

# OGX Resources LLC

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

Certified Mail #7010 1870 0000 8950 4059

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  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
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' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

cog\_conchodiamondback22statecom#1hwellproposal\_020211

Oil Conservation Division  
Case No. 14638  
Exhibit No. 3

COG Operating LLC\CONCHO OIL & GAS LLC Well Proposal  
Diamondback "22" Fed Com #1H Well  
February 2, 2011  
Page 2

Term: One (1) year

Lands to be included: W $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , Section 22, T-26-S, R-28-E,  
N.M.P.M., Eddy County, New Mexico

Net Revenue to be delivered: 75%

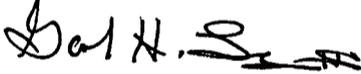
Continuous Development Provision: same as leases owned by Concho.

Cash Consideration: \$300.00 per net leasehold acre.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC



Garland H. Lang III  
Land Manager

Enclosures

**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**

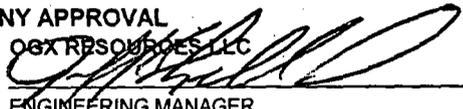
|   | MAJ | SUB | DRY HOLE    | MAJ | COMPLETION  | TOTAL       |
|---|-----|-----|-------------|-----|-------------|-------------|
| <b>DEVELOPMENTAL DRILLING:</b>                |     |     |             |     |             |             |
| Turnkey                                       | 725 | 470 | \$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 |

|   |     |     |           |     |           |           |
|---|-----|-----|-----------|-----|-----------|-----------|
| <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 |

|                               |     |     |  |  |          |          |
|-------------------------------|-----|-----|--|--|----------|----------|
| <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 |

|   |     |     |  |  |           |           |
|---|-----|-----|--|--|-----------|-----------|
| <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%: \_\_\_\_\_

7010 1870 0000 8950 4059

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| Certified Fee                                     | 2.80 |  |
| Return Receipt Fee<br>(Endorsement Required)      | 1.30 |  |
| Restricted Delivery Fee<br>(Endorsement Required) | 1.39 |  |
| Total Postage & Fees                              | 5.49 |  |

Postmark Here

Sent To: **COG Operating LLC**  
 Attn: **William Miller**  
 Street, Apt or PO Box: **2208 W. Main Street**  
 City, State: **Artesia, New Mexico 88210-3720**

PS Form 3811, February 2004

**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:

COG Operating LLC  
Attn: William Miller  
2208 W. Main Street  
Artesia, New Mexico 88210-3720

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  X   Agent

B. Received by (Printed Name)  Addresssee  
*William M. Miller*  Date of Delivery  
*2/3/11*

C. Date of Delivery  Yes  
*2/3/11*  No

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

**RECEIVED FEB 07 2011**

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)  
PS Form 3811, February 2004

7010 1870 0000 8950 4059

Domestic Return Receipt

102595-02-M-1540

# OGX Resources LLC

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

March 11, 2011

Certified Mail RRR#7010 1870 0000 8950 4233

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  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Gentlemen:

Please find enclosed an Operating Agreement dated March 1, 2011 covering the subject lands, which has been executed by OGX Resources LLC, along with an extra set of signature pages and four copies of the AFE for the subject well.

Please review the enclosed and if the acceptable, execute the agreement, the extra set of signature pages, and both copies of the AFE, after which return the signature page and one AFE for each company to our office. Upon receipt of signatures from all of the parties to the agreement, a complete copy will be sent to you.

We plan to begin drilling operations on the subject well on or before May 28, 2011; therefore, please return the signature page, AFE, and your well information requirement sheet as soon as possible. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III  
Land Manager

Enclosures

**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    |
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| 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 |

**DEVELOPMENTAL LWE "DRILLING"**

|   |     |     |           |     |           |           |
|---|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing <b>13 3/8 @ 425'</b>       | 727 | 441 | \$16,750  | 727 | \$0       | \$16,750  |
| Conductor Pipe                            |     | 442 | \$9,500   |     | \$0       | \$9,500   |
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| 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 |

**ONSHORE FACILITIES**

|                               |     |     |  |  |          |          |
|-------------------------------|-----|-----|--|--|----------|----------|
| Location, Pits, Roads         | 745 | 472 |  |  | \$45,000 | \$45,000 |
| Contract Services & Equip     |     | 510 |  |  | \$25,000 | \$25,000 |
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| Welding Services              |     | 566 |  |  | \$7,500  | \$7,500  |
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| Painting Service              |     | 568 |  |  | \$0      | \$0      |
| Miscellaneous & Contingencies |     | 599 |  |  | \$1,500  | \$1,500  |
| Subtotal                      |     |     |  |  | \$84,500 | \$84,500 |

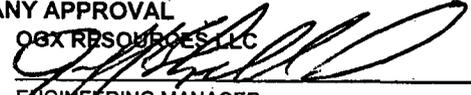
**ONSHORE FACILITIES**

|   |     |     |  |  |           |           |
|---|-----|-----|--|--|-----------|-----------|
| 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:**

1,383,690                      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%: \_\_\_\_\_

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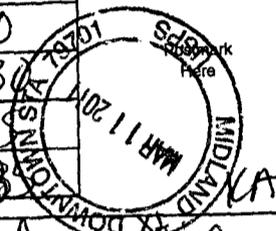
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**OFFICIAL USE**

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|---|--------|
| Postage   | \$     |
| Certified Fee                                     | 2.80   |
| Return Receipt Fee<br>(Endorsement Required)      | 2.30   |
| Restricted Delivery Fee<br>(Endorsement Required) | 2.60   |
| Total Postage & Fees                              | \$7.80 |

Sent to: **COG Operating & Concho O&G**  
 Street, Apt. No., or PO Box No.: **2208 W. Main St.**  
 City, State, ZIP+4: **Artesia, NM 88210**

PS Form 3800, August 2006. See Reverse for Instructions



| 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<br/> <i>Salman Wilkins</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)<br/> <i>Salman Wilkins</i></p> <p>C. Date of Delivery<br/> <i>3/14/11</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br/>         If YES, enter delivery address below:</p> |
| <p>1. Article Addressed to:</p> <p><b>COG Operating LLC<br/>         &amp;<br/>         Concho Oil &amp; Gas LLC<br/>         2208 W. Main St.<br/>         Artesia, NM 88210</b></p>  | <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>  |
| <p>2. Article Number<br/>         (Transfer from service label)</p> <p><b>7010 1870 0000 8950 4233</b></p>   | <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>   |

file

NM042-012W

# OGX Resources LLC

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

Certified Mail #7010 1870 0000 8950 4110

February 7, 2011

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

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, 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:

Trey Fowlkes Well Proposal  
Diamondback "22" State Com #1H Well  
February 7, 2011  
Page 2

A. As to your mineral interest covering the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.125% (1.25 net acres).

Term: Six (6) months  
Royalty: 22%  
Standard Lease Form  
Cash Consideration: \$400.00 per net mineral acre.

OR

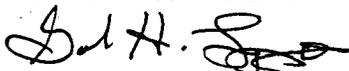
B. As to your mineral interest covering all of your open acreage (see attached).

