

OGX Resources LLC

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

RECEIVED

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September 17, 2008

Mr. Mark E. Fesmire, P. E.
Director of the Oil Conservation Division
New Mexico Energy, Minerals, and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Mr. Fesmire:

In accordance with paragraph 18 of the above referenced Order No. R-12896, please be advised that, subsequent to the effective date of the Order, OGX was able to obtain an oil and gas lease from Elias H. Baiza and wife, Marie T. Baiza; therefore, this interest will not be subject to the order. A copy of this lease is enclosed.

In addition, please be advised that none of the force pooled parties elected to participate in the Weems No. 1 Well by remitting their proportionate share of the estimated well costs within the allotted thirty-day time period after receiving our certified letter dated June 27, 2008.

Further, in accordance with paragraph 10 of Order No. R-12896, we are hereby submitting an itemized schedule of our actual well costs for the Weems No. 1 Well, from inception to date, in the amount of \$5,117,196.51. Copies of our letter to the force pooled parties submitting these costs are also enclosed.

Please let us know if your office needs anything further at this time.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

cc: Ocean Munds-Dry/Holland & Hart

ks:\shared\ogx\compulsory pooling\weems\ocd ltr 091708 actual well costs

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 6th day of August, 2008, between **Elias H. Baiza and Maria T. Baiza, husband and wife**, as Lessor (whether one or more), whose address is 1311 North Copper St., Ajo, AZ 85321, and **OGX Resources LLC**, as Lessee, whose address is P.O. Box 2064, Midland, Texas 79702. WITNESSETH:

- 1) Lessor in consideration of Ten Dollars (\$10.00), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, (including without limitation coal bed gas and methane, and helium, carbon dioxide and all other gases) conducting exploration activities, geological and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids and gases, and air into subsurface strata, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across any and all lands owned or claimed by Lessor adjacent and contiguous thereto, or within the vicinity thereof, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in **Eddy County, New Mexico**, to wit:

T-22-S, R-27-E, N.M.P.M.

Block 3: Lots 2, 4, and 6 of the Town of Otis, Eddy County, New Mexico,
being part of the E/2NE/4 Section 34, including all streets and alleys.

deemed for all purposes hereunder to comprise .3724 acres of land, and referred to as "said land".

- 2) This is a "paid up" lease requiring no rentals and subject to the other provisions herein contained, shall be for a term of **three (3) years** from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land (whether or not hereunder) or land with which said land is pooled (whether or not hereunder).
- 3) As royalty, Lessee covenants and agrees: (a) To deliver to the credit of Lessor, in the pipelines to which Lessee may connect its wells, the equal **1/4th (one-fourth)** part of all oil and other liquid hydrocarbons produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the price received by Lessee at the point of sale of such oil at or near the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear **1/4th (one-fourth)** of the cost of treating oil to render it marketable pipe line oil; (b) to pay Lessor for gas and casinghead gas produced from said land (1) when sold by Lessee, **1/4th (one-fourth)** of the amount realized by Lessee, computed at the mouth of the well, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products **1/4th (one-fourth)** of the amount realized from the sale of gasoline or other products extracted therefrom and **1/4th (one-fourth)** of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay Lessor on all other minerals mined and marketed or utilized by Lessee from said land, one-tenth either in kind or value at the well or mine at Lessee's election, except that on sulphur mined and marketed the royalty shall be one dollar (\$1.00) per long ton. Lessee shall have the right to use oil, gas and other products produced pursuant to this lease for drilling, producing and product sale or delivery operations, and no royalty shall be payable on any products so used. At any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut in royalty equal to \$1.00 per net acre of Lessor's acreage then held under this lease by the party making such payment or tender, and so long as said shut in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment or tender of royalties and shut in royalties may be made by check or draft. Any timely payment or tender of shut in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or part, liability for payment hereunder shall rest exclusively on the then owners of this lease severally as to acreage and undivided interests owned by each.
- 4) Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order to properly explore, or to develop and operate said leased premises in compliance with the spacing rules of the **Oil Conservation Division of New Mexico**, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction permit the creation of units larger than those specified, for the drilling or operation of a well, units created may conform substantially in size with those permitted by governmental rules or regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee or its designee shall file for record in the records of the county in which the lease premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such filing the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, such operations shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of the provisions of this lease; and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil

pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

- 5) If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from the land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 90 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.
- 6) Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. No well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.
- 7) The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.
- 8) The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. No obligation to develop the leased premises shall arise during the primary term. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities. If after the expiration of the primary term, Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.
- 9) Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. It is agreed that if this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessor fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 10) Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing any oil, gas or other minerals therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the lease premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
- 11) In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

IN WITNESS THEREOF, this instrument is executed on the date first above written.

By:

Elias H. Baiza

By:

Maria T. Baiza

OGX RESOURCES LLC (II)

Phase/Well Expense History

For Properties 325905- to 325905-

For Dates: All Dates

Using JIB and R/D Processing Dates

| <i>Acct Date</i> | <i>Prod/Post</i> | <i>Purchaser/Vendor</i> | <i>Product Service Date</i> | <i>Unit Price</i> | <i>Volume Invoice #</i> | <i>Gross Description</i> | <i>Taxes</i> | <i>Deductions</i> | <i>Net</i> |
|---------------------------------|------------------|-------------------------------------|-----------------------------|-------------------|-------------------------|--------------------------|---------------------------|-------------------|--------------|
| <i>Property</i> | 325905 | WEEMS #1 | | | | | | | |
| INTANGIBLE DRILLING COST | | | | | | | | | |
| 0101-000 | | DAMAGES & RIGHT-OF-WAY | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 90,785.63 |
| | | | | | | | <i>Inception To Date:</i> | | 90,785.63 |
| 0102-000 | | LOCATION | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 134,805.42 |
| | | | | | | | <i>Inception To Date:</i> | | 134,805.42 |
| 0103-000 | | PERMITS | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 6,012.64 |
| | | | | | | | <i>Inception To Date:</i> | | 6,012.64 |
| 0105-000 | | DRILLING - DAYWORK | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 1,100,105.56 |
| | | | | | | | <i>Inception To Date:</i> | | 1,100,105.56 |
| 0107-000 | | CEMENTING - CONDUCTOR | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 9,279.42 |
| | | | | | | | <i>Inception To Date:</i> | | 9,279.42 |
| 0108-000 | | CEMENTING - SURFACE | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 30,109.38 |
| | | | | | | | <i>Inception To Date:</i> | | 30,109.38 |
| 0109-000 | | CEMENTING - INTERMEDIATE | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 60,905.63 |
| | | | | | | | <i>Inception To Date:</i> | | 60,905.63 |
| 0111-000 | | DRILLING MUD & CHEMICALS | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 206,574.62 |
| | | | | | | | <i>Inception To Date:</i> | | 206,574.62 |
| 0112-000 | | WATER AND/OR BRINE | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 75,036.09 |
| | | | | | | | <i>Inception To Date:</i> | | 75,036.09 |
| 0120-000 | | BITS, REAMERS, ETC. | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 102,564.44 |
| | | | | | | | <i>Inception To Date:</i> | | 102,564.44 |
| 0122-000 | | FUEL | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 201,607.28 |
| | | | | | | | <i>Inception To Date:</i> | | 201,607.28 |
| 0125-000 | | TOOL & EQUIPMENT RENTALS | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 337,833.26 |
| | | | | | | | <i>Inception To Date:</i> | | 337,833.26 |

OGX RESOURCES LLC (II)

