

# OGXResources LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 Fax (432) 686-7109

Certified Mail RRR #7011 0110 0001 3284 0728

April 11, 2011

Chesapeake Exploration LLC  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

Attn: Permian Land Manager

Re: Well Proposal  
Copperhead Fee A #1H Well  
T-26-S, R-29-E, N.M.P.M.  
Section 30: Lots 2 thru 4  
Section 31: Lots 1 and 2  
Containing 183.57 acres of land  
Eddy County, New Mexico



Gentlemen:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FSL and 480' FWL of Section 31 and a bottom hole location of 1650' FNL and 330' FWL of Section 30, all in T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,200' then horizontally approximately 5,139' to the bottom hole location, for a total measured depth of approximately 12,339' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the Lots 2, 3, and 4 of Section 30 and Lots 1 and 2 of Section 31 or 183.57 acres of land.

Enclosed for your review is an AFE (in duplicate) showing the estimated drilling and completion costs for the subject well and a C-102 plat.

OGX invites the participation of Chesapeake Exploration LLC ("CHESAPEAKE") in this well. If CHESAPEAKE 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 proration unit for the subject well, which will supersede all existing operating agreements, naming OGX as the Operator. According to our calculations, your company would have a 14.12404% working interest in the subject proration unit.

Please evidence your election to participate in this well by signing the Authorization for Expenditure enclosed herewith and returning one (1) copy to me at your earliest convenience.

Chesapeake Exploration LLC Well Proposal  
Copperhead Fee A #1H Well  
April 11, 2011  
Page 2

In the event CHESAPEAKE does not wish to participate in the drilling of this well, OGX herein proposes the following:

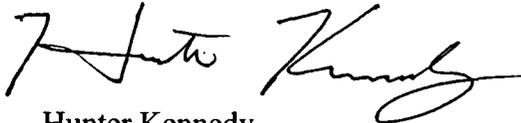
One (1) year term assignment, with CHESAPEAKE delivering to OGX a net revenue interest of seventy-five percent (75%), 180 day continuous development after the end of the primary term, mutually acceptable term assignment form.

Cash consideration: \$200.00 per acre. According to our records CHESAPEAKE owns 25.00% of the leasehold estate in Lot 2 of Section 30 (39.82 acres) or 9.955 net leasehold acres, and 25.00% of the leasehold estate in Lots 1 and 2 of Section 31 (63.89 acres) or 15.9725 net leasehold acres.

If you need any further information, please contact the undersigned.

Sincerely,

OGX Resources LLC

A handwritten signature in black ink, appearing to read "Hunter Kennedy". The signature is written in a cursive, flowing style.

Hunter Kennedy  
Landman

Enclosures

**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:

Chesapeake Exploration LLC  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

Attn: Permian Land Manager

2. Article Number

(Transfer from service label)

7011 0110 0001 3284 0728

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

 Agent Addressee

B. Received by (Printed Name)

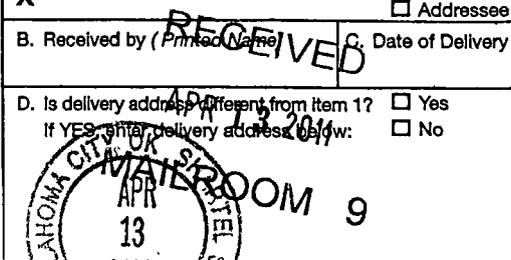
C. Date of Delivery

D. Is delivery address different from item 1?  YesIf YES, print delivery address below:  No

3. Service type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

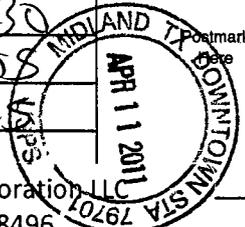
4. Restricted Delivery? (Extra Fee)

 Yes

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

For delivery information visit our website at [www.usps.com](http://www.usps.com)**OFFICIAL USE**

Postage	\$ 2.80
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.08
Restricted Delivery Fee (Endorsement Required)	6.12
Total Postage & Fees	\$ 12.30



Chesapeake Exploration LLC  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

Attn: Permian Land Manager

for instruction

7011 0110 0001 3284 0728

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I  
1625 N. FRENCH DR., ROBBES, 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

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
	16800	DELAWARE RIVER-BONE SPRING
Property Code	Property Name	Well Number
	COPPERHEAD FEE A	1H
OGRID No.	Operator Name	Elevation
217955	OGX RESOURCES	2928'

