OGX Resources LLC  
P.O. Box 2064  
Midland, Texas 79702  
432-685-1287

AFE - PARDUE "19" COM. #1  
EDDY COUNTY, NEW MEXICO

AFE - Pardue "19" Com. #1 Well		Page -2-
Tangible Completion Costs:		
Production tubing - 2-7/8", 6.5#, P110		
12,900' @ \$4/ft.	\$52,000	
Wellhead equipment	\$28,000	
Downhole packer	\$8,000	
5000 psi Stack pac	\$25,000	
Separator	\$8,000	
2 - 210 Steel oil tanks & 210 Fiberglass water tank	\$12,000	
Connections	\$10,000	
Flowline	\$5,000	
Miscellaneous	\$5,000	
TOTAL TANGIBLE COMPLETION COSTS		\$153,000
TOTAL COMPLETED WELL COST		\$443,000
OGX RESOURCES LLC		
PREPARED BY:		
STEVE DOUGLAS, ENGINEER		
DATE: 4/22/04		
APPROVED BY:		
FRANK M. AGAR, JR., MEMBER		
DATE: 4/24/04		
WORKING INTEREST OWNER APPROVAL:		
(Company Name)		
BY:		
PRINTED NAME:		
TITLE:		
DATE:		

# FedEx Express

FedEx Tracking Number

8472 2750 6644

1 From Please print and press hard  
Date 11/1/04 Sender's FedEx Account Number 1331-5081-1  
Sender's Name \_\_\_\_\_ Phone (432) 682-4002

Company DICKESON OIL & GAS PROPERTIES

Address 500 W ILLINOIS AVE STE 220

City MIDLAND State TX ZIP 79701-4234

2 Your Internal Billing Reference OPTIONAL

3 To Recipient's Name Mr. Lyle R. Butz Phone ( )

Company \_\_\_\_\_

Recipient's Address 11240 Sunburst Street

We cannot deliver to P.O. boxes or P.O. ZIP codes.

Address \_\_\_\_\_

To request a package be held at a specific FedEx location, print FedEx address here.

City Lake View Terrace State CA ZIP 91342

Try online shipping at [fedex.com](http://fedex.com)

By using this Airbill you agree to the service conditions on the back of this Airbill and in our current Service Guide, including terms that limit our liability.  
Questions? Visit our Web site at [fedex.com](http://fedex.com) or call 1.800.GoFedEx 1.800.463.3339.

0280709057

# FedEx Express

FedEx Tracking Number

8472 2750 6655

1 From Please print and press hard  
Date \_\_\_\_\_ Sender's FedEx Account Number 1331-5081-1  
Sender's Name \_\_\_\_\_ Phone (432) 682-4002

Company DICKESON OIL & GAS PROPERTIES

Address 500 W ILLINOIS AVE STE 220

City MIDLAND State TX ZIP 79701-4234

2 Your Internal Billing Reference OPTIONAL

3 To Recipient's Name Ken Dickeson Phone 432 682-4002

Company Dickeson Oil & Gas Properties

Recipient's Address 500 W. Illinois Ste. 220

We cannot deliver to P.O. boxes or P.O. ZIP codes.

Address \_\_\_\_\_

To request a package be held at a specific FedEx location, print FedEx address here.

City Midland State TX ZIP 79701-4234

Try online shipping at [fedex.com](http://fedex.com)

By using this Airbill you agree to the service conditions on the back of this Airbill and in our current Service Guide, including terms that limit our liability.

## Sender's Copy

### 4a Express Package Service

☒ FedEx Priority Overnight Next business morning\* ☐ FedEx Standard Overnight Next business afternoon\* ☐ FedEx First Overnight Earliest next business morning delivery to select locations\*  
☐ FedEx 2Day Second business day\* ☐ FedEx Express Saver Third business day\*  
FedEx Envelope rate not available. Minimum charge: One-pound rate

### 4b Express Freight Service

☐ FedEx 1Day Freight\* Next business day\*\* ☐ FedEx 2Day Freight Second business day\*\* ☐ FedEx 3Day Freight Third business day\*\*

\* Call for Confirmation

### 5 Packaging

☒ FedEx Envelope\* ☐ FedEx Pak\* Includes FedEx Small Pak, FedEx Large Pak, and FedEx Sturdy Pak ☐ FedEx Box ☐ FedEx Tube ☐ Other

### 6 Special Handling

☐ SATURDAY Delivery Available ONLY for FedEx Priority Overnight, FedEx 2Day, FedEx 1Day Freight, and FedEx 2Day Freight to select ZIP codes ☐ HOLD Weekday at FedEx Location NOT Available for FedEx First Overnight ☐ HOLD Saturday at FedEx Location Available ONLY for FedEx Priority Overnight and FedEx 2Day to select locations

