

OGX RESOURCES LLC
AUTHORIZATION FOR EXPENDITURE

DATE: 3/1/10

OGX AFE No.:
AFE Title: Avalon Horizontal
Well Name & No.: Mongo 25 Fed Com #2H

Field: LOVING / Blazing Saddles
County: EDDY

State: NEW MEXICO

Exploratory XX Development:
Proposed Formation: AVALON
Description: 1980 FNL & 374 FEL SEC.25- T24S - R28E
BHL: 1980 FNL & 360 FWL

Oil: XX GAS
Proposed Depth: 7000 TVD / 11,500' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$55,000		\$0	\$55,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$40,000		\$70,000	\$110,000
Mud Logging		474	\$40,000		\$0	\$40,000
Mud Materials, Chemical & Water		475	\$65,000		\$125,000	\$190,000
Logging and Sidewall Coring		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$35,000	\$35,000
Stimulation		480	\$0		\$900,000	\$900,000
Formation Testing		482	\$0		\$32,000	\$32,000
Testing Tubular Goods		484	\$0		\$5,500	\$5,500
Tool Rental DOWNHOLE		488	\$40,000		\$3,500	\$43,500
Tool Rental INCLUDES CLOSED MUD SYSTEM		488	\$185,000			\$185,000
Drilling Footage		489	\$0		\$0	\$0
Drilling Day Work 40 days		490	\$475,000		\$34,500	\$509,500
Float Equipment		491	\$8,500		\$5,000	\$11,500
Blts, Core Barrells, etc.		492	\$65,000		\$550	\$65,550
Other Special Well Services		494	\$18,000		\$10,000	\$28,000
Contract Services & Equip		510	\$12,000		\$20,000	\$32,000
Directional Drilling		511	\$210,000		\$0	\$210,000
Completion Unit		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$105,000		\$0	\$105,000
Auto & Truck Expense		545	\$15,000		\$2,500	\$17,500
Company Supervision 60 @ 1000		501	\$40,000		\$20,000	\$60,000
Miscellaneous & Contingencies	15%	599	\$220,725		\$200,183	\$420,908
Subtotal			\$1,692,225		\$1,534,733	\$3,226,958

DEVELOPMENTAL LWE "DRILLING"						
Surface Casing 13 3/8 @ 520'	727	441	\$18,200	727	\$0	\$18,200
Conductor Pipe		442	\$9,500		\$0	\$9,500
Intermediate Casing 8 5/8" @ 2500'		443	\$65,000		\$0	\$65,000
Production Casing 5 1/2" @ 10,326'		443	\$0		\$230,000	\$230,000
Drilling Liner		450	\$0		\$0	\$0
Production Liner		460	\$0		\$0	\$0
Casing Head		445	\$14,000		\$15,000	\$29,000
X-Mas Tree		446	\$0		\$16,000	\$16,000
Completion Equipment		447	\$0		\$5,000	\$5,000
Retrievable Packers		448	\$0		\$5,000	\$5,000
Tubing		449	\$0		\$55,000	\$55,000
Other Material & Equipment		469	\$1,000		\$1,500	\$2,500
Subtotal			\$107,700		\$327,500	\$435,200

ONSHORE FACILITIES						
Location, Pits, Roads	745	472			\$1,000	\$1,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$1,500	\$1,500
Auto & Truck Expense		545			\$1,000	\$1,000
Welding Services		566			\$7,500	\$7,500
Instal Elect/Pneu System		567			\$0	\$0
Painting Service		568			\$0	\$0
Miscellaneous & Contingencies		599			\$1,500	\$1,500
Subtotal					\$37,500	\$37,500

ONSHORE FACILITIES						
Misc Valves & Fittings	746	153			\$35,000	\$35,000
Corrosion or Chemical Treating Equip		438			\$0	\$0
Pumping Equipment		451			\$135,000	\$135,000
Gas Engines & Electric Motors		452			\$15,000	\$15,000
Electric Lines, Poles, Transformers, etc.		453			\$35,000	\$35,000
Bottom Hole Pump		454			\$8,000	\$8,000
Field Lines		456			\$7,500	\$7,500
Tanks, Stairs, Walkways, etc.		457			\$38,000	\$38,000
Separator & Fittings		458			\$10,500	\$10,500
Heaters, Treaters & Connections		459			\$12,000	\$12,000
Power & Circulating Pumps		460			\$2,500	\$2,500
Meters		463			\$23,000	\$23,000
Other Material & Equipment		469			\$45,000	\$45,000
Subtotal					\$366,500	\$366,500

TOTAL WELL COST:	1,799,925	2,266,233	4,066,158
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COMPANY APPROVAL

NAME: OGX RESOURCES LLC

By: _____

Title: _____

Date: 3/11/2010

PARTICIPANT APPROVAL

NAME: _____

By: _____

Title: _____

Date: _____

WI#: _____

Oil Conservation Division

Case No. _____

Exhibit No. 3