

Certified Mail #7010 1870 0000 8950 4059

February 2, 2011

COG Operating LLC 2208 W Main Street Artesia, New Mexico 88210-3720

CONCHO OIL & GAS LLC 2208 W Main Street Artesia, New Mexico 88210-3720

Attn: Mr. William Miller

Re: Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W½E½

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' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

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

OGX invites the participation of COG Operating LLC and CONCHO OIL & GAS LLC ("CONCHO") in this well. If CONCHO 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 W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event CONCHO does not which to participate, OGX would be interested in obtaining a one year (1) term assignment from CONCHO for the following terms:

COG Operating LLC\CONCHO OIL & GAS LLC Well Proposal Diamondback "22" Fed Com #1H Well February 2, 2011 Page 2

Term: One (1) year

Lands to be included: W1/2SW1/4, NE1/4SW1/4, N1/2SE1/4, Section 22, T-26-S, R-28-E,

N.M.P.M., Eddy County, New Mexico

Net Revenue to be delivered: 75%

Continuous Development Provision: same as leases owned by Concho.

Cash Consideration: \$300.00 per net leasehold acre.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Dal H.S

Enclosures

	RIZATION		PENDITURE			
DATE: 1/31/11			•			,
OGX AFE No.:						
AFE Title: Avalon Horizontal						
Well Name & No.: DIAMONDBACK 22 STATE COM #1H			Field: DELAW	ARE RIVE	ER SOUTH - BONE SI	PRING
State: NEW MEXICO	**********		County: EDDY		* *******************	
Exploratory XX Development:			Oil: XX		GAS	
Proposed Formation: AVALON Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28	E		Proposed Dept	h: 7160 T '	VD / 11,450' MD	
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28	3E					
**************************************	******	* *****	****	*****	* **********	*****
	<u>MAJ</u>	<u>SUB</u>	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING: Tumkey	725	470	1	706		
Mobilization/Demob.	125	470	\$65,000	726	\$0 \$0	\$ \$65,00
Location, Pits, Roads Cement and Cementing Services		472	\$65,000 \$75,000		\$10,000 \$50,000	\$75,00 \$125,00
Mud Logging		474	\$35,000		\$0	\$35,00
Mud Materials, Chemical & Water Logging and Sidewall Coring		475 478	\$65,000 \$35,000		\$175,000 \$5,000	\$240,00 \$40,00
Perforating		479	\$0		\$0	\$
Stimulation Formation Testing		480	\$0 \$0		\$1,850,000 \$42,000	\$1,850,00 \$42,00
Testing Tubular Goods Tool Rental DOWNHOLE		484 488	\$0 \$40,000		\$5,500 \$3,500	\$5,50
Tool Rental INCLUDES CLOSED MUD SYSTEM		488	\$162,500		\$3,500	\$43,50 \$162,50
Drilling Footage Drilling Day Work 24 days		489	\$0 \$262,500		\$0 \$37,500	\$300,00
Float Equipment		491	\$6,500		\$15,000	\$21,50
Bits, Core Barrells, etc. Other Special Well Services		492	\$70,000 \$18,000		\$15,000 \$355,000	\$85,00 \$373,00
Contract Services & Equip		510	\$12,000		\$55,000	\$67,00
Directional Drilling Completion Unit		511 528	\$130,000 \$0		\$0 \$56,000	\$130,00 \$56,00
Fuel & Power		539	\$72,000		\$0	\$72,00
Auto & Truck Expense Company Supervision 60 @ 1200		545 501	\$15,000 \$42,000		\$2,500 \$30,000	\$17,50 \$72,00
Miscellaneous & Contingencies Subtotal	8%	599	\$93,640 \$1,264,140		\$216,560 \$2,923,560	\$310,200 \$4,187,700
Outroit			1 \$1,204,140]		1 \$2,923,3001	\$4,107,700
DEVELOPMENTAL LWE "DRILLING"	~~~	· · · · ·				
Surface Casing 13 3/8 @ 425' Conductor Pipe	727	441	\$16,750 \$9,500	727	\$0 \$0	\$16,750 \$9,500
Intermediate Casing 8 5/8" @ 2525' Production Casing 5 1/2" @ 11,450'		443	\$58,300		\$0	\$58,300
Drilling Liner		443 450	\$0 \$0		\$220,000 \$0	\$220,000 \$0
Production Liner Casing Head		460 445	\$0 \$34,000		\$0 \$30,000	\$64,000
X-Mas Tree		446	\$34,000		\$16,000	\$16,000
Completion Equipment Retrievable Packers		447 448	\$0 \$0		\$5,000 \$5,000	\$5,000 \$5,000
Tubing		449	\$0		\$55,000	\$55,000
Other Material & Equipment Subtotal		469	\$1,000 \$119,550		\$1,500 \$332,500	\$2,500 \$452,050
				<u></u>		
ONSHORE FACILITIES Location, Pits, Roads	745	472	·		\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys Auto & Truck Expense		516 545			\$4,500 \$1,000	\$4,500 \$1,000
Welding Services		566 567			\$7,500	\$7,500 \$0
Instal Elect/Pneu System Painting Service		568			\$0 \$0	\$0
Miscellaneous & Contingencies Subtotal		599			\$1,500 \$84,500	\$1,500 \$84,500
					404,000]	407,000
ONSHORE FACILITIES	746	160			\$35,000	\$35,000
Misc Valves & Fittings Corrosion or Chemical Treating Equip	746	153 438		· · · · ·	\$0	\$0
Pumping Equipment Gas Engines & Electric Motors		451 452			\$135,000 \$15,000	\$135,000 \$15,000
Electric Lines, Poles, Transformers, etc.		453			\$35,000	\$35,000
Bottom Hole Pump Field Lines		454 456			\$8,000 \$7,500	\$8,000 \$7,500
Tanks, Stairs, Walkways, etc.		457 458			\$38,000	\$38,000
Separator & Fittings Heaters, Treaters & Connections		459			\$10,500 \$12,000	\$10,500 \$12,000
Power & Circulating Pumps Meters	· ·	460 463			\$2,500 \$23,000	\$2,500 \$23,000
Other Material & Equipment		469			\$45,000	\$45,000
Subtotal					\$366,500	\$366,500
TOTAL WELL COST:			1,383,690		3,707,060	5,090,75
COMPANY APPROVAL	,	PARTIC	CIPANT APPR	ROVAL		
NAME: OCX RESOURCES LC		NAME:				
By: ENGINEERING MANAGER		By: Title:				
Date: 31-Jan-11		Date:				
		WI%:				

CERTIFIED MAIL MRECEIPT

(COMMESTIC Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.comp

Postage

Postage

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postano COG Operating LPC
Sent To
Attn: Witham Miller

Or PO Box 2208 W. Main Street

City, State, Artesia, New Mexico 88210-3720

Attoring Lecture Miller

Restricted Delivery Fee
(Endorsement Required)

Attn: Witham Miller

Or PO Box 2208 W. Main Street

City, State, Artesia, New Mexico 88210-3720

Restronts

Domestic Return Receipt 102595-02-M-1540	stic Retu	PS Form 3811, February 2004 Dome	PS Form 381
18מי פאב מסמם מקב מבמק	187	service (abel)	2. Article Number (Transfer from s
4. Restricted Delivery? (Extra Fee) ☐ Yes			
3. Service Type G Certified Mail		Artesia, New Mexico 88210-3720	Artesia, No
RECEIVED FEB 0 7 2011		COG Operating LLC Attn: William Miller 2208 W. Main Street	COG Operating LLC Attn: William Miller 2208 W. Main Street
If YES, enter delivery address below:		ressed to:	1. Article Addressed to:
B. Received by (Printed Name) C. Date of Delivery		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.	so that we Attach this or on the fr
A. Signature X		Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse	■ Complete I item 4 if Re ■ Print your I
COMPLETE THIS SECTION ON DELIVERY		SENDER: COMPLETE THIS SECTION	SENDER: C



March 11, 2011

Certified Mail RRR#7010 1870 0000 8950 4233

COG Operating LLC 2208 W Main Street Artesia, New Mexico 88210-3720

CONCHO OIL & GAS LLC 2208 W Main Street Artesia, New Mexico 88210-3720

Attn: Mr. William Miller

Re: Well Proposal

Diamondback "22" State Com #1H Well

<u>T-26-S</u>, <u>R-28-E</u>, <u>N.M.P.M.</u>

Section 22: W½E½

Eddy County, New Mexico

Gentlemen:

Please find enclosed an Operating Agreement dated March 1, 2011 covering the subject lands, which has been executed by OGX Resources LLC, along with an extra set of signature pages and four copies of the AFE for the subject well.