Does this shipment contain dangerous goods? One box must be checked.  
☒ No ☐ Yes As per attached Shipper's Declaration ☐ Yes Shipper's Declaration not required ☐ Dry Ice Dry Ice, 9, UN 1845 x kg  
Dangerous goods (including Dry Ice) cannot be shipped in FedEx packaging. ☐ Cargo Aircraft Only

### 7 Payment Bill to:

Enter FedEx Acct. No. or Credit Card No. below.  
☒ Sender Acct. No. in Section 1 will be billed. ☐ Recipient ☐ Third Party ☐ Credit Card ☐ Cash/Check

FedEx Acct. No. Credit Card No. Exp. Date

Total Packages Total Weight Total Declared Value\* \$ .00

\*Our liability is limited to \$100 unless you declare a higher value. See back for details.

### 8 Sign to Authorize Delivery Without a Signature

By signing you authorize us to deliver this shipment without obtaining a signature and agree to indemnify and hold us harmless from any resulting claims.

466

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## Sender's Copy

### 4a Express Package Service

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FedEx Envelope rate not available. Minimum charge: One-pound rate

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\* Call for Confirmation

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☒ Sender Acct. No. in Section 1 will be billed. ☐ Recipient ☐ Third Party ☐ Credit Card ☐ Cash/Check

FedEx Acct. No. Credit Card No. Exp. Date

Total Packages Total Weight Total Declared Value\* \$ .00

\*Our liability is limited to \$100 unless you declare a higher value. See back for details.

### 8 Sign to Authorize Delivery Without a Signature

By signing you authorize us to deliver this shipment without obtaining a signature

466



P.O. Box 10152  
Midland, Texas 79702  
432-682-4002  
432-684-4741 Fax

November 1, 2004

Mr. Lyle R. Butz  
11240 Sunburst Street  
Lake View Terrace, CA 91342

RE: Oil and Gas Lease  
N/2NW/4SE/4NE/4 Section 19, T-24-S, R-28-E, N.M.P.M.  
Eddy County, New Mexico

Dear Mr. Butz:

The county records of Eddy County, New Mexico indicate that you are the owner of a 100% mineral interest (5.0 net acres) in the captioned property. OGX Resources LLC is presently leasing in this section and desires to lease your interest for the following terms:

1. \$100.00 per net acre bonus consideration.
2. Three (3) year paid-up primary term.
3. 3/16th royalty rate.

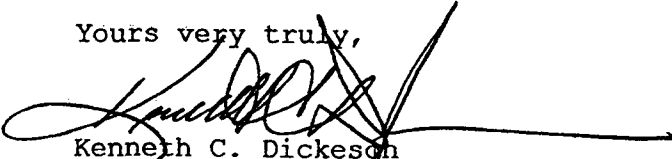
A well will be commenced within the E/2 of Section 19 and your interest will be included in the communitized unit for this well. The well is scheduled to be commenced in mid-November, 2004.

If this offer is acceptable to you, please execute the enclosed Oil and Gas Lease in the presence of a Notary Public and return to the undersigned. The copy should be retained for your file. Upon receipt of the executed lease, we will immediately remit to you a check in the amount of \$500.00. In connection with this matter, please advise if you are the sole beneficiary of the Estate of Jessie Pearl Butz, deceased, and what County her probate filings are recorded.

In the alternative, you may participate in the drilling of this well. You will be expected to pay your proportionate share of the total well cost. Your 5/320 interest in the well will cost an estimated \$6,921.88. Attached is an AFE detailing the proposed operations and potential pay zones.

Thank you for your consideration of this proposal. Inasmuch as we have been unable to contact you by telephone, we would appreciate a telephone call from you, should you have any questions.

Yours very truly,



Kenneth C. Dickeson  
Consulting Landman

Olbutz



## Paid-Up OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 1st day of November, 2004 between Lyle R. Butz, dealing in his sole and separate property, whose address is 11240 Sunburst Street., Lake View Terrace, CA 91342, Lessor (whether one or more), and OGX Resources LLC., whose mailing address is P. O. Box 2064, Midland, Texas 79702, Lessee.

WITNESSETH:

1. Lessor, in consideration of TEN Dollars (\$10.00) in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for, producing and owning oil, gas and all other minerals, constructing and maintaining pipelines, roads, tanks, power stations, canals, telephone lines, and other structures and facilities thereon and on, over and across lands owned or claimed by Lessor adjacent or contiguous thereto, to produce, save, take care of, treat, dispose of, store, manufacture, transport and own said products and salt water, and housing employees, the following described land in Eddy County, New Mexico, to-wit:

**Township-24-South, Range-28-East, N.M.P.M.:**

**Section 19: N/2NW/4SE/4NE/4,**

**also known as Malaga Tract No. 1134**

and, in addition, any and all land and rights and interest in land owned or claimed by Lessor and adjacent or contiguous to the land above described.