Phase/Well Expense History

For Properties 325905- to 325905-

For Dates: All Dates

Using JIB and R/D Processing Dates

Continuing with Property: 325905 WEEMS #1

| Acct Date | Prod/Post | Purchaser/Vendor | Product Service Date | Unit Price | Volume Invoice # | Gross Description | Taxes | Deductions | Net |
|-----------|-----------|--------------------------------|----------------------|------------|------------------|-------------------|-------|---------------------------|--------------|
| 0132-000 | | OPEN HOLE LOGS | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 139,396.95 |
| | | | | | | | | <i>Inception To Date:</i> | 139,396.95 |
| 0135-000 | | TRUCKING | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 38,364.48 |
| | | | | | | | | <i>Inception To Date:</i> | 38,364.48 |
| 0137-000 | | MISCELLANEOUS SUPPLIES & LABOR | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 228,177.84 |
| | | | | | | | | <i>Inception To Date:</i> | 228,177.84 |
| 0142-000 | | ENGINEERING SUPERVISION | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 1,050.00 |
| | | | | | | | | <i>Inception To Date:</i> | 1,050.00 |
| 0143-000 | | DRILLING SUPERVISION | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 96,387.53 |
| | | | | | | | | <i>Inception To Date:</i> | 96,387.53 |
| 0144-000 | | DRILLING OVERHEAD | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 16,175.85 |
| | | | | | | | | <i>Inception To Date:</i> | 16,175.85 |
| 0148-000 | | CONTINGENCIES | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 1,608.45 |
| | | | | | | | | <i>Inception To Date:</i> | 1,608.45 |
| | | INTANGIBLE DRILLING COST | | | | | | <i>Current Period:</i> | 2,876,780.47 |
| | | | | | | | | <i>Inception to Date:</i> | 2,876,780.47 |
| | | INTANGIBLE COMPLETION COST | | | | | | | |
| 0201-000 | | CEMENTING SERVICE | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 22,110.78 |
| | | | | | | | | <i>Inception To Date:</i> | 22,110.78 |
| 0202-000 | | CASED HOLE LOGGING & PERF | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 58,366.23 |
| | | | | | | | | <i>Inception To Date:</i> | 58,366.23 |
| 0205-000 | | COMPLETION UNIT | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 108,793.81 |
| | | | | | | | | <i>Inception To Date:</i> | 108,793.81 |
| 0206-000 | | ACIDIZING AND/OR FRACTURING | | | | | | | |
| | | | | | | | | <i>Current Period:</i> | 312,263.51 |
| | | | | | | | | <i>Inception To Date:</i> | 312,263.51 |
| 0207-000 | | TOOL & EQUIPMENT RENTALS | | | | | | | |

OGX RESOURCES LLC (II)