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,

OGX Resources LLC



Garland H. Lang III  
Land Manager

Enclosures



| Land Description | Fowlkes       |                     |                    |                    | Christine       |                 | Trey    |              | Janet Renee |         | Total |
|------------------|---------------|---------------------|--------------------|--------------------|-----------------|-----------------|---------|--------------|-------------|---------|-------|
|                  | Gross Acreage | Family Mineral Int. | Frank Blow Fowlkes | Frank Blow Fowlkes | Speidel Fowlkes | Speidel Fowlkes | Fowlkes | Trey Fowlkes | Fowlkes     | Fowlkes |       |

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

|   |               |     |      |              |      |              |      |              |      |              |      |               |
|---|---------------|-----|------|--------------|------|--------------|------|--------------|------|--------------|------|---------------|
| Sec. 21: S/2SE/4                        | 80.00         | 1/2 | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50          |
| Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4     | 200.00        | 1/2 | 1/16 | 12.50        | 1/16 | 12.50        | 1/32 | 6.25         | 1/32 | 6.25         | 1/32 | 6.25          |
| Sec. 28: S/2NW/4                        | 80.00         | 1/2 | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50          |
| Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4    | 180.00        | 1/2 | 1/16 | 10.00        | 1/16 | 10.00        | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00          |
| Sec. 32: NE/4NE/4                       | 40.00         | 1/2 | 1/16 | 2.50         | 1/16 | 2.50         | 1/32 | 1.25         | 1/32 | 1.25         | 1/32 | 1.25          |
| Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1) | 63.79         | 1/2 | 1/16 | 3.99         | 1/16 | 3.99         | 1/32 | 1.99         | 1/32 | 1.99         | 1/32 | 1.99          |
| <b>Total</b>                            | <b>623.79</b> |     |      | <b>38.99</b> |      | <b>38.99</b> |      | <b>19.49</b> |      | <b>19.49</b> |      | <b>116.96</b> |

**Lease No. 2**

Lease MI% 38.99

Lease MI% 38.99

Lease MI% 19.49

Lease MI% 18.7500%

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

|  |        |     |      |       |      |       |      |       |      |       |      |       |
|--|--------|-----|------|-------|------|-------|------|-------|------|-------|------|-------|
| Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4 | 320.00 | 1/2 | 1/16 | 20.00 | 1/16 | 20.00 | 1/32 | 10.00 | 1/32 | 10.00 | 1/32 | 10.00 |
| Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4         | 180.00 | 1/2 | 1/16 | 10.00 | 1/16 | 10.00 | 1/32 | 5.00  | 1/32 | 5.00  | 1/32 | 5.00  |
| Sec. 24: SW/4NE/4, N/2SE/4                   | 120.00 | 1/4 | 1/32 | 3.75  | 1/32 | 3.75  | 1/64 | 1.88  | 1/64 | 1.88  | 1/64 | 1.88  |

**T-26-S-R-29-E, N.M.P.M**

|                               |               |     |      |              |      |              |      |              |      |              |      |               |
|-------------------------------|---------------|-----|------|--------------|------|--------------|------|--------------|------|--------------|------|---------------|
| Sec. 19: Lots 2-3-4 & E/2NW/4 | 199.93        | 1/4 | 1/32 | 6.25         | 1/32 | 6.25         | 1/64 | 3.124        | 1/64 | 3.124        | 1/64 | 3.124         |
| <b>Total</b>                  | <b>799.93</b> |     |      | <b>40.00</b> |      | <b>40.00</b> |      | <b>20.00</b> |      | <b>20.00</b> |      | <b>119.99</b> |

Lease MI% 40.00

Lease MI% 40.00

Lease MI% 20.00

Lease MI% 15.00%

**Lease No. 3**

**T-26-S-R-29-E, N.M.P.M**

|                 |              |     |      |             |      |             |      |             |      |             |      |              |
|-----------------|--------------|-----|------|-------------|------|-------------|------|-------------|------|-------------|------|--------------|
| Sec. 7: S/2NE/4 | 80.00        | 1/2 | 1/16 | 5.00        | 1/16 | 5.00        | 1/32 | 2.50        | 1/32 | 2.50        | 1/32 | 2.50         |
| <b>Total</b>    | <b>80.00</b> |     |      | <b>5.00</b> |      | <b>5.00</b> |      | <b>2.50</b> |      | <b>2.50</b> |      | <b>15.00</b> |

Lease MI% 5.00

Lease MI% 5.00

Lease MI% 2.50

Lease MI% 18.75%

Total all 3 leases 1503.72

**Bonus Consideration**

| Net Acres    | Bonus @\$2000/ac    |
|--------------|---------------------|
| 83.98        | \$167,960.00        |
| 83.98        | \$167,960.00        |
| 41.99        | \$83,980.00         |
| 41.99        | \$83,980.00         |
| <b>Total</b> | <b>\$503,880.00</b> |

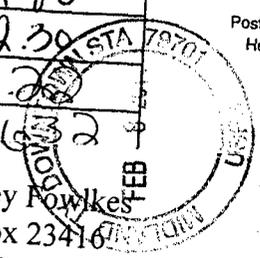
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**OFFICIAL USE**

7010 1870 0000 8950 4110

|   |           |             |
|---|-----------|-------------|
| Postage   | \$        |             |
| Certified Fee                                     |           | 2.80        |
| Return Receipt Fee<br>(Endorsement Required)      |           | 2.30        |
| Restricted Delivery Fee<br>(Endorsement Required) |           | 1.20        |
| <b>Total Postage &amp; Fees</b>                   | <b>\$</b> | <b>6.30</b> |



Postmark Here

KA

for Instructions

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

PS Form 3800

**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:

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

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  Addressee

B. Received by (Printed Name) C. Date of Delivery

Trey Fowlkes

D. Is delivery address different from item 1?  Yes  No  
 If YES, enter delivery address below.

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 1870 0000 8950 4110

# OGX Resources LLC

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

Certified Mail #7010 1870 0000 8950 4639

March 17, 2011

Russell Family LLC  
15711 Charles Street  
Omaha, Nebraska 68118-2333

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Gentlemen:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well, along with a land plat and Form C-102 showing the proposed well location.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, 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:

Russell Family LLC Well Proposal  
Diamondback "22" State Com #1H Well  
March 17, 2011  
Page 2

A. As to your unleased mineral interest covering the SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 1.55% (.62 net acre).

Term: Six (6) months  
Royalty: 25%  
Standard Lease Form  
Cash Consideration: \$133.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage

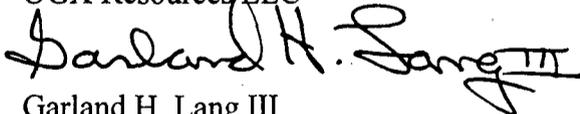
Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,  
Section 13: N/2 NW/4; and SW/4 NW/4  
Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,  
Section 22: SW/4 NE/4; and SE/4 NW/4  
T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of land,  
more or less

Term: Three (3) years  
Royalty: 25%  
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: \$800.00 per net mineral acre.  
Total Bonus if this offer is excepted: 1.55% X 1560 =24.18 net acres X \$800.00 per acre = \$19,344.00

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

Enclosures

**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 | \$85,000    |     | \$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 DOWNHOLE                   |     | 488 | \$40,000    |     | \$3,500     | \$43,500    |
| Tool Rental INCLUDES CLOSED MUD SYSTEM |     | 488 | \$162,500   |     |             | \$162,500   |
| Drilling Footage                       |     | 489 | \$0         |     | \$0         | \$0         |
| Drilling Day Work 24 days              |     | 490 | \$262,500   |     | \$37,500    | \$300,000   |
| Float Equipment                        |     | 491 | \$6,500     |     | \$15,000    | \$21,500    |
| Bits, Core Barrels, 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 60 @ 1200          |     | 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 |

| <b>DEVELOPMENTAL LWE "DRILLING"</b> |     |     |           |     |           |           |
|-------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing 13 3/8 @ 425'        | 727 | 441 | \$16,750  | 727 | \$0       | \$16,750  |
| Conductor Pipe                      |     | 442 | \$9,500   |     | \$0       | \$9,500   |
| Intermediate Casing 8 5/8" @ 2525'  |     | 443 | \$58,300  |     | \$0       | \$58,300  |
| Production Casing 5 1/2" @ 11,450'  |     | 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 |

| <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 |

| <b>ONSHORE FACILITIES</b>                 |     |     |  |  |           |           |
|---|-----|-----|--|--|-----------|-----------|
| Misc Valves & Fittings                    | 746 | 153 |  |  | \$35,000  | \$35,000  |
| Corrosion of 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:** 1,363,690 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%: \_\_\_\_\_

