

February 7, 2011

Mr. Trey Fowlkes P.O. Box 23416 Waco, Texas 76702

Re:

Well Proposal

Momba "24" Fed Com #1H Well

<u>T-26-S, R-28-E, N.M.P.M.</u>

Section 24: E½E½

Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the E½SE¼ of Section 24, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 660' FNL and 990' FEL and a bottom hole location of 330' FSL and 990' FEL of Section 24, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,300' then horizontally 3,806' for a total measured depth of 11,106' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the E½E½ of said Section 24.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well.

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the E½E½ of said Section 24, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event you do not which to participate, OGX would be interested in obtaining an oil and gas lease from you under the following terms:

Trey Fowlkes Well Proposal Momba "24" Fed Com #1H Well February 7, 2011 Page 2

A. As to your mineral interest covering the E½SE¼ of Section 24, T-26-S, R-28-E, N.M.P.M, being 3.125% (1.25 net acres) in SE¼SE¼ and 1.5625% (.625 net acre) in the NE¼SE¼.

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$2,000,00 per not mineral care.

Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

OGX RESOURCES LLC

AUTHORIZATION FOR EXPENDITURE

DATE: 1/28/11 OGX AFE No.:

AFE Title: Avalon Horizontal
Well Name & No.: MOMBA 24 FED COM #1H

State: **NEW MEXICO**

Field: DELAWARE RIVER SOUTH - BONE SPRING County: EDDY

Oil: XX GAS

Exploratory XX Development:

Proposed Formation: AVALON

Descriptior SHL: 660'FNL & 990'FEL / SEC.24-T26S-R28E
BHL: 990' FEL & 330' FSL, SEC. 24, T26S, R28E Proposed Depth: 7300 TVD / 11,106' MD

DEVELOPMENTAL DOUBLING	MAJ	<u>SUB</u>	DRY HOLE	<u>MAJ</u>	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:	705	470	\$0	726	\$01	\$0
Turnkey Mobilization/Demob.	725	470 471	\$65,000	720	\$0	\$65,000
Location, Pits, Roads		472	\$120,000		\$10,000	\$130,000
Cement and Cementing Services		473	\$70,000		\$50,000	\$120,000
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 Stimulation		479 480	\$0 \$0		\$0 \$2,000,000	\$2,000,000
Formation Testing		482	\$0		\$32,000	\$32,000
Testing Tubular Goods		484	\$0		\$5,500	\$5,500
Tool Rental DOWNHOLE		488	\$55,000		\$3,500	\$58,500
Tool Rental INCLUDES CLOSED MUD SYSTEM		488	\$225,000			\$225,000
Drilling Footage		489	\$0		\$0	\$(
Drilling Day Work 21 days		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		494 510	\$18,000		\$10,000 \$20,000	\$28,000 \$32,000
Contract Services & Equip Directional Drilling		510	\$12,000 \$130,000		\$20,000	\$130,000
Completion Unit		528	\$130,000		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$30,000	\$72,000
Auto & Truck Expense		545	\$15,000		\$2,500	\$17,500
Company Supervision 60 @ 1200		501	\$42,000		\$30,000	\$72,000
Miscellaneous & Contingencies	8%	599	\$103,840		\$197,360	\$301,200
Subtotal			\$1,401,840		\$2,664,360	\$4,066,200
DEVELOPMENTAL LWE "DRILLING"						
Surface Casing 13 3/8 @ 625'	727	441	\$21,875	727	\$0	\$21,875
Conductor Pipe Intermediate Casing 8 5/8" @ 2750'		442 443	\$20,000 \$60,500		\$0 \$0	\$20,000 \$60,500
Production Casing 5 5/8" @ 2/50"		443	\$60,500		\$211,000	\$60,500
Drilling Liner		450	\$0		\$211,000	\$211,000
Production Liner		460	\$0		\$0	Ψ0
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 Subtotal		469	\$1,000		\$1,500	\$2,500
ONSHORE FACILITIES			\$137,375		\$323,500	\$460,875
ocation, Pits, Roads	745	472			\$45,000	\$45,000
Contract Services & Equip	7-10	510			\$35,000	\$35,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense		545			\$1,000	\$1,000
Velding Services		566			\$7,500	\$7,500
nstal Elect/Pneu System		567			\$0	\$0
Painting Service		568			\$0	\$0
Miscellaneous & Contingencies		599		· ·	\$1,500	\$1,500
Subtotal CALLITIES					\$94,500	\$94,500
ONSHORE FACILITIES	740 [450		· · ·	BEE ANAT	6 EE 000
Misc Valves & Fittings Corrosion or Chemical Treating Equip	746	153 438			\$55,000 \$0	\$55,000
Pumping Equipment		451			\$135,000	\$0 \$135,000
Sas Engines & Electric Motors		452			\$135,000	\$155,000
Electric Lines, Poles, Transformers, etc.		453			\$10,000	\$10,000
Bottom Hole Pump		454			\$0	\$0
ield Lines	.	456			\$375,000	\$375,000
anks, Stairs, Walkways, etc.		457			\$48,000	\$48,000
Separator & Fittings		458			\$10,500	\$10,500
leaters, Treaters & Connections		459			\$12,000	\$12,000
Power & Circulating Pumps		460			\$55,000	\$55,000
Meters		463			\$23,000	\$23,000
Other Material & Equipment		469	·		\$45,000 \$773,500	\$45,000 \$773,500
Subtotal					\$//3,5UU	φ <i>113</i> ,500
OTAL WELL COST:			1,539,215		3,855,860	5,395,07
			<u></u>			