Phase/Well Expense History

For Properties 325905- to 325905-

For Dates: All Dates

Using JIB and R/D Processing Dates

Continuing with Property: 325905

WEEMS #1

| Acct Date | Prod/Post | Purchaser/Vendor | Product Service Date | Unit Price | Volume Invoice # | Gross Description | Taxes | Deductions | Net |
|-----------------|-----------|-------------------------------------------|----------------------|------------|------------------|-------------------|-------|---------------------------|--------------|
| | | | | | | | | | |
| | | | | | | | | Current Period: | 557,816.62 |
| | | | | | | | | Inception To Date: | 557,816.62 |
| 0208-000 | | WATER (FRESH, KCL, BRINE) | | | | | | | |
| | | | | | | | | Current Period: | 20,609.01 |
| | | | | | | | | Inception To Date: | 20,609.01 |
| 0209-000 | | DISPOSAL FEE | | | | | | | |
| | | | | | | | | Current Period: | 77,775.16 |
| | | | | | | | | Inception To Date: | 77,775.16 |
| 0211-000 | | MISCELLANEOUS SUPPLIES & LABOR | | | | | | | |
| | | | | | | | | Current Period: | 92,450.11 |
| | | | | | | | | Inception To Date: | 92,450.11 |
| 0212-000 | | TRUCKING(CSG,TBG, SURFACE FAC) | | | | | | | |
| | | | | | | | | Current Period: | 7,425.08 |
| | | | | | | | | Inception To Date: | 7,425.08 |
| 0213-000 | | LOCATION CLEANUP | | | | | | | |
| | | | | | | | | Current Period: | 2,124.20 |
| | | | | | | | | Inception To Date: | 2,124.20 |
| 0215-000 | | WELDING, TEMPORARY PUMPING,ETC | | | | | | | |
| | | | | | | | | Current Period: | 27,685.00 |
| | | | | | | | | Inception To Date: | 27,685.00 |
| 0216-000 | | COMPLETION SUPERVISION | | | | | | | |
| | | | | | | | | Current Period: | 53,544.75 |
| | | | | | | | | Inception To Date: | 53,544.75 |
| 0220-000 | | CONTINGENCIES | | | | | | | |
| | | | | | | | | Current Period: | 55.21 |
| | | | | | | | | Inception To Date: | 55.21 |
| | | INTANGIBLE COMPLETION COST | | | | | | Current Period: | 1,341,019.47 |
| | | | | | | | | Inception to Date: | 1,341,019.47 |
| | | TANGIBLE DRILLING COST | | | | | | | |
| 0310-000 | | WELLHEAD EQUIPMENT | | | | | | | |
| | | | | | | | | Current Period: | 18,220.96 |
| | | | | | | | | Inception To Date: | 18,220.96 |
| 0320-000 | | CONDUCTOR AND/OR SURFACE CSG | | | | | | | |
| | | | | | | | | Current Period: | 13,479.00 |
| | | | | | | | | Inception To Date: | 13,479.00 |
| 0325-000 | | INTERMEDIATE CASING | | | | | | | |
| | | | | | | | | Current Period: | 295,480.86 |
| | | | | | | | | Inception To Date: | 295,480.86 |

OGX RESOURCES LLC (II)

Phase/Well Expense History

For Properties 325905- to 325905-

For Dates: All Dates

Using JIB and R/D Processing Dates

Continuing with Property: 325905

WEEMS #1

| <i>Acct Date</i> | <i>Prod/Post</i> | <i>Purchaser/Vendor</i> | <i>Product</i> | <i>Unit Price</i> | <i>Volume</i> | <i>Gross Description</i> | <i>Taxes</i> | <i>Deductions</i> | <i>Net</i> |
|---------------------------------|------------------|------------------------------------------|---------------------|-------------------|------------------|--------------------------|---------------------------|-------------------|------------|
| | | | <i>Service Date</i> | | <i>Invoice #</i> | | | | |
| TANGIBLE DRILLING COST | | | | | | | <i>Current Period:</i> | | 327,180.82 |
| | | | | | | | <i>Inception To Date:</i> | | 327,180.82 |
| TANGIBLE COMPLETION COST | | | | | | | | | |
| 0331-000 | | PRODUCTION CASING | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 164,799.19 |
| | | | | | | | <i>Inception To Date:</i> | | 164,799.19 |
| 0332-000 | | TUBING | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 79,039.24 |
| | | | | | | | <i>Inception To Date:</i> | | 79,039.24 |
| 0335-000 | | WELLHEAD EQUIPMENT | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 38,033.85 |
| | | | | | | | <i>Inception To Date:</i> | | 38,033.85 |
| 0345-000 | | BOTTOM HOLE EQUIPMENT | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 16,461.06 |
| | | | | | | | <i>Inception To Date:</i> | | 16,461.06 |
| 0353-000 | | PIPELINE | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 121,910.99 |
| | | | | | | | <i>Inception To Date:</i> | | 121,910.99 |
| 0355-000 | | STORAGE TANKS & RELATED EQUIP | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 51,277.14 |
| | | | | | | | <i>Inception To Date:</i> | | 51,277.14 |
| 0360-000 | | TREATER AND/OR SEPARATOR | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 31,836.00 |
| | | | | | | | <i>Inception To Date:</i> | | 31,836.00 |
| 0365-000 | | BATTERY CONNECTIONS | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 4,441.70 |
| | | | | | | | <i>Inception To Date:</i> | | 4,441.70 |
| 0375-000 | | OTHER EQUIPMENT | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 1,282.65 |
| | | | | | | | <i>Inception To Date:</i> | | 1,282.65 |
| 0380-000 | | INSTALLATION LABOR | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 2,067.04 |
| | | | | | | | <i>Inception To Date:</i> | | 2,067.04 |
| 0385-000 | | MISCELLANEOUS | | | | | | | |
| | | | | | | | <i>Current Period:</i> | | 48.11 |
| | | | | | | | <i>Inception To Date:</i> | | 48.11 |