For the purpose of determining the amount of any money payment hereunder, said premises shall be treated as comprising 5.0 acres, whether there be more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of **Three (3) years** from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land hereunder or land with which it or any part of it may be pooled.

3. This lease is fully paid up and shall remain in force for the primary term without obligation on Lessee to drill or explore, except as is expressly provided in paragraph 7 hereof, and the failure of Lessee to commence or resume operations during the primary term shall not constitute or be construed as an abandonment of the leasehold estate. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time or times execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the land covered hereby (or any one or more zones, formations or substances thereunder) and thereby surrendered this lease as to such portion or portions and be relieved of all obligations in connection therewith.

4. Royalties to be paid by Lessee on production from wells on said land are: (a) on oil, and on condensate saved at the well, **Three-sixteenths (3/16)** of that produced and saved from said land, the same to be delivered at the well or to the credit of Lessor in the pipeline to which the wells may be connected; Lessee may from time to time purchase any such royalty oil or condensate in its possession, paying the market price therefor prevailing for the field where produced for oil or condensate of like kind and gravity on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or in the extraction of gasoline or other product therefrom, the market value at the well of **Three-sixteenths (3/16)** of the gas so sold or used, provided that on gas sold at the wells the royalty shall be **Three-sixteenths (3/16)** of the amount realized from such sale; (c) on all other minerals mined and marketed, one tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed the royalty shall be One Dollar (\$1.00) per long ton. If at any time or times after the primary term, there is a gas well on said land, or on land with which said land or any part thereof may be pooled, and production therefrom is not sold or used off the premises, it shall nevertheless be considered that gas is being produced and marketed in paying quantities during all such time or times. The term "gas well" shall include any well capable of producing natural gas, condensate, distillate or any gaseous substance and any well classified as a gas well by any governmental authority. Not later than ninety (90) days after the date said well is shut in, the date the land covered hereby or any part thereof is included in a unit on which a gas well has been drilled and shut in, or the date this lease would otherwise cease to be maintained, whichever of the three dates is the latest, Lessee shall pay as royalty to the parties who would be entitled at the beginning of such ninety (90) day period to royalty on actual production of such substances a sum determined by multiplying One Dollar (\$1.00) by the number of acres then covered by this lease. Thereafter on or before its anniversary date of this lease occurring each year after the expiration of said ninety (90) day period, during any part of which year this lease is maintained in force by the existence of such shut-in gas well. Lessee shall pay as royalty to the parties who would be entitled at the end of such year to royalty on actual production of such substances a sum equal to the amount, if any, by which the sum determined by multiplying One Dollar (\$1.00) by the number of acres then covered by this lease exceeds the total royalties paid and payable hereunder on the actual production of oil, gas and other minerals during the preceding year. Any such payment may be made or tendered by the check or draft of Lessee. Where two or more such wells exist, the amount of such payment shall for all purposes be allocated to and deemed attributable to such wells separately in equal proportions. If the price of any substance is regulated by any governmental agency, the value of such substance, for the purpose of computing royalty hereunder, shall not be in excess of the price permitted by such regulation. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells, for all operations hereunder and the royalty on oil and gas shall be computed after deducting any so used.

5. Lessee is hereby granted the right, power and option at any time or times to pool and combine the land covered by this lease or any portion thereof with any other land, lease or leases in the vicinity thereof when in the Lessee's judgment it is necessary or advisable to do so. Such pooling may include all oil, gas and other minerals or may be limited to one or more such substances and may extend to all such production or may be limited to one or more zones or formations. Any such pooling shall be into a unit or units not exceeding by more than ten percent (10%) forty (40) acres each for the exploration, development and production of oil, and not exceeding by more than ten percent (10%) six hundred forty (640) acres each for the exploration, development and production of gas, including condensate; provided, however, that if any governmental authority prescribes or permits a larger unit as a spacing pattern for the orderly development of the field, or for any other purpose, or shall allocate a producing allowable based in whole or in part on acreage per well, any unit may be formed or reformed to embrace acreage up to the maximum content so prescribed, permitted or allocated. The effective date and term of each such pooling shall be as set forth by Lessee in an instrument filed for record in the county or counties in which the pooled land is situated, which instrument shall describe the acreage, zones, formations and substances pooled. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations anywhere on any such unit shall be treated as production, drilling or reworking operations on land covered by this lease. There shall be allocated to this lease the proportion of the pooled production from any such unit (whether or not from land covered by this lease) that the number of surface acres covered by this lease

and included in the unit bears to the total number of surface acres in such unit; royalties shall be paid hereunder only upon that portion of such production so allocated, and as to pooled production from land in such unit such shall be in lieu of any other royalties. Reduction in the size of or in the interest covered by any such unit as a result of failure of title or any other cause shall not of itself terminate the pooling. In the event of any such reduction no retroactive apportionment of royalties shall be required; nor shall royalties be payable thereafter on production from a tract (or on production attributable to an interest therein) title to which has thus been lost.

