

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

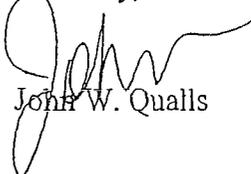
Gentlemen:

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Working Interest Unit (WIU) covering the Bone Spring formation, however this Working Interest Unit proposal has been rescinded.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

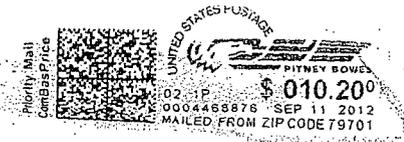
Oil Conservation Division
Case No. _____
Exhibit No. 2

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 \$ Ft.: Rate:	
106	Drig-Daywork Day x \$ Days: 33 Rate: 19000	627,000.00
106	Directional Services	230,000.00
113	Bits & Reamers	70,000.00
107	Cm/Hardware-Surface Ft.: 1525 Size: 9 5/8	25,000.00
108	Cm/Hardware-Intermediate Ft.: 7750 Size: 7	75,000.00
127	Cm/Hardware-Pres. String. Ft.: Size:	
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. Days: Rate:	
115	Engineering & Expenses Days: Rate:	
115	Supervision Days: 36 Rate: 1200	43,200.00
116	Mud Logging Days: 17 Rate: 1200	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 Days: Rate:	
123	Insurance & Bonds	2,500.00
125	P & A	30,000.00
128	Fuel Days: Rate:	128,000.00
126	Misc./Contingencies	150,000.00
	Sub-Intangibles Drig.	2,294,600.00
201	Casing - Surface Ft.: 300 Size: 13 3/8 \$/FT 62.00	18,600.00
202	Casing - Intermediate Ft.: 3000 Size: 9 5/8 \$/FT 31.20	93,600.00
204	Casing - Pres. String Ft.: 7950 Size: 7 \$/FT 26.50	210,675.00
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 Ft.: Size:	
324	Casing Crews	8,500.00
302	Anchor	1,200.00
303	Location	3,000.00
305	Completion Unit Days: 14 Rate: 3250	45,500.00
306	Logging/Perforating	25,000.00
306		
307	Slickline/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/Suprvison & Expenses Days: Rate: 1200	0.00
319	Trucking	85,000.00
320	Labor	100,000.00
321	Legal	8,000.00
322	Overhead Days: Rate:	
326	Misc./Contingencies 7%	58,394.00
	Sub-Intangible Completion.	1,852,094.00
402	Casing-Production Ft. 4500 Size 4.5 \$/FT 14.50	65,250.00
403	Casing/Tbg. Head	5,500.00
403	Wellhead	10,500.00
404	Tubing Ft. 7000 Size 2.88 \$/FT 7.25	50,750.00
405	Rods Ft. 7000 Size \$/Ft 7.2	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	Meter	4,200.00
415	Meter 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

10/24

NATA

1799

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: 9-73
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 <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <input type="checkbox"/> C. Date of Delivery</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:	
<p>INTERNATIONAL OIL & GAS CORP PO BOX 80288 DALLAS, TX 75240</p>	
2. Article Number (Transfer from service label)	7009 0820 0001 1992 6549
3. Service Type	<input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input checked="" 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

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
Certified Fee	2.95 TX
Return Receipt Fee (Endorsement Required)	2.35
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 11.46
Sent To Street, Apt. No., or PO Box No. INTERNATIONAL OIL & GAS CORP ION PO BOX 803288 City, State, ZIP+4 DALLAS, TX 75240	
USPS 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
 GREENSPOINT 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 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, ED 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

MIDLAND TX DOWNTOWN STA 79701
 OCT 16 2006
 USPS
 Postmark Here

Peace Keeper
 St Com #3H44H

Sent To: INTERNATIONAL OIL & GAS CORP
 Street, Apt. No., or PO Box No.: ATTN: MIKE HOOPER
 City, State, ZIP+4: 5501 LBJ FREEWAY, #900 DALLAS, TX 75240

PS Form 3800, August 2006 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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<p>1. Article Addressed to:</p> <p>INTERNATIONAL OIL & GAS CORP ATTN: MIKE HOOPER 5501 LBJ FREEWAY, #900 DALLAS, TX 75240</p>	<p>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.</p>
<p>2. Article Number (Transfer from service label) 7009 0820 0001 1992 6679</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

Peacekeeper 25 st com #3H44H