

CERTIFIED MAIL # 7005 0390 0000 6079 9269 RETURN RECEIPT REQUESTED

August 30, 2007

Elias H. Baiza and Marie T. Baiza  
1413 E. Hermosa Dr.  
Tempe, AZ 85282-5720

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. and Mrs. Baiza:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your mineral rights, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosure

ng:s/ogx/proposals/Weems#1 ltrproposal\_083007

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 14024....Exhibit No. 3  
Submitted by:  
OGX Resources, L.L.C.  
Hearing Date: November 29, 2007

CERTIFIED MAIL # 7007 0220 0002 4962 7536 RETURN RECEIPT REQUESTED

October 3, 2007

Danny D. Baiza and Nora D. Baiza  
410 South Hemlock  
Roswell, NM 88201

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. and Mrs. Baiza:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure ("AFE"). In the event you elect to participate, please return the executed AFE and we will forward you an Operating Agreement for your review.

In the event you elect not to participate, OGX hereby proposes an Oil and Gas Lease covering your mineral interest, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Thank you for your consideration of this request. Please call our office at the number above if you have any questions.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

ng:s/mike/cassdraw/offer&proposals/Weems#1/ltrproposal\_DannyBaiza 100307

CERTIFIED MAIL # 7005 0390 0000 6079 9283 RETURN RECEIPT REQUESTED

August 30, 2007

Tillman Wayne Taylor  
5027 Grandi Road  
Carlsbad, New Mexico 88220-8924

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. Taylor:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your mineral rights, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosure

ng:s/ogx/proposals/Weems#1 ltrproposal\_083007

CERTIFIED MAIL # 7007 0220 0002 4962 7727 RETURN RECEIPT REQUESTED

October 10, 2007

Tillman Taylor Estate  
c/o Tillman Wayne Taylor  
5027 Grandi Road  
Carlsbad, New Mexico 88220-8924

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. Taylor:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure ("AFE"). In the event you elect to participate, please return the executed AFE and we will forward you an Operating Agreement for your review.

In the event you elect not to participate, OGX hereby proposes an Oil and Gas Lease covering your mineral interest in Block 7, Lots 2 and 4, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Thank you for your consideration of this request. Please call our office at the number above if you have any questions.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

CERTIFIED MAIL # 7005 0390 0000 6080 0507 RETURN RECEIPT REQUESTED

September 25, 2007

Bureau of Reclamation  
Albuquerque Area Office  
555 Broadway NE, Suite 100  
Albuquerque, NM 87102-2352

Attn: Connie Rupp, Area Manager

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Ms. Rupp:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your 100% mineral interest, in Block 9: W/2, a/k/a Lots 2, 4, 6, 8, 10, 12 and 14 containing 1.51228 acres, more or less, Eddy County, New Mexico, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

CERTIFIED MAIL # 7005 0390 0000 6079 9290 RETURN RECEIPT REQUESTED

August 30, 2007

Timothy J. Walterscheid  
5107 Grandi Road  
Carlsbad, New Mexico 88220

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. Walterscheid:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your mineral rights, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosure

ng:s/ogx/proposals/Weems#1 ltrproposal\_083007

CERTIFIED MAIL # 7005 0390 0000 6080 0484 RETURN RECEIPT REQUESTED

September 26, 2007

David Mark Porter  
203 East Russell St.  
Carlsbad, NM 88220-6021

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. Porter:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your mineral rights, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease, with no surface use provision.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosure

ng:s/ogx/proposals/Weems#1 ltrproposal\_DavidPorter 092607



CERTIFIED MAIL # 7007 0220 0002 4962 7680 RETURN RECEIPT REQUESTED

September 27, 2007

New Mexico Department of Transportation  
Property and Claims Bureau  
P.O. Box 6850  
Santa Fe, NM 87502

Attn: Mike Wilson, Deputy Director

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. Wilson:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

According to our records, New Mexico Department of Transportation owns 2.204 net mineral acres in the proposed proration unit by virtue of reserving that tract of land condemned in Eddy County District Court Case No. 24439 in fee simple from and out of the interest of Walter and Velma Porter out of portions of Block 12, 20 and 21, Town of Otis. OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure ("AFE"). In the event you elect to participate, please return the executed AFE and we will forward you an Operating Agreement for your review.