6. If Lessee drills a well on said land, or on land with which said land or any part thereof is pooled, and said well is completed as a dry hole, or is not produced, or if production therefrom should cease from any cause, and if such completion or cessation of production occurs within ninety (90) days prior to or at any time after expiration of the primary term, this lease shall nevertheless remain in force if production or operations for drilling or reworking are commenced or resumed on said land, or land with which it or any part thereof is pooled, within ninety (90) days after such completion or cessation of production. Upon expiration of the primary term or at any time or times thereafter when this lease is not otherwise maintained, this lease shall remain in force so long as any operations for drilling or reworking are prosecuted (whether on the same or different wells) on said land, or land pooled with such land or any part thereof, with no cessation of more than ninety (90) consecutive days, and, if they result in production of oil, gas or other minerals, so long as oil, gas or other mineral is produced.

7. In the event a well or wells producing oil or gas in paying quantities shall be brought in on said land or on adjacent land and not more than 330 feet from and draining the leased premises, Lessee agrees to drill such well or wells as a reasonably prudent operator would drill under the same or similar circumstances. No additional covenant for development, exploration, or protection shall be implied other than as expressly herein provided. Lessee will bury pipelines below ordinary plow depth when and where required by Lessor for cultivation, and will pay damage caused by Lessee's operations to growing crops. Lessee shall have the right at any time during the term of this lease or within one year after the termination of this lease to remove all properties and fixtures placed by Lessee on said land including the right to draw and remove all casing whether from producing or non-producing wells. No well shall be drilled within two hundred (200) feet of the principal residence now on said land without Lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land or royalties or other payment hereunder or the right to receive same, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in the ownership or right to receive royalties or other payment hereunder shall be binding upon Lessee for any purpose until sixty (60) days after Lessee shall have been furnished with duly recorded instrument or instruments or certified copies thereof or other legally authenticated written evidence of such change of ownership satisfactory to Lessee. In the event of the death of any person entitled to payments hereunder, Lessee may pay or tender such payments to the estate of the deceased until such time as Lessee is furnished evidence satisfactory to Lessee of the appointment and qualification of an executor or administrator of the estate, if there be one, and evidence satisfactory to Lessee as to the heirs or devisees of the deceased. If at any time two or more persons are entitled to participate in payments hereunder, Lessee may pay or tender such payments jointly to such persons; or, at Lessee's election, the proportionate part or parts to which any participant or participants may be entitled may be paid or tendered to such participant or participants separately. In the event of assignment or sublease hereof in whole or in part, liability for breach of any express or implied obligation hereunder shall rest exclusively upon the owner or sublessee who commits such breach. Insofar as the continuance of this lease in force under the terms hereof is concerned, drilling, reworking, production or payments in lieu of production on any portion of the land covered by this lease or on land pooled with such land, or any part thereof, shall inure to the benefit of the owners of this lease and of any and all portions thereof.

9. Lessor hereby warrants and agrees to defend the title to said land (to the extent of the interest purported to be covered by this lease) and agrees that Lessee, at Lessee's option, may purchase or discharge in whole or in part any tax, mortgage or other lien upon said land and thereupon be subrogated to the rights of the holder thereof and may apply royalties payable hereunder toward satisfying same or toward reimbursing Lessee, and Lessor further agrees that the interest of Lessor is and at a times shall be and remain primarily liable for such lien indebtedness, and that in any proceeding for the enforcement or collection thereof the interest of Lessor shall be first subjected to the payment thereof. For the purpose of determining the amount of any money payment hereunder, notwithstanding any other provisions to the contrary herein, Lessee may deduct or withhold the amount of any production, severance, withholding and other tax or taxes applicable thereto, in which event such money payment made or tendered shall nevertheless be treated for purposes of this lease as having included any amount so deducted or withheld. In case of dispute or litigation as to the ownership of or title to the royalties or other payments hereunder or Lessors' or Lessee's title, Lessee may withhold payment of royalties and other payments hereunder without interest until final adjudication or other settlement of such dispute or litigation and until sixty (60) days after Lessee shall have received evidence satisfactory to Lessee of the settlement or adjudication. Without any impairment of Lessee's rights under Lessor's warranty of title, it is agreed that if Lessor owns an interest in the land less than the entire fee simple estate and mineral and royalty rights relating thereto, the royalties and other payments to be paid or tendered hereunder shall be reduced proportionately and all outstanding royalties shall be deducted from those herein provided. The royalties and other payments herein provided for have been determined with respect to the entire fee or mineral estate and the fact that this lease might purport to cover a less interest shall not defeat the right of Lessee to reduce the royalties and other payments as above provided.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease or cause a termination or reversion of the estate hereby created, nor be grounds for cancellation hereof in whole or in part save as herein expressly provided. In the event that Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the fact relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. Neither notice nor attempted compliance shall be evidence that a breach has occurred. The service of said notice shall be precedent to the bringing of any action by Lessor on this lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. In case of cancellation or termination of this lease for any cause, Lessee shall have the right to retain under the terms hereof around each oil or gas well producing, being worked on or drilling hereunder the maximum acreage allocable to each such well as fixed by the rules of the appropriate governmental regulatory body applicable to such well or wells, but in no event less than twenty (20) acres. Notwithstanding any partial cancellation or release of acreage covered hereby, Lessee may retain such existing roadways, pipelines and other easements upon such cancelled or released lands as are necessary or convenient for Lessee's operations on lands retained hereunder or on lands pooled with such land, or any part thereof.