COMPANY APPROVAL NAME: OGX RESOURCE Ву: ENGINEERING MANAGER Title: Date: 28-Jan-11 С

Bonus Consideration Frank Blow Fowlkes Christine Speidel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 leases	Total	Sec. 7: S/2NE/4	T-26-S, R-29-E, N.M.P.M	Lease No. 3	lotal	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4	Sec. 24: SW/4NE/4, N/2SE/4	Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	T-26-S, R-28-E, N.M.P.M	Lease No. 2		Total	Sec. 33; W/2NW/4 (aka NW/4NW/4 + Lot 1)	Sec. 32: NE/4NE/4	Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	Sec. 28: S2NW/4	Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	Sec. 21: S/2SE/4	T-26-S, R-28-E, N.M.P.M	Lease No. 1	Land Description
Net Acres 83.98 83.98 41.99 41.99 251.94	1503.72	80.00	80.00			799.93	199.93	120.00	160.00	320.00				623.79	63.79	40.00	160.00	80.00	200.00	80.00			Gross Acreage
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$167,960.00 \$83,980.00 \$83,980.00			1/2				1/4	1/4	1/2	1/2					1/2	1/2	1/2	1/2	1/2	1/2			Fowlkes Family Mineral Int.
:			1/16				1/32	1/32	1/16	1/16					1/16	1/16	1/16	1/16	1/16	1/16		-	Frank Blow Fowlkes
	83.98	5.00 Lease Mi%	5.00		ť	Lease MI%	6.25	3.75	10.00	20.00			Lease MI%	38.99	3.99	2.50	10.00	5.00	12.50	5.00			Frank Blow Fowlkes
		1 1	1/16				1/32	1/32	1/16	1/16			1		1/16	1/16	1/16	1/16	1/16	1/16			Christine Speidel Fowkles
	83.98	5.00 Lease MI%	5.00			40.00 Lease MI%	6.25	3.75	10.00	20.00			Lease MI%	38.99	3.99	2.50	10.00	5.00	12.50	5.00			Christine Speidel Fowkles
			1/32				1/64	1/64	1/32	1/32			•	1	1/32	1/32	1/32	1/32	1/32	1/32			Trey Fowlkes
	41.99	2.50 Lease MI%	2.50			20.00 Lease MI%	3.124	1.88	5.00	10.00			Lease MI%	19.49	1.99	1.25	5.00	2.50	6.25	2.50			Trey Fowlkes
·			1/32				1/64	1/64	1/32	1/32					1/32	1/32	1/32	1/32	1/32	1/32			Janet Renee Fowlkes Murrey
	41.99	2.50 Lease MI%	2.50			20.00 Lease Mi%	3.124	1.88	5.00	10.00			Lease MI%	19.49	1.99	1.25	5.00	2.50	6.25	2.50			Janet Renee Fowlkes Murrey
	83.98	15.00 18.75%				15.00%							18.7500%	116.96									Total Net



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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: Mr. Trey Fowlkes P.O. Box 23416 Waco, Texas 76702	A. S 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 No Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D. 4. Restricted Delivery? (Extra Fee) Yes
2. Article Number 7010 1	870 0000 8950 4110
PS Form 3811, February 2004 Domestic	Return Receipt 102595-02-M-1540



February 7, 2011

Ms. Janet Renee Fowlkes Murrey P.O. Box 23416 Waco, Texas 76702

Re:

Well Proposal

Momba "24" Fed Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 24: E½E½

Eddy County, New Mexico

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Janet Renee Fowlkes Murrey Well Proposal Momba "24" Fed Com #1H Well February 7, 2011 Page 2

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Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

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Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term) Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Sol H.S

OGX RESOURCES LLC AUTHORIZATION FOR EXPENDITURE

DATE: 1/28/11		•				
OGX AFE No.: AFE Title: Avalon Horizontal						•
Well Name & No.: MOMBA 24 FED COM #1H				ARE RIV	ER SOUTH - BONE S	PRING
State: NEW MEXICO	**** ********		County: EDDY	*****	**************	****
Exploratory XX Development:			Oil: XX	7200 T	GAS VD / 11,106' MD	
Proposed Formation: AVALON Descriptior SHL: 660'FNL & 990'FEL / SEC.24-T26S-R	28E		Proposed Deptr	1: 7300 1	VD / 17,706' MD	
BHL: 990' FEL & 330' FSL, SEC. 24, T26S, F			* ********	******		*****
	MAJ	SUB	DRY HOLE	<u>MAJ</u>	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:	705	470	\$0	726	\$01	\$0
Turnkey Mobilization/Demob.	725	470 471	\$65,000	120	\$0	\$65,000
Location, Pits, Roads		472	\$120,000		\$10,000	\$130,000
Cement and Cementing Services Mud Logging		473 474	\$70,000 \$35,000		\$50,000	\$120,000 \$35,000
Mud Materials,Chemical & Water		475	\$65,000		\$175,000	\$240,000
Logging and Sidewall Coring Perforating		478 479	\$35,000		\$5,000	\$40,000 \$0
Stimulation		480	\$0		\$2,000,000	\$2,000,000
Formation Testing		482	\$0		\$32,000	\$32,000
Testing Tubular Goods Tool Rental DOWNHOLE		484	\$0 \$55,000		\$5,500 \$3,500	\$5,500 \$58,500
Tool Rental INCLUDES CLOSED MUD SYSTEM		488	\$225,000			\$225,000
Drilling Footage Drilling Day Work 21 days		489 490	\$0 \$262,500		\$0 \$37,500	\$00,000 \$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 Contract Services & Equip		494 510	\$18,000 \$12,000		\$10,000 \$20,000	\$28,000 \$32,000
Directional Drilling		511	\$130,000		\$0	\$130,000
Completion Unit Fuel & Power		528 539	\$0 \$72,000		\$56,000 \$0	\$56,000 \$72,000
Auto & Truck Expense		545	\$15,000	<u></u>	\$2,500	\$17,500 \$17,500
Company Supervision 60 @ 1200		501	\$42,000		\$30,000	\$72,000
Miscellaneous & Contingencies Subtotal	8%	599	\$103,840 \$1,401,840		\$197,360 \$2,664,360	\$301,200 \$4,066,200
		<u> </u>			1 40,000,0007	V 1,000,200
DEVELOPMENTAL LWE "DRILLING"						
Surface Casing 13 3/8 @ 625' Conductor Pipe	727	441 442	\$21,875	727	\$0	\$21,875
ntermediate Casing 8 5/8" @ 2750'		443	\$20,000 \$60,500		\$0 \$0	\$20,000 \$60,500
Production Casing 5 1/2" @ 11,106'		443	\$0		\$211,000	\$211,000
Orilling Liner Production Liner		450 460	\$0 \$0		\$0 \$0	\$0
Casing Head		445	\$34,000		\$30,000	\$64,000
C-Mas Tree Completion Equipment		446	\$0		\$16,000	\$16,000
Retrievable Packers		447	\$0 \$0		\$5,000 \$5,000	\$5,000 \$5,000
ubing		449	\$0		\$55,000	\$55,000
Other Material & Equipment Subtotal		469	\$1,000 \$137,375		\$1,500 \$323,500	\$2,500 \$460,875
	···		V.3.,0.0			
ONSHORE FACILITIES						···
ocation, Pits, Roads Contract Services & Equip	745	472 510			\$45,000 \$35,000	\$45,000 \$35,000
ngineering Surveys		516			\$4,500	\$4,500
uto & Truck Expense Velding Services		545			\$1,000	\$1,000
nstal Elect/Pneu System		566 567			\$7,500 \$0	\$7,500 \$0
ainting Service		568			\$0	\$0
liscellaneous & Contingencies ubtotal		599			\$1,500 \$94,500	\$1,500 \$94,500
		<u>_</u>		<u> </u>	40.10001	40 1,000
NSHORE FACILITIES				· · ·		ţ.
lisc Valves & Fittings orrosion or Chemical Treating Equip	746	153 438			\$55,000 \$0	\$55,000 \$0
umping Equipment		451			\$135,000	\$135,000
as Engines & Electric Motors		452 453			\$15,000	\$15,000
lectric Lines, Poles, Transformers, etc.		454			\$0 \$0	\$0 \$0
ield Lines	1	456			\$375,000	\$375,000
anks, Stairs, Walkways, etc. eparator & Fittings	· ·	457 458			\$48,000 \$10,500	\$48,000 \$10,500
eaters, Treaters & Connections		459			\$12,000	\$12,000
ower & Circulating Pumps eters		460 463			\$55,000 \$23,000	\$55,000 \$23,000
eters ther Material & Equipment		469			\$45,000	\$45,000
ubtotal	:				\$773,500	\$773,500
OTAL WELL COST:		·	1,539,215	·	3,855,860	5,395,075
OMPANY APPROVAL	ا مر	PARTIC	IPANT APPRO	ΙΔΥ		
AME: OGX RESOURCES LC		NAME:			· .	
y: Mikuld		ву:				
tie: <u>ENGINEERING MANAGER</u>		Title:				
ate: 28-Jan-11	Ţ.	Date: _				

