

**OGX RESOURCES LLC**  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: **Avalon Horizontal**  
Well Name & No.: **DIAMONDBACK 22 STATE COM #1H**

Field: **DELAWARE RIVER SOUTH - BONE SPRING**  
County: **EDDY**

State: **NEW MEXICO**

Exploratory **XX** Development:  
Proposed Formation: **AVALON**  
Descriptor **SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E**  
**BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E**

Oil: **XX** GAS  
Proposed Depth: **7160 TVD / 11,450' MD**

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>DEVELOPMENTAL DRILLING:</b>						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$75,000		\$50,000	\$125,000
Mud Logging		474	\$35,000		\$0	\$35,000
Mud Materials, Chemical & Water		475	\$65,000		\$175,000	\$240,000
Logging and Sidewall Coring		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$1,850,000
Formation Testing		482	\$0		\$42,000	\$42,000
Testing Tubular Goods		484	\$0		\$5,500	\$5,500
Tool Rental <b>DOWNHOLE</b>		488	\$40,000		\$3,500	\$43,500
Tool Rental <b>INCLUDES CLOSED MUD SYSTEM</b>		488	\$162,500			\$162,500
Drilling Footage		489	\$0		\$0	\$0
Drilling Day Work <b>24 days</b>		490	\$262,500		\$37,500	\$300,000
Float Equipment		491	\$6,500		\$15,000	\$21,500
Bits, Core Barrells, etc.		492	\$70,000		\$15,000	\$85,000
Other Special Well Services		494	\$18,000		\$355,000	\$373,000
Contract Services & Equip		510	\$12,000		\$55,000	\$67,000
Directional Drilling		511	\$130,000		\$0	\$130,000
Completion Unit		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$72,000
Auto & Truck Expense		545	\$15,000		\$2,500	\$17,500
Company Supervision <b>60 @ 1200</b>		501	\$42,000		\$30,000	\$72,000
Miscellaneous & Contingencies	8%	599	\$93,640		\$216,560	\$310,200
Subtotal			\$1,264,140		\$2,923,560	\$4,187,700

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>DEVELOPMENTAL LWE "DRILLING"</b>						
Surface Casing <b>13 3/8 @ 425'</b>	727	441	\$16,750	727	\$0	\$16,750
Conductor Pipe		442	\$9,500		\$0	\$9,500
Intermediate Casing <b>8 5/8" @ 2525'</b>		443	\$58,300		\$0	\$58,300
Production Casing <b>5 1/2" @ 11,450'</b>		443	\$0		\$220,000	\$220,000
Drilling Liner		450	\$0		\$0	\$0
Production Liner		460	\$0		\$0	\$0
Casing Head		445	\$34,000		\$30,000	\$64,000
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			\$119,550		\$332,500	\$452,050

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>ONSHORE FACILITIES</b>						
Location, Pits, Roads	745	472			\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$4,500	\$4,500
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					\$84,500	\$84,500

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>ONSHORE FACILITIES</b>						
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:** 1,383,690 3,707,060 5,090,750

**COMPANY APPROVAL**  
NAME: **OGX RESOURCES LLC**  
By:   
Title: **ENGINEERING MANAGER**  
Date: **31-Jan-11**

**PARTICIPANT APPROVAL**  
NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_  
Oil Conservation Division  
Case No. **11K638**  
Exhibit No. \_\_\_\_\_