Surface Location

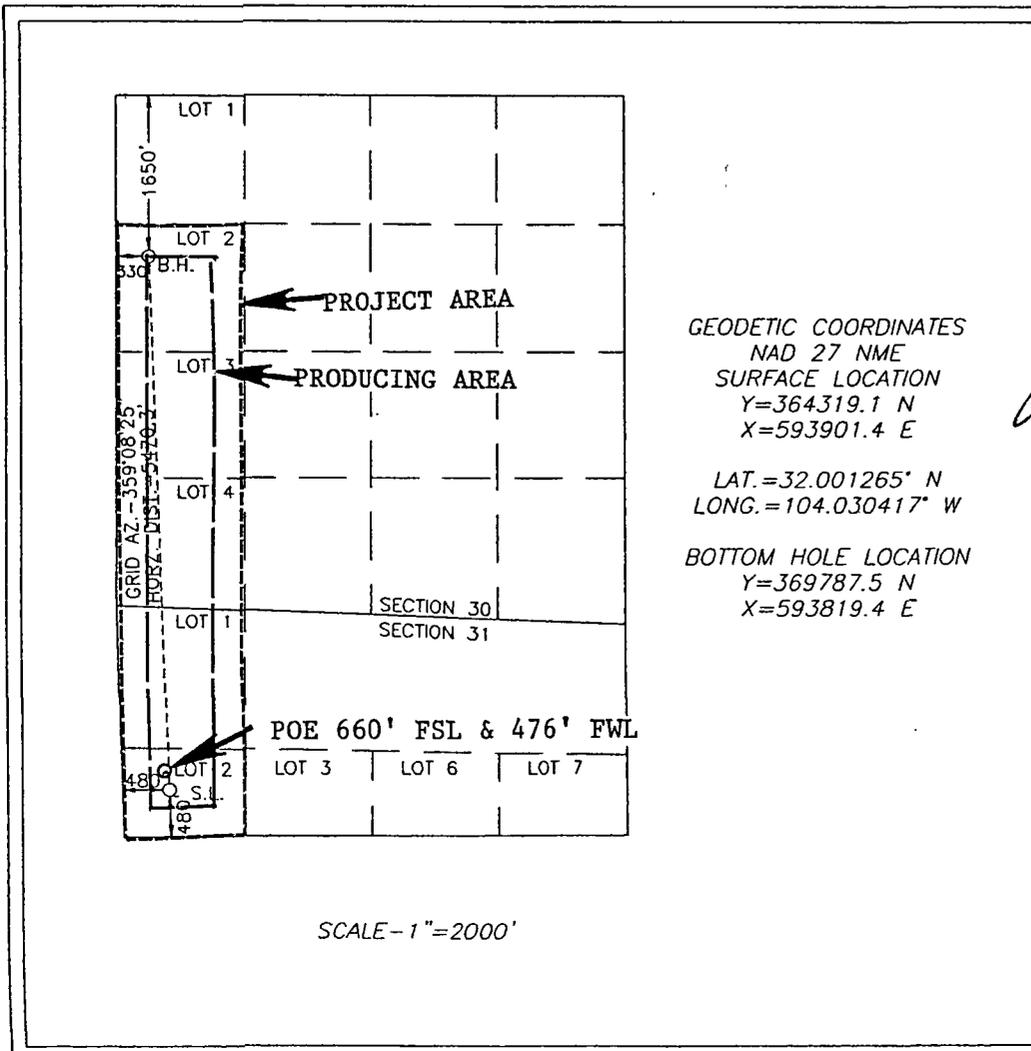
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	31	26-S	29-E		480	SOUTH	480	WEST	EDDY

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
2	30	26-S	29-E		1650	NORTH	330	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
183.9			

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



GEODETIC COORDINATES  
NAD 27 NME  
SURFACE LOCATION  
Y=364319.1 N  
X=593901.4 E

LAT.=32.001265° N  
LONG.=104.030417° W

BOTTOM HOLE LOCATION  
Y=369787.5 N  
X=593819.4 E

OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

*Joe T. Janica*  
Signature Date  
Joe T. Janica 09/23/10  
Printed Name

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.