Please review the enclosed and if the acceptable, execute the agreement, the extra set of signature pages, and both copies of the AFE, after which return the signature page and one AFE for each company to our office. Upon receipt of signatures from all of the parties to the agreement, a complete copy will be sent to you.

We plan to begin drilling operations on the subject well on or before May 28, 2011; therefore, please return the signature page, AFE, and your well information requirement sheet as soon as possible. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Enclosures

cog&conchodiamondback22state#1hjoalttr_031111

AUTHORIZATION FOR EXPENDITURE

DATE: OGX AFE No.: Avalon Horizontal AFE Title: Well Name & No.: DIAMONDBACK 22 STATE COM #1H Field: DELAWARE RIVER SOUTH - BONE SPRING County: EDDY State: **NEW MEXICO** Exploratory XX Development: Proposed Depth: 7160 TVD / 11,450' MD Proposed Formation: AVALON Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E SUB DRY HOLE MAJ COMPLETION **TOTAL** <u>MAJ</u> **DEVELOPMENTAL DRILLING:** \$0 726 \$0 470 Turnkey \$65,000 Mobilization/Demob. 471 \$65,000 \$0 \$65,000 \$10,000 \$75,000 Location, Pits, Roads Cement and Cementing Services 473 \$75,000 \$50,000 \$125,000 \$35,000 \$35,000 \$65,000 474 \$0 Mud Logging Mud Materials,Chemical & Water \$175,000 \$240,000 475 \$5,000 478 \$35,000 \$40,000 Logging and Sidewall Coring 479 \$0 \$0 \$0 Perforating \$1,850,000 \$1,850,000 480 \$0 Stimulation \$42,000 \$42,000 ormation Testing 482 \$0 \$5,500 484 \$0 \$5,500 Testing Tubular Goods
Tool Rental DOWNHOLE 488 \$40,000 \$3,500 \$43,500 Tool Rental INCLUDES CLOSED MUD SYSTEM 488 \$162,500 \$162,500 \$0 \$0 Drilling Footage
Drilling Day Work 24 days 489 \$0 \$300,000 490 \$37,500 \$21,500 \$85,000 491 \$6,500 \$15,000 Float Equipment \$70,000 Bits, Core Barrells, etc. 492 \$15,000 \$373,000 494 \$18,000 Other Special Well Services Contract Services & Equip 510 \$12,000 \$55,000 \$67,000 Directional Drilling 511 \$130,000 \$0 \$130,000 \$56,000 \$56,000 Completion Unit 528 \$0 \$72,000 539 \$72,000 Fuel & Power \$2,500 \$17,500 Auto & Truck Expense 545 \$15,000 \$30,000 \$216,560 Company Supervision 60 @ 1200 501 \$42,000 \$72,000 \$310,200 \$4,187,700 8% Miscellaneous & Contingencies 599 \$93,640 \$2,923,560 \$1,264,140 Subtotal DEVELOPMENTAL LWE "DRILLING" \$16,750 Surface Casing 13 3/8 @ 425' 727 441 \$16,750 727 \$0 442 \$9,500 \$0 \$9,500 Conductor Pipe \$58,300 Intermediate Casing 8 5/8" @ 2525 443 \$58,300 \$220,000 Production Casing 5 1/2" @ 11,450' 443 \$0 \$220,000 450 \$0 \$0 **Drilling Liner** Production Liner 460 \$0 \$0 \$64,000 \$30,000 \$34,000 Casing Head 445 X-Mas Tree \$16,000 446 \$0 \$16,000 447 \$0 \$5,000 Completion Equipment \$5,000 \$5,000 Retrievable Packers 448 \$5,000 Tubing \$55,000 449 \$0 \$55,000 Other Material & Equipment \$1,000 469 \$1,500 \$2.500 \$119,550 \$332,500 \$452,050 Subtotal ONSHORE FACILITIES Location, Pits, Roads 472 \$45,000 \$45,000 Contract Services & Equip 510 \$25,000 \$25,000 **Engineering Surveys** 516 \$4,500 Auto & Truck Expense 545 \$1,000 \$1,000 Welding Services 566 \$7,500 \$7,500 Instal Elect/Pneu System 567 \$0 Painting Service 568 \$0 Miscellaneous & Contingencies \$1,500 \$1,500 599 Subtotal \$84,500 \$84,500 **ONSHORE FACILITIES** Misc Valves & Fittings 153 \$35,000 \$35,000 Corrosion or Chemical Treating Equip 438 \$0. Pumping Equipment
Gas Engines & Electric Motors \$135,000 \$135,000 451 452 \$15,000 \$15,000 Electric Lines, Poles, Transformers, etc. \$35,000 \$35,000 Bottom Hole Pump 454 \$8,000 \$8,000 Field Lines 456 \$7,500 \$7,500 Tanks, Stairs, Walkways, etc.
Separator & Fittings
Heaters, Treaters & Connections 457 \$38,000 \$38,000 458 \$10,500 \$10,500 459 \$12,000 \$12,000 Power & Circulating Pumps \$2.500 \$2.500 Meters 463 \$23,000 \$23,000 Other Material & Equipment 469 \$45,000 \$45,000 Subtotal \$366.500 \$366,500 **TOTAL WELL COST:** 1.383.690 3,707,060 5,090,750 **COMPANY APPROVAL** PARTICIPANT APPROVAL OGX RPSOMPOES LO NAME: NAME: By: Bv: ENGINEERING MANAGER Title: Title: Date: 31-Jan-11 Date:

WI%:



SENDER: GOMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. Sidnature X. MANUAL WILLIAM GAGENT Addressee B. Received by (Printed Name) C. Date of Delivery C. Date of Delivery C. Date of Delivery C. Date of Delivery
Article Addressed to:	D. Is delivery address different from item 1? Yes If YES, enter delivery address below: 127No
COG Operating LLC	
Concho Oil & Gas LLC 2208 W. Main St.	3. Service Type
2208 W. Main St.	☐ Certified Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandise
Artesia, NM 88210	☐ Insured Mail ☐ C.O.D.
11110012,1000 88 210	4. Restricted Delivery? (Extra Fee) ☐ Yes
2. Article Number 7010 1870 (Transfer from service label)	CES4 02P8 0000 C
PS Form 3811, February 2004 Domestic Ret	urn Receipt 102595-02-M-1540
The same of the sa	The state of the s

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

Certified Mail #7010 1870 0000 8950 4110

February 7, 2011

Mr. Trey Fowlkes P.O. Box 23416 Waco, Texas 76702

Re:

Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W1/2E1/2

Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW1/4SE1/4 of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

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

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Trey Fowlkes Well Proposal Diamondback "22" State Com #1H Well February 7, 2011 Page 2

A. As to your mineral interest covering the NW¼SE¼ of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.125% (1.25 net acres).