In the event you elect not to participate, OGX hereby proposes an Oil and Gas Lease covering your 1/7<sup>th</sup> mineral interest as previously described, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease.

Additionally, because of the nature of the description in the Town of Otis, OGX proposes the following language be added to the description: It is the intent of Lessor and Lessee that this lease cover and include all lands owned by Lessor in the Town of Otis, as described in the plat of Otis on file in the Office of County Clerk, Eddy County, New Mexico, and Lessor hereby grants, leases and lets unto Lessee

New Mexico Department of Transportation  
September 27, 2007  
Page Two

exclusively, in accordance with the terms and provisions of this lease, whether owned as reflected of record, by prescription, possession, after acquired title, or otherwise and including all streets, alleys and roads adjacent thereto.

However, if the New Mexico Department of Transportation is disclaiming the aforementioned mineral interest, please advise.

Thank you for your consideration of this request. Please call our office at the number above if you have any questions.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

CERTIFIED MAIL # 7007 0220 0002 4962 7697 RETURN RECEIPT REQUESTED

October 3, 2007

Phyllis K. Daniell, Executor of the  
Estate of Kathleen O'Connor and as Successor  
Trustee of the Kathleen O'Connor Trust  
4665 Pauling Avenue  
San Diego, CA 92122

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Ms. Daniell:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

According to our records, the Kathleen O'Connor Trust owns 1/4<sup>th</sup> of the interest of Perry Edly O'Connor by virtue of descent and distribution, based on the fact that the Wills for Perry Edly O'Connor and Kathleen O'Connor were never probated. Therefore, the Kathleen O'Connor Trust owns 5 net mineral acres. OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, please return the executed AFE and we will forward you an Operating Agreement for your review.

In the event you elect not to participate, OGX hereby proposes an Oil and Gas Lease covering your mineral interest in the NE/4SE/4 of Section 34, containing 40 acres, more or less, Eddy County, New Mexico, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease.

Additionally, because of the nature of the description in the Town of Otis, OGX proposes the following language be added to the description: It is the intent of Lessor and Lessee that this lease cover and include all lands owned by Lessor in the Town of Otis, as described in the plat of Otis on file in the Office of County Clerk, Eddy County, New Mexico, and Lessor hereby grants, leases and lets unto Lessee

Phyllis K. Daniell  
October 3, 2007  
Page Two

exclusively, in accordance with the terms and provisions of this lease, whether owned as reflected of record, by prescription, possession, after acquired title, or otherwise and including all streets, alleys and roads adjacent thereto.

Thank you for your consideration of this request. Please call our office at the number above if you have any questions.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

CERTIFIED MAIL # 7005 0390 0000 6079 7821 RETURN RECEIPT REQUESTED

September 26, 2007

Michael W. O'Connor  
P.O. Box 411  
Marfa, TX 79843

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. O'Connor:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your 25% mineral interest in the NE/4SE/4 of Section 34, containing 10 acres, more or less, Eddy County, New Mexico, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

ng:s/mike/cassdraw/offer&proposals/Weems#1/ltrproposal\_MichaelO'Connor 092607

CERTIFIED MAIL # 7005 0390 0000 6079 7807 RETURN RECEIPT REQUESTED

September 26, 2007

Ronal R. O'Connor  
202 E. Orchard Ln.  
Carlsbad, NM 88220

RE: Well Proposal  
Weems #1 (Directional Well)  
T-22-S, R-27-E, N.M.P.M.  
Section 34: E/2  
Eddy County, New Mexico

Dear Mr. O'Connor:

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced well at a surface location of 1073' FNL and 1501' FEL of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico. The bottom hole location for this well will be 660' FNL and 660' FEL of said section. This well will be drilled to a depth of approximately 12,300' to test the Morrow formation. The proration unit for this well will be the E/2 of Section 34.

OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure. In the event you elect to participate, we will forward you an Operating Agreement for your review. In the event you elect not to participate, OGX hereby offers to purchase a Lease covering your 25% mineral interest in the NE/4SE/4 of Section 34, containing 10 acres, more or less, Eddy County, New Mexico, subject to the following general terms and provisions:

1. Primary Term of one (1) year.
2. Royalty of 1/4<sup>th</sup>.
3. Bonus consideration of \$300.00 per net mineral acre.
4. Mutually acceptable form of Oil and Gas Lease.