RONALD J. EIDSON 2010  
Date Surveyed  
Signature  
Professional Surveyor  
RONALD J. EIDSON  
10.11.1249  
REGISTERED PROFESSIONAL SURVEYOR  
Certificate No. GARY EIDSON 12641  
RONALD J. EIDSON 3239

**OGX RESOURCES LLC**  
AUTHORIZATION FOR EXPENDITURE

DATE: 4/6/11

OGX AFE No.:  
AFE Title: **Avalon Horizontal**  
Well Name & No.: **COPPERHEAD FEE A #1H**

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

State: **NEW MEXICO**

Exploratory XX Development:  
Proposed Formation: **AVALON**  
Descriptor **SHL: 480'FSL & 480'FWL / SEC.31-T26S-R29E**  
**BHL: 1650' FNL & 330' FWL, SEC. 30, T26S, R29E**

Oil: **XX** GAS  
Proposed Depth: **7200 TVD / 12,339' 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	\$55,000		\$80,000	\$135,000
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		\$70,000	\$70,000
Stimulation		480	\$0		\$3,250,000	\$3,250,000
Formation Testing		482	\$0		\$32,000	\$32,000
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	\$215,000			\$215,000
Drilling Footage		489	\$0		\$0	\$0
Drilling Day Work <b>45 days</b>		490	\$630,000		\$37,500	\$667,500
Float Equipment		491	\$6,500		\$375,000	\$381,500
Bits, Core Barrells, etc.		492	\$90,000		\$15,000	\$105,000
Other Special Well Services		494	\$18,000		\$50,000	\$68,000
Contract Services & Equip		510	\$12,000		\$120,000	\$132,000
Directional Drilling		511	\$180,000		\$0	\$180,000
Completion Unit		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$140,000		\$0	\$140,000
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	\$136,680		\$345,360	\$482,040
<b>Subtotal</b>			<b>\$1,845,180</b>		<b>\$4,662,360</b>	<b>\$6,507,540</b>

**DEVELOPMENTAL LWE "DRILLING"**

Surface Casing <b>13 3/8 @ 450'</b>	727	441	\$16,750	727	\$0	\$16,750
Conductor Pipe		442	\$9,500		\$0	\$9,500
Intermediate Casing <b>8 5/8" @ 2625'</b>		443	\$58,300		\$0	\$58,300
Production Casing <b>5 1/2" @ 12,339'</b>		443	\$0		\$265,000	\$265,000
Drilling Liner		450	\$0		\$0	\$0
Production Liner		460	\$0		\$0	\$0
Casing Head		445	\$34,000		\$15,000	\$49,000
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
<b>Subtotal</b>			<b>\$119,550</b>		<b>\$362,500</b>	<b>\$482,050</b>

**ONSHORE FACILITIES**

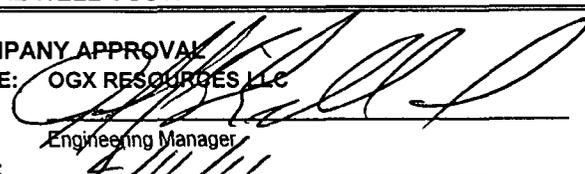
Location, Pits, Roads	745	472			\$35,000	\$35,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$1,500	\$1,500
Auto & Truck Expense		545			\$1,000	\$1,000
Welding Services		566			\$7,500	\$7,500
Instal Elect/Pneu System		567			\$0	\$0
Painting Service		568			\$0	\$0
Miscellaneous & Contingencies		599			\$1,500	\$1,500
<b>Subtotal</b>					<b>\$71,500</b>	<b>\$71,500</b>

**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
<b>Subtotal</b>					<b>\$366,500</b>	<b>\$366,500</b>

**TOTAL WELL COST:** 1,964,730 5,462,860 7,427,590

**COMPANY APPROVAL**

NAME: **OGX RESOURCES LLC**  
By:   
Title: **Engineering Manager**  
Date: **4/11/11**

**PARTICIPANT APPROVAL**

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_

# OGX Resources LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 Fax (432) 686-7109

Certified Mail RRR #7011 0110 0001 3284 0643

May 17, 2011

Chesapeake Exploration LLC  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

Attn: Permian Land Manager

Re: Operating Agreement  
Copperhead Fee A #1H Well  
T-26-S, R-29-E, N.M.P.M.  
Section 30: Lots 2 thru 4  
Section 31: Lots 1 and 2  
Containing 183.57 acres of land  
Eddy County, New Mexico

Gentlemen:

By letter dated April 11, 2011, OGX Resources LLC ("OGX") proposed the drilling of the subject well to your company.

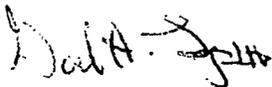
Enclosed herewith is an operating agreement dated May 1, 2011 covering the captioned lands naming OGX as operator and Chesapeake Exploration LLC, et al, as non-operators, which has been executed by OGX and prepared for your company's execution, along with an extra signature page.