Bonus Consideration Frank Blow Fowlkes Christine Speidel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 leases	Total	Sec. 7: S/2NE/4	T-26-S, R-29-E, N.M.P.M	Lease No. 3	Total	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4	Sec. 24: SW/4NE/4, N/2SE/4	Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	T-26-S, R-28-E, N.M.P.M	Lease No. 2		Total	Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	Sec. 32: NE/4NE/4	Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	Sec. 28: S2NW/4	Sec. 21: 9/2507 Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	Co. 71. C/2071/4	T-260 B-28E NM BM	Lease No. 1	Land Description
Net Acres 83.98 83.98 41.99 41.99 251.94	1503.72	80.00	80.00	· . •		799.93	199.93	120.00	160.00	320.00		•,		623.79	63.79	40.00	160.00	80.00	200.00	8			Gross Acreage I
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$83,980.00 \$83,980.00 \$83,880.00			វត				1/4	1/4	1/2	12					1/2	1/2	1/2	72	13 2				Fowlkes Family Mineral Int.
·			1/16				1/32	1/32	1/16	1/16					1/16	1/16	1/16	1/16	1/16	;			Frank Blow Fowlkes
	83.98	5.00 Lease MI%	5.00			40.00 Lease MI%	6.25	3.75	10.00	20.00		,	Lease Mi%	38.99	3.99	2.50	10.00	5.00	13.50	3			Frank Blow Fowlkes
			1/16				1/32	1/32	1/16	1/16					1/16	1/16	1/16	1/16	1/16				Christine Speidel Fowkles
	83.98	5.00 Lease MI%	5.00			40.00 Lease MI%	6.25	3.75	10.00	20.00			Lease MI%	38.99	3.99	2.50	10.00	500	5.00	}			Christine Speidel Fowkles
			1/32				1/64	1/64	1/32	1/32					1/32	1/32	1/32	1/32	1/32	į			Trey Fowlkes
	41.99	2.50 Lease MI%	2.50			20.00 Lease MI%	3.124	1.88	5.00	10.00			Lease Mi%	19.49	1.99	1.25	5.00	2.50	2.50 6.25				Trey Fowlkes
	•		1/32			•	1/64	1/64	1/32	1/32			•		1/32	1/32	1/32	132	1/32	Ì			Janet Renee Fowlkes Murrey
	41.99	2.50 Lease Mi%	2.50			20.00 Lease MI%	3.124	1.88	5.00	10.00			Lease MI%	19.49	1.99	1.25	5.00	2.50	6.50	3			Janet Renee Fowlkes Murrey
	83.98	15.00 18.75%				119.99 15.00%							18.7500%	116.96									Total Net



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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: Ms. Janet Renee Fowlkes Murrey P.O. Box 23416	A. Sig. re X
Waco, Texas 76702	3. Service Type Certified Mail Registered Return Receipt for Merchandise Insured Mail C.O.D. 4. Restricted Delivery? (Extra Fee)
2. Article Number (Transfer from service label) 7010 187	0 0000 8950 4103
PS Form 3811, February 2004 Domestic Retu	ım Recelpt 102595-02-M-1540



February 7, 2011

Ms. Christine Speidel Fowlkes Mr. Christopher C. Fowlkes 404 Glenosa El Paso, Texas 79928

Re: Well Proposal

Momba "24" Fed Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 24: E½E½

Eddy County, New Mexico

Dear Mr. and Ms. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the E½SE¼ of Section 24, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 660' FNL and 990' FEL and a bottom hole location of 330' FSL and 990' FEL of Section 24, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,300' then horizontally 3,806' for a total measured depth of 11,106' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the E½E½ of said Section 24.

Enclosed for your review is an AFE (in duplicate), for each of you, showing the estimated drilling and completion costs for the subject well.

OGX invites both of you to participate in this well. If one or both of you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the E½E½ of said Section 24, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event either or both of you do not which to participate, OGX would be interested in obtaining an oil and gas lease from you under the following terms:

Christine Speidel Fowlkes and Christopher C. Fowlkes Well Proposal Momba "24" Fed Com #1H Well February 7, 2011 Page 2

A. As to your mineral interest covering the E½SE¼ of Section 24, T-26-S, R-28-E, N.M.P.M, being 6.25% (2.5 net acres) in SE¼SE¼ and 3.125% (1.25 net acres) in the NE¼SE¼.

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term) Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions,

please contact the undersigned.

