

**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

Field: Wildcat - BONE SPRING  
County: EDDY

State: NEW MEXICO

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
<b>DEVELOPMENTAL DRILLING:</b>						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$85,000		\$0	\$85,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$55,000		\$85,000	\$120,000
Mud Logging		474	\$35,000		\$0	\$35,000
Mud Materials, Chemical & Water		475	\$85,000		\$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	\$8,500		\$375,000	\$383,500
Bits, Core Barrels, 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		\$58,000	\$58,000
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		\$3,252,980	\$4,660,740

<b>DEVELOPMENTAL LWE "DRILLING"</b>						
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		\$18,000	\$18,000
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		489	\$1,000		\$1,500	\$2,500
Subtotal			\$119,550		\$331,500	\$451,050

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

<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			\$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

**COMPANY APPROVAL**  
NAME: OGX RESOURCES LLC  
By:   
Title: Manager  
Date: 22-Mar-11

**PARTICIPANT APPROVAL**  
NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Oil Conservation Division  
Case No. 4 14662  
Exhibit No. \_\_\_\_\_