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|  |                 |   |
|--|-----------------|---|
| Postage  | \$ 2.80         |  |
| Certified Fee                                  | 2.00            |   |
| Return Receipt Fee (Endorsement Required)      | 1.05            |   |
| Restricted Delivery Fee (Endorsement Required) |                 |   |
| <b>Total Postage &amp; Fees</b>                | <b>\$ 10.85</b> |   |

Sent To: Russell Family LLC  
 Street, Apt. No.: 15711 Charles Street  
 or PO Box No. \_\_\_\_\_  
 City, State, ZIP+4: Omaha Nebraska 68118

PS 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:  
Russell Family LLC  
15711 Charles Street  
Omaha, Nebraska  
68118-3333

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
Xatherine Adkins  Addressee

B. Received by (Printed Name)  Agent  
Xatherine Adkins  Addressee

C. Date of Delivery  Yes  
3-24-11  No

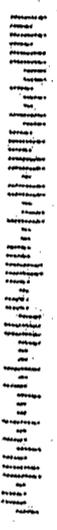
D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

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

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number 7010 1870 0000 8950 4639  
 (Transfer from service label)

PS Form 595-02-M-1540



# OGXResources LLC

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

Certified Mail #7010 1870 0000 8950 4295

March 17, 2011

Ms. Ellen M. Ryan  
5300 Mohawk Lane  
Shawnee Mission, Kansas 66205

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Ms. Ryan:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well, along with a land plat and Form C-102 showing the proposed well location.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, 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:

Ellen M. Ryan Well Proposal  
Diamondback "22" State Com #1H Well  
March 17, 2011  
Page 2

A. As to your unleased mineral interest covering the SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.26% (1.304 net acres).

Term: Six (6) months  
Royalty: 25%  
Standard Lease Form  
Cash Consideration: \$133.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage

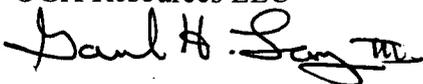
Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,  
Section 13: N/2 NW/4; and SW/4 NW/4  
Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,  
Section 22: SW/4 NE/4; and SE/4 NW/4  
T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of land,  
more or less

Term: Three (3) years  
Royalty: 25%  
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: \$800.00 per net mineral acre.  
Total Bonus if this offer is excepted: 3.26% X 1560 = 50.856 net acres X \$800.00 per acre = \$40,684.80

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

Enclosures

**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 DOWNHOLE                   |     | 488 | \$40,000    |     | \$3,500     | \$43,500    |
| Tool Rental INCLUDES CLOSED MUD SYSTEM |     | 488 | \$162,500   |     |             | \$162,500   |
| Drilling Footage                       |     | 489 | \$0         |     | \$0         | \$0         |
| Drilling Day Work 24 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 | \$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 60 @ 1200          |     | 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 |

|                                     |     |     |           |     |           |           |
|-------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| <b>DEVELOPMENTAL LWE "DRILLING"</b> |     |     |           |     |           |           |
| Surface Casing 13 3/8 @ 425'        | 727 | 441 | \$16,750  | 727 | \$0       | \$16,750  |
| Conductor Pipe                      |     | 442 | \$9,500   |     | \$0       | \$9,500   |
| Intermediate Casing 8 5/8" @ 2525'  |     | 443 | \$58,300  |     | \$0       | \$58,300  |
| Production Casing 5 1/2" @ 11,450'  |     | 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 |

|                               |     |     |  |  |          |          |
|-------------------------------|-----|-----|--|--|----------|----------|
| <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 |

|   |     |     |  |  |           |           |
|---|-----|-----|--|--|-----------|-----------|
| <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%: \_\_\_\_\_

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  | \$       |  |
| Certified Fee                                  | 2.85     |  |
| Return Receipt Fee (Endorsement Required)      |          |  |
| Restricted Delivery Fee (Endorsement Required) |          |  |
| Total Postage & Fees                           | \$ 10.15 |  |

Sent To: **Ellen M. Ryan**  
 Street, Apt. No., or PO Box No.: **5300 Mohawk Lane**  
 City, State, ZIP+4: **Shawnee Mission KS. 66205**

PS Form 3800, August 2006 See Reverse for Instructions

7010 1870 0000 8950 4295

| 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>B. Received by (Printed Name) _____ Date of Delivery _____</p> <p>C. Is delivery address different from item _____? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br/>         If YES, enter delivery address below: _____</p> <p>Ellen M.</p> |
| <p>1. Article Addressed to:</p> <p>Ellen M. Ryan<br/>         5300 Mohawk Lane<br/>         Shawnee Mission, KS.<br/>         66205</p>  | <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>   |
| <p>2. Article Number (Transfer from service label)</p> <p>7010 1870 0000 8950 4295</p>   | <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>  |

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

# OGX Resources LLC

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

Certified Mail #7010 1870 0000 8950 4189

February 15, 2011

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

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, 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:

Frank Blow Fowlkes Well Proposal  
Diamondback "22" State Com #1H Well  
February 15, 2011  
Page 2

A. As to your mineral interest covering the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 6.25% (2.5 net acres).

Term: Six (6) months  
Royalty: 22%  
Standard Lease Form  
Cash Consideration: \$400.00 per net mineral acre.

OR

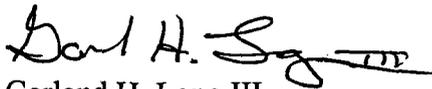
B. As to your mineral interest covering all of your open acreage (see attached)

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,

OGX Resources LLC



Garland H. Lang III  
Land Manager

Enclosures

**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**

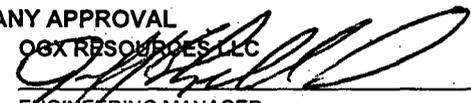
|   | MAJ | SUB | DRY HOLE           | MAJ | COMPLETION         | TOTAL              |
|---|-----|-----|--------------------|-----|--------------------|--------------------|
| <b>DEVELOPMENTAL DRILLING:</b>                |     |     |                    |     |                    |                    |
| 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          |
| <b>Subtotal</b>                               |     |     | <b>\$1,264,140</b> |     | <b>\$2,923,560</b> | <b>\$4,187,700</b> |

|   |     |     |                  |     |                  |                  |
|---|-----|-----|------------------|-----|------------------|------------------|
| <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          |
| <b>Subtotal</b>                           |     |     | <b>\$119,550</b> |     | <b>\$332,500</b> | <b>\$452,050</b> |

|                               |     |     |  |  |                 |                 |
|-------------------------------|-----|-----|--|--|-----------------|-----------------|
| <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         |
| <b>Subtotal</b>               |     |     |  |  | <b>\$84,500</b> | <b>\$84,500</b> |

|   |     |     |  |  |                  |                  |
|---|-----|-----|--|--|------------------|------------------|
| <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         |
| <b>Subtotal</b>                           |     |     |  |  | <b>\$366,500</b> | <b>\$366,500</b> |