Sincerely,

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OGX Resources LLC

Garland H. Lang III Land Manager

OGX RESOURCES LLC

AUTHORIZATION FOR EXPENDITURE DATE: 1/28/11 OGX AFE No.: Avaion Horizontai AFE Title: Well Name & No.: MOMBA 24 FED COM #1H Field: DELAWARE RIVER SOUTH - BONE SPRING State: NEW MEXICO County: EDDY Development: GAS Exploratory XX Proposed Formation: AVALON
Description SHL: 660'FNL & 990'FEL / SEC.24-T26S-R28E
BHL: 990' FEL & 330' FSL, SEC. 24, T26S, R28E Proposed Depth: 7300 TVD / 11,106' MD MAJ SUB DRY HOLE MAJ COMPLETION **TOTAL DEVELOPMENTAL DRILLING:** 725 Turnkey Mobilization/Demob \$65,000 471 \$65,000 \$0 Location, Pits, Roads Cement and Cementing Services \$10,000 \$130,000 \$120,000 472 \$120,000 473 \$50,000 \$70,000 Mud Logging 474 \$35,000 \$35,000 \$0 Mud Materials, Chemical & Water 475 \$65,000 \$175,000 \$240,000 \$5,000 Logging and Sidewall Coring 478 \$35,000 \$40,000 Perforating 479 \$0 \$0 \$0 \$2,000,000 Stimulation \$2,000,000 \$0 480 Formation Testing
Testing Tubular Goods
Tool Rental DOWNHOLE \$32,000 \$32,000 484 \$0 \$5,500 \$5,500 \$55,000 488 \$3,500 \$58.500 Tool Rental INCLUDES CLOSED MUD SYSTEM 488 \$225,000 \$225,000 Drilling Footage
Drilling Day Work 21 days
Float Equipment 489 \$0 \$0 \$262.500 \$37,500 \$300,000 490 \$21,500 491 \$6,500 \$15,000 Bits, Core Barrells, etc 492 \$70,000 \$15,000 \$85,000 Other Special Well Services \$18,000 \$12,000 494 \$10,000 \$28,000 Contract Services & Equip 510 \$32,000 \$20,000 Directional Drilling 511 \$130,000 \$130,000 \$56,000 Completion Unit 528 \$0 \$56,000 Fuel & Power \$72,000 \$17,500 539 \$72,000 \$0 \$2,500 Auto & Truck Expense \$15,000 Company Supervision 60 @ 1200 501 \$42,000 \$30,000 \$72,000 8% Miscellaneous & Contingencies 599 \$103,840 \$197,360 \$301,200 \$1,401,840 \$2,664,360 \$4,066,200 **DEVELOPMENTAL LWE "DRILLING"** \$21,875 Surface Casing 13 3/8 @ 625' 727 441 \$21,875 Conductor Pipe Intermediate Casing 8 5/8" @ 2750' Production Casing 5 1/2" @ 11,106' \$20,000 \$60,500 442 \$20,000 \$0 443 \$60,500 \$0 443 \$0 \$211,000 \$211,000 Drilling Liner 450 \$0 \$0 \$0 **Production Liner** \$0 460 \$0 \$64,000 Casing Head 445 \$34,000 \$30,000 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 \$55,000 \$55,000 Other Material & Equipment \$1,500 \$2,500 469 \$1,000 Subtotal \$323,500 \$460.875 \$137,375 **ONSHORE FACILITIES** Location, Pits, Roads 472 \$45,000 \$45,000 Contract Services & Equip 510 \$35,000 \$4,500 \$35,000 **Engineering Surveys** 516 \$4,500 Auto & Truck Expense Welding Services \$1,000 \$1,000 566 \$7,500 \$7,500 Instal Elect/Pneu System 567 \$0 **Painting Service** \$0 Miscellaneous & Contingencies 599 \$1,500 Subtotal \$94,500 \$94,500 **ONSHORE FACILITIES** \$55,000 \$0 Misc Valves & Fittings
Corrosion or Chemical Treating Equip \$55,000 746 153 \$135,000 \$135,000 Pumping Equipment 451 \$15,000 Gas Engines & Electric Motors \$15,000 452 Electric Lines, Poles, Transformers, etc. \$0 **Bottom Hole Pump** 454 \$0 \$0 \$375,000 \$375,000 Field Lines 456 Tanks, Stairs, Walkways, etc. \$48,000 \$48,000 457 Separator & Fittings 458 \$10,500 \$10,500 Heaters, Treaters & Connections 459 \$12,000 \$12,000 \$55,000 Power & Circulating Pumps 460 \$55,000 \$23,000 \$23,000 Meters 463 \$45,000 \$45,000 Other Material & Equipment 469 Subtotal \$773,500 \$773,500 **TOTAL WELL COST:** 1,539,215 3,855,860 5,395,075 PARTICIPANT APPROVAL NAME:

COMPANY APPROVAL NAME: OGX DESOURCES LC By: By: ENGINEERING MANAGER Title: Title: Date: Date: 28-Jan-11 WI%:

Bonus Consideration Frank Blow Fowlkes Christina Speidel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 leases	Total	Sec. 7: S/2NE/4	Lease No. 3 T-26-S, R-29-E, N.M.P.M	Total	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4	Sec. 24: SW/4NE/4, N/2SE/4	Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	T-26-S, R-28-E, N.M.P.M	Lease No. 2		Total	Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	Sec. 27: 07:2004, NW/45004, S004ND04	Sec. 28: SZNW/4	Sec. 22: W/ZSW/4, NE/4SW/4, N/ZSE/4	Sec. 21: S/2SE/4	T-26-S, R-28-E, N.M.P.M	Lease No. 1	Land Description
Net Acres 83.98 83.98 41.99 41.99 251.94	1503.72	80.00	80.00		799.93	199.93	120.00	320.00 160.00		•		623.79	63.79	30.00	80.00	200.00	80.00			Gross Acreage
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$83,980.00 \$83,980.00 \$83,980.00			122			1/4	1/4	ភ ភ					ភ រ	ទំ នី	និ	122	1/2			Fowlkes Family Mineral Int.
,			1/16			1/32	1/32	1/16					1/16	1/16	1/16	1/16	1/16			Frank Blow Fowlkes
	83.98	5.00 Lease MI%	5.00		40.00 Lease MI%	6.25	3.75	20.00			Lease MI%	38.99	399	3.50	5.00	12.50	5.00			Frank Blow Fowlkes
·		••,	1/16		, ,	1/32	1/32	1/16					1716	1/16	1/16	1/16	1/16			Christine Speidel Fowkles
	83.98	5.00 Lease MI%	5.00	- ,	40.00 Lease MI%	6.25	3.75	20.00			Lease MI%	38.99	3 20	10.00	5.00	12.50	5.00			Christine Speidel Fowkles
			1/32			1/64	1/64	132				į	132	1/32	1/32	1/32	1/32		•	Trey Fowlkes
	41.99	2.50 Lease MI%	2.50		20.00 Lease MI%	3.124	1.88	500			Lease MI%	19.49	8 5	5.00	2.50	6.25	2.50			Trey Fowlkes
			1/32			1/64	1/64	i 132					1 732	1/32	1/32	1/32	1/32	:		Janet Renee Fowlkes Murrey
	41.99	2.50 Lease MI%	2.50		20.00 Lease MI%	3.124	1.88	500			Lease Mi%	19.49	ž į	5.00	2.50	6.25	2.50			Janet Renee Fowlkes Murrey
	83.98	15.00 18.75%			119.99 15.00%						18.7500%	116.96								Total Net