11. When drilling, production or other operations on said land or land pooled with such land, or any part thereof are prevented, delayed or interrupted by lack of water, labor or materials, or by fire, storm, flood, war, rebellion, insurrection, sabotage, riot, strike, difference with workers, or failure of carriers to transport or furnish facilities for transportation, or as a result of some law, order, rule, regulation or necessity of governmental authority, either State or Federal, or as a result of the filing of a suit in which Lessee's title may be affected, or as a result of any cause whatsoever beyond the reasonable control of Lessee, the lease shall nevertheless continue in full force and effect. If any such prevention, delay or interruption should commence during the primary term hereof, the time of such prevention, delay or interruption shall not be counted against Lessee and the running of the primary term shall be suspended during such time; if any such prevention, delay or interruption should commence after the primary term hereof Lessee shall have a period of ninety (90) days after the termination of such period of prevention, delay or interruption within which to commence or resume drilling, production or other operations hereunder, and this lease shall remain in force during such ninety (90)

day period and hereafter in accordance with the other provisions of this lease. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. This lease shall bind as Lessors all who execute it, whether or not named above as Lessors, and regardless of whether it is executed by all parties named above.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

\_\_\_\_\_  
Lyle R. Butz

#### ACKNOWLEDGEMENTS

THE STATE OF CALIFORNIA     §

COUNTY OF \_\_\_\_\_ §

Before me, the undersigned authority, on this day personally appeared, Lyle R. Butz, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and in the capacity herein expressed.

Given under my hand and seal of office this the \_\_\_\_\_ day of \_\_\_\_\_ A. D. 2004.

\_\_\_\_\_  
Notary Public in and for the State of California, County of \_\_\_\_\_

# OGXResources LLC

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

December 27, 2004

Mr. Lyle E. Butz  
7725 Apperson St.  
Tajunga, CA 91042

RE: Oil and Gas Lease  
N/2NW/4SE/4NE/4 Section 19, T-24-S, R-28-E, N.M.P.M.  
Eddy County, New Mexico

Dear Mr. Butz:

The county records of Eddy County, New Mexico indicate that you are the owner of a 100% mineral interest (5.0 net acres) in the captioned property. OGX Resources LLC is presently leasing in this section and desires to lease your interest for the following terms:

1. \$100.00 per net acre bonus consideration.
2. Three (3) year paid-up primary term.
3. 3/16th royalty rate.

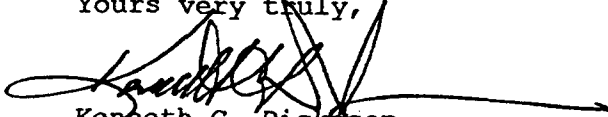
A well has been commenced within the E/2 of Section 19 and your interest will be included in the communitized unit for this well.

If this offer is acceptable to you, please execute the enclosed Oil and Gas Lease in the presence of a Notary Public and return to the undersigned. The copy should be retained for your file. Upon receipt of the executed lease, we will immediately remit to you a check in the amount of \$500.00. In connection with this matter, please advise if you are the sole beneficiary of the Estates of Jessie Pearl Butz, deceased, and Lyle R. Butz, deceased and what County their probate filings are recorded.

In the alternative, you may participate in the drilling of this well. You will be expected to pay your proportionate share of the total well cost. Your 5/320 interest in the well will cost an estimated \$6,921.88. Attached is an AFE detailing the proposed operations and potential pay zones.

Thank you for your attention to this proposal. Inasmuch as we have been unable to contact you by telephone, we would appreciate a telephone call from you, should you have any questions.

Yours very truly,



Kenneth C. Dickson  
Consulting Landman

Olbutz

Date: 4/22/04

**WILLOW PROSPECT**

Pardue "19" Com. #1 Well

1980' FSL & 660' FEL, Sec. 19, T-24-S, R-28-E,

Eddy County, New Mexico

Casing: 16" @ 622' cemented to surface w/1240 sx

10-3/4" @ 2335' cemented to surface w/2300 sx

7-5/8" @ 10,286' 2 stage cement job w/1900 sx

TOC 3250' 5" liner 9998' - 12,900' cement to TOL w/450 sx

No casing pulled.