**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%: \_\_\_\_\_

| Land Description<br>Lease No. 1         | Fowlkes Family |              | Frank Blow |           | Christine Speidel |           | Trey Fowlkes |           | Janet Renee Fowlkes |           | Janet Renee Fowlkes Murrey |           | Total Net |
|---|----------------|--------------|------------|-----------|-------------------|-----------|--------------|-----------|---------------------|-----------|----------------------------|-----------|-----------|
|   | Gross Acreage  | Mineral Int. | Fowlkes    | Blow      | Speidel           | Fowlkes   | Fowlkes      | Murrey    | Fowlkes             | Murrey    | Fowlkes                    | Murrey    |           |
| T-26-S, R-28-E, N.M.P.M.                |                |              |            |           |                   |           |              |           |                     |           |                            |           |           |
| Sec. 21: S/2SE/4                        | 80.00          | 1/2          | 1/16       | 5.00      | 1/16              | 5.00      | 1/32         | 2.50      | 1/32                | 2.50      | 1/32                       | 2.50      |           |
| Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4     | 200.00         | 1/2          | 1/16       | 12.50     | 1/16              | 12.50     | 1/32         | 6.25      | 1/32                | 6.25      | 1/32                       | 6.25      |           |
| Sec. 28: S/2NW/4                        | 80.00          | 1/2          | 1/16       | 5.00      | 1/16              | 5.00      | 1/32         | 2.50      | 1/32                | 2.50      | 1/32                       | 2.50      |           |
| Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4    | 160.00         | 1/2          | 1/16       | 10.00     | 1/16              | 10.00     | 1/32         | 5.00      | 1/32                | 5.00      | 1/32                       | 5.00      |           |
| Sec. 32: NE/4NE/4                       | 40.00          | 1/2          | 1/16       | 2.50      | 1/16              | 2.50      | 1/32         | 1.25      | 1/32                | 1.25      | 1/32                       | 1.25      |           |
| Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1) | 63.79          | 1/2          | 1/16       | 3.99      | 1/16              | 3.99      | 1/32         | 1.99      | 1/32                | 1.99      | 1/32                       | 1.99      |           |
| Total                                   | 623.79         |              |            | 38.99     |                   | 38.99     |              | 19.49     |                     | 19.49     |                            | 19.49     | 116.96    |
| Lease No. 2                             |                |              |            | Lease Mf% |                   | Lease Mf% |              | Lease Mf% |                     | Lease Mf% |                            | Lease Mf% | 18.7500%  |

| Land Description<br>Lease No. 2              | Fowlkes Family |              | Frank Blow |           | Christine Speidel |           | Trey Fowlkes |           | Janet Renee Fowlkes |           | Janet Renee Fowlkes Murrey |           | Total Net |
|--|----------------|--------------|------------|-----------|-------------------|-----------|--------------|-----------|---------------------|-----------|----------------------------|-----------|-----------|
|  | Gross Acreage  | Mineral Int. | Fowlkes    | Blow      | Speidel           | Fowlkes   | Fowlkes      | Murrey    | Fowlkes             | Murrey    | Fowlkes                    | Murrey    |           |
| T-26-S, R-28-E, N.M.P.M.                     |                |              |            |           |                   |           |              |           |                     |           |                            |           |           |
| Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4 | 320.00         | 1/2          | 1/16       | 20.00     | 1/16              | 20.00     | 1/32         | 10.00     | 1/32                | 10.00     | 1/32                       | 10.00     |           |
| Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4         | 160.00         | 1/2          | 1/16       | 10.00     | 1/16              | 10.00     | 1/32         | 5.00      | 1/32                | 5.00      | 1/32                       | 5.00      |           |
| Sec. 24: SW/4NE/4, N/2SE/4                   | 120.00         | 1/4          | 1/32       | 3.75      | 1/32              | 3.75      | 1/64         | 1.88      | 1/64                | 1.88      | 1/64                       | 1.88      |           |
| T-26-S, R-29-E, N.M.P.M.                     |                |              |            |           |                   |           |              |           |                     |           |                            |           |           |
| Sec. 19: Lots 2-3-4 & E/2NW/4                | 199.93         | 1/4          | 1/32       | 6.25      | 1/32              | 6.25      | 1/64         | 3.124     | 1/64                | 3.124     | 1/64                       | 3.124     |           |
| Total  | 799.93         |              |            | 40.00     |                   | 40.00     |              | 20.00     |                     | 20.00     |                            | 20.00     | 119.99    |
| Lease No. 3                                  |                |              |            | Lease Mf% |                   | Lease Mf% |              | Lease Mf% |                     | Lease Mf% |                            | Lease Mf% | 15.000%   |

| Land Description<br>Lease No. 3 | Fowlkes Family |              | Frank Blow |           | Christine Speidel |           | Trey Fowlkes |           | Janet Renee Fowlkes |           | Janet Renee Fowlkes Murrey |           | Total Net |
|---------------------------------|----------------|--------------|------------|-----------|-------------------|-----------|--------------|-----------|---------------------|-----------|----------------------------|-----------|-----------|
|                                 | Gross Acreage  | Mineral Int. | Fowlkes    | Blow      | Speidel           | Fowlkes   | Fowlkes      | Murrey    | Fowlkes             | Murrey    | Fowlkes                    | Murrey    |           |
| T-26-S, R-29-E, N.M.P.M.        |                |              |            |           |                   |           |              |           |                     |           |                            |           |           |
| Sec. 7: S/2NE/4                 | 80.00          | 1/2          | 1/16       | 5.00      | 1/16              | 5.00      | 1/32         | 2.50      | 1/32                | 2.50      | 1/32                       | 2.50      |           |
| Total                           | 80.00          |              |            | 5.00      |                   | 5.00      |              | 2.50      |                     | 2.50      |                            | 2.50      | 15.00     |
| Total all 3 leases              | 1503.72        |              |            | 83.98     |                   | 83.98     |              | 41.99     |                     | 41.99     |                            | 41.99     | 83.98     |
| Lease No. 3                     |                |              |            | Lease Mf% |                   | Lease Mf% |              | Lease Mf% |                     | Lease Mf% |                            | Lease Mf% | 18.75%    |

| Net Acres | Bonus @\$2000/acre |
|-----------|--------------------|
| 83.98     | \$167,960.00       |
| 83.98     | \$167,960.00       |
| 41.99     | \$83,980.00        |
| 41.99     | \$83,980.00        |
| 251.94    | \$503,880.00       |

| Bonus Consideration        |
|----------------------------|
| Frank Blow Fowlkes         |
| Christine Speidel Fowlkes  |
| Trey Fowlkes               |
| Janet Renee Fowlkes Murrey |
| Total                      |