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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: Ms. Christine Speidel Fowlkes Mr. Christopher C. Fowlkes	A. Signate X
404 Glenosa El Paso, Texas 79928	3. Service Type Certified Mall
2. Article Number 7010 1870 (Transfer from service label)	0000 8950 4080
PS Form 3811, February 2004 Domestic Retu	urn Receipt 102595-02-M-1540



February 15, 2011

Mr. Frank Blow Fowlkes 316 Granda Ave. El Paso, Texas 79912

Re: Well

Well Proposal

Momba "24" Fed Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 24: E½E½

Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the E½SE¼ of Section 24, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 660' FNL and 990' FEL and a bottom hole location of 330' FSL and 990' FEL of Section 24, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,300' then horizontally 3,806' for a total measured depth of 11,106' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the E½E½ of said Section 24.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well.

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the E½E½ of said Section 24, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event you do not which to participate, OGX would be interested in obtaining an oil and gas lease from you under the following terms:

Frank Blow Fowlkes Well Proposal Momba "24" Fed Com #1H Well February 15, 2011 Page 2

A. As to your mineral interest covering the E½SE¼ of Section 24, T-26-S, R-28-E, N.M.P.M, being 6.25% (2.5 net acres) in SE¼SE¼ and 3.125% (1.25 net acres) in the NE¼SE¼.

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term) Cash Consideration: \$2,000.00 per net mineral acre.

Cabit Complete and in 42,000.00 per not infinite a actor.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III

Land Manager

OGX RESOURCES LLC AUTHORIZATION FOR EXPENDITURE

DATE: 1/28/11

AFE Title: Avaion Horizontal Well Name & No.: MOMBA 24 FED COM #1H					
State: NEW MEXICO		County: EDD		ER SOUTH - BONE S	PRING
Exploratory XX Development:	****	Oil: XX	* ****	GAS	****
Proposed Formation: AVALON		Proposed Dep	oth: 7300 T	VD / 11,106' MD	
Descriptior SHL: 660'FNL & 990'FEL / SEC.24-T26S-R28E BHL: 990' FEL & 330' FSL, SEC. 24, T26S, R28E	**** *****	*** *******	******	*************	*****
<u>MA.</u> <u>DEVELOPMENTAL DRILLING:</u>	<u>J SUI</u>	B DRY HOLE	MAJ	COMPLETION	TOTAL
Turnkey 725				\$0	\$0
Mobilization/Demob. Location, Pits, Roads	471 472			\$10,000	\$65,000 \$130,000
Cement and Cementing Services	472			\$50,000	\$120,000
Mud Logging	474	\$35,000		\$0	\$35,000
Mud Materials, Chemical & Water	475			\$175,000	\$240,000
Logging and Sidewall Coring Perforating	478 479			\$5,000	\$40,000 \$0
Stimulation	480	\$0		\$2,000,000	\$2,000,000
Formation Testing	482			\$32,000	\$32,000
Testing Tubular Goods Tool Rental DOWNHOLE	484			\$5,500 \$3,500	\$5,500 \$58,500
Tool Rental INCLUDES CLOSED MUD SYSTEM	488			\$3,300	\$225,000
Drilling Footage	489	\$0		\$0	\$0
Drilling Day Work 21 days	490			\$37,500	\$300,000
Float Equipment Bits, Core Barrells, etc.	491 492	\$6,500 \$70,000		\$15,000 \$15,000	\$21,500 \$85,000
Other Special Well Services	494	\$18,000		\$10,000	\$28,000
Contract Services & Equip	510	\$12,000		\$20,000	\$32,000
Directional Drilling	511	\$130,000		\$0	\$130,000
Completion Unit	528			\$56,000	\$56,000
Fuel & Power Auto & Truck Expense	539 545	\$72,000 \$15,000		\$0 \$2,500	\$72,000 \$17,500
Company Supervision 60 @ 1200	501	\$42,000		\$30,000	\$72,000
Miscellaneous & Contingencies	8% 599	\$103,840		\$197,360	\$301,200
Subtotal		\$1,401,840		\$2,664,360	\$4,066,200
DEVELOPMENTAL LIVE HORSELING					
<u>DEVELOPMENTAL LWE "DRILLING"</u> Surface Casing 13 3/8 @ 625' 727	- 444	404.075			464.075
Surface Casing 13 3/8 @ 625' 727 Conductor Pipe	441	\$21,875 \$20,000		\$0 \$0	\$21,875 \$20,000
Intermediate Casing 8 5/8" @ 2750'	443	\$60,500		\$0	\$60,500
Production Casing 5 1/2" @ 11,106'	443	\$0		\$211,000	\$211,000
Drilling Liner Production Liner	450	\$0		\$0	\$0
Casing Head	460	\$0 \$34,000		\$0 \$30,000	\$64,000
X-Mas Tree	446	\$0		\$16,000	\$16,000
Completion Equipment	447	\$0		\$5,000	\$5,000
Retrievable Packers Tubing	448	\$0		\$5,000	\$5,000
Other Material & Equipment	449 469	\$0 \$1,000		\$55,000 \$1,500	\$55,000 \$2,500
Subtotal	103	\$137,375		\$323,500	\$460,875
	·				
ONSHORE FACILITIES					
Location, Pits, Roads 745	472			\$45,000	\$45,000
Contract Services & Equip Engineering Surveys	510 518			\$35,000 \$4,500	\$35,000 \$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 Miscellaneous & Contingencies	568 599			\$0 \$1,500	\$0 \$1,500
Subtotal	399			\$94,500	\$94,500
ONSHORE FACILITIES				<u> </u>	
Misc Valves & Fittings 746	153			\$55,000 \$0	\$55,000
Corrosion or Chemical Treating Equip Pumping Equipment	438 451	 		\$135,000	\$0 \$135,000
Gas Engines & Electric Motors	452	1		\$15,000	\$15,000
Electric Lines, Poles, Transformers, etc.	453			\$0	\$0
Bottom Hole Pump	454	4		\$0	\$0
Field Lines Tanks, Stairs, Walkways, etc.	456 457			\$375,000 \$48,000	\$375,000 \$48,000
Separator & Fittings	457	+		\$10,500	\$10,500
Heaters, Treaters & Connections	459			\$12,000	\$12,000
Power & Circulating Pumps	460			\$55,000	\$55,000
Meters Other Material & Equipment	463	-		\$23,000 \$45,000	\$23,000 \$45,000
Subtotal	703			\$773,500	\$773,500
TOTAL WELL COST:		1,539,215	2 1	3,855,860	5,395,075
COMPANY APPROVAL	PART	ICIPANT APP	ROVAL		
NAME: OGX RESOURCES LC	NAME		· · · · · · · · · · · · · · · · · · ·		
By: FIGURE ENGINEERING MANAGER	By:				
	Title:				
Date: 28-Jan-11	Date:	<u> </u>			