Operator: Internorth, Inc. Spud 1/22/82 P&A 6/26/82

Subject well was completed in 12' of Morrow Sand which was frac treated with 36,250# sand & 12,000# bauxite,

then production tested for limited gas deliverability of about 100 mcfpd with no water. There is potential that

the frac job was ineffective due to crushing of the sand due to over-burden pressure. Plan is to re-frac this

interval with high strength propanit & include additional

Morrow sands in the frac treatment.

Complete as Morrow gas well.

**ITEM COST**

**TOTAL**

**Intangible Drilling Costs:**

Land and legal work

\$8,000

Location & road restoration, dig pits,

cattleguard(s), anchors, dig cellar, weld on wellhead

\$30,000

Pulling unit - 25 days @ \$2000/day

\$50,000

Reverse unit package, pumps, power swivel, pits

20 days @ \$1000/day

\$20,000

Bits (6-1/2" & 3-3/4")

\$8,000

Rentals - BOP, frac tanks, pipe racks, rig mats, etc.

\$15,000

Trucking

\$8,000

Cement - Squeeze non-rodutive Atoka perms

\$10,000

Water

\$18,000

Cased hole logging & perforating

\$16,000

Stimulation - Frac job w/high strength propanit

\$60,000

Supervision

\$13,000

Insurance

\$5,000

Miscellaneous supplies and labor

\$14,000

Contingencies 5%

\$15,000

**TOTAL INTANGIBLE DRILLING COST**

**\$290,000**

CONTINUE ON PAGE 2

OGX Resources LLC  
P.O. Box 2064  
Midland, Texas 79702  
432-685-1287

AFE - PARDUE "19" COM. #1  
EDDY COUNTY, NEW MEXICO

AFE - Pardue "19" Com. #1 Well		Page -2-
<b>Tangible Completion Costs:</b>		
Production tubing - 2-7/8", 6.5#, P110		
12,900' @ \$4/ft.	\$52,000	
Wellhead equipment	\$28,000	
Downhole packer	\$8,000	
5000 psi Stack pac	\$25,000	
Separator	\$8,000	
2 - 210 Steel oil tanks & 210 Fiberglass water tank	\$12,000	
Connections	\$10,000	
Flowline	\$5,000	
Miscellaneous	\$5,000	
<b>TOTAL TANGIBLE COMPLETION COSTS</b>		<b>\$153,000</b>
<b>TOTAL COMPLETED WELL COST</b>		<b>\$443,000</b>
<b>OGX RESOURCES LLC</b>		
PREPARED BY:		
STEVE DOUGLAS, ENGINEER		
DATE: 4/22/04		
APPROVED BY:		
FRANK M. AGAR, JR., MEMBER		
DATE: 4/24/04		
<b>WORKING INTEREST OWNER APPROVAL:</b>		
(Company Name)		
BY:		
PRINTED NAME:		
TITLE:		
DATE:		

# FedEx Express

FedEx Tracking Number

8498 8476 3733

Sender's Copy

From *Please print and press hard.*  
 Date 12/27/04 Sender's FedEx Account Number 1029-8567-2  
 Sender's Name Ken Dickeson Phone (432) 685-1287  
 Company CARLOW CORP  
 Address 400 N MARIENFELD ST  
 City MIDLAND State TX ZIP 79701-4300

Your Internal Billing Reference OPTIONAL

To Recipient's Name Mr. Lyle E Butz Phone ( )

Company

Recipient's Address 7725 Apperson St.  
 We cannot deliver to P.O. boxes or P.O. ZIP codes.

Address  
 To request a package be held at a specific FedEx location, print FedEx address here.

City Tajunga State CA ZIP 91042

Try online shipping at [fedex.com](http://fedex.com).

By using this Airbill you agree to the service conditions on the back of this Airbill and in our current Service Guide, including terms that limit our liability.

Questions? Visit our Web site at [fedex.com](http://fedex.com) or call 1.800.GoFedEx 1.800.463.3333.

0295511245

# FedEx Express

FedEx Tracking Number

8498 8476 3744

Sender's Copy

From *Please print and press hard.*  
 Date 12/27/04 Sender's FedEx Account Number 1029-8567-2  
 Sender's Name Ken Dickeson Phone (432) 685-1287  
 Company CARLOW CORP  
 Address 400 N MARIENFELD ST  
 City MIDLAND State TX ZIP 79701-4300

Your Internal Billing Reference OPTIONAL

To Recipient's Name Mr. Ken Dickeson Phone 432.682-4002

Company OGX Resources LLC

Recipient's Address 400 N. Marienfeld, ste. 210  
 We cannot deliver to P.O. boxes or P.O. ZIP codes.

