

OGXResources LLC

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

Certified Mail RRR #7010 0110 0001 3284 0520

March 23, 2011

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

Attn: Permian Land Manager

Re: Well Proposal
Sidewinder #1H Well
T-26-S, R-29-E, N.M.P.M.
Section 32: Lots 1 thru 4, and the south 46 acres
of the N/2 N/2, containing 126 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 32 and a bottom hole location of 330' FSL and 330' FEL of Section 32, 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 4,500' to the bottom hole location, for a total measured depth of approximately 11,700' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the Lots 1, 2, 3, 4 and the south 26 acres of the N½N½ of said Section 32 or 126 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 an 11.1439% 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.

chesapeakesidewinder#1hwellproposal_032311

Oil Conservation Division

Case No.

Exhibit No.

3A 14662

Mailed 3-21-11

Chesapeake Exploration LLC Well Proposal
Sidewinder #1H Well
March 23, 2011
Page 2

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

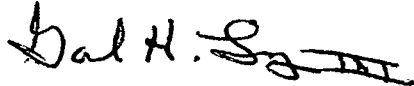
One (1) year term assignment, with CHESAPEAKE delivering to OGX a net revenue interest of seventy-five percent (75%), 180 day continuous development after the end of the primary term, mutually acceptable term assignment form.

Cash consideration: \$200.00 per acre. According to our records CHESAPEAKE owns 20.23237% of the leasehold estate in the W/2 of Section 32 (126.4 acres) or 25.573 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 "Garland H. Lang III", with a stylized flourish at the end.

Garland H. Lang III
Land Manager

Enclosures

DISTRICT I
1626 N. FRENCH DR., MOBBS, NM 86240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 86210

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 30-015-38500	Pool Code	Pool Name WC -BONE SPRING
Property Code 38510	Property Name SIDEWINDER	Well Number 1H
OGRID No. 217955	Operator Name OGX RESOURCES	Elevation 2889'

Surface Location

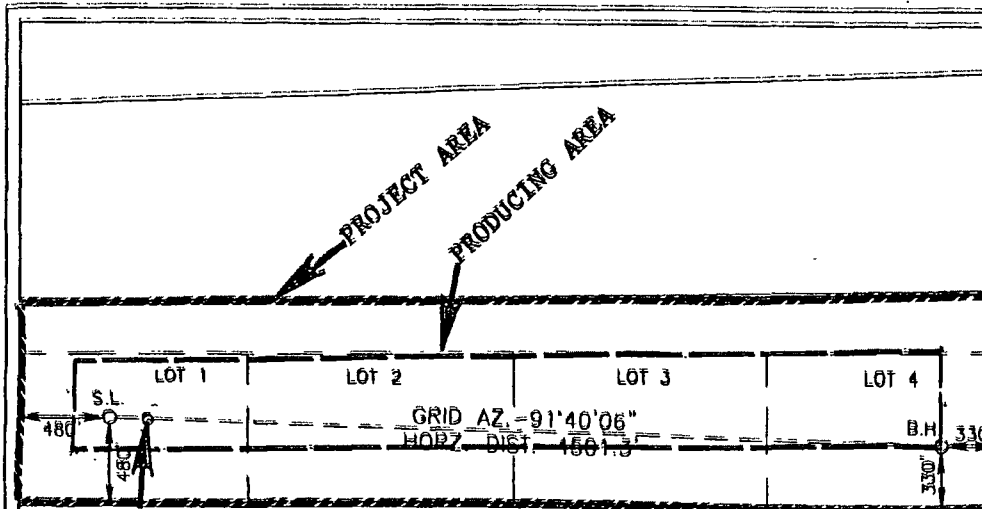
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	32	26-S	29-E		480	SOUTH	480	WEST	EDDY

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
4	32	26-S	29-E		330	SOUTH	330	EAST	EDDY

Dedicated Acres 138.126	Joint or Infill	Consolidation Code	Order No.
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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



POE
474' FSL & 690' FWL

GEODETTIC COORDINATES
NAD 27 NME
SURFACE LOCATION
Y=364345.2 N
X=599211.7 E

LAT.=32.001295° N
LONG.=104.013286° W

BOTTOM HOLE LOCATION
Y=364214.1 N
X=603710.1 E

RECEIVED
FEB 01 2011
NMOC D ARTESIA

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.

Signature *Joe T. Janica* Date **01/31/11**
Printed Name **Joe T. Janica**

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.