* •						•		٠.										
Bonus Consideration Frank Blow Fowlkes Christine Speklel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 kases	Total	Sec. 7: S/2NE/4	T-26-S, R-29-E, N.M.P.M	Lease No. 3	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4 Total	Sec. 24: N/2NB/4, N/2NB/4, SB/4NB/4 Sec. 24: SW/4NB/4, N/2SB/4	Sec. 23: E/1E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	T-26-S, R-28-E, N.M.P.M	Lease No. 2	Total	(aka NW/4NW/4 + Lot 1)	Sec. 32: NE/4NE/4	Sec. 28: S2NW/4	Sec. 21: S2SE/4 Sec. 22: W/2SW/4, NE/4SW/4, N2SE/4	T-26-S, R-28-E, N.M.P.M	Lease No. 1	Land Description
¥.			Ç.				ನ ಕ	: 83		لبا	·		* 5		8 &			Acr
Net Acres B 83.98 83.98 41.99 41.99	1503.72	80.00	80.00	. •		199.93 799.93	120.00	320.00		•	623.79	63.79	40.00	80.00	80.00 200.00		•	Gross Acreage M
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$167,960.00 \$83,980.00 \$603,880.00			12			1/4	1/2 1/4	ន៍		1.5		12	ភ ភ	5	ភភ			Fowlkes Family Mineral Int.
•			1/16			1/32	1/16	1/16				1/16	1/16	1/16	1/16 1/16	•		Frank Blow Fowlkes
	83.98	5.00 Lease MI%	5.00		Lease MI%	6.25 40.00	10.00 3.75	20.00		reason in A	38.99	3.99	2.50	5.00	5.00 12.50			r Frank Blow Fowlkes
1			1/16			1/32	1/16 1/32	1/16			•	1/16	1/16	1/16	1/16			Christine Speidel Fowkles
	83.98	5.00 Lease MI%	5.00		Lease MI%	6.25	10.00 3.75	20.00	: ,	LEGISO MI %	38.99	3.99	10.00	5.00	5.00 12.50			Christine Speidel Fowkles
		• •	1/32			1/64	1/52	132	÷ .			132 132	1 12 22	1/32	132			Trey Fowlkes
	41.99	2.50 Lease MI%	2.50		Lease MI%	3.124	5.00 1.88	10.00		Lease MI%	19.49		5.00	2.50	2.50 6.25			Trey Fowlkes
		•	1/32			1/64	1/32	1/32				1	1 12 12 12 12 12 12 12 12 12 12 12 12 12	132	132	:		Janet Renee Fowlkes Murrey
	41.99	2.50 Lease MI%	2.50		Lease MIX	3.124	5.00 1.88	10.00		Lease MI%	19.49	1.88	5.00	2.50	2.50 6.25			Janet Renee Fowlkes Murrey
	83.98	15.00 18.75%	•		15.00%	10 93	,			18./500%	116.96	•						Total Net
							,		i						•	•		



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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 mailplece, or on the front if space permits. 	A. Sig B Agent Addressee B. Received by (Printed Name) C. Date of Delivery C. Date of Delivery C. Date of Delivery C. Date of Delivery C. Date of Delivery
1. Article Addressed to:	D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No
Mr. Frank Blow Fowlkes 316 Granda Ave.	
El Paso, Texas 79912	3. Service Type Certified Mail
	4. Restricted Delivery? (Extra Fee)
2. Article Number (Transfer from service label) 7010 1870	0000 8950 4189
PS Form 3811, February 2004 MOM 0 24 FG	ura Receipt Tecolate Peak 102595-02-M-1540



February 23, 2011

Mr. Mitchel E. Cheney P.O. Box 570083 Houston, Texas 77257-0083

Re:

Well Proposal

Momba "24" Fed Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 24: E½E½

Eddy County, New Mexico

Dear Mr. Cheney:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 660' FNL and 990' FEL and a bottom hole location of 330' FSL and 990' FEL of Section 24, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,300' then horizontally 3,806' for a total measured depth of 11,106' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the E½E½ of said Section 24.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well.

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the E½E½ of said Section 24, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event you do not which to participate, OGX would be interested in obtaining a one year (1) term assignment from you for the following terms:

Term: One (1) year

Lands to be included: N½SE¼, SW¼NE¼

Section 24, T-26-S, R-28-E, N.M.P.M.,

Eddy County, New Mexico

Net Revenue to be delivered: 75%

Continuous Development Provision: same as leases owned by Cheney.

Cash Consideration: \$300.00 per net leasehold acre.

s:\ogx\proposals\tecolate peak\mitchelecheney_momba24fedcom#1hwellproposal_022311.doc

mailed 2-23-11

Mitchell E. Cheney Well Proposal Momba "24" Fed Com #1H Well February 23, 2011 Page 2

OGX plans to begin drilling operations on this well on March 15, 2011; therefore, please make your election as soon as possible.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

