

OGXResources LLC

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

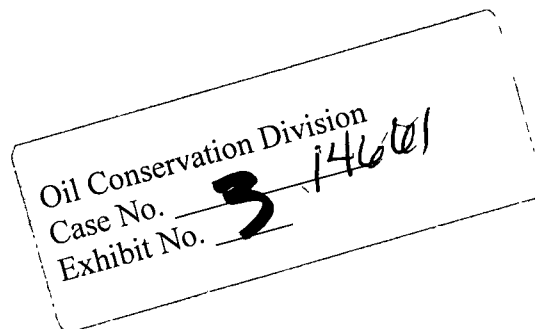
Certified Mail RRR #7011 0110 0001 3284 0728

April 11, 2011

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

Attn: Permian Land Manager

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



Gentlemen:

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

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

OGX invites the participation of Chesapeake Exploration LLC ("CHESAPEAKE") in this well. If CHESAPEAKE wishes to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the proration unit for the subject well, which will supersede all existing operating agreements, naming OGX as the Operator. According to our calculations, your company would have a 14.12404% working interest in the subject proration unit.

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

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

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

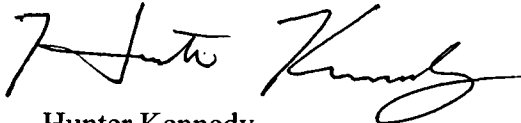
One (1) year term assignment, with CHESAPEAKE delivering to OGX a net revenue interest of seventy-five percent (75%), 180 day continuous development after the end of the primary term, mutually acceptable term assignment form.

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

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

Sincerely,

OGX Resources LLC

A handwritten signature in black ink, appearing to read "Hunter Kennedy", written over a horizontal line.

Hunter Kennedy
Landman

Enclosures

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

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

Attn: Permian Land Manager

2. Article Number

(Transfer from service label)

7011 0110 0001 3284 0728

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?

☐ Yes

If YES, print delivery address below:

☐ No

3. Service type

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

4. Restricted Delivery? (Extra Fee)

☐ YesU.S. Postal ServiceTM**CERTIFIED MAILTM RECEIPT**

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com**OFFICIAL USE**

Postage

\$2.80

Certified Fee

2.30

Return Receipt Fee
(Endorsement Required)

1.08

Restricted Delivery Fee
(Endorsement Required)

6.62

Total Postage & Fees

\$12.80

Chesapeake Exploration LLC

P.O. Box 18496

Oklahoma City, Oklahoma 73154-0496

Attn: Permian Land Manager

for instruction

7011 0110 0001 3284 0728

DISTRICT I

1625 N. FRENCH DR., ROBBES, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

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

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

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

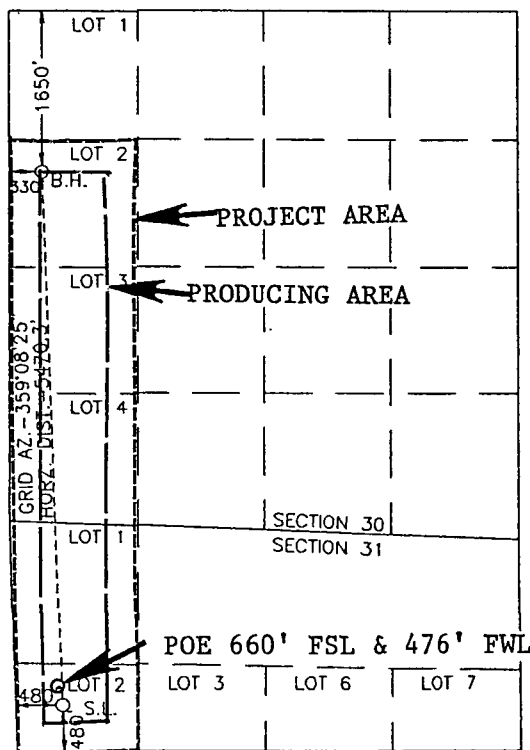
Surface Location

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

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|--------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| 2 | 30 | 26-S | 29-E | | 1650 | NORTH | 330 | WEST | EDDY |
| Dedicated Acres 183.9 | Joint or Infill | Consolidation Code | Order No. | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