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term) Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Enclosures

AUTI	HORIZATIO	N FOR EXP	PENDITURE			
DATE: 1/31/11						
· ·						
OGX AFE No.: AFE Title: Avaion Horizontal					,	
Well Name & No.: DIAMONDBACK 22 STATE COM #1H						
0. ()					ER SOUTH - BONE S	PRING
State: NEW MEXICO	*** *****	** *******	County: EDDY		* *******	*****
Exploratory XX Development:			Oil: XX		GAS	
Proposed Formation: AVALON			Proposed Dept	h: 7160 T	VD / 11,450' MD	
Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, F	28E					
***********	*** *****	** ******	*******	*****	* ******	*****
	<u>MAJ</u>	<u>SUB</u>	DRY HOLE	MAJ	COMPLETION	<u>TOTAL</u>
DEVELOPMENTAL DRILLING:						
Turnkey Mobilization/Demob.	725	470 471	\$65,000	726	\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$75,000		\$50,000	\$125,000
Mud Logging Mud Materials, Chemical & Water		474	\$35,000 \$65,000		\$0 \$175,000	\$35,000 \$240,000
Logging and Sidewall Coring		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation Formation Testing		480	\$0 \$0		\$1,850,000 \$42,000	\$1,850,000 \$42,000
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	\$162,500			\$162,500
Drilling Footage Drilling Day Work 24 days		489 490	\$0 \$262,500		\$0 \$37,500	\$0 \$300,000
Float Equipment		491	\$6,500		\$15,000	\$21,500
Bits, Core Barrells, etc.		492	\$70,000		\$15,000	\$85,000
Other Special Well Services Contract Services & Equip		494 510	\$18,000		\$355,000	\$373,000
Directional Drilling		511	\$12,000 \$130,000		\$55,000 \$0	\$67,000 \$130,000
Completion Unit		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$72,000
Auto & Truck Expense Company Supervision 60 @ 1200		545 501	\$15,000 \$42,000		\$2,500 \$30,000	\$17,500 \$72,000
Miscellaneous & Contingencies	89		\$93,640		\$216,560	\$310,200
Subtotal			\$1,264,140		\$2,923,560	\$4,187,700
DEVELOPMENTAL LIME IDDULINO						
DEVELOPMENTAL LWE "DRILLING" Surface Casing 13 3/8 @ 425'	727	444	\$40.750L	707		#40.750 I
Conductor Pipe	121	441	\$16,750 \$9,500	727	\$0 \$0	\$16,750 \$9,500
Intermediate Casing 8 5/8" @ 2525'		443	\$58,300		\$0	\$58,300
Production Casing 5 1/2" @ 11,450'		443	\$0		\$220,000	\$220,000
Drilling Liner Production Liner		450 460	\$0 \$0		\$0 \$0	\$0
Casing Head		445	\$34,000		\$30,000	\$64,000
X-Mas Tree		446	\$0		\$16,000	\$16,000
Completion Equipment Retrievable Packers		447	\$0 \$0		\$5,000 \$5,000	\$5,000
Tubing		449	\$0		\$55,000	\$5,000 \$55,000
Other Material & Equipment		469	\$1,000		\$1,500	\$2,500
Subtotal			\$119,550		\$332,500	\$452,050
ONSHORE FACILITIES				١		
Location, Pits, Roads	745	472			\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense Welding Services		545 566			\$1,000 \$7,500	\$1,000 \$7,500
Instal Elect/Pneu System		567			\$0	\$0
Painting Service		568			\$0	\$0
Miscellaneous & Contingencies Subtotal		599			\$1,500 \$84,500	\$1,500 \$84,500
		1			1000,700	404,000
ONSHORE FACILITIES						•
Misc Valves & Fittings	746	153			\$35,000	\$35,000
Corrosion or Chemical Treating Equip	<u> </u>	438	·		\$0	\$0 \$135,000
Pumping Equipment Gas Engines & Electric Motors		451 452			\$135,000 \$15,000	\$15,000
Electric Lines, Poles, Transformers, etc.		453			\$35,000	\$35,000
Bottom Hole Pump		454			\$8,000	\$8,000
Field Lines Tanks, Stairs, Walkways, etc.		456 457	- _		\$7,500 \$38,000	\$7,500 \$38,000
Separator & Fittings		458			\$10,500	\$10,500
Heaters, Treaters & Connections		459			\$12,000	\$12,000
Power & Circulating Pumps Meters		460 463			\$2,500 \$23,000	\$2,500 \$23,000
Other Material & Equipment		469			\$45,000	\$45,000
Subtotal					\$366,500	\$366,500
TOTAL MELL COOT			4 655 655		A 747 666	E 000 750
TOTAL WELL COST:			1,383,690		3,707,060	5,090,750
COMPANY APPROVAL	2	PARTIC	IPANT APPR	Ονδι		
NAME: OCK RESOURCES LC		NAME:	AII AFFN	UTAL		•
By:		By:				
Title: ENGINEERING MANAGER		Title:				·
Date: 31-Jan-11		Date:				
		WI%: _				

Bonus Consideration Frank Blow Fowlkes Christine Speidel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 leases	Total	Sec. 7: S/2NE/4	T-26-S, R-29-E, N.M.P.M	Lease No. 3	i orai	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4	Sec. 24: SW/4NE/4, N/2SE/4	Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	T-26-S, R-28-E, N.M.P.M	Lease No. 2		Total	Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	Sec. 32: NE/4NE/4	Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	Sec. 28: S2NW/4	Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	Sec. 21: S/2SE/4	T-26-S, R-28-E, N.M.P.M	Lease No. 1	Land Description
Net Acres 83.98 83.98 41.99 41.99 251.94	s 1503.72	80.00	80.00			799.93		120.00	160.00	320.00			,	1 623.79	63.79	40.00	160.00	80.00	200.00	80.00		Land	Gross Acreage
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$83,980.00 \$83,980.00			1/2				1/4	1/4	1/2	1/2					1/2	1/2	1/2	1/2	1/2	1/2			Fowlkes Family Mineral Int.
	,		1/16				1/32	1/32	1/16	1/16					1/16	1/16	1/16	1/16	1/16	1/16			Frank Blow Fowlkes
	83.98	5.00 Lease MI%	5.00			40.00 Lease MI%	6.25	3.75	10.00	20.00			Lease MI%	38.99	3.99	2.50	10.00	5.00	12.50	5.00			Frank Blow Fowlkes
		11	1/16				1/32	1/32	1/16	1/16				l	1/16	1/16	1/16	1/16	1/16	1/16			Christine Speidel Fowkles
	83.98	5.00 Lease MI%	5.00			40.00 Lease Mt%	6.25	3.75	10.00	20.00			Lease MI%	38.99	3.99	2.50	10.00	5.00	12.50	5.00			Christine Speidel Fowkles
1		' '	1/32			• •	1/64	1/64	1/32	1/32			•	•	1/32	1/32	1/32	1/32	1/32	1/32			Trey Fowlkes
	41.99	2.50 Lease MI%	2.50			20.00 Lease MI%	3.124	1.88	5.00	10.00			Lease MI%	19.49	1.99	1.25	5.00	2.50	6.25	2.50			Trey Fowlkes
			1/32			•	1/64	1/64	1/32	1/32			•		1/32	1/32	1/32	1/32	1/32	1/32			Janet Renee Fowlkes Murrey
	41.99	2.50 Lease MI%	2.50			20.00 Lease MI%	3.124	1.88	5.00	10.00	-		Lease MI%	19.49	1.99	1.25	5.00	2.50	6.25	2.50			Janet Renee Fowlkes Murrey
	83.98	15.00 18.75%				119.99 15.00%							18.7500%	116.96									Total Net



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. Signary Agent Addressee B. Received by (Printed Name) C. Date of Delivery
1. Article Addressed to:	D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address before ☐ No
Mr. Trey Fowlkes P.O. Box 23416 Waco, Texas 76702	3. Service Type Discontified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.
	4. Restricted Delivery? (Extra Fee)
2. Article Number 7010 187 (Transfer from service label)	0 0000 8950 4110
PS Form 3811, February 2004 Domestic Retu	urn Receipt 102595-02-M-1540



Certified Mail #7010 1870 0000 8950 4639

March 17, 2011

Russell Family LLC 15711 Charles Street Omaha, Nebraska 68118-2333

Re:

Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W½E½

Eddy County, New Mexico

Gentlemen:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE¼ NE¼ of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well, along with a land plat and Form C-102 showing the proposed well location.