Please let me know if you have any questions or comments.

Sincerely,

OGX Resources LLC

Mike Gaddy  
Land Manager

Enclosures

ng:s/mike/cassdraw/offer&proposals/Weems#1/ltrproposal\_RonO'Connor 092607

CERTIFIED MAIL # 7007 0220 0002 4962 7710 RETURN RECEIPT REQUESTED

October 10, 2007

Devon Energy Production Company, L.P.  
20 North Broadway  
Oklahoma City, OK 73102-8260

Attn: Brett Hudson

RE: Oil and Gas Lease Proposal  
Burlington Northern and Santa Fe Railway Company  
Atchison, Topeka and Santa Fe Railway Company  
Section 34, T-22-S, R-27-E, N.M.P.M.  
Eddy County, New Mexico

Dear Mr. Hudson:

By letter dated July 31, 2007, OGX Resources LLC ("OGX") proposed an Oil and Gas Lease covering the lands as described:

It is our belief that Devon Energy Production Company, L.P. ("Devon") has a contractual interest with Burlington Northern and Santa Fe Railway Company/Atchison, Topeka and Santa Fe Railway Company ("BNSF") pertaining to the disposition of Oil and Gas Leases in the above described lands, Eddy County, New Mexico along with other lands. We have not been provided copies of documents evidencing these rights, and by this letter request copies of all documents creating rights in Devon as to the land captioned herein.

OGX hereby notifies Devon of the intent of OGX to drill the Weems No. 1 well at a legal location in the E/2 of Section 34, T-22-S, R-27-E, N.M.P.M., Eddy County, New Mexico.

Tract A:

A strip of land of varying width and lying on each side of Santa Fe's Rustler Springs District main track center line, as originally located and constructed over and across said NE/4 of Section 34 and the NW/4 of Section 35, extending in a southeasterly direction from the north line of said Section 34 between Santa Fe's main track center line Stations as follows:

- (1) From Station 4422 + 50 (the said north line of Section 34, from said Station the northwest corner of said NE/4 of Section 34 bears west 570 feet, more or less) to Station 4398 + 63.6, a distance of 2386.4 feet, a width of 100 feet, 50 feet lying on each side of said main track center line;
- (2) From Station 4398 + 63.6, at a distance of 500.6 feet, more or less, the common line between said Sections 34 and 35, to Station 4383 + 74.5 (the South line of said NW/4

of Section 35, from said Station the southwest corner of said NW/4 of Section 35 bears west 820 feet, more or less), a distance of 1,489.1 feet, a width of 120 feet, 50 feet lying on the northeasterly side and 70 feet lying on the southwesterly side of said main track center line;  
containing an area of **9.58 acres of land**, more or less.

Tract B:

All of that certain 0.66 of an acre tract of land described in deed dated December 16, 1925, from A. J. Crawford, et al, to The Atchison, Topeka and Santa Fe Railway Company, and recorded in Book 56, Page 233 of the Deed Records of Eddy County, New Mexico, said 0.66 of an acre tract of land more particularly described in said deed which reads as follows: All that certain tract of land situated in and being all that part of Block 19, Town of Otis, in the W/2 NW/4 of Section 35 and the E/2 NE/4 of Section 34, T22S, R27E, Eddy County, New Mexico, which lies southwesterly of a line parallel with and 130 feet northeasterly from, measured at right angles to, the center line of the main track of the Atchison, Topeka and Santa Fe Railway Company (formerly the Pecos Valley Railway Company), as same was located and constructed over and across said Sections 34 and 35 and easterly of a perpendicular to center line of said main track erected at a point 400 feet northwesterly from the east line of said Block 19, measured along a line parallel with and 50 feet northeasterly from the center line of said main track, said tract of land being described by metes and bounds as follows:

Commencing at the southwest corner of the NW/4 of said Section 35; THENCE east along the south line of the NW/4 of said Section 35, 891.6 feet, more or less, to a point 50 feet northeasterly from, measured at right angles to, the center line of said main track; THENCE northwesterly at an angle of 136 degrees 5 minutes to the last described course and along a line 50 feet northeasterly from and parallel with the center line of said main track, approximately 1,155 feet to an intersection with the east line of Block 19, Town of Otis, the point of beginning; THENCE continuing northwesterly along the last described course a distance of 400 feet; THENCE northeasterly at right angles to the last described course a distance of 80 feet; THENCE southeasterly at right angles to last described course approximately 322 feet to a point on the east line of said Block 19; THENCE south along the east line of said Block 19, 112 feet, more or less to the point of beginning.