Address  
 To request a package be held at a specific FedEx location, print FedEx address here.

City Midland State TX ZIP 79701

Try online shipping at [fedex.com](http://fedex.com).

By using this Airbill you agree to the service conditions on the back of this Airbill and in our current Service Guide, including terms that limit our liability.

Questions? Visit our Web site at [fedex.com](http://fedex.com)

0295511245

## 4a Express Package Service

Packages up to 150 lbs.

☒ FedEx Priority Overnight Next business morning\* ☐ FedEx Standard Overnight Next business afternoon\* ☐ FedEx First Overnight Earliest next business morning delivery to select locations\*\*

☐ FedEx 2Day Second business day\* ☐ FedEx Express Saver Third business day\*  
 FedEx Envelope rate not available. Minimum charge: One-pound rate

## 4b Express Freight Service

Packages over 150 lbs.

☐ FedEx 1Day Freight\* Next business day\*\* ☐ FedEx 2Day Freight Second business day\*\* ☐ FedEx 3Day Freight Third business day\*\*

\* Call for Confirmation.

## 5 Packaging

\* Declared value limit \$500

☒ FedEx Envelope\* ☒ FedEx Pak\* Includes FedEx Small Pak, FedEx Large Pak, and FedEx Sturdy Pak ☐ FedEx Box ☐ FedEx Tube ☐ Other

## 6 Special Handling

Include FedEx address in Section 3.

☐ SATURDAY Delivery Available ONLY for FedEx Priority Overnight, FedEx 2Day, FedEx 1Day Freight, and FedEx 2Day Freight to select ZIP codes ☐ HOLD Weekday at FedEx Location NOT Available for FedEx First Overnight ☐ HOLD Saturday at FedEx Location Available ONLY for FedEx Priority Overnight and FedEx 2Day to select locations

Does this shipment contain dangerous goods?

☐ No ☐ Yes As per attached Shipper's Declaration ☐ Yes Shipper's Declaration not required ☐ Dry Ice Dry Ice, 9 UN 1845 x kg ☐ Cargo Aircraft Only  
 Dangerous goods (including Dry Ice) cannot be shipped in FedEx packaging.

## 7 Payment

Bill to: Enter FedEx Acct. No. or Credit Card No. below.

☒ Sender Acct. No. in Section 1 will be billed. ☐ Recipient ☐ Third Party ☐ Credit Card ☐ Cash/Check

FedEx Acct. No. Credit Card No. Exp. Date

Total Packages Total Weight Total Declared Value\* \$ .00

\*Our liability is limited to \$100 unless you declare a higher value. See back for details.

FedEx Use Only

## 8 Sign to Authorize Delivery Without a Signature

*Kimberly Staker*  
 By signing you authorize us to deliver this shipment without obtaining a signature and agree to indemnify and hold us harmless from any resulting claims.

466

SF-Rev. Date 11/03-Part #152279-01/04-2003 FedEx-PRINTED IN U.S.A.

## 4a Express Package Service

Packages up to 150 lbs.

☒ FedEx Priority Overnight Next business morning\* ☐ FedEx Standard Overnight Next business afternoon\* ☐ FedEx First Overnight Earliest next business morning delivery to select locations\*\*

☐ FedEx 2Day Second business day\* ☐ FedEx Express Saver Third business day\*  
 FedEx Envelope rate not available. Minimum charge: One-pound rate

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\* Declared value limit \$500

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FedEx Acct. No. Credit Card No. Exp. Date

Total Packages Total Weight Total Declared Value\* \$ .00

\*Our liability is limited to \$100 unless you declare a higher value. See back for details.

FedEx Use Only

## 8 Sign to Authorize Delivery Without a Signature

*466*  
 By signing you authorize us to deliver this shipment without obtaining a signature and agree to indemnify and hold us harmless from any resulting claims.

466

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources

Form C-101  
March 4, 2004

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

☐ AMENDED REPORT

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

<sup>1</sup> Operator Name and Address OGX Resources LLC - P.O. Box 2064 Midland, TX 79702		<sup>2</sup> OGRID Number 217955	<b>RECEIVED</b> <sup>3</sup> API Number 30 - 015 - 24013 MAY 06 2004
<sup>4</sup> Property Code	<sup>5</sup> Property Name Pardue "19" Com.	<sup>6</sup> Well No. 1	

**Surface Location**

UL or lot no. <b>1</b>	Section <b>19</b>	Township <b>24-S</b>	Range <b>28-E</b>	Lot Idn	Feet from the <b>1980</b>	North/South line <b>South</b>	Feet from the <b>660</b>	East/West line <b>East</b>	County <b>Eddy</b>
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**Proposed 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
<sup>9</sup> Proposed Pool 1 Wildcat Morrow					<sup>10</sup> Proposed Pool 2				