| Land Description                         | Fowlkes        |              | Christine Speidel  |                           | Christine Speidel Fowlkes |                    | Trey Fowlkes |              | Janet Renee Fowlkes Murrey |                            | Total Net |               |
|--|----------------|--------------|--------------------|---------------------------|---------------------------|--------------------|--------------|--------------|----------------------------|----------------------------|-----------|---------------|
|  | Gross Acreage  | Mineral Int. | Frank Blow Fowlkes | Christine Speidel Fowlkes | Christine Speidel Fowlkes | Frank Blow Fowlkes | Trey Fowlkes | Trey Fowlkes | Janet Renee Fowlkes Murrey | Janet Renee Fowlkes Murrey | Fowlkes   | Murrey        |
| <b>Lease No. 1</b>                       |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| <b>T-26-S. R-28-E. N.M.P.M</b>           |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| Sec. 21: S2SE/4                          | 80.00          | 1/2          | 1/16               | 1/16                      | 5.00                      | 1/16               | 1/32         | 2.50         | 1/32                       | 2.50                       | 1/32      | 2.50          |
| Sec. 22: W2SW/4, NE4SW/4, N2SE/4         | 200.00         | 1/2          | 1/16               | 1/16                      | 12.50                     | 1/16               | 1/32         | 6.25         | 1/32                       | 6.25                       | 1/32      | 6.25          |
| Sec. 28: S2NW/4                          | 80.00          | 1/2          | 1/16               | 1/16                      | 5.00                      | 1/16               | 1/32         | 2.50         | 1/32                       | 2.50                       | 1/32      | 2.50          |
| Sec. 29: E2SE/4, NW4SE/4, SB4NE/4        | 160.00         | 1/2          | 1/16               | 1/16                      | 10.00                     | 1/16               | 1/32         | 5.00         | 1/32                       | 5.00                       | 1/32      | 5.00          |
| Sec. 32: NE4NE/4                         | 40.00          | 1/2          | 1/16               | 1/16                      | 2.50                      | 1/16               | 1/32         | 1.25         | 1/32                       | 1.25                       | 1/32      | 1.25          |
| Sec. 33: W2NW/4 (aka NW4NW/4 + Lot 1)    | 63.79          | 1/2          | 1/16               | 1/16                      | 3.89                      | 1/16               | 1/32         | 1.99         | 1/32                       | 1.99                       | 1/32      | 1.99          |
| <b>Total</b>                             | <b>623.79</b>  |              |                    |                           | <b>38.99</b>              |                    |              | <b>19.49</b> |                            | <b>19.49</b>               |           | <b>116.96</b> |
| <b>Lease No. 2</b>                       |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| <b>T-26-S. R-28-E. N.M.P.M</b>           |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| Sec. 23: E2E/2, SW4SE/4, SE4SW/4, N2SW/4 | 320.00         | 1/2          | 1/16               | 1/16                      | 20.00                     | 1/16               | 1/32         | 10.00        | 1/32                       | 10.00                      | 1/32      | 10.00         |
| Sec. 24: N2NW/4, NW4NE/4, SE4SE/4        | 160.00         | 1/2          | 1/16               | 1/16                      | 10.00                     | 1/16               | 1/32         | 5.00         | 1/32                       | 5.00                       | 1/32      | 5.00          |
| Sec. 24: SW4NE/4, N2SE/4                 | 120.00         | 1/4          | 1/32               | 1/32                      | 3.75                      | 1/32               | 1/64         | 1.88         | 1/64                       | 1.88                       | 1/64      | 1.88          |
| <b>Total</b>                             | <b>199.83</b>  |              |                    |                           | <b>6.25</b>               |                    |              | <b>3.124</b> |                            | <b>3.124</b>               |           | <b>3.124</b>  |
| <b>Lease No. 3</b>                       |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| <b>T-26-S. R-29-E. N.M.P.M</b>           |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| Sec. 19: Lots 2-3-4 & E2NW/4             | 799.93         | 1/4          | 1/32               | 1/32                      | 40.00                     | 1/32               | 1/64         | 20.00        | 1/64                       | 20.00                      | 1/64      | 20.00         |
| <b>Total</b>                             | <b>1503.72</b> |              |                    |                           | <b>83.98</b>              |                    |              | <b>41.99</b> |                            | <b>41.99</b>               |           | <b>83.98</b>  |

| Land Description                         | Fowlkes        |              | Christine Speidel  |                           | Christine Speidel Fowlkes |                    | Trey Fowlkes |              | Janet Renee Fowlkes Murrey |                            | Total Net |               |
|--|----------------|--------------|--------------------|---------------------------|---------------------------|--------------------|--------------|--------------|----------------------------|----------------------------|-----------|---------------|
|  | Gross Acreage  | Mineral Int. | Frank Blow Fowlkes | Christine Speidel Fowlkes | Christine Speidel Fowlkes | Frank Blow Fowlkes | Trey Fowlkes | Trey Fowlkes | Janet Renee Fowlkes Murrey | Janet Renee Fowlkes Murrey | Fowlkes   | Murrey        |
| <b>Lease No. 1</b>                       |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| <b>T-26-S. R-28-E. N.M.P.M</b>           |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| Sec. 21: S2SE/4                          | 80.00          | 1/2          | 1/16               | 1/16                      | 5.00                      | 1/16               | 1/32         | 2.50         | 1/32                       | 2.50                       | 1/32      | 2.50          |
| Sec. 22: W2SW/4, NE4SW/4, N2SE/4         | 200.00         | 1/2          | 1/16               | 1/16                      | 12.50                     | 1/16               | 1/32         | 6.25         | 1/32                       | 6.25                       | 1/32      | 6.25          |
| Sec. 28: S2NW/4                          | 80.00          | 1/2          | 1/16               | 1/16                      | 5.00                      | 1/16               | 1/32         | 2.50         | 1/32                       | 2.50                       | 1/32      | 2.50          |
| Sec. 29: E2SE/4, NW4SE/4, SB4NE/4        | 160.00         | 1/2          | 1/16               | 1/16                      | 10.00                     | 1/16               | 1/32         | 5.00         | 1/32                       | 5.00                       | 1/32      | 5.00          |
| Sec. 32: NE4NE/4                         | 40.00          | 1/2          | 1/16               | 1/16                      | 2.50                      | 1/16               | 1/32         | 1.25         | 1/32                       | 1.25                       | 1/32      | 1.25          |
| Sec. 33: W2NW/4 (aka NW4NW/4 + Lot 1)    | 63.79          | 1/2          | 1/16               | 1/16                      | 3.89                      | 1/16               | 1/32         | 1.99         | 1/32                       | 1.99                       | 1/32      | 1.99          |
| <b>Total</b>                             | <b>623.79</b>  |              |                    |                           | <b>38.99</b>              |                    |              | <b>19.49</b> |                            | <b>19.49</b>               |           | <b>116.96</b> |
| <b>Lease No. 2</b>                       |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| <b>T-26-S. R-28-E. N.M.P.M</b>           |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| Sec. 23: E2E/2, SW4SE/4, SE4SW/4, N2SW/4 | 320.00         | 1/2          | 1/16               | 1/16                      | 20.00                     | 1/16               | 1/32         | 10.00        | 1/32                       | 10.00                      | 1/32      | 10.00         |
| Sec. 24: N2NW/4, NW4NE/4, SE4SE/4        | 160.00         | 1/2          | 1/16               | 1/16                      | 10.00                     | 1/16               | 1/32         | 5.00         | 1/32                       | 5.00                       | 1/32      | 5.00          |
| Sec. 24: SW4NE/4, N2SE/4                 | 120.00         | 1/4          | 1/32               | 1/32                      | 3.75                      | 1/32               | 1/64         | 1.88         | 1/64                       | 1.88                       | 1/64      | 1.88          |
| <b>Total</b>                             | <b>199.83</b>  |              |                    |                           | <b>6.25</b>               |                    |              | <b>3.124</b> |                            | <b>3.124</b>               |           | <b>3.124</b>  |
| <b>Lease No. 3</b>                       |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| <b>T-26-S. R-29-E. N.M.P.M</b>           |                |              |                    |                           |                           |                    |              |              |                            |                            |           |               |
| Sec. 19: Lots 2-3-4 & E2NW/4             | 799.93         | 1/4          | 1/32               | 1/32                      | 40.00                     | 1/32               | 1/64         | 20.00        | 1/64                       | 20.00                      | 1/64      | 20.00         |
| <b>Total</b>                             | <b>1503.72</b> |              |                    |                           | <b>83.98</b>              |                    |              | <b>41.99</b> |                            | <b>41.99</b>               |           | <b>83.98</b>  |

| Bonus Consideration        | Net Acres     | Bonus @ \$2000/ac   |
|----------------------------|---------------|---------------------|
| Frank Blow Fowlkes         | 83.98         | \$167,960.00        |
| Christine Speidel Fowlkes  | 83.98         | \$167,960.00        |
| Trey Fowlkes               | 41.99         | \$83,980.00         |
| Janet Renee Fowlkes Murrey | 41.99         | \$83,980.00         |
| <b>Total</b>               | <b>251.94</b> | <b>\$503,880.00</b> |

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| Total Postage & Fees \$                        |  |



Sent to  
 Mr. Frank Blow Fowlkes  
 Street, Apt. No.: 316 Granda Ave.  
 or PO Box No.  
 City, State, ZIP+4 El Paso, Texas 79912