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

LAT.=32.001265° N
LONG.=104.030417° W

BOTTOM HOLE LOCATION
Y=369787.5 N
X=593819.4 E

OPERATOR CERTIFICATION

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

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

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

DATE SURVEYED
SIGNATURE
PROFESSIONAL SURVEYOR
RONALD J. EIDSON
10.11.1249
REGISTERED PROFESSIONAL SURVEYOR
Certificate No. 12641
RONALD J. EIDSON 3239

OGX RESOURCES LLC
AUTHORIZATION FOR EXPENDITURE

DATE: 4/6/11

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

Field: DELAWARE RIVER SOUTH - BONE SPRING
County: EDDY

State: NEW MEXICO

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

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

| | MAJ | SUB | DRY HOLE | MAJ | COMPLETION | TOTAL |
|----------------------------------------|-----|-----|-------------|-----|-------------|-------------|
| DEVELOPMENTAL DRILLING: | | | | | | |
| Turnkey | 725 | 470 | \$0 | 726 | \$0 | \$0 |
| Mobilization/Demob. | | 471 | \$65,000 | | \$0 | \$65,000 |
| Location, Pits, Roads | | 472 | \$65,000 | | \$10,000 | \$75,000 |
| Cement and Cementing Services | | 473 | \$55,000 | | \$80,000 | \$135,000 |
| Mud Logging | | 474 | \$35,000 | | \$0 | \$35,000 |
| Mud Materials, Chemical & Water | | 475 | \$65,000 | | \$175,000 | \$240,000 |
| Logging and Sidewall Coring | | 478 | \$35,000 | | \$5,000 | \$40,000 |
| Perforating | | 479 | \$0 | | \$70,000 | \$70,000 |
| Stimulation | | 480 | \$0 | | \$3,250,000 | \$3,250,000 |
| Formation Testing | | 482 | \$0 | | \$32,000 | \$32,000 |
| Testing Tubular Goods | | 484 | \$0 | | \$5,500 | \$5,500 |
| Tool Rental DOWNHOLE | | 488 | \$40,000 | | \$3,500 | \$43,500 |
| Tool Rental INCLUDES CLOSED MUD SYSTEM | | 488 | \$215,000 | | | \$215,000 |
| Drilling Footage | | 489 | \$0 | | \$0 | \$0 |
| Drilling Day Work 45 days | | 490 | \$630,000 | | \$37,500 | \$667,500 |
| Float Equipment | | 491 | \$6,500 | | \$375,000 | \$381,500 |
| Bits, Core Barrells, etc. | | 492 | \$90,000 | | \$15,000 | \$105,000 |
| Other Special Well Services | | 494 | \$18,000 | | \$50,000 | \$68,000 |
| Contract Services & Equip | | 510 | \$12,000 | | \$120,000 | \$132,000 |
| Directional Drilling | | 511 | \$180,000 | | \$0 | \$180,000 |
| Completion Unit | | 528 | \$0 | | \$56,000 | \$56,000 |
| Fuel & Power | | 539 | \$140,000 | | \$0 | \$140,000 |
| Auto & Truck Expense | | 545 | \$15,000 | | \$2,500 | \$17,500 |
| Company Supervision 60 @ 1200 | | 501 | \$42,000 | | \$30,000 | \$72,000 |
| Miscellaneous & Contingencies 8% | | 599 | \$136,680 | | \$345,360 | \$482,040 |
| Subtotal | | | \$1,845,180 | | \$4,662,360 | \$6,507,540 |