OGX RESOURCES LLC

AUTHORIZATION FOR EXPENDITURE

DATE: 1/28/11 OGX AFE No.: AFE Title: Avalon Horizontal Well Name & No.: MOMBA 24 FED COM #1H Field: DELAWARE RIVER SOUTH - BONE SPRING State: NEW MEXICO County: **EDDY** Exploratory XX Development: GAS Proposed Formation: AVALON
Descriptior SHL: 660'FNL & 990'FEL / SEC.24-T26S-R28E
BHL: 990' FEL & 330' FSL, SEC. 24, T26S, R28E Proposed Depth: 7300 TVD / 11,106' MD SUB DRY HOLE MAJ COMPLETION **TOTAL** MAJ **DEVELOPMENTAL DRILLING:** Turnkey Mobilization/Demob. 725 470 \$0 726 \$0 \$65,000 \$65,000 Location, Pits, Roads Cement and Cementing Services 472 \$120,000 \$10,000 \$130,000 473 \$70,000 \$50,000 \$120,000 Mud Logging Mud Materials, Chemical & Water 474 \$35,000 \$0 \$35,000 \$175,000 475 \$65,000 \$240,000 Logging and Sidewall Coring 478 \$35,000 \$5,000 \$40,000 Perforating 479 \$0 \$0 \$0 Stimulation \$2,000,000 \$2,000,000 480 \$0 Formation Testing
Testing Tubular Goods
Tool Rental DOWNHOLE 482 \$0 \$32,000 \$32,000 484 \$0 \$5,500 \$5,500 \$55,000 488 \$3,500 \$58,500 Tool Rental INCLUDES CLOSED MUD SYSTEM 488 \$225,000 \$225,000 Drilling Footage \$0 Drilling Day Work 21 days Float Equipment \$262,500 \$300,000 490 \$37,500 \$6,500 \$21,500 491 \$15,000 \$85,000 Bits, Core Barrells, etc 492 \$70,000 \$15,000 Other Special Well Services 494 \$10,000 \$28,000 \$18,000 Contract Services & Equip 510 \$12,000 \$20,000 \$32,000 **Directional Drilling** 511 \$130,000 \$0 \$130,000 Completion Unit 528 \$56,000 \$56,000 \$0 Fuel & Power 539 \$72,000 \$72,000 Auto & Truck Expense \$2,500 545 501 \$15,000 \$17,500 Company Supervision 60 @ 1200 \$42,000 \$30,000 \$72,000 Miscellaneous & Contingencies 8% \$103,840 599 \$197,360 \$301,200 \$1,401,840 \$2,664,360 \$4,066,200 **DEVELOPMENTAL LWE "DRILLING"** Surface Casing 13 3/8 @ 625' 727 \$21,875 727 \$21,875 Conductor Pipe Intermediate Casing 8 5/8" @ 2750' Production Casing 5 1/2" @ 11,106' \$20,000 \$60,500 442 \$20,000 443 \$0 \$60,500 \$0 \$211,000 \$211,000 **Drilling Liner** 450 \$0 \$0 \$34,000 **Production Liner** 460 \$0 Casing Head \$30,000 \$64,000 445 X-Mas Tree 446 \$16,000 \$0 \$16,000 Completion Equipment 447 \$5,000 \$5,000 Retrievable Packers 448 \$0 \$5,000 \$5,000 Tubing 449 \$0 \$55,000 \$55,000 Other Material & Equipment \$1,000 469 \$1.500 \$2.500 \$137,375 \$323,500 \$460,875 **ONSHORE FACILITIES** Location, Pits, Roads \$45,000 \$45,000 Contract Services & Equip 510 \$35,000 \$35,000 Engineering Surveys 516 \$4,500 \$4,500 Auto & Truck Expense \$1,000 \$7,500 \$1,000 545 Welding Services \$7,500 Instal Elect/Pneu System 567 \$0 Painting Service 568 \$0 \$0 \$1,500 \$94,500 Miscellaneous & Contingencies \$1,500 599 Subtotal \$94,500 **ONSHORE FACILITIES** Misc Valves & Fittings
Corrosion or Chemical Treating Equip \$55,000 \$55,000 153 438 \$0 \$0 \$135,000 Pumping Equipment 451 \$135,000 Gas Engines & Electric Motors 452 \$15,000 \$15,000 Electric Lines, Poles, Transformers, etc 453 \$0 \$0 **Bottom Hole Pump** 454 sol \$0 \$375,000 \$375,000 Field Lines 456 \$48,000 \$10,500 Tanks, Stairs, Walkways, etc. 457 \$48,000 Separator & Fittings Heaters, Treaters & Connections 458 \$10.500 459 \$12,000 \$12,000 Power & Circulating Pumps 460 \$55,000 \$55,000 \$23,000 \$45,000 \$23,000 \$45,000 Meters 463 Other Material & Equipment 469 Subtotal \$773,500 \$773,500 **TOTAL WELL COST:** 3,855,860 5,395,075 1,539,215 PARTICIPANT APPROVAL COMPANY APPROVAL OGX RESOURCES LC NAME: NAME: Ву: By: ENGINEERING MANAGER Title: Title: Date:

WI%:

Date:

28-Jan-11



SENDER: COMPLETE THIS SECTION		COMPANIE THIS SECTION ON DELIVERY				
 Complete items 1, 2, and 3. Alsitem 4 if Restricted Delivery is consistent 4 if Restricted Delivery is consorted and address of so that we can return the card and Attach this card to the back of or on the front if space permits. Article Addressed to: M. Mitchel E. Ch. P. D. BOX 57008 	desired. In the reverse Ito you. Ithe mailpiece,	B. Received by (F D. Is delivery addre If YES, enter de	- 9	1		
Houston, TX 772		3. Service Type ID Certified Mai ID Registered ID Insured Mail 4. Restricted Deliv	☐ Return Red	ail ceipt for Merchandise		
Article Number (Transfer from service label)	מלפת מבמל	0000 895	60 4141			
PS Form 3811, February 2004	Domestic Retu	rn Receipt		102595-02-M-1540		



February 2, 2011

COG Operating LLC 2208 W Main Street Artesia, New Mexico 88210-3720

CONCHO OIL & GAS LLC 2208 W Main Street Artesia, New Mexico 88210-3720

Attn: Mr. William Miller

Re: Well Proposal

Momba "24" Fed Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 24: E½E½

Eddy County, New Mexico

Gentlemen:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 660' FNL and 990' FEL and a bottom hole location of 330' FSL and 990' FEL of Section 24, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,300' then horizontally 3,806' for a total measured depth of 11,106' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the E½E½ of said Section 24.

Enclosed for your review is an AFE (in duplicate), for each company, showing the estimated drilling and completion costs for the subject well.

OGX invites the participation of COG Operating LLC and CONCHO OIL & GAS LLC ("CONCHO") in this well. If CONCHO wishes to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the E½E½ of said Section 24, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event CONCHO does not which to participate, OGX would be interested in obtaining a one year (1) term assignment from CONCHO for the following terms:

COG Operating LLC\CONCHO OIL & GAS LLC Well Proposal Momba "24" Fed Com #1H Well February 2, 2011 Page 2

Term: One (1) year

Lands to be included: N½NW¼, W½NE¼, N½SE¼, SE¼SE¼

Section 24, T-26-S, R-28-E, N.M.P.M.,

Eddy County, New Mexico

Net Revenue to be delivered: 75%

Continuous Development Provision: same as leases owned by Concho.