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

russellfamilyllcdiamondback22statecom#1hwellproposal 031711

Marled 3-17-11

Russell Family LLC Well Proposal Diamondback "22" State Com #1H Well March 17, 2011 Page 2

A. As to your unleased mineral interest covering the SE¼NE¼ of Section 22, T-26-S, R-28-E, N.M.P.M, being 1.55% (.62 net acre).

Term: Six (6) months

Royalty: 25%

Standard Lease Form

Cash Consideration: \$133.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage

Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,

Section 13: N/2 NW/4; and SW/4 NW/4

Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,

Section 22: SW/4 NE/4; and SE/4 NW/4

T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of land, more or less

Term: Three (3) years

Royalty: 25%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$800.00 per net mineral acre.

Total Bonus if this offer is excepted: 1.55% X 1560 =24.18 net acres X \$800.00 per acre =\$19,344.00

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLO

Garland H. Lang III Land Manager

Enclosures

AUTHORIZATION FOR EXPENDITURE DATE: 1/31/11 OGX AFE No.: **Avaion Horizontal** AFE Title: Well Name & No.: DIAMONDBACK 22 STATE COM #1H Field: DELAWARE RIVER SOUTH - BONE SPRING State: NEW MEXICO County: EDDY GAS Exploratory XX Development: Proposed Formation: AVALON
Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E Proposed Depth: 7160 TVD / 11,450' MD <u>MAJ</u> SUB DRY HOLE MAJ COMPLETION **TOTAL DEVELOPMENTAL DRILLING:** Turnkey 725 726 Mobilization/Demob 471 \$65,000 \$65,000 Location, Pits, Roads Cement and Cementing Services \$65,000 \$75,000 \$10,000 472 \$75,000 473 \$125,000 \$50,000 Mud Logging 474 \$35,000 \$35,000 \$0 Mud Materials, Chemical & Water 475 \$65,000 \$175,000 \$240,000 Logging and Sidewall Coring 478 \$35,000 \$5,000 \$40,000 \$0 \$1,850,000 Perforating 479 \$0 \$0 \$1,850,000 Stimulation 480 \$0 Formation Testing 482 \$0 \$42,000 \$42,000 Testing Tubular Goods
Tool Rental DOWNHOLE \$5,500 \$43,500 484 \$0 \$5,500 \$40,000 488 \$3,500 Tool Rental INCLUDES CLOSED MUD SYSTEM \$162,500 488 \$162,500 Drilling Footage
Drilling Day Work 24 days 489 \$0 \$0 \$300,000 \$21,500 \$85,000 \$37,500 \$262,500 490 Float Equipment \$6,500 491 \$15,000 Bits, Core Barrells, etc.
Other Special Well Services 492 \$70,000 \$15,000 494 \$18,000 \$355,000 \$373,000 Contract Services & Equip 510 \$12,000 \$55,000 \$67,000 **Directional Drilling** 511 \$130,000 \$0 \$130,000 Completion Unit 528 \$0 \$56,000 \$56,000 \$72,000 \$72,000 \$17,500 Fuel & Power 539 \$0 Auto & Truck Expense
Company Supervision 60 @ 1200 \$2,500 545 \$15,000 501 \$72,000 \$42,000 \$30,000 Miscellaneous & Contingencies 8% 599 \$216,560 \$93,640 Subtotal \$1,264,140 \$2,923,560 \$4,187,700 **DEVELOPMENTAL LWE "DRILLING"** Surface Casing 13 3/8 @ 425' \$16,750 \$16,750 Conductor Pipe \$9,500 442 \$9,500 \$0 Intermediate Casing 8 5/8" @ 2525*
Production Casing 5 1/2" @ 11,450* 443 \$58,300 \$0 \$58,300 \$220,000 \$0 \$220,000 **Drilling Liner** 450 \$0 Production Liner 460 \$0 \$0 Casing Head X-Mas Tree \$34,000 \$30,000 \$64,000 445 \$16,000 \$16,000 Completion Equipment
Retrievable Packers 447 \$5,000 \$5,000 \$5,000 \$55,000 \$5,000 \$55,000 448 \$0 Tubing 449 \$0 \$1,000 \$119,550 \$1,500 \$332,500 Other Material & Equipment \$452,050 Subtotal **ONSHORE FACILITIES** Location, Pits, Roads \$45,000 \$45,000 472 Contract Services & Equip 510 \$25,000 \$25,000 516 Engineering Surveys \$4,500 \$4,500 545 \$1,000 Auto & Truck Expense \$1,000 Welding Services 566 \$7,500 Instal Elect/Pneu System 567 \$0 \$0 568 \$0 Painting Service \$0 \$1,500 Miscellaneous & Contingencies 599 \$84,500 \$84,500 **ONSHORE FACILITIES** Misc Valves & Fittings \$35,000 \$35,000 Corrosion or Chemical Treating Equip \$0 \$135,000 451 \$135,000 **Pumping Equipment** Gas Engines & Electric Motors 452 \$15,000 \$15,000 \$35,000 \$35,000 Electric Lines, Poles, Transformers, etc. 453 454 \$8,000 \$8,000 **Bottom Hole Pump** 456 \$7,500 \$7,500 ield Lines Tanks, Stairs, Walkways, etc Separator & Fittings \$38,000 \$38,000 457 \$10,500 \$10,500 Heaters, Treaters & Connections 459 \$12,000 \$12,000 \$2,500 Power & Circulating Pumps 460 \$2,500 \$23,000 \$23,000 463 \$45,000 \$45,000 469 Other Material & Equipment \$366,500 \$366,500 3,707,060 5.090.750 TOTAL WELL COST: 1.383.690 PARTICIPANT APPROVAL NAME:

COMPANY APPROVAL OGX RESOLUTION OF THE PROPERTY NAME: By: By: Title: Title: Date: Date: 31-Jan-11 WI%:

Total Postage & Fees \$ Certified Fee

SENDER: COMPLETE THIS SECTION

Print your name and address on the rev Complete items 1, 2, and 3. Also complete items 1, 2, and 3. Also completem 4 if Restricted Delivery is desired.

so that we can return the card to you.

Attach this card to the back of the mail
or on the front if space permits.

Article Addressed to:

Russell Family LLC 15711 Charles Stre maha, Nebruska 118-2333

		7		piece,	lete /erse	
4. Restricted Delivery? (Extra Fee)	3. Service Type IB Certified Mail ☐ Registered ☐ Insured Mail	in the state of participation of the state o	D. Is delivery address different from item 1? The	B. Received by (Printed Name)	A. Signature	COMPLETE THIS SECTION ON DELIVERY
? (Extra Fee)	☐ Express Mail☐ Return Receipt for Merchandise☐ C.O.D.	a) quaissa poion.	different from Item 1?	× <	Phys	CTION ON DELIVER
□ Æ	or Merchandise		⊒ □ ₹ §	C. Date of Delivery	☐ Agent ☐ Addressee	Ψ

(Transfer from service label)
PS Form

Article Number

A CONTRACTOR OF THE PARTY OF TH

595-02-M-1540



Certified Mail #7010 1870 0000 8950 4295

March 17, 2011

Ms. Ellen M. Ryan 5300 Mohawk Lane Shawnee Mission, Kansas 66205

Re:

Well Proposal

Diamondback "22" State Com #1H Well

<u>T-26-S, R-28-E, N.M.P.M.</u>

Section 22: W½E½

Eddy County, New Mexico

Dear Ms. Ryan:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE¼ NE¼ of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well, along with a land plat and Form C-102 showing the proposed well location.

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

 $ellen ryandia mondback 22 state com \#1 hwell proposal_031711$

Ellen M. Ryan Well Proposal Diamondback "22" State Com #1H Well March 17, 2011 Page 2

A. As to your unleased mineral interest covering the SE¼NE¼ of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.26% (1.304 net acres).