The foregoing described tract of land contains an area of **0.66 of an acre**, more or less.

Tract C:

All of that certain 2 acre tract of land described in deed dated November 21, 1925, from E. A. Moberley, et ux, to The Atchison, Topeka and Santa Fe Railway Company, and recorded in Book 56, Page 234 of the Deed Records of Eddy County, New Mexico, said 2 acre tract of land more particularly described in said deed which reads as follows:

All that certain tract of land situated in and being all that part of Blocks 18, 25 and 26, Town of Otis, in the W/2 NW/4 of Section 35, T22S, R27E, Eddy County, New Mexico, which lies southwesterly of a line parallel with and 130 feet northeasterly from, measured at right angles to, the center line of the main track of the Atchison, Topeka and Santa Fe Railway Company (formerly The Pecos Valley Railway Company), as same was located



and constructed over and across said Section 35, said tract of land being described by metes and bounds as follows:

Commencing at the southwest corner of the NW/4 of said Section 35; THENCE east along the south line of the NW/4 of said Section 35, 891.6 feet, more or less, to a point 50 feet northeasterly from, measured at right angles to, the center line of said main track; THENCE northwesterly at an angle of 136 degrees, 5 minutes, to the last described course and along a line 50 feet northeasterly from and parallel with the center line of said main track, 29 feet, more or less, to an intersection with the south line of Block 26, Town of Otis, the point of beginning; THENCE continuing northwesterly along the last described course, 1,009 feet, to an intersection with the west line of Block 18, Town of Otis; THENCE north along the west line of said Block 18 approximately 112 feet to a point 130 feet northeasterly from and at right angles to the center line of said main track; THENCE southeasterly along a line parallel with and 130 feet northeasterly from, measured at right angles to, the center line of said main track, approximately 1,170 feet to an intersection with the south line of said Block 26, Town of Otis; THENCE west along the south line of said Block 26, 115.3 feet, more or less, to the point of beginning.

The foregoing described tract of land contains an area of **2 acres**, more or less.

Summary of the above described three tracts by quarter of Section:

	<i>NE/4 Sec. 34</i>	<i>NW/4 Sec. 35</i>	<i>Total</i>
Tract A	6.86 acres	2.72 acres	9.58 acres
Tract B	0.59 acres	0.07 acres	0.66 acres
Tract C		2.00 acres	2.00 acres
Total	7.45 acres	4.79 acres	12.24 acres

If the ownership interest of Devon in these lands would allow Devon to drill a well thereon, OGX invites your participation in this well. Enclosed you will find an Authority for Expenditure ("AFE"). In the event you elect to participate, please return the executed AFE and we will forward you an Operating Agreement for your review.

If Devon elects not to participate, and its ownership interest authorizes leasing, OGX hereby proposes an Oil and Gas Lease covering your interest at \$300.00 per net mineral acre, 1/4<sup>th</sup> royalty, for a one (1) year term.

Additionally, because of the nature of the descriptions in the Town of Otis, OGX proposes the following language to the description: It is the intent of Lessor and Lessee that this lease cover and include all lands owned by Lessor in the Town of Otis, as described in the plat of Otis, on file in the Office of County Clerk, Eddy County, New Mexico and Lessor hereby grants, leases and lets unto Lessee exclusively, in accordance with the terms and provisions of this lease, whether owned as reflected of record, by prescription, possession, after acquired title, or otherwise and including all streets, alleys and roads adjacent thereto.

Devon Energy Production Company, L.P.  
October 10, 2007  
Page Four

Thank you for your consideration in this request. Please call our office at the number above if you have any questions.

Regards,

OGX Resources LLC

Mike Gaddy  
Consulting Landman

Enclosures