Please review the enclosed agreement and if acceptable, execute the agreement and the extra signature page, after which, return the extra signature page to the undersigned along with the AFE sent to you by our April 11, 2011 letter.

If you need any further information, please contact the undersigned.

Sincerely,

OGX Resources LLC



Garland H. Lang III  
Land Manger

Enclosures

# OGXResources LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 Fax (432) 686-7109

Certified Mail #7011 0110 0001 3284 0711

April 11, 2011

Ms. Jo Beth Colvin Ware  
3605 Grandview  
Plainview, TX 79072

Re: Well Proposal  
Copperhead Fee A #1H Well  
T-26-S, R-29-E, N.M.P.M.  
Section 30: Lots 2 thru 4  
Section 31: Lots 1 and 2  
Containing 223.33 acres of land  
Eddy County, New Mexico

Dear Ms. Ware:

According to the records of Eddy County, New Mexico you own unleased minerals under Lots 1 and 2 and E/2NW/4 of Section 30, T-26-S, R-29-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FSL and 480' FWL of Section 31 and a bottom hole location of 1650' FNL and 330' FWL of Section 30, all in T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,200' then horizontally approximately 5,139' to the bottom hole location, for a total measured depth of approximately 12,339' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the Lots 2, 3, and 4 of Section 30 and Lots 1 and 2 of Section 31 or 183.57 acres of land.

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 Lots 1-4 of Section 30 and Lots 1 and 2 of Section 31, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Jo Beth Colvin Ware Well Proposal  
Copperhead Fee A #1H Well  
April 11, 2011  
Page 2

As to your mineral interest covering the Lots 1 and 2, E/2NW/4 of Section 30, T-26-S, R-29-E, N.M.P.M, being 6.25% (4.97375 net acres).

Term: Six (6) months  
Royalty: 20%  
Standard Lease Form  
Cash Consideration: \$300.00 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, or (2) lease your unleased minerals. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC



Hunter Kennedy  
Landman

Enclosures

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p><i>x Jo Beth Ware</i></p> <p>B. Received by (Printed Name) <input type="checkbox"/> C. Date of Delivery</p> <p><i>Jo Beth Ware</i> <i>m/ 4/14/11</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Jo Beth Colvin Ware 3605 Grandview Plainview, TX 79072</p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

2. Article Number (Transfer from service label) 7011 0110 0001 3284 0711

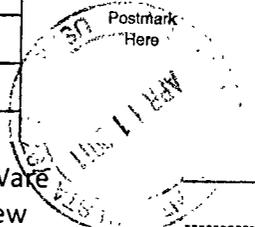
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

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

For delivery information, visit our website at [www.usps.com](http://www.usps.com)

OFFICIAL USE

Postage	\$
Certified Fee	<i>2.80</i>
Return Receipt Fee (Endorsement Required)	<i>2.30</i>
Restricted Delivery Fee (Endorsement Required)	<i>1.05</i>
Total Postage & Fees	<i>6.15</i>



Sent to: **Jo Beth Colvin Ware**  
3605 Grandview  
Plainview, TX 79072

PS Form 3811, February 2004 Instructions

7011 0110 0001 3284 0711

**OGX RESOURCES LLC**  
AUTHORIZATION FOR EXPENDITURE

DATE: 4/6/11

OGX AFE No.:  
AFE Title: **Avalon Horizontal**  
Well Name & No.: **COPPERHEAD FEE A #1H**

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

State: **NEW MEXICO**

Exploratory XX Development:  
Proposed Formation: **AVALON**  
Descriptor **SHL: 480'FSL & 480'FWL / SEC.31-T26S-R29E**  
**BHL: 1650' FNL & 330' FWL, SEC. 30, T26S, R29E**