Cash Consideration: \$300.00 per net leasehold acre.

OGX plans to begin drilling operations on this well on March 15, 2011; therefore, please make your election as soon as possible.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III

Land Manager

OGX RESOURCES LLC

AUTI	HORIZATION	FOR EXF	PENDITURE			
DATE: 1/28/11						
					•	
OGX AFE No.: AFE Title: Avaion Horizontal						
Well Name & No.: MOMBA 24 FED COM #1H						
Cinta NEW MEVICO				ARE RIVI	ER SOUTH - BONE SI	PRING
State: NEW MEXICO	*** *******	*****	County: EDDY		* *****	*****
Exploratory XX Development:			Oil: XX		GAS	
Proposed Formation: AVALON	·		Proposed Depti	h: 7300 T	VD / 11,106' MD	
Descriptior SHL: 660'FNL & 990'FEL / SEC.24-T26S-R2 BHL: 990' FEL & 330' FSL, SEC. 24, T26S, R2						
***************************************	*** *********	******	*****	*****	* *****	******
	MAJ	SI IÉ	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:	191710	<u> </u>	DIXTHOLL	1417-10	OOMI CETTOR	101/15
Turnkey	725	470	\$0	726	\$0	\$
Mobilization/Demob.		471	\$65,000		\$0	\$65,00
Location, Pits, Roads Cement and Cementing Services		472	\$120,000		\$10,000 \$50,000	\$130,00 \$120,00
Mud Logging		474	\$70,000 \$35,000		\$0,000	\$35,00
Mud Materials, Chemical & Water		475	\$65,000		\$175,000	\$240,00
Logging and Sidewall Coring		478	\$35,000		\$5,000	\$40,00
Perforating Stimulation		479	\$0 \$0		\$2,000,000	\$2,000,00
Formation Testing		482	\$0		\$32,000	\$32,00
Testing Tubular Goods		484	\$0		\$5,500	\$5,50
Tool Rental DOWNHOLE Tool Rental INCLUDES CLOSED MUD SYSTEM		488 488	\$55,000 \$225,000		\$3,500	\$58,50 \$225,00
Drilling Footage		489	\$225,000		\$0	\$223,00
Drilling Day Work 21 days		490	\$262,500		\$37,500	\$300,00
Float Equipment		491	\$6,500		\$15,000	\$21,50
Bits, Core Barrells, etc. Other Special Well Services		492	\$70,000 \$18,000		\$15,000 \$10,000	\$85,00 \$28,00
Contract Services & Equip		510	\$12,000		\$20,000	\$32,00
Directional Drilling		511	\$130,000		\$0	\$130,00
Completion Unit Fuel & Power		528 539	\$72,000		\$56,000 \$0	\$56,00 \$72,00
Auto & Truck Expense		545	\$15,000		\$2,500	\$17,50
Company Supervision 60 @ 1200		501	\$42,000		\$30,000	\$72,00
Miscellaneous & Contingencies Subtotal	8%	599	\$103,840 \$1,401,840		\$197,360 \$2,664,360	\$301,200 \$4,066,200
			10-0,10-,10		[\$2,004,500]	₩ 7,000,2 0
DEVELOPMENTAL LWE "DRILLING"						
Surface Casing 13 3/8 @ 625'	727	441	\$21,875	727	\$0	\$21,87
Conductor Pipe Intermediate Casing 8 5/8" @ 2750'		442	\$20,000		\$0	\$20,000
Production Casing 5 5/8" @ 2/50		443 443	\$60,500 \$0		\$0 \$211,000	\$60,500 \$211,000
Drilling Liner		450	\$0		\$0	\$211,000
Production Liner		460	\$0		\$0	
Casing Head X-Mas Tree		445 446	\$34,000 \$0		\$30,000 \$16,000	\$64,000 \$16,000
Completion Equipment		447	\$0		\$5,000	\$5,000
Retrievable Packers		448	\$0		\$5,000	\$5,000
Tubing Other Material & Equipment		449 469	\$0) \$1,000		\$55,000 \$1,500	\$55,000 \$2,500
Subtotal		409	\$137,375		\$323,500	\$460,875
ONSHORE FACILITIES	1					
Location, Pits, Roads Contract Services & Equip	745	472 510			\$45,000 \$35,000	\$45,000 \$35,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense		545			\$1,000	\$1,000
Welding Services Instal Elect/Pneu System		566 567			\$7,500 \$0	\$7,500 \$0
Painting Service		568			\$0	\$0
Miscellaneous & Contingencies		599			\$1,500	\$1,500
Subtotal					\$94,500	\$94,500
ONSHORE FACILITIES						
Misc Valves & Fittings	746	153	7		\$55,000	\$55,000
Corrosion or Chemical Treating Equip		438			\$0	\$0
Pumping Equipment Gas Engines & Electric Motors		451 452			\$135,000 \$15,000	\$135,000 \$15,000
Electric Lines, Poles, Transformers, etc.		453			\$0	\$13,000
Bottom Hole Pump		454			\$0	\$0
Field Lines Tanks, Stairs, Walkways, etc.		456 457			\$375,000 \$48,000	\$375,000 \$48,000
Separator & Fittings	-	458			\$10,500	\$10,500
Heaters, Treaters & Connections		459			\$12,000	\$12,000
Power & Circulating Pumps		460			\$55,000	\$55,000 \$23,000
Meters Other Material & Equipment		463 469			\$23,000 \$45,000	\$23,000 \$45,000
Subtotal					\$773,500	\$773,500
TOTAL WELL COST:			1,539,215		3,855,860	5,395,07
COMPANY APPROVAL	,	PARTIC	IPANT APPR	OVAL		
NAME: OGX DESOURCES LC		NAME:				
By: 11/11/11/11		Ву:				
Title: <u>ENGINEERING MANAGER</u>		Title:		· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	
Date: 28-Jan-11		Date:		<u> </u>		
		WI%: .				



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY				
 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. 	A. Signature X				
1. Article Addressed to: COG Operating LLC Attn: William Miller	RECEIVED FEB 0 7 2011				
2208 W. Main Street Artesia, New Mexico 88210-3720	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) 7010 187					
PS Form 3811, February 2004 Domestic Re	turn Receipt 102595-02-M-1540				