DEVELOPMENTAL LWE "DRILLING"

| | | | | | | |
|------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing 13 3/8 @ 450' | 727 | 441 | \$16,750 | 727 | \$0 | \$16,750 |
| Conductor Pipe | | 442 | \$9,500 | | \$0 | \$9,500 |
| Intermediate Casing 8 5/8" @ 2625' | | 443 | \$58,300 | | \$0 | \$58,300 |
| Production Casing 5 1/2" @ 12,339' | | 443 | \$0 | | \$265,000 | \$265,000 |
| Drilling Liner | | 450 | \$0 | | \$0 | \$0 |
| Production Liner | | 460 | \$0 | | \$0 | \$0 |
| Casing Head | | 445 | \$34,000 | | \$15,000 | \$49,000 |
| X-Mas Tree | | 446 | \$0 | | \$16,000 | \$16,000 |
| Completion Equipment | | 447 | \$0 | | \$5,000 | \$5,000 |
| Retrievable Packers | | 448 | \$0 | | \$5,000 | \$5,000 |
| Tubing | | 449 | \$0 | | \$55,000 | \$55,000 |
| Other Material & Equipment | | 469 | \$1,000 | | \$1,500 | \$2,500 |
| Subtotal | | | \$119,550 | | \$362,500 | \$482,050 |

ONSHORE FACILITIES

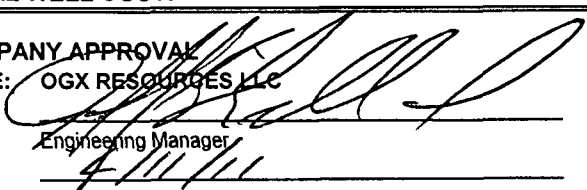
| | | | | | | |
|-------------------------------|-----|-----|--|--|----------|----------|
| Location, Pits, Roads | 745 | 472 | | | \$35,000 | \$35,000 |
| Contract Services & Equip | | 510 | | | \$25,000 | \$25,000 |
| Engineering Surveys | | 516 | | | \$1,500 | \$1,500 |
| Auto & Truck Expense | |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

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

COMPANY APPROVAL

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

PARTICIPANT APPROVAL

NAME: _____
By: _____
Title: _____
Date: _____
WI%: _____

OGXResources LLC

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

Certified Mail RRR #7011 0110 0001 3284 0643

May 17, 2011

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

Attn: Permian Land Manager

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

Gentlemen:

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

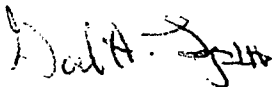
Enclosed herewith is an operating agreement dated May 1, 2011 covering the captioned lands naming OGX as operator and Chesapeake Exploration LLC, et al, as non-operators, which has been executed by OGX and prepared for your company's execution, along with an extra signature page.

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

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

Sincerely,

OGX Resources LLC



Garland H. Lang III
Land Manager

Enclosures

OGXResources LLC

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

Certified Mail #7011 0110 0001 3284 0711

April 11, 2011

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

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

Dear Ms. Ware:

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

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

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

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering Lots 1-4 of Section 30 and Lots 1 and 2 of Section 31, which will supersede all existing operating agreements, naming OGX as the Operator.

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

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

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

Term: Six (6) months
Royalty: 20%
Standard Lease Form
Cash Consideration: \$300.00 per net mineral acre.

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

Sincerely,

OGX Resources LLC

A handwritten signature in black ink, appearing to read "Hunter Kennedy", with a long horizontal flourish extending to the right.

Hunter Kennedy
Landman

Enclosures

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jo Beth Colvin Ware
3605 Grandview
Plainview, TX 79072

COMPLETE THIS SECTION ON DELIVERY

- A. Signature ☒ Agent ☐ Addressee
x Jo Beth Ware
- B. Received by (Printed Name) **Jo Beth Ware** C. Date of Delivery **ml 4/14/11**
- 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 (Transfer from service label) **7011 0110 0001 3284 0711**