Term: Six (6) months

Royalty: 25%

Standard Lease Form

Cash Consideration: \$133.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage

Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,

Section 13: N/2 NW/4; and SW/4 NW/4

Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,

Section 22: SW/4 NE/4; and SE/4 NW/4

T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of land, more or less

Term: Three (3) years

Royalty: 25%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$800.00 per net mineral acre.

Total Bonus if this offer is excepted: $3.26\% \times 1560 = 50.856$ net acres $\times 800.00 per acre = \$40,684.80

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Enclosures

 $ellen ryandia mondback 22 state com \#Ihwell proposal_031711$

AUTHORIZATION FOR EXPENDITURE DATE: 1/31/11 OGX AFE No.: Avalon Horizontal AFF Title: Well Name & No.: DIAMONDBACK 22 STATE COM #1H Field: DELAWARE RIVER SOUTH - BONE SPRING State: NEW MEXICO County: EDDY Development: GAS Exploratory XX Proposed Formation: AVALON
Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E Proposed Depth: 7160 TVD / 11,450' MD <u>MAJ</u> SUB DRY HOLE MAJ COMPLETION **TOTAL DEVELOPMENTAL DRILLING:** Turnkey 725 470 \$65,000 \$75,000 Mobilization/Demob. 471 \$65,000 \$0 Location, Pits, Roads Cement and Cementing Services 472 \$65,000 473 \$75,000 \$50,000 \$125,000 Mud Logging Mud Materials, Chemical & Water \$35,000 474 \$35,000 \$0 \$65,000 \$175,000 475 \$240,000 Logging and Sidewall Coring 478 \$35,000 \$5,000 \$40,000 Perforating 479 \$0 \$0 \$0 \$1,850,000 Stimulation \$1,850,000 480 \$0 Formation Testing
Testing Tubular Goods
Tool Rental DOWNHOLE 482 \$42,000 \$42,000 484 \$0 \$5,500 \$5,500 \$40,000 488 \$3,500 \$43,500 Tool Rental INCLUDES CLOSED MUD SYSTEM 488 \$162,500 \$162,500 **Drilling Footage** 489 Drilling Day Work 24 days 490 \$262,500 \$37,500 \$300,000 \$6,500 \$21,500 \$85,000 Float Equipment 491 \$15,000 Bits, Core Barrells, etc \$70,000 492 \$15,000 \$18,000 Other Special Well Services 494 \$355,000 Contract Services & Equip 510 \$12,000 \$55,000 \$67,000 Directional Drilling 511 \$130,000 \$0 \$130,000 Completion Unit 528 \$56,000 \$0 \$56,000 Fuel & Power \$72,000 539 \$0 \$72,000 Auto & Truck Expense 545 \$15,000 \$2,500 \$17,500 Company Supervision 60 @ 1200 Miscellaneous & Contingencies \$30,000 \$216,560 501 \$42,000 \$72,000 8% 599 \$310,200 \$93,640 \$1,264,140 \$2,923,560 \$4,187,700 **DEVELOPMENTAL LWE "DRILLING"** Surface Casing 13 3/8 @ 425' 727 441 \$16,750 727 \$16,750 \$9,500 Conductor Pipe 442 \$0 \$9,500 Intermediate Casing 8 5/8" @ 2525'
Production Casing 5 1/2" @ 11,450' 443 \$58,300 \$0 \$58,300 \$220,000 443 \$0 \$220,000 **Drilling Liner** 450 \$0 \$0 **Production Liner** 460 \$0 Casing Head 445 \$34,000 \$30,000 \$64,000 \$16,000 \$5,000 X-Mas Tree \$16,000 \$5,000 446 \$0 Completion Equipment Retrievable Packers 448 \$5,000 \$5,000 Tubing
Other Material & Equipment 449 \$0 \$55,000 \$55,000 469 \$1,000 \$1,500 \$2,500 \$119,550 \$332,500 \$452,050 **ONSHORE FACILITIES** Location, Pits, Roads 745 \$45,000 472 \$45,000 510 Contract Services & Equip \$25,000 \$25,000 \$4,500 \$1,000 Engineering Surveys 516 \$4,500 545 566 Auto & Truck Expense \$1,000 \$7,500 Welding Services \$7,500 Instal Elect/Pneu System 567 \$0 \$0 **Painting Service** 568 \$0 \$0 Miscellaneous & Contingencies \$1.500 599 \$1,500 \$84,500 \$84,500 **ONSHORE FACILITIES** Misc Valves & Fittings 746 \$35,000 \$35,000 Corrosion or Chemical Treating Equip \$0 \$135,000 438 **Pumping Equipment** \$135,000 451 Gas Engines & Electric Motors
Electric Lines, Poles, Transformers, etc. 452 \$15,000 \$15,000 453 \$35,000 \$35,000 \$8,000 \$7,500 Bottom Hole Pump \$8,000 454 \$7,500 Field Lines Tanks, Stairs, Walkways, etc 457 \$38,000 \$38,000 \$10,500 \$12,000 \$10,500 Separator & Fittings 458 Heaters, Treaters & Connections
Power & Circulating Pumps 459 \$12,000 460 \$2,500 \$2,500 463 \$23,000 \$23,000 Other Material & Equipment 469 \$366,500 \$366,500 **TOTAL WELL COST:** 1,383,690 3,707,060 5,090,750 PARTICIPANT APPROVAL NAME:

COMPANY APPROVAL OGX RESOURCES NAME: By: By: ENGINEERING MANAGER Title: Title: Date: Date: 31-Jan-11 WI%:



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 1. Article Addressed to: Silen M. Ryan 5300 Mohawk Lane	A. Signature X Agent Addressee B. Received by (Printed Name) D. Is delivery address different first tem MAR Years If YES, enter delivery address below: 25 No 2011
Shawnee Mission, KS.	3. Service Type Certified Mail Registered Insured Mail C.O.D. C.O.D. C.O.D.
2. Article Number (Transfer from service label) 7010 187	70 0000 8950 4295
PS Form 3811, February 2004 Domestic Ret	urn Receipt 102595-02-M-1540



Certified Mail #7010 1870 0000 8950 4189

February 15, 2011

Mr. Frank Blow Fowlkes 316 Granda Ave. El Paso, Texas 79912

Re: Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W1/2E1/2

Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW4SE4 of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

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

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Frank Blow Fowlkes Well Proposal Diamondback "22" State Com #1H Well February 15, 2011 Page 2

A. As to your mineral interest covering the NW¹/₄SE¹/₄ of Section 22, T-26-S, R-28-E, N.M.P.M, being 6.25% (2.5 net acres).