PS Form 3800, August 2006 See Reverse for Instructions

7010 1870 0000 8950 4189

|   |  |   |  |
|---|--|---|--|
| <b>SENDER: COMPLETE THIS SECTION</b>  |  | <b>COMPLETE THIS SECTION ON DELIVERY</b>  |  |
| 1. Article Addressed to:<br><br>Mr. Frank Blow Fowlkes<br>316 Granda Ave.<br>El Paso, Texas 79912 |  | A. Signature <input checked="" type="checkbox"/> Agent<br>B. Received by (Printed Name) <input checked="" type="checkbox"/> Addressee<br>Frank Blow Fowlkes 2-18-11<br>C. Date of Delivery<br>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br>If YES, enter delivery address below: <input type="checkbox"/> No           |  |
| 2. Article Number (Transfer from service label)<br>7010 1870 0000 8950 4189                       |  | 3. Service Type<br><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.<br>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes |  |
| PS Form 3811, February 2004<br>Mombay 24 Feb 11   |  | Domestic Return Receipt<br>Tecolote Peak 102595-02-M-1540   |  |

# OGX Resources LLC

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

Certified Mail #7010 1870 0000 8950 4080

February 7, 2011

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

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Mr. and Ms. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event either or both of you do not wish 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  
Diamondback "22" State Com #1H Well  
February 7, 2011  
Page 2

A. As to your mineral interest covering the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 6.25% (2.5 net acres).

Term: Six (6) months  
Royalty: 22%  
Standard Lease Form  
Cash Consideration: \$400.00 per net mineral acre.

OR

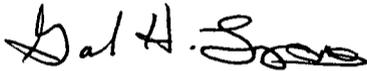
B. As to your mineral interest covering all of your open acreage (see attached)

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,

OGX Resources LLC



Garland H. Lang III  
Land Manager

Enclosures

**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 DOWNHOLE                   |     | 488 | \$40,000    |     | \$3,500     | \$43,500    |
| Tool Rental INCLUDES CLOSED MUD SYSTEM |     | 488 | \$162,500   |     |             | \$162,500   |
| Drilling Footage                       |     | 489 | \$0         |     | \$0         | \$0         |
| Drilling Day Work 24 days              |     | 490 | \$262,500   |     | \$37,500    | \$300,000   |
| Float Equipment                        |     | 491 | \$6,500     |     | \$15,000    | \$21,500    |
| Bits, Core Barrels, 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 60 @ 1200          |     | 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 |

**DEVELOPMENTAL LWE "DRILLING"**

|                                    |     |     |           |     |           |           |
|------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing 13 3/8 @ 425'       | 727 | 441 | \$16,750  | 727 | \$0       | \$16,750  |
| Conductor Pipe                     |     | 442 | \$9,500   |     | \$0       | \$9,500   |
| Intermediate Casing 8 5/8" @ 2525' |     | 443 | \$58,300  |     | \$0       | \$58,300  |
| Production Casing 5 1/2" @ 11,450' |     | 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 |

**ONSHORE FACILITIES**

|                               |     |     |  |  |          |          |
|-------------------------------|-----|-----|--|--|----------|----------|
| 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 |

**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:** 1,383,690 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: \_\_\_\_\_  
Wf%: \_\_\_\_\_

| Land Description | Gross Acreage | Fowlkes             |  | Frank Blow Fowlkes | Frank Blow Fowlkes | Christine Speidel Fowlkes |  | Christine Speidel Fowlkes |  | Trey Fowlkes | Trey Fowlkes | Janet Renee Fowlkes Murrey |  | Janet Renee Fowlkes Murrey | Total Net |
|------------------|---------------|---------------------|--|--------------------|--------------------|---------------------------|--|---------------------------|--|--------------|--------------|----------------------------|--|----------------------------|-----------|
|                  |               | Family Mineral Int. |  |                    |                    |                           |  |                           |  |              |              |                            |  |                            |           |

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

|   |               |     |      |              |      |              |      |              |      |              |      |              |      |              |          |
|---|---------------|-----|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|----------|
| Sec. 21: S/2SE/4                        | 80.00         | 1/2 | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 116.96   |
| Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4     | 200.00        | 1/2 | 1/16 | 12.50        | 1/16 | 12.50        | 1/32 | 6.25         | 1/32 | 6.25         | 1/32 | 6.25         | 1/32 | 6.25         | 18.7500% |
| Sec. 28: S2NW/4                         | 80.00         | 1/2 | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         |          |
| Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4    | 160.00        | 1/2 | 1/16 | 10.00        | 1/16 | 10.00        | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         |          |
| Sec. 32: NE/4NE/4                       | 40.00         | 1/2 | 1/16 | 2.50         | 1/16 | 2.50         | 1/32 | 1.25         | 1/32 | 1.25         | 1/32 | 1.25         | 1/32 | 1.25         |          |
| Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1) | 63.79         | 1/2 | 1/16 | 3.99         | 1/16 | 3.99         | 1/32 | 1.99         | 1/32 | 1.99         | 1/32 | 1.99         | 1/32 | 1.99         |          |
| <b>Total</b>                            | <b>623.79</b> |     |      | <b>38.99</b> |      | <b>38.99</b> |      | <b>19.49</b> |      | <b>19.49</b> |      | <b>19.49</b> |      | <b>19.49</b> |          |

**Lease No. 2**

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

|  |               |     |      |              |      |              |      |              |      |              |      |              |      |              |        |
|--|---------------|-----|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|--------|
| Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4 | 320.00        | 1/2 | 1/16 | 20.00        | 1/16 | 20.00        | 1/32 | 10.00        | 1/32 | 10.00        | 1/32 | 10.00        | 1/32 | 10.00        | 119.99 |
| Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4         | 160.00        | 1/2 | 1/16 | 10.00        | 1/16 | 10.00        | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 15.00% |
| Sec. 24: SW/4NE/4, N/2SE/4                   | 120.00        | 1/4 | 1/32 | 3.75         | 1/32 | 3.75         | 1/64 | 1.88         | 1/64 | 1.88         | 1/64 | 1.88         | 1/64 | 1.88         |        |
| <b>Total</b>                                 | <b>199.93</b> |     |      | <b>40.00</b> |      | <b>40.00</b> |      | <b>20.00</b> |      | <b>20.00</b> |      | <b>20.00</b> |      | <b>20.00</b> |        |

**Lease No. 3**

**T-26-S, R-29-E, N.M.P.M**

|                 |              |     |      |             |      |             |      |             |      |             |      |             |      |             |               |
|-----------------|--------------|-----|------|-------------|------|-------------|------|-------------|------|-------------|------|-------------|------|-------------|---------------|
| Sec. 7: S/2NE/4 | 80.00        | 1/2 | 1/16 | 5.00        | 1/16 | 5.00        | 1/32 | 2.50        | 1/32 | 2.50        | 1/32 | 2.50        | 1/32 | 2.50        | 15.00         |
| <b>Total</b>    | <b>80.00</b> |     |      | <b>5.00</b> |      | <b>5.00</b> |      | <b>2.50</b> |      | <b>2.50</b> |      | <b>2.50</b> |      | <b>2.50</b> | <b>18.75%</b> |

Total all 3 leases

| Net Acres    | Bonus @ \$2000/ac   |
|--------------|---------------------|
| 83.98        | \$167,960.00        |
| 83.98        | \$167,960.00        |
| 41.99        | \$83,980.00         |
| 41.99        | \$83,980.00         |
| <b>Total</b> | <b>\$503,880.00</b> |