PS Form 3811, February 2004

Domestic Return Receipt

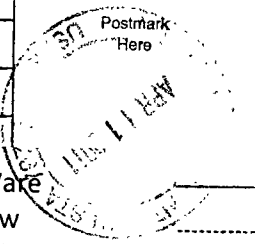
102595-02-M-15

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

For delivery information, visit our website at www.usps.com

OFFICIAL USE

| | |
|------------------------------------------------|-------------|
| Postage | \$ |
| Certified Fee | 2.80 |
| Return Receipt Fee (Endorsement Required) | 2.30 |
| Restricted Delivery Fee (Endorsement Required) | 1.05 |
| Total Postage & Fees | 6.15 |



Sent **Jo Beth Colvin Ware**
 Street or PO **3605 Grandview**
 City, **Plainview, TX 79072**

PS Form 3811, February 2004 Instructions

7011 0110 0001 3284 0711

OGX RESOURCES LLC
AUTHORIZATION FOR EXPENDITURE

DATE: 4/6/11

OGX AFE No.:

AFE Title: Avalon Horizontal

Well Name & No.: COPPERHEAD FEE A #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING

County: EDDY

State: NEW MEXICO

Exploratory XX Development:

Oil: XX

GAS

Proposed Formation: AVALON

Proposed Depth: 7200 TVD / 12,339' MD

Description SHL: 480'FSL & 480'FWL / SEC.31-T26S-R29E

BHL: 1650' FNL & 330' FWL, SEC. 30, T26S, R29E

| | MAJ | SUB | DRY HOLE | MAJ | COMPLETION | TOTAL |
|----------------------------------------|-----|-----|-------------|-----|-------------|-------------|
| DEVELOPMENTAL DRILLING: | | | | | | |
| Turnkey | 725 | 470 | \$0 | 726 | \$0 | \$0 |
| Mobilization/Demob. | | 471 | \$65,000 | | \$0 | \$65,000 |
| Location, Pits, Roads | | 472 | \$65,000 | | \$10,000 | \$75,000 |
| Cement and Cementing Services | | 473 | \$55,000 | | \$80,000 | \$135,000 |
| Mud Logging | | 474 | \$35,000 | | \$0 | \$35,000 |
| Mud Materials, Chemical & Water | | 475 | \$65,000 | | \$175,000 | \$240,000 |
| Logging and Sidewall Coring | | 478 | \$35,000 | | \$5,000 | \$40,000 |
| Perforating | | 479 | \$0 | | \$70,000 | \$70,000 |
| Stimulation | | 480 | \$0 | | \$3,250,000 | \$3,250,000 |
| Formation Testing | | 482 | \$0 | | \$32,000 | \$32,000 |
| Testing Tubular Goods | | 484 | \$0 | | \$5,500 | \$5,500 |
| Tool Rental DOWNHOLE | | 488 | \$40,000 | | \$3,500 | \$43,500 |
| Tool Rental INCLUDES CLOSED MUD SYSTEM | | 488 | \$215,000 | | | \$215,000 |
| Drilling Footage | | 489 | \$0 | | \$0 | \$0 |
| Drilling Day Work 45 days | | 490 | \$630,000 | | \$37,500 | \$667,500 |
| Float Equipment | | 491 | \$6,500 | | \$375,000 | \$381,500 |
| Bits, Core Barrells, etc. | | 492 | \$90,000 | | \$15,000 | \$105,000 |
| Other Special Well Services | | 494 | \$18,000 | | \$50,000 | \$68,000 |
| Contract Services & Equip | | 510 | \$12,000 | | \$120,000 | \$132,000 |
| Directional Drilling | | 511 | \$180,000 | | \$0 | \$180,000 |
| Completion Unit | | 528 | \$0 | | \$56,000 | \$56,000 |
| Fuel & Power | | 539 | \$140,000 | | \$0 | \$140,000 |
| Auto & Truck Expense | | 545 | \$15,000 | | \$2,500 | \$17,500 |
| Company Supervision 60 @ 1200 | | 501 | \$42,000 | | \$30,000 | \$72,000 |
| Miscellaneous & Contingencies | 8% | 599 | \$136,680 | | \$345,360 | \$482,040 |
| Subtotal | | | \$1,845,180 | | \$4,662,360 | \$6,507,540 |