**Drilling Pit Location and Other Information**

UL or lot no. <b>1</b>	Section <b>19</b>	Township <b>24-S</b>	Range <b>28-E</b>	Lot Idn	Feet from the <b>1980</b>	North/South line <b>South</b>	Feet from the <b>660</b>	East/West line <b>East</b>	County <b>Eddy</b>
Depth to ground water <b>35'</b>			Distance from nearest fresh water well <b>3 miles</b>			Distance from nearest surface water <b>6 miles</b>			
<sup>11</sup> Work Type Code <b>E</b>		<sup>12</sup> Well Type Code <b>G</b>		<sup>13</sup> Cable/Rotary <b>Rotary</b>		<sup>14</sup> Lease Type Code <b>P</b>		<sup>15</sup> Ground Level Elevation <b>3078.6 GR</b>	
<sup>16</sup> Multiple <b>N</b>		<sup>17</sup> Proposed Depth <b>12,900'</b>		<sup>18</sup> Formation <b>Morrow</b>		<sup>19</sup> Contractor <b>Unknown</b>		<sup>20</sup> Spud Date <b>ASAP</b>	

**Proposed Casing and Cement Program**

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
20"	16"	65	662'	in place	
14 3/4"	10 3/4"	40.50	2335'	in place	
9 1/2"	7 5/8"	26.40 & 29.70	10,286'	in place	
6 1/2"	5" liner	23	9998'-12,900'	in place	

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

The Pardue #1 Com. was originally drilled and abandoned by Internorth Inc. on 6/26/82. OGX Resources LLC plans to re-enter this well, drill out all plugs and clean out to original TD of 12,900'. Purpose is to test the Morrow and all intermediate zones of interest. Steel pits will be used.

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines, a general permit ☐, or an (attached) alternative OGD-approved plan ☐.

Signature:

Printed name:

Title:

E-mail Address:

Date:

5/5/04

Phone:

432/685-1287

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

MAY 13 2004

Expiration Date:

MAY 13 2005

Conditions of Approval:

Attached ☒

(P:4)





District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised June 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1 API Number		2 Pool Code		Wildcat		3 Pool Name	
4 Property Code		Pardue "19" Com				5 Property Name	
6 OGRID No. 217955		7 Operator Name OGX Resources, LLC				8 Well Number 1	
						9 Elevation 3078	

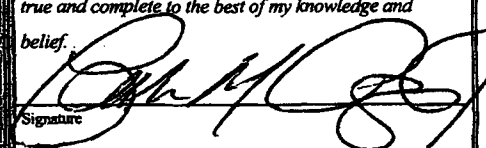
**10 Surface Location**

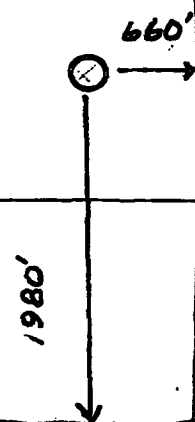
UL or lot no. I	Section 19	Township 24S	Range 28E	Lot Idn	Feet from the 1980	North/South line South	Feet from the 660	East/West line East	County Eddy
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**11 Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres 320		13 Joint or Infill		14 Consolidation Code		15 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

16					17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Frank M. Agar Jr. Printed Name Member, kip@carlowcorp.c Title and E-mail Address 5-4-2004 Date	
					18 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. SEE ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor:	



AFE - PARDUE "19" COM. #1  
EDDY COUNTY, NEW MEXICO

Shumberg No. 5119

EXHIBIT

C

OGX Resources I.J.C  
P.O. Box 2064  
Midland, Texas 79702  
432-685-1287

AFE - PARDUE "19" COM. #1  
EDDY COUNTY, NEW MEXICO

AFE - Pardue "19" Com. #1 Well		Page -2-
Tangible Completion Costs:		
Production tubing - 2-7/8", 6.5#, P110		
12,900' @ \$4/ft.	\$52,000	
Wellhead equipment	\$28,000	
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5000 psi Stack pac	\$25,000	
Separator	\$8,000	
2 - 210 Steel oil tanks & 210 Fiberglass water tank	\$12,000	
Connections	\$10,000	
Flowline	\$5,000	
Miscellaneous	\$5,000	
TOTAL TANGIBLE COMPLETION COSTS		\$153,000
TOTAL COMPLETED WELL COST		\$443,000
OGX RESOURCES LLC		
PREPARED BY: <i>Steve Douglas</i>		
STEVE DOUGLAS, ENGINEER		
DATE: 9/15/04		
APPROVED BY: <i>[Signature]</i>		
FRANK M. AGAR, JR., MEMBER		
DATE: 9/15/04		
WORKING INTEREST OWNER APPROVAL:		
(Company Name)		
BY:		
PRINTED NAME:		
TITLE:		
DATE:		