JANUARY 3, 2011

Date Surveyed _____ LA
Signature *Ronald S. Edson*
Professional Surveyor
NEW MEXICO
10.11.1938
Certificate No. GARY EDSON 12841
RONALD S. EDSON 3230

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		A. Signature X <i>PP</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to: <i>Chesapeake Exploration LLC</i> <i>P.O. Box 18494</i> <i>Oklahoma City, OK 73154-0494</i> <i>Attn: Donna L. ...</i>		B. Received by (Printed Name)	C. Date of Delivery
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes if YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		<input type="checkbox"/> Yes	
PS Form 3800, February 2004		Domestic Return Receipt 102595-02-M-1540	

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

7011 0110 0001 3284 0520

Postage \$	2.80	Certified Fee	2.30	Return Receipt Fee (Endorsement Required)	1.05	Restricted Delivery Fee (Endorsement Required)	6.15	Total Postage & Fees	\$ 12.30
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Sent to: *Chesapeake Exp. LLC*

Street Apt. No. or PO Box No.: *P.O. Box 18494*

City, State ZIP+4: *Oklahoma City OK 73154*

PS Form 3800, August 2006

See Reverse for Instructions

OGX RESOURCES LLC
AUTHORIZATION FOR EXPENDITURE

DATE: 3/22/11

OGX AFE No.:
AFE Title: Avalon Horizontal (4500' Lateral)
Well Name & No.: SIDEWINDER "32" COM #1H

State: NEW MEXICO

Field: Wildcat - BONE SPRING
County: EDDY

Exploratory XX Development:
Proposed Formation: AVALON
Descriptor SHL: 480'FSL & 480'FWL / SEC.32-T26S-R29E
BHL: 330' FEL & 330' FSL / SEC. 32, T26S, R29E

Oil: XX GAS
Proposed Depth: 7200 TVD / 11,700' 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		\$65,000	\$120,000
Mud Logging		474	\$35,000		\$0	\$35,000
Mud Materials, Chemical & Water		475	\$65,000		\$175,000	\$240,000
Logging and Sidewall Coring		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$70,000	\$70,000
Stimulation		480	\$0		\$2,000,000	\$2,000,000
Formation Testing		482	\$0		\$32,000	\$32,000
Testing Tubular Goods		484	\$0		\$5,500	\$5,500
Tool Rental DOWNHOLE		488	\$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 25 days		490	\$350,000		\$37,500	\$387,500
Float Equipment		491	\$6,500		\$375,000	\$381,500
Bits, Core Barrells, etc.		492	\$70,000		\$15,000	\$85,000
Other Special Well Services		494	\$18,000		\$10,000	\$28,000
Contract Services & Equip		510	\$12,000		\$120,000	\$132,000
Directional Drilling		511	\$130,000		\$0	\$130,000
Completion Unit		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$85,000		\$0	\$85,000
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	\$104,280		\$240,960	\$345,240
Subtotal			\$1,407,780		\$3,252,960	\$4,660,740

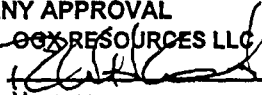
DEVELOPMENTAL LWE "DRILLING"						
Surface Casing 13 3/8 @ 450'	727	441	\$16,750	727	\$0	\$16,750
Conductor Pipe		442	\$9,500		\$0	\$9,500
Intermediate Casing 8 5/8" @ 2625'		443	\$58,300		\$0	\$58,300
Production Casing 5 1/2" @ 11,700'		443	\$0		\$234,000	\$234,000
Drilling Liner		450	\$0		\$0	\$0
Production 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		\$331,500	\$451,050

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			\$40,000	\$40,000
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			\$55,000	\$55,000
Meters		463			\$23,000	\$23,000
Other Material & Equipment		469			\$45,000	\$45,000
Subtotal					\$451,500	\$451,500

TOTAL WELL COST:	1,527,330	4,107,460	5,634,790
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COMPANY APPROVAL

NAME: OGX RESOURCES LLC
By: 
Title: Manager
Date: 22-Mar-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 0551

May 5, 2011

Chesapeake Exploration LLC
Attn: Permian Land Manager
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Re: Operating Agreement
Sidewinder #1H Well
T-26-S, R-29-E, N.M.P.M.
Section 32: Lots 1 thru 4, and the south 34 acres
of the N/2 N/2, containing 126 acres of land
Eddy County, New Mexico

Gentlemen:

Please find enclosed an operating agreement which has been executed by OGX Resources, LLC, along with an extra signature page for your company pertaining to the subject well. In addition, enclosed is a copy of the drilling opinion covering section 32 for your files. There are several title requirements pertaining to your company's leasehold that should be examined by your staff.

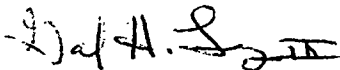
In our letter addressed to you dated March 23, 2011, we proposed the subject well but have not received the AFE or any other correspondence from your company regarding our proposal. We plan to spud this well in the first week of June, 2011; therefore, we ask that you make a decision whether or not you wish to participate as soon as possible.

If the enclosed operating agreement meets with your approval and you wish to join in the drilling of the subject well, please execute the operating agreement and extra signature page and return to the undersigned along with the AFE which was sent to you by letter dated March 23, 2011.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC



Garland H. Lang III
Land Manager
Enclosures

chesapeakesidewinder#1hjoatransmittaltr_050511