

CHI ENERGY, INC.
P.O. BOX 1799
MIDLAND, TEXAS 79702

September 10, 2012

International Oil & Gas Corp
Three Greenspoint Plaza
233 Benmar Drive, 11th Floor
Houston, Texas 77060

"Certified-Return Receipt"
#7009 0820 0001 1992 6549

Re: Peacekeeper "25" State Com No. 3H
200' FSL & 400' FWL of Section 25-T-19S-R-29E (SHL)
330' FNL & 330' FWL of Section 25-T-19S-R-29E (BHL)
Eddy County, New Mexico

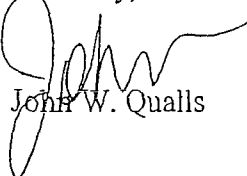
Gentlemen:

Chi Operating, Inc. ("Chi") as Operator hereby proposes to drill the captioned well at the referenced surface location (SHL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,720' and shall be drilled to a true measured depth of approximately 13,000' in the Second Bone Spring Sand. The W/2W/2 of Section 25 will be the pooled oil proration unit.

Chi had proposed to form a 320 acre, (W/2 of Section 25), Working Interest Unit (WIU) covering the Bone Spring formation, however this Working Interest Unit proposal has been rescinded. Due to the area location, the well has been moved to the captioned location. Should Cimarex desire not to join in the drilling of the Peacekeeper "25" State Com No. 3H, Chi would be interested in acquiring a term assignment covering the Bone Spring formation with acceptable terms.

Enclosed is the proposed Operating Agreement dated September 1, 2012 along with an AFE for your execution, which covers rights from the top of the Bone Spring formation to the base of the Bone Spring formation and excludes currently existing wellbores, associated production and operation of same.

Sincerely,


John W. Qualls

JWQ/fh

Enclosures.

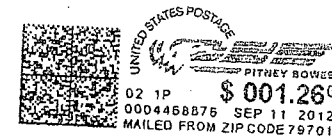
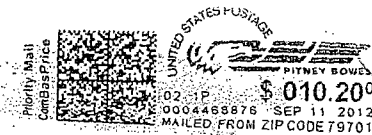
Oil Conservation Division
Case No. _____
Exhibit No. 2

AFE: Chl Operating, Inc. - Drill Well Date: F 8/29/2012
 Prospect/Well: Peacekeeper 25 State No. 3H
 Legals: SL: 200 FSL & 400 FWL, Sec 25, T19S R29E
 BHL: 330 FNL & 330 FWL, Sec 25, T19S R29 E

Codes:	Description:	Daywork
101	Survey & Permit	10,000.00
102	Damages	
103	Road & Location	125,000.00
104	Rig Move	80,000.00
105	Drig-Footage Ft x \$	
106	Drig-Daywork Day x \$	
106	Directional Services	230,000.00
113	Bits & Reamers	70,000.00
107	Cm/Hardware-Surface	25,000.00
108	Cm/Hardware-Intermediate	75,000.00
127	Cm/Hardware-Pres. String.	
124	Casing Crews	8,600.00
109	Coring/core analysis	
110	DST	
111	Drig. Fluid	75,000.00
112	Water	40,000.00
114	Geological & Expenses.	
115	Engineering & Expenses	
115	Supervision	43,200.00
116	Mud Logging	20,400.00
117	Open Hole Logging	25,000.00
118	Equip. Rental	238,000.00
119	Trucking	125,000.00
120	Labor	165,000.00
121	Legal	8,000.00
122	Overhead	
123	Insurance & Bonds	2,500.00
125	P & A	30,000.00
128	Fuel	126,000.00
126	Misc./Contingencies	150,000.00
	Sub-Intangibles Drig.	2,294,800.00
201	Casing - Surface	18,600.00
202	Casing - Intermediate	93,600.00
204	Casing - Pres. String	210,875.00
203	Wellhead/Surface/Int.	8,500.00
216	Misc./Contingencies	
	Sub-Tangible Drig.	331,375.00
	Dry Hole	2,625,975.00
301	ROW & Permits	
308	Cement/Hardware-Production	
324	Casing Crews	8,500.00
302	Anchor	1,200.00
303	Location	3,000.00
305	Completion Unit	45,500.00
306	Logging/Perforating	25,000.00
306		
307	Stickline/Wireline	12,500.00
309	Coil Tubing	125,000.00
310	Stimulation	1,125,000.00
311	Damages	10,000.00
312	Water	150,000.00
318	Equipment Rental	95,000.00
315	Engineering/Suprvision & Expenses	0.00
319	Trucking	85,000.00
320	Labor	100,000.00
321	Legal	8,000.00
322	Overhead	
326	Misc./Contingencies	58,394.00
	Sub-Intangible Completion.	1,852,094.00
402	Casing-Production	65,250.00
403	Casing/Tbg. Head	5,500.00
403	Wellhead	10,500.00
404	Tubing	50,750.00
405	Rods	50,400.00
405	Pmp	3,000.00
406	Pumpj Unit/Motor	95,000.00
407	Heater	
408	Separator	20,000.00
409	Tanks - Production	52,000.00
410	Valve & Fittings	20,000.00
411	Flowlines	20,000.00
412	Frac Point System	245,000.00
413	Dehy Unit	
414	Meier	4,200.00
415	Meier Run	3,500.00
417	Stack	
416	Misc./Contingencies	100,000.00
	Sub-Tangible Completion.	745,100.00
	Total AFE	5,223,169.00