OGX RESOURCES LLC (II)

Phase/Well Expense History

For Properties 325905- to 325905-

For Dates: All Dates

Using JIB and R/D Processing Dates

Continuing with Property: 325905 WEEMS #1

| Acct Date | Prod/Post | Purchaser/Vendor | Product | Unit Price | Volume | Gross Description | Taxes | Deductions | Net |
|---------------------------------|-----------|-------------------------------------|--------------|------------|-----------|-------------------|---------------------------|------------|--------------|
| | | | Service Date | | Invoice # | | | | |
| TANGIBLE COMPLETION COST | | | | | | | Current Period: | | 511,196.97 |
| | | | | | | | Inception to Date: | | 511,196.97 |
| LEASE OPERATING EXPENSE | | | | | | | | | |
| 0420-000 | | SUPPLIES & MISCELLANEOUS | | | | | | | |
| | | | | | | | Current Period: | | 1,174.91 |
| | | | | | | | Inception To Date: | | 1,174.91 |
| LEASE OPERATING EXPENSE | | | | | | | Current Period: | | 1,174.91 |
| | | | | | | | Inception to Date: | | 1,174.91 |
| LEASEHOLD COSTS | | | | | | | | | |
| 0605-000 | | ACREAGE COST | | | | | | | |
| | | | | | | | Current Period: | | 800.00 |
| | | | | | | | Inception To Date: | | 800.00 |
| 0610-000 | | ABSTRACT AND RECORDING | | | | | | | |
| | | | | | | | Current Period: | | 253.08 |
| | | | | | | | Inception To Date: | | 253.08 |
| 0620-000 | | PROFESSIONAL SERVICES | | | | | | | |
| | | | | | | | Current Period: | | 58,677.79 |
| | | | | | | | Inception To Date: | | 58,677.79 |
| 0625-000 | | MISCELLANEOUS | | | | | | | |
| | | | | | | | Current Period: | | 113.00 |
| | | | | | | | Inception To Date: | | 113.00 |
| LEASEHOLD COSTS | | | | | | | Current Period: | | 59,843.87 |
| | | | | | | | Inception to Date: | | 59,843.87 |
| Phase/Well: | | Phase/Well Totals | | | | | Current Expenses: | | 5,117,196.51 |
| | | | | | | | Current Expenses: | | |
| Property 325905 | | Property Totals | | | | | Current Expenses: | | 5,117,196.51 |
| | | | | | | | Current Expenses: | | |
| | | Report Totals: | | | | | Current Expenses: | | 5,117,196.51 |
| | | | | | | | Current Expenses: | | |

OGX Resources LLC

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

CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 2840 – RETURN RECEIPT REQUESTED

September 17, 2008

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

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Mr. and Mrs. Baiza:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you own mineral rights. You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

Now, pursuant to the terms of the above referenced Order No. R-12896 (paragraph 10), OGX Resources LLC is required to submit to you an itemized schedule of our actual well costs for drilling, completing, and equipping our Weems No. 1 Well in the amount of \$5,117,196.51 from inception to date. Said schedule is attached.

Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

OGX Resources LLC

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

CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 3007 – RETURN RECEIPT REQUESTED

September 17, 2008

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

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Mr. Gray:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you may have an option to lease under an agreement between BN&SF RR and Devon (successor in title to Santa Fe Energy). You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

Now, pursuant to the terms of the above referenced Order No. R-12896 (paragraph 10), OGX Resources LLC is required to submit to you an itemized schedule of our actual well costs for drilling, completing, and equipping our Weems No. 1 Well in the amount of \$5,117,196.51 from inception to date. Said schedule is attached.

Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

ks:\shared\ogx\compulsory pooling\weems\ltr 091708 pooled wi owners actual well costs

OGXResources LLC

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

CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 2994 – RETURN RECEIPT REQUESTED

September 17, 2008

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

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Mr. Porter:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you own mineral rights. You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

Now, pursuant to the terms of the above referenced Order No. R-12896 (paragraph 10), OGX Resources LLC is required to submit to you an itemized schedule of our actual well costs for drilling, completing, and equipping our Weems No. 1 Well in the amount of \$5,117,196.51 from inception to date. Said schedule is attached.

Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

OGX Resources LLC

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CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 2987 – RETURN RECEIPT REQUESTED

September 17, 2008

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

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Mr. O'Connor:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you own mineral rights. You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

Now, pursuant to the terms of the above referenced Order No. R-12896 (paragraph 10), OGX Resources LLC is required to submit to you an itemized schedule of our actual well costs for drilling, completing, and equipping our Weems No. 1 Well in the amount of \$5,117,196.51 from inception to date. Said schedule is attached.

Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

cc Elizabeth Ryan/Hinkle Law Firm
400 N. Pennsylvania Ave., Suite 700; Roswell, NM 88201

OGX Resources LLC

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

CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 2970 – RETURN RECEIPT REQUESTED

September 17, 2008

Ms. Phyllis K. Daniell, Executor of The Estate of Kathleen O'Connor and
Successor Trustee of The Kathleen O'Connor Trust and the
Unknown Heirs of Kathleen O'Connor
4665 Pauling Ave.
San Diego, CA 92122

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Ms. Daniell:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you own mineral rights. You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

Now, pursuant to the terms of the above referenced Order No. R-12896 (paragraph 10), OGX Resources LLC is required to submit to you an itemized schedule of our actual well costs for drilling, completing, and equipping our Weems No. 1 Well in the amount of \$5,117,196.51 from inception to date. Said schedule is attached.

Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

cc Elizabeth Ryan/Hinkle Law Firm
400 N. Pennsylvania Ave., Suite 700; Roswell, NM 88201

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OGX Resources LLC

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CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 2963 – RETURN RECEIPT REQUESTED

September 17, 2008

Mr. David Catanach
New Mexico Department of Transportation
1142 Vuelta Acequias
Santa Fe, NM 87507

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear: Mr. Catanach:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you own mineral rights. You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

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Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures

OGX Resources LLC

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CERTIFIED MAIL RECEIPT NO. 7007 0710 0005 1787 2956 – RETURN RECEIPT REQUESTED

September 17, 2008

Mr. Tillman Wayne Taylor and
The Estate of Tillman Taylor
5027 Grandi Rd.
Carlsbad, NM 88220-8924

Re: **Case No. 14024, Order No. R-12896**
Compulsory Pooling of the E/2 of Section 34, T22S-R27E
Weems No. 1 Well, Eddy County, New Mexico

Dear Mr. Taylor:

OGX Resources LLC previously sent you a certified letter in which we advised you of our proposal to drill the Weems No. 1 Well in the E/2 of Section 34, T22S-R27E, Eddy County, New Mexico, under which you own mineral rights. You were invited to either participate in the well or lease your mineral rights to OGX for \$300.00 per net mineral acre with a one-quarter (1/4th) royalty for a term of one (1) year. You were also furnished a copy of our AFE itemizing estimated costs at that time. Inasmuch as you made no decision to either participate in the well or execute an oil and gas lease, your mineral interest was made subject to the above referenced Compulsory Pooling Order No. R-12896, a copy of which you have previously received. On June 27, 2008, you were sent another certified letter, along with an AFE for the revised estimated well costs. At that time, you were given a second opportunity to either lease your interest to OGX or participate in drilling the Weems No. 1 Well by paying your share of the estimated costs. Again, since you have not responded, your interest continues to be subject to the Order.

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Please let us know if you have any questions.

Yours very truly,

OGX RESOURCES LLC



Kaye Smith

Enclosures