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Build Infullager

Enclosures

AUTHORIZATION FOR EXPENDITURE DATE: 1/31/11 OGX AFE No.: AFE Title: **Avaion Horizontal** Well Name & No.: DIAMONDBACK 22 STATE COM #1H Field: DELAWARE RIVER SOUTH - BONE SPRING County: EDDY State: NEW MEXICO GAS Exploratory XX Development: Oil: XX Proposed Formation: AVALON Proposed Depth: 7160 TVD / 11,450' MD Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E <u>MAJ</u> SUB DRY HOLE MAJ COMPLETION TOTAL **DEVELOPMENTAL DRILLING:** Turnkey 726 725 470 \$0 Mobilization/Demob. 471 \$65,000 \$65,000 Location, Pits, Roads 472 \$65,000 \$10,000 \$75,000 Cement and Cementing Services 473 \$75,000 \$50,000 \$125,000 Mud Logging \$35,000 474 \$35,000 \$0 \$175,000 Mud Materials, Chemical & Water 475 \$65,000 \$240,000 Logging and Sidewall Coring 478 \$35,000 \$5,000 \$40,000 479 \$0 \$0 \$0 \$1,850,000 \$1,850,000 Stimulation 480 \$0 Formation Testing \$0 \$42,000 \$42,000 482 Testing Tubular Goods 484 \$5,500 \$5,500 \$40,000 Tool Rental DOWNHOLE 488 \$3,500 \$43,500 Tool Rental INCLUDES CLOSED MUD SYSTEM \$162,500 488 \$162,500 Drilling Footage
Drilling Day Work 24 days 489 \$37,500 \$300,000 490 \$262,500 Float Equipment
Bits, Core Barrells, etc \$21,500 \$85,000 491 \$6,500 \$15,000 \$70,000 \$15,000 492 Other Special Well Services 494 \$18,000 \$355,000 \$373,000 Contract Services & Equip 510 \$12,000 \$67,000 \$55,000 **Directional Drilling** 511 \$130,000 \$0 \$130,000 \$56,000 Completion Unit 528 -\$0 \$56,000 Fuel & Power \$72,000 539 \$0 \$72,000 \$2,500 Auto & Truck Expense \$15,000 \$17,500 Company Supervision 60 @ 1200 501 \$42,000 \$30,000 \$72,000 8% Miscellaneous & Contingencies 599 \$93,640 \$216.560 \$310,200 Subtotal \$1,264,140 \$2,923,560 \$4,187,700 DEVELOPMENTAL LWE "DRILLING" \$16,750 \$9,500 Surface Casing 13 3/8 @ 425' 727 727 \$16,750 441 \$0 Conductor Pipe \$9,500 \$0 Intermediate Casing 8 5/8" @ 2525'
Production Casing 5 1/2" @ 11,450' 443 \$58,300 \$220,000 443 \$0 \$220,000 **Drilling Liner** 450 \$0 \$0 \$0 **Production Liner** 460 \$0 \$0 Casing Head 445 \$30,000 \$34,000 \$64,000 X-Mas Tree Completion Equipment 446 \$0 \$16,000 \$16,000 447 \$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 \$119,550 \$332,500 \$452,050 Subtotal **ONSHORE FACILITIES** Location, Pits, Roads 745 472 \$45,000 \$45,000 \$25,000 \$4,500 \$25,000 \$4,500 Contract Services & Equip 510 **Engineering Surveys** 516 Auto & Truck Expense
Welding Services
Instal Elect/Pneu System 545 \$1,000 \$1,000 566 \$7,500 \$7,500 567 \$0 \$0 Painting Service \$0 Miscellaneous & Contingencies \$1,500 \$84,500 \$1,500 \$84,500 599 **ONSHORE FACILITIES** Misc Valves & Fittings
Corrosion or Chemical Treating Equip 153 \$35,000 \$35,000 438 \$0 \$0 451 \$135,000 \$135,000 **Pumping Equipment** \$15,000 \$35,000 Gas Engines & Electric Motors 452 \$15,000 Electric Lines, Poles, Transformers, etc. 453 \$35,000 **Bottom Hole Pump** 454 \$8,000 \$8,000 Field Lines Tanks, Stairs, Walkways, etc 456 \$7,500 \$7,500 \$38,000 \$10,500 \$38,000 \$10,500 457 Separator & Fittings
Heaters, Treaters & Connections 458 459 \$12,000 **Power & Circulating Pumps** 460 \$2,500 \$2,500 \$23,000 Meters 463 \$23,000 \$45,000 \$366,500 Other Material & Equipment 469 Subtotal \$366,500 TOTAL WELL COST: 3,707,060 5,090,750 1.383.690 **COMPANY APPROVAL** PARTICIPANT APPROVAL OCX RESOURCE NAME: NAME: Ву: By: Title: ENGINEERING MANAGER Title: Date: Date: 31-Jan-11

WI%:

.					
Total Net	116.96		119.99	15.00 18.75%	
Janet Renee Fowlkes Murrey	2.50 6.25 2.50 5.00 1.25 1.89 19.49	10.00 5.00 1.88	3.124 20.00 Lease MI%	2.50 2.50 Lease MI% 41.99	
Janet Renee Fowlkes Murrey	8 8 8 8 8 8 8	132 132 164	291	432	
Trey Fowlkes	2.50 6.25 2.50 5.00 1.25 1.89 19.99 19.99	10.00	3.124 20.00 Leass MI%	2.50 2.50 Lease MIX 41.89	
Trey Fowlkes	######################################	152 152 164	\$	1/32	
Christine Speidel Fowkles	5.00 12.50 5.00 10.00 2.50 38.99 38.99 28.99	20.00 10.00 3.75	6.25 40.00 Lease MIX	5.00 5.00 1.00 5.00 83.98	
Christine Speidel Fowkles	716 716 716 716 716	1/16 1/16 1/32	132	176	
Frank Blow Fowlkes	5.00 12.50 5.00 10.00 2.50 3.89 38.99 38.99 Lease MI%	20.00 10.00 3.75	6.25 40.00 Lease MI%	5.00 5.00 Lease MI% 83.98	·
Frank Blow Fowlkes	176 1776 1776 1776 1776	1/16 1/16 1/32	132	11/6	•
Fowlkes Family 1 Mineral Int.	2 2 2 2 2 2	5	41	25	Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$43,980.00 \$53,880.00
Gross Acreage	80.00 200.00 80.00 160.00 40.00 63.73 623.79	.320.00 160.00 120.00	199.53 789.53	80.00 80.00 1503.72	Net Acres 83-96 83-96 41-99 41.89 251.94
	W/4, N/2SE/4 4, SE/4NE/4 W/4NW/4 + Lot 1) Total	, SE4SW/4, N/2SW/4 E/4, SE4SE/4 /4	IW/4 Total	Total Total ali 3 loases	
Land Description Lease No. 1	Scc. 21: SASE4 Scc. 22: WASWIA, NEIASWIA, NASE4 Scc. 23: SANWIA Scc. 29: EASE4, NW/ASE4, SE/ANE4 Scc. 32: NEIANEA Scc. 33: NEIANEA Scc. 33: WANWIA (ala NW/ANW/A + Lot 1) Lease No. 2	T-26-S. K-28-E. N.M. F.M. Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4 Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4 Sec. 24: SW/4NE/4, N/2SE/4	T-26-S. R-29-E. N.M.P.M. Sec. 19: Lots 2-3-4 & E/2NW/4 Lease No. 3	T-26-S, R-29-E, N.M.P.M. Sec. 7: S/2NE/4	Bonus Consideration Frank Blow Fowfkes Christine Spedel Fowfkes Trey Fowfkes Janet Renee Fowfkes Murey Total

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• •			,			
Total Net		116.96 18.7500%		119.99	15.00	
Janet Renee Fowlkes Murrey		2.50 6.25 2.50 5.00 1.25 1.89 19.49 Lease MIX	10.00 5.00 1.88	3.124 20.00 Lease MIX	2.50 2.50 Lease MI%	7.2
Janet Renee Fowlkes Murrey		និង និង និង	55 152 164	184	1/32	٠.
Trey Fowlkes		2.50 6.25 2.50 5.00 1.25 1.89 19.49 Lease MIX	10.00 5.00 1.88	3.124 20.00 Lease MI%	2.50 2.50 Lease MI%	0.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Trey Fowlkes		និនិនិនិនិ	1732 1732 1764	1/64	182	
Christine Speidel Fowkles		5.00 12.50 5.00 10.00 2.50 3.89 38.89 Lease MT%	20.00 10.00 3.75	6.25 40.00 Lease MI%	5.00 5.00 1.00 MIX	
Christine Speidel Fowkles		7 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	1/16 1/16 1/32	- 1 I	1,16	
Frank Blow Fowlkes	,	5.00 12.50 5.00 10.00 2.50 3.89 36.89 36.89	20.00 10.00 3.75	6.25 40.00 Lease MIX	5.00 5.00 1.00 5.00 83.08	
Frank Blow Fowlkes		8	1716	281.	11/16	
Fowlkes Family Mineral Int.	•	ä ä ä ä ä ä	21 22 44	41	Ž	Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$83,980.00 \$503,880.00
- Gross Acreage N		80.00 200.00 80.00 160.00 63.78 623.79	.320.00 160.00 120.00	199.53	80.00	Net Acres 83.98 83.98 41.99 41.99 251.94
		/4, NZSE/4 ,, SE/4NE/4 //4NW/4 + Lot 1) Total	Seaswa, nzswia 14, seasea 1	N/4 Total	Total	
Land Description Lease No. 1	T-26-S. R-28-E. N.M.P.M.	Sec. 21: SASB4 Sec. 22: WIZSW/4, NE/4SW/4, NZSB/4 Sec. 23: SZNW/4 Sec. 29: EASB4, NW/4SB4, SB/4NB/4 Sec. 33: WIZNW/4 (aka NW/4NW/4 + Lot 1) Lease No. 2 T-26-S, R-28-E, N.M.P.M.	8cc. 23: BZE/2, SW/4SE/4, SE/4SW/4, NZSW/4 8cc. 24: NZNW/4, NW/4NE/4, SE/4SE/4 8cc. 24: SW/4NE/4, NZSE/4	T-26-S, R-29-E, NM.P.M. Scc. 19: Lots 2-3-4 & E/2NW/4 Lease No. 3	T-26-S. R-29-E. N.M.P.M Sec. 7: S/2NE/4	Bonus Consideration Frank Blow Fowfkes Christine Spekdel Fowfkes Trey Fowfkes Janet Renee Fowfkes Murrey Total
, 						