**Bonus Consideration**  
 Frank Blow Fowlkes  
 Christine Speidel Fowlkes  
 Trey Fowlkes  
 Janet Renee Fowlkes Murrey

**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)

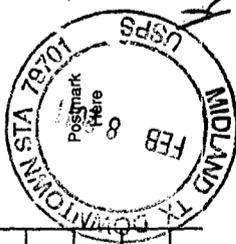
**OFFICIAL USE**

7010 1870 0000 8950 4080

|  |      |
|--|------|
| Postage \$                                     | 2.40 |
| Certified Fee                                  | 2.30 |
| Return Receipt Fee (Endorsement Required)      | 1.89 |
| Restricted Delivery Fee (Endorsement Required) |      |
| Total Postage & Fees \$                        | 6.32 |

Sent to Ms. Christine Speidel Fowlkes  
 Street, Apt. No. Mr. Christopher C. Fowlkes  
 or PO Box No. 404 Glenosa  
 City, State, ZIP El Paso, Texas 79928

PS Form 3800



|   |  |
|---|--|
| <b>SENDER: COMPLETE THIS SECTION</b>  | <b>COMPLETE THIS SECTION ON DELIVERY</b>   |
| <p>1. Article Addressed to:</p> <p>Ms. Christine Speidel Fowlkes<br/>         Mr. Christopher C. Fowlkes<br/>         404 Glenosa<br/>         El Paso, Texas 79928</p> | <p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/></p> <p><u>Chris Fowlkes</u> <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <input type="checkbox"/> Date of Delivery</p> <p><u>Chris Fowlkes</u> <u>2-10-11</u></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No<br/>         If YES, enter delivery address below:</p> |
| <p>2. Article Number (Transfer from service label)</p> <p>7010 1870 0000 8950 4080</p>  | <p>3. Service Type <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 <input type="checkbox"/> No</p>  |
| <p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>   |  |

# OGXResources LLC

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

Certified Mail #7010 1870 0000 8950 4301

March 17, 2011

Ms. Lee M. Kugle  
% Mr. John D. Elmore  
2002 Manor Road, Suite B  
Austin, Texas 78722

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Ms. Kugle:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well, along with a land plat and Form C-102 showing the proposed well location.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, 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:

Lee M. Kugle Well Proposal  
Diamondback "22" State Com #1H Well  
March 17, 2011  
Page 2

A. As to your unleased mineral interest covering the SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.26% (1.304 net acres).

Term: Six (6) months  
Royalty: 25%  
Standard Lease Form  
Cash Consideration: \$133.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage

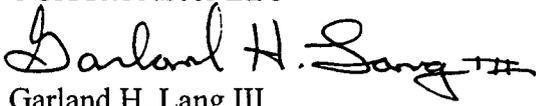
Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,  
Section 13: N/2 NW/4; and SW/4 NW/4  
Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,  
Section 22: SW/4 NE/4; and SE/4 NW/4  
T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of land,  
more or less

Term: Three (3) years  
Royalty: 25%  
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: \$800.00 per net mineral acre.  
Total Bonus if this offer is excepted:  $3.26\% \times 1560 = 50.856$  net acres  $\times$  \$800.00 per acre = \$40,684.80

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

Enclosures

leemkuglediamondback22statecom#1hwellproposal\_031711

**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 DOWNHOLE                   |     | 488 | \$40,000    |     | \$3,500     | \$43,500    |
| Tool Rental INCLUDES CLOSED MUD SYSTEM |     | 488 | \$162,500   |     |             | \$162,500   |
| Drilling Footage                       |     | 489 | \$0         |     | \$0         | \$0         |
| Drilling Day Work 24 days              |     | 490 | \$262,500   |     | \$37,500    | \$300,000   |
| Float Equipment                        |     | 491 | \$6,500     |     | \$15,000    | \$21,500    |
| Bits, Core Barrels, 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 60 @ 1200          |     | 501 | \$42,000    |     | \$30,000    | \$72,000    |
| Miscellaneous & Contingencies          | 8%  | 599 | \$93,640    |     | \$216,560   | \$310,200   |
| Subtotal                               |     |     | \$1,284,140 |     | \$2,923,560 | \$4,187,700 |

**DEVELOPMENTAL LWE "DRILLING"**

|                                    |     |     |           |     |           |           |
|------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing 13 3/8 @ 425'       | 727 | 441 | \$16,750  | 727 | \$0       | \$16,750  |
| Conductor Pipe                     |     | 442 | \$9,500   |     | \$0       | \$9,500   |
| Intermediate Casing 8 5/8" @ 2525' |     | 443 | \$58,300  |     | \$0       | \$58,300  |
| Production Casing 5 1/2" @ 11,450' |     | 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 |

**ONSHORE FACILITIES**

|                               |     |     |  |  |          |          |
|-------------------------------|-----|-----|--|--|----------|----------|
| 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 |

**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:** 1,383,690 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: \_\_\_\_\_  
W%: \_\_\_\_\_

7010 1870 0000 8950 4301

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| Restricted Delivery Fee<br>(Endorsement Required) |           | 1.05        |
| <b>Total Postage &amp; Fees</b>                   | <b>\$</b> | <b>6.15</b> |



Sent to: **Ms. Lee Kugle c/o John Elmore** KA  
 Street, Apt. No., or PO Box No. **2002 Manor Road, Suite B.**  
 City, State, ZIP+4 **Austin TX 78722**

PS Form 3800, August 2006 See Reverse for Instructions

| 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<br>x <i>J. O. Elmore</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee   |                                       |
|  | B. Received by (Printed Name)   | C. Date of Delivery<br><b>3-21-11</b> |
| 1. Article Addressed to:<br><br><b>Ms. Lee Kugle<br/>           c/o John Elmore<br/>           2002 Manor Road, Suite B.<br/>           Austin, TX 78722</b>   | D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br>If YES, enter delivery address below: <input type="checkbox"/> No |                                       |
| 2. Article Number<br>(Transfer from service label)   | <b>7010 1870 0000 8950 4301</b>   |                                       |
| 3. Service Type<br><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.  |   |                                       |
| 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes   |   |                                       |
| PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540   |   |                                       |

file

# OGX Resources LLC

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

**Certified Mail #7010 1870 0000 8950 4103**

February 7, 2011

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

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Ms. Murrey:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, 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 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, 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:

Janet Renee Fowlkes Murrey Well Proposal  
Diamondback "22" State Com #1H Well  
February 7, 2011  
Page 2

A. As to your mineral interest covering the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.125% (1.25 net acres).

Term: Six (6) months  
Royalty: 22%  
Standard Lease Form  
Cash Consideration: \$400.00 per net mineral acre.

OR

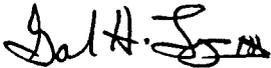
B. As to your mineral interest covering all of your open acreage (see attached)

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,

OGX Resources LLC



Garland H. Lang III  
Land Manager

Enclosures

**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, T28S, 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 DOWNHOLE                   |     | 488 | \$40,000    |     | \$3,500     | \$43,500    |
| Tool Rental INCLUDES CLOSED MUD SYSTEM |     | 488 | \$162,500   |     |             | \$162,500   |
| Drilling Footage                       |     | 489 | \$0         |     | \$0         | \$0         |
| Drilling Day Work 24 days              |     | 490 | \$262,500   |     | \$37,500    | \$300,000   |
| Float Equipment                        |     | 491 | \$6,500     |     | \$15,000    | \$21,500    |
| Bits, Core Barrels, 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 60 @ 1200          |     | 501 | \$42,000    |     | \$30,000    | \$72,000    |
| Miscellaneous & Contingencies          | 8%  | 599 | \$93,640    |     | \$216,560   | \$310,200   |
| Subtotal                               |     |     | \$1,284,140 |     | \$2,923,560 | \$4,187,700 |

**DEVELOPMENTAL LWE "DRILLING"**

|                                    |     |     |           |     |           |           |
|------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing 13 3/8 @ 425'       | 727 | 441 | \$16,750  | 727 | \$0       | \$16,750  |
| Conductor Pipe                     |     | 442 | \$9,500   |     | \$0       | \$9,500   |
| Intermediate Casing 8 5/8" @ 2525' |     | 443 | \$58,300  |     | \$0       | \$58,300  |
| Production Casing 5 1/2" @ 11,450' |     | 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 |