Oil: **XX** GAS  
Proposed Depth: **7200 TVD / 12,339' MD**

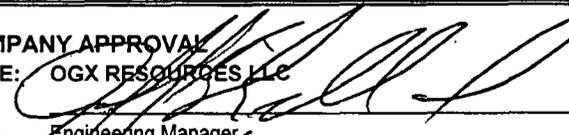
	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
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Mud Materials, Chemical & Water		475	\$65,000		\$175,000	\$240,000
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Stimulation		480	\$0		\$3,250,000	\$3,250,000
Formation Testing		482	\$0		\$32,000	\$32,000
Testing Tubular Goods		484	\$0		\$5,500	\$5,500
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Tool Rental <b>INCLUDES CLOSED MUD SYSTEM</b>		488	\$215,000			\$215,000
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Drilling Day Work <b>45 days</b>		490	\$630,000		\$37,500	\$667,500
Float Equipment		491	\$6,500		\$375,000	\$381,500
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Other Special Well Services		494	\$18,000		\$50,000	\$68,000
Contract Services & Equip		510	\$12,000		\$120,000	\$132,000
Directional Drilling		511	\$180,000		\$0	\$180,000
Completion Unit		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$140,000		\$0	\$140,000
Auto & Truck Expense		545	\$15,000		\$2,500	\$17,500
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Subtotal			\$1,845,180		\$4,662,360	\$6,507,540

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>DEVELOPMENTAL LWE "DRILLING"</b>						
Surface Casing <b>13 3/8 @ 450'</b>	727	441	\$16,750	727	\$0	\$16,750
Conductor Pipe		442	\$9,500		\$0	\$9,500
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X-Mas Tree		446	\$0		\$16,000	\$16,000
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Subtotal			\$119,550		\$362,500	\$482,050

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>ONSHORE FACILITIES</b>						
Location, Pits, Roads	745	472			\$35,000	\$35,000
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					\$71,500	\$71,500

	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:** 1,964,730 5,462,860 7,427,590

**COMPANY APPROVAL**  
NAME: **OGX RESOURCES LLC**  
By:   
Title: **Engineering Manager**  
Date: **4/11/11**

**PARTICIPANT APPROVAL**  
NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_

# OGXResources LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 Fax (432) 686-7109

**Certified Mail #7010 1870 0000 8950 4653**

May 10, 2011

Marshalyn R. McGahey  
c/o Patrick McGahey  
5400 Hopper Road  
Burleson, TX 76028

Re: Well Proposal  
Copperhead Fee A #1H Well  
T-26-S, R-29-E, N.M.P.M.  
Section 30: Lots 2 thru 4  
Section 31: Lots 1 and 2  
Containing 223.33 acres of land  
Eddy County, New Mexico

Dear Mr. McGahey:

According to the records of Eddy County, New Mexico, Mrs. McGahey owns unleased minerals under Lots 1 and 2 of Section 31, T-26-S, R-29-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FSL and 480' FWL of Section 31 and a bottom hole location of 1650' FNL and 330' FWL of Section 30, all in T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,200' then horizontally approximately 5,139' to the bottom hole location, for a total measured depth of approximately 12,339' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the Lots 2, 3, and 4 of Section 30 and Lots 1 and 2 of Section 31 or 183.57 acres of land.

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 Lots 1-4 of Section 30 and Lots 1 and 2 of Section 31, which will supersede all existing operating agreements, naming OGX as the Operator.

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

marshalynmcgaheycopperheadfeca#1hwellproposal\_051011

Marshalyn R. McGahey Well Proposal  
Copperhead Fee A #1H Well  
April 11, 2011  
Page 2

As to your mineral interest covering the Lots 1, 2, 3, NE/4NW/4, NW/4NE/4 of Section 31, T-26-S, R-29-E, N.M.P.M, being 5.555% (9.313333 net acres).

Term: Three (3) years  
Royalty: 20%  
Standard Lease Form  
Cash Consideration: \$700.00 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, or (2) lease your unleased minerals. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC



Hunter Kennedy  
Landman

Enclosures

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
1. Article Addressed to:  <p style="text-align: center;">Patrick McGahey 5400 Hopper Road Burleson, TX 76028</p>	B. Received by (Printed Name) C. Date of Delivery <p style="text-align: right;">5-13-11</p>
2. Article Number (Transfer from service label)	D. Is delivery address different from Item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No
	3. Service Type <input checked="" 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.
	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
7010	J000 8950 4653

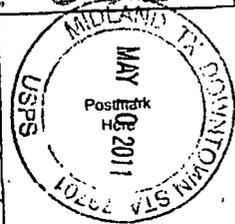
PS Form 3811, February 2004

Domestic Return Receipt

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 (Domestic Mail Only; No Insurance Coverage Provided)  
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Postage	\$ 6.23	
Certified Fee	2.30	
Return Receipt Fee (Endorsement Required)	2.85	
Restricted Delivery Fee (Endorsement Required)	3.15	
Total	14.53	

Sent To: Patrick McGahey  
 Street, or PO: 5400 Hopper Road  
 City, State, ZIP: Burleson, TX 76028

PS Form 3811, February 2004

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