U.S. Postal Service...

CERTIFIED MAIL... RECEIPT

(Domestic Mail Only; No Insurance Coverage Provides)

For delivery information visit our website at www.usps.comp

For delivery information visit our website at www.usps.comp

Certified Fee

Coverage Provides)

For delivery information visit our website at www.usps.comp

Certified Fee

Certified Fee

Certified Fee

Certified Fee

Coverage Provides

For delivery information visit our website at www.usps.comp

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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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 A Control Agent A Control Name) C. Date of Delivery Control Oct New Control Contro
1. Article Addressed to:	D. is delivery address different from Item 1? ☐ Yes If YES, enter delivery address below: ☐ No
Mr. Frank Blow Fowlkes 316 Granda Ave.	
El Paso, Texas 79912	3. Service Type Certified Mail
	4. Restricted Delivery? (Extra Fee)

2. Article Number

(Transfer from Service label)

PS Form 3811, February 2004 Nomboligation Receipt TECOLOGIC PEGIC 102595-02-M-1540



Certified Mail #7010 1870 0000 8950 4080

February 7, 2011

Ms. Christine Speidel Fowlkes Mr. Christopher C. Fowlkes 404 Glenosa El Paso, Texas 79928

Re: Well Proposal

Diamondback "22" State Com #1H Well

<u>T-26-S, R-28-E, N.M.P.M.</u>

Section 22: W½E½

Eddy County, New Mexico

Dear Mr. and Ms. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW¹/₄SE¹/₄ of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

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

OGX invites both of you to participate in this well. If one or both of you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Christine Speidel Fowlkes and Christopher C. Fowlkes Well Proposal Diamondback "22" State Com #1H Well February 7, 2011 Page 2

A. As to your mineral interest covering the NW¹/₄SE¹/₄ of Section 22, T-26-S, R-28-E, N.M.P.M, being 6.25% (2.5 net acres).

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term) Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Enclosures

AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:

AFE Title: Avaion Horizontal

Well Name & No.: DIAMONDBACK 22 STATE COM #1H

State: NEW MEXICO

Field: DELAWARE RIVER SOUTH - BONE SPRING

County: EDDY

Exploratory XX

Development:

Oil. YY

GAS

Proposed Formation: AVALON

TOTAL WELL COST:

Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E Proposed Depth: 7160 TVD / 11,450' MD

SUB DRY HOLE MAJ COMPLETION <u>MAJ</u> **TOTAL DEVELOPMENTAL DRILLING:** \$0 Turnkey 725 470 \$0 726 \$65,000 471 \$65,000 Mobilization/Demob \$10,000 \$75,000 \$125,000 Location, Pits, Roads 472 \$65,000 \$75,000 \$35,000 Cement and Cementing Services 473 \$50,000 \$0 \$35,000 Mud Logging 474 Mud Materials, Chemical & Water Logging and Sidewall Coring \$175,000 \$240,000 475 \$65,000 478 \$35,000 \$5,000 \$40,000 Perforating 479 \$0 \$0 \$0 \$1,850,000 \$1,850,000 Stimulation 480 \$0 Formation Testing \$42,000 \$42,000 482 \$0 Testing Tubular Goods 484 \$5,500 \$5,500 \$43,500 \$162,500 Tool Rental DOWNHOLE 488 \$40,000 \$3,500 Tool Rental INCLUDES CLOSED MUD SYSTEM 488 \$162,500 489 \$0 \$0 **Drilling Footage** \$300,000 \$37,500 \$15,000 Drilling Day Work 24 days Float Equipment 490 \$262,500 \$6,500 \$70,000 \$21,500 491 \$15,000 \$85,000 Bits, Core Barrells, etc 492 Other Special Well Services 494 \$18,000 \$355,000 \$373,000 510 511 528 Contract Services & Equip \$12,000 \$55,000 \$67,000 **Directional Drilling** \$130,000 \$0 \$130,000 \$56,000 \$56,000 Completion Unit \$0 \$0 \$2,500 Fuel & Power \$72,000 \$72,000 Auto & Truck Expense
Company Supervision 60 @ 1200
Miscellaneous & Contingencies 545 501 \$15,000 \$17,500 \$72,000 \$42,000 \$30,000 \$216,560 599 \$310,200 \$93,640 \$1,264,140 \$2,923,560 \$4,187,700 DEVELOPMENTAL LIVE "DRILLING"

DEVELOPMENTAL LIVE "DRILLING"						
Surface Casing 13 3/8 @ 425'	727	441	\$16,750	727	\$0	\$16,750
Conductor Pipe		442	\$9,500		\$0	\$9,500
Intermediate Casing 8 5/8" @ 2525'		443	\$58,300		\$0	\$58,300
Production Casing 5 1/2" @ 11,450'		443	\$0		\$220,000	\$220,000
Drilling Liner		450	\$0		\$0	\$0
Production Liner		460	\$0		\$0	
Casing Head		445	\$34,000		\$30,000	\$64,000
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		\$332,500	\$452,050

ONSHORE FACILITIES					
Location, Pits, Roads	745	472		\$45,000	\$45,000
Contract Services & Equip		510		\$25,000	\$25,000
Engineering Surveys		516		\$4,500	\$4,500
Auto & Truck Expense		545		\$1,000	\$1,000
Welding Services		566		\$7,500	\$1,000 \$7,500
Instal Elect/Pneu System		567		\$0	\$0
Painting Service		568		\$0	\$0
Miscellaneous & Contingencies		599	- I I	\$1,500	\$1,500
Subtotal				\$84,500	\$84,500

Misc Valves & Fittings	746 153	\$35,000	\$35,000
Corrosion or Chemical Treating Equip	438	\$0	\$0
Pumping Equipment	451	\$135,000	\$135,000
Gas Engines & Electric Motors	452	\$15,000	\$15,000
Electric Lines, Poles, Transformers, etc.	453	\$35,000	\$35,000
Bottom Hole Pump	454	\$8,000	\$8,000
Field Lines	456	\$7,500	\$7,500
Tanks, Stairs, Walkways, etc.	457	\$38,000	\$38,000
Separator & Fittings	458	\$10,500	\$10,500
Heaters, Treaters & Connections	459	\$12,000	\$12,000
Power & Circulating Pumps	460	\$2,500	\$2,500
Meters	463	\$23,000	\$23,000
Other Material & Equipment	469	\$45,000	\$45,000
Subtotal		\$366,500	\$366,500

	·
COMPANY APPROVAL	PARTICIPANT APPROVAL
NAME: OGX RESOURCES LC	NAME:
By:	By:

1,383,690

3,707,060

5,090,750

Bonus Consideration Frank Blow Fowlkes Christine Speidel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 leases	Total	Sec. 7: S/2NE/4	T-26-S, R-29-E, N.M.P.M	i pase No 3	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4 Total	Sec. 24: SW/4NE/4, N/2SE/4	Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	T-26-S, R-28-E, N.M.P.M	Lease No. 2		Total	Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	Sec. 27: 0/250/4, NW/450/4, 50/4ND/4	Sec. 28: S2NW/4	Sec. 22: W/ZSW/4, NE/4SW/4, N/ZSE/4	Sec. 21: S/2SE/4	T-26-S, R-28-E, N.M.P.M	Lease No. 1	Land Description
Net Acres 83 98 83 98 41 99 41 99 251 94	1503.72	80.00	80.00			199.93 799.93	120.00	160.00	320.00		•		623.79	63.79	30.00	80.00	200.00	80.00			Gross Acreage
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$83,990.00 \$83,990.00 \$503,880.00			1/2			1/4	1/4	12	1/2				i	i i	3 5	1 2	1/2	1/2			Fowlkes Family Mineral Int.
			1/16		·	1/32	1/32	1/16	1/16				;	1/16	1/16	1/16	1/16	1/16			Frank Blow Fowlkes
	83.98	5.00 Lease MI%	5.00		Lease MI%	6.25	3.75	10.00	20.00			Lease MI%	38.99	399	3 10:50	5.00	12.50	5.00	·		Frank Blow Fowlkes
			1/16			1/32	1/32	1/16	1/16				;	1/16	1/16	1/16	1/16	1/16			Christine Speidel Fowkles
	83.98	5.00 Lease MI%	5.00		Lease MI%	6.25 40.00	3.75	10.00	20.00			Lease MI%	38,99	3 2 2	3.50	5.00	12.50	5.00			Christine Speidel Fowkles
			1/32			1/64	1/64	1/32	1/32			•	Š	173	1/32	1/32	1/32	1/32		٠	Trey Fowlkes
· · · · · · · · · · · · · · · · · · ·	41.99	2.50 Lease MI%	2.50		Lease MI%	3.124 20.00	1.88	5.00	10.00			Lease MI%	19,49	8 8	5.00	2.50	6.25	2.50			Trey Fowlkes
			1/32			1/64	1/64	1/32	1/32		•	•	7611	102	1/32	1/32	1/32	1/32	·		Janet Renee Fowlkes Murrey
	41.99	2.50 Lease MI%	2.50		Lease MI%	3.124	1.88	5.00	10.00			Lease MI%	19.49	3	5.00	2.50	6.25	2.50			Janet Rence Fowlkes Murrey
	83.98	15.00 18.75%			15.00%	11000				,		18.7500%	116.96								Total Net



SENDER: COMPLETE THIS SECTION		COMPLETE THIS	COMPLETE THIS SECTION ON DELIVERY	VERY
■ Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse		A. Signature	Jonney ,	/ 口 Agent シロ Addressee
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.		B. Received by (Printed Name)	inted Name)	C. Date of Delivery
1. Article Addressed to:	784	D. Is delivery addre If YES, enter de	 D. Is delivery address different from item 1? If YES, enter delivery address below: 	112 C
	· 2.*			
Ms. Christine Speidel Fowlkes	,			
Mr. Christopher C. Fowlkes	<u>ال۔</u>			
404 Glenosa		3. Service Type		
El Paso, Texas 79928		Registered	-,	 □ Express Mail □ Return Receipt for Merchandise
		Insured Mail	□ C.O.D.	
	_	4. Restricted Delivery? (Extra Fee)	eny? (Extra Fee)	□ Yes
2. Article Number: (Transfer from service label)	1870	ספסא סצגפ סססס סצפיר סינסצ	0 4080	
704	actic Batur	. Bocoint		400000
_	Domestic Return Receipt	n Receipt		102595-02-M-1540



Certified Mail #7010 1870 0000 8950 4301

March 17, 2011

Ms. Lee M. Kugle % Mr. John D. Elmore 2002 Manor Road, Suite B Austin, Texas 78722

Re: Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W½E½

Eddy County, New Mexico

Dear Ms. Kugle:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE¼ NE¼ of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

Enclosed for your review is an AFE (in duplicate), showing the estimated drilling and completion costs for the subject well, along with a land plat and Form C-102 showing the proposed well location.

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

leemkuglediamondback22statecom#1hwellproposal_031711

Marled 3-17-11

Lee M. Kugle Well Proposal Diamondback "22" State Com #1H Well March 17, 2011 Page 2

A. As to your unleased mineral interest covering the SE¼NE¼ of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.26% (1.304 net acres).

Term: Six (6) months

Royalty: 25%

Standard Lease Form

Cash Consideration: \$133.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage

Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,

Section 13: N/2 NW/4; and SW/4 NW/4

Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,

Section 22: SW/4 NE/4; and SE/4 NW/4

T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of land, more or less

Term: Three (3) years

Royalty: 25%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$800.00 per net mineral acre.

Total Bonus if this offer is excepted: 3.26% X 1560 =50.856 net acres X \$800.00 per acre = \$40,684.80

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III

Land Manager

Enclosures

leemkuglediamondback22statecom#1hwellproposal_031711

AUTHORIZATION FOR EXPENDITURE

. AU I	THORIZATION	FOR EXP	ENDITURE			
DATE: 1/31/11						
OGX AFE No.:						
AFE Title: Avalon Horizontal						
Well Name & No.: DIAMONDBACK 22 STATE COM #1	Н		Field: DELAW	ARE RIVI	ER SOUTH - BONE SI	PRING
State: NEW MEXICO			County: EDDY			
reassesses sessessesses sessessessessessess	****	*****	Oil: XX	****	* ****************** ** GAS	******
Exploratory XX Development: Proposed Formation: AVALON				h: 7160 T	VD / 11,450' MD	
Description SHL: 480'FNL & 1960'FEL / SEC.22-T26S-	R28E					
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S,		******	******	****	* **********	****
DEVELOPMENTAL OPHICALO	<u>MAJ</u>	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING: Furnkey	725	470	\$0	726	l sol	
Mobilization/Demob.	720	471	\$65,000	125	\$0	\$65,0
ocation, Pits, Roads		472	\$65,000		\$10,000 \$50,000	\$75,0 \$125,0
Cement and Cementing Services Mud Logging		474	\$75,000 \$35,000		\$0,000	\$35,0
/lud Materials,Chemical & Water		475	\$65,000		\$175,000	\$240,0
ogging and Sidewall Coring Perforating		478 479	\$35,000 \$0		\$5,000	\$40,0
timulation		480	\$0		\$1,850,000	\$1,850,0
ormation Testing esting Tubular Goods		482 484	\$0 \$0		\$42,000 \$5,500	\$42,0 \$5,5
ool Rental DOWNHOLE		488	\$40,000		\$3,500	\$43,5
ool Rental INCLUDES CLOSED MUD SYSTEM		488	\$162,500			\$162,5
Orilling Footage Orilling Day Work 24 days		489	\$0 \$262,500		\$0 \$37,500	\$300,0
loat Equipment		491	\$6,500		\$15,000	\$21,5
its, Core Barrells, etc.		492	\$70,000		\$15,000	\$85,0
ther Special Well Services ontract Services & Equip		494 510	\$18,000 \$12,000		\$355,000 \$55,000	\$373,00 \$67,00
irectional Drilling		511	\$130,000		\$35,000	\$130,00
ompletion Unit		528	\$0		\$56,000	\$56,00
uel & Power uto & Truck Expense		539 545	\$72,000 \$15,000		\$0 \$2,500	\$72,00 \$17,50
ompany Supervision 60 @ 1200		501	\$42,000		\$30,000	\$72,00
iscellaneous & Contingencies ubtotal	8%	599	\$93,640		\$216,560	\$310,20
uuliotai			\$1,264,140		\$2,923,560	\$4,187,70
EVELOPMENTAL LWE