DEVELOPMENTAL LWE "DRILLING"

| | | | | | | |
|------------------------------------|-----|-----|-----------|-----|-----------|-----------|
| Surface Casing 13 3/8 @ 450' | 727 | 441 | \$16,750 | 727 | \$0 | \$16,750 |
| Conductor Pipe | | 442 | \$9,500 | | \$0 | \$9,500 |
| Intermediate Casing 8 5/8" @ 2625' | | 443 | \$58,300 | | \$0 | \$58,300 |
| Production Casing 5 1/2" @ 12,339' | | 443 | \$0 | | \$265,000 | \$265,000 |
| Drilling Liner | | 450 | \$0 | | \$0 | \$0 |
| Production Liner | | 460 | \$0 | | \$0 | \$0 |
| Casing Head | | 445 | \$34,000 | | \$15,000 | \$49,000 |
| X-Mas Tree | | 446 | \$0 | | \$16,000 | \$16,000 |
| Completion Equipment | | 447 | \$0 | | \$5,000 | \$5,000 |
| Retrievable Packers | | 448 | \$0 | | \$5,000 | \$5,000 |
| Tubing | | 449 | \$0 | | \$55,000 | \$55,000 |
| Other Material & Equipment | | 469 | \$1,000 | | \$1,500 | \$2,500 |
| Subtotal | | | \$119,550 | | \$362,500 | \$482,050 |

ONSHORE FACILITIES

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

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:

1,964,730

5,462,860

7,427,590

COMPANY APPROVAL

NAME: OGX RESOURCES LLC

By:

Title: Engineering Manager

Date: 4/11/11

PARTICIPANT APPROVAL

NAME:

By:

Title:

Date:

WI%:

OGXResources LLC

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

Certified Mail #7010 1870 0000 8950 4653

May 10, 2011

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

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

Dear Mr. McGahey:

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

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

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

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering Lots 1-4 of Section 30 and Lots 1 and 2 of Section 31, which will supersede all existing operating agreements, naming OGX as the Operator.

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

marshalynmcgaheycopperheadfeaca#1hwellproposal_051011

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

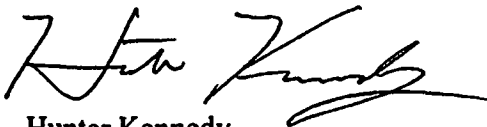
As to your mineral interest covering the Lots 1, 2, 3, NE/4NW/4, NW/4NE/4 of Section 31, T-26-S, R-29-E, N.M.P.M, being 5.555% (9.313333 net acres).

Term: Three (3) years
Royalty: 20%
Standard Lease Form
Cash Consideration: \$700.00 per net mineral acre.

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

Sincerely,

OGX Resources LLC

A handwritten signature in black ink, appearing to read "Hunter Kennedy", is written over the printed name.

Hunter Kennedy
Landman

Enclosures

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Patrick McGahey
5400 Hopper Road
Burleson, TX 76028

COMPLETE THIS SECTION ON DELIVERYA. Signature  ☐ Agent
☒ Addressee

B. Received by (Printed Name)

C. Date of Delivery

5-13-11

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)

☐ Yes2. Article Number
(Transfer from service label)

7010

J000 8950 4653

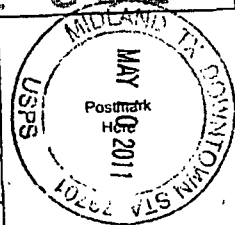
PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)For delivery information visit our website at www.usps.com**OFFICIAL USE**

| | |
|---------------------------------------------------|----------|
| Postage | \$ 6.23 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 2.85 |
| Restricted Delivery Fee (Endorsement Required) | 3.15 |
| Total | \$ 14.53 |



Sent To

Street,
or PO Box
City, State, ZIP+4

Patrick McGahey
5400 Hopper Road
Burleson, TX 76028

PS Form 3811

Instructions

7010 0568 0000 0791 0102