Agreed to & accepted this _____ Company _____
 day of _____, 2012 _____ Signature _____
 Non-Consent this _____ Print _____
 Title _____

7009 0820 0001 1992 6549



ATTEMPTED - NOT KNOWN

CHI ENERGY, INC.
P.O. BOX 1799
MIDLAND, TX 79702

INTERNATIONAL OIL & GAS CORP
PO BOX 80288
DALLAS, TX 75240

NAME International Oil
1st Notice 9-13
2nd Notice 9-17
Retm 9-20

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none">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.		<p>A. Signature X <u>[Signature]</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <u>[Signature]</u> C. Date of Delivery <u>9-17</u></p> <p>D. Is delivery address different from item 1? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>	
1. Article Addressed to: INTERNATIONAL OIL & GAS CORP PO BOX 80288 DALLAS, TX 75240		3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
2. Article Number (Transfer from service label)		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

PS Form 3811, February 2004

Domestic Return Receipt

102585-02-M-1540

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

CERTIFIED MAIL™

7009 0820 0001 1992 6549
7009 0820 0001 1992 6549

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

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 6.16	Postmark Here
Certified Fee	2.95 TX	
Return Receipt Fee (Endorsement Required)	2.35	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 11.46	

Sent To

INTERNATIONAL OIL & GAS CORP ION
PO BOX 803288
DALLAS, TX 75240

PS Form 3800, August 2006

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:

INTERNATIONAL OIL & GAS
CORPORATION THREE
GREENSPPOINT PLAZA
233 BENMAR DR., 11TH FLOOR
HOUSTON, TX 77060

2. Article Number

(Transfer from service label)

7009 0820 0001 1992 6549

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. 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

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS (FOLD AT DOTTED LINE)

CERTIFIED MAIL™

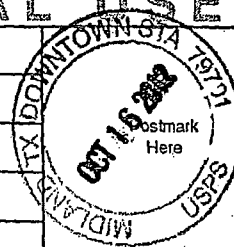
7009 0820 0001 1992 6679
7009 0820 0001 1992 6679

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

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 2.90
Certified Fee	2.95
Return Receipt Fee (Endorsement Required)	2.35
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 8.26



Peace Keeper
St Com #3H644

Sent To
INTERNATIONAL OIL & GAS CORP
ATTN: MIKE HOOPER
5501 LBJ FREEWAY, #900
DALLAS, TX 75240

PS Form 3800, August 2006 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:

INTERNATIONAL OIL & GAS CORP
ATTN: MIKE HOOPER
5501 LBJ FREEWAY, #900
DALLAS, TX 75240

2. Article Number

(Transfer from service label)

7009 0820 0001 1992 6679

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

- ☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. 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