**ONSHORE FACILITIES**

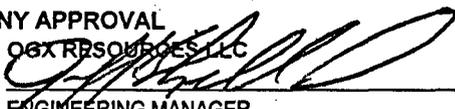
|                               |     |     |  |  |          |          |
|-------------------------------|-----|-----|--|--|----------|----------|
| Location, Pits, Roads         | 745 | 472 |  |  | \$45,000 | \$45,000 |
| Contract Services & Equip     |     | 510 |  |  | \$25,000 | \$25,000 |
| Engineering 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 |

**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:** 1,383,690 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: \_\_\_\_\_  
Wf%: \_\_\_\_\_

| Land Description | Gross Acreage | Fowldes |              | Frank Blow Fowldes |         | Christine Speidel Fowldes |         | Christine Speidel Fowldes |         | Trey Fowldes |         | Trey Fowldes |         | Janet Renee Fowldes |         | Janet Renee Fowldes |  | Total Net |
|------------------|---------------|---------|--------------|--------------------|---------|---------------------------|---------|---------------------------|---------|--------------|---------|--------------|---------|---------------------|---------|---------------------|--|-----------|
|                  |               | Family  | Mineral Int. | Fowldes            | Fowldes | Fowldes                   | Fowldes | Fowldes                   | Fowldes | Fowldes      | Fowldes | Fowldes      | Fowldes | Fowldes             | Fowldes | Fowldes             |  |           |

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

|   |               |     |  |      |              |      |              |      |              |      |              |      |              |      |              |      |              |               |
|---|---------------|-----|--|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|---------------|
| Sec. 21: S/2SE/4                        | 80.00         | 1/2 |  | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         |               |
| Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4     | 200.00        | 1/2 |  | 1/16 | 12.50        | 1/16 | 12.50        | 1/32 | 6.25         | 1/32 | 6.25         | 1/32 | 6.25         | 1/32 | 6.25         | 1/32 | 6.25         |               |
| Sec. 28: S/2NW/4                        | 80.00         | 1/2 |  | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         |               |
| Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4    | 160.00        | 1/2 |  | 1/16 | 10.00        | 1/16 | 10.00        | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         |               |
| Sec. 32: NE/4NE/4                       | 40.00         | 1/2 |  | 1/16 | 2.50         | 1/16 | 2.50         | 1/32 | 1.25         | 1/32 | 1.25         | 1/32 | 1.25         | 1/32 | 1.25         | 1/32 | 1.25         |               |
| Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1) | 63.79         | 1/2 |  | 1/16 | 3.99         | 1/16 | 3.99         | 1/32 | 1.99         | 1/32 | 1.99         | 1/32 | 1.99         | 1/32 | 1.99         | 1/32 | 1.99         |               |
| <b>Total</b>                            | <b>623.79</b> |     |  |      | <b>38.99</b> |      | <b>38.99</b> |      | <b>19.49</b> | <b>116.96</b> |

**Lease No. 2**

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

|  |               |     |  |      |              |      |              |      |              |      |              |      |              |      |              |      |              |               |
|--|---------------|-----|--|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|---------------|
| Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4 | 320.00        | 1/2 |  | 1/16 | 20.00        | 1/16 | 20.00        | 1/32 | 10.00        | 1/32 | 10.00        | 1/32 | 10.00        | 1/32 | 10.00        | 1/32 | 10.00        |               |
| Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4         | 160.00        | 1/2 |  | 1/16 | 10.00        | 1/16 | 10.00        | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         | 1/32 | 5.00         |               |
| Sec. 24: SW/4NE/4, N/2SE/4                   | 120.00        | 1/4 |  | 1/32 | 3.75         | 1/32 | 3.75         | 1/64 | 1.88         | 1/64 | 1.88         | 1/64 | 1.88         | 1/64 | 1.88         | 1/64 | 1.88         |               |
| <b>T-26-S-R-29-E, N.M.P.M</b>                |               |     |  |      |              |      |              |      |              |      |              |      |              |      |              |      |              |               |
| Sec. 19: Lots 2-3-4 & E/2NW/4                | 199.93        | 1/4 |  | 1/32 | 6.25         | 1/32 | 6.25         | 1/64 | 3.124        | 1/64 | 3.124        | 1/64 | 3.124        | 1/64 | 3.124        | 1/64 | 3.124        |               |
| <b>Total</b>                                 | <b>799.93</b> |     |  |      | <b>40.00</b> |      | <b>40.00</b> |      | <b>20.00</b> | <b>119.99</b> |

**Lease No. 3**

**T-26-S-R-29-E, N.M.P.M**

|                           |                |     |  |      |              |      |              |      |              |      |              |      |              |      |              |      |              |               |
|---------------------------|----------------|-----|--|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|---------------|
| Sec. 7: S/2NE/4           | 80.00          | 1/2 |  | 1/16 | 5.00         | 1/16 | 5.00         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         | 1/32 | 2.50         |               |
| <b>Total</b>              | <b>80.00</b>   |     |  |      | <b>5.00</b>  |      | <b>5.00</b>  |      | <b>2.50</b>  | <b>15.00</b>  |
| <b>Total all 3 leases</b> | <b>1503.72</b> |     |  |      | <b>83.98</b> |      | <b>83.98</b> |      | <b>41.99</b> | <b>18.75%</b> |

**Bonus Consideration**

| Net Acres    | Bonus @ \$2000/ac   |
|--------------|---------------------|
| 83.98        | \$167,960.00        |
| 83.98        | \$167,960.00        |
| 41.99        | \$83,980.00         |
| 41.99        | \$83,980.00         |
| <b>Total</b> | <b>\$503,880.00</b> |

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**OFFICIAL USE**

|   |      |
|---|------|
| Postage \$  |      |
| Certified Fee                                     | 2.70 |
| Return Receipt Fee<br>(Endorsement Required)      | 1.30 |
| Restricted Delivery Fee<br>(Endorsement Required) | 1.22 |
| Total Postage & Fees \$                           | 5.92 |



Sent  
 By First Class  
 City, State, ZIP+4®  
 Ms. Janet Renee Fowlkes Murrey  
 P.O. Box 23416  
 Waco, Texas 76702

PS Form 3811, February 2004  
 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:

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

**COMPLETE THIS SECTION ON DELIVERY**

- A. Signature  Agent  
 Addressee
- B. Received by (Printed Name)  C. Date of Delivery  
 Tracy Fowlkes
- D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No



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

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number  
 (Transfer from service label)

7010 1870 0000 8950 4103

PS Form 3811, February 2004 Domestic Return Receipt

102595-02-M-1540

file

# OGX Resources LLC

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

Certified Mail #7010 1870 0000 8950 4073 and Email [justin.zerkle@chk.com](mailto:justin.zerkle@chk.com)

February 2, 2011

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

Attn: Mr. Justin Zerkle

Re: Well Proposal  
Diamondback "22" State Com #1H Well  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
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' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, 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 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22.

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

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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Term: One (1) year

Lands to be included: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , Section 22, T-26-S, R-28-E,  
N.M.P.M., Eddy County, New Mexico

Net Revenue to be delivered: 75%

Chesapeake Exploration LLC Well Proposal  
Diamondback "22" Fed Com #1H Well  
February 2, 2011  
Page 2

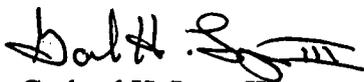
Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$300.00 per net leasehold acre.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC



Garland H. Lang III  
Land Manager

Enclosures

**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 Barrels, 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" @ 2625'</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%: \_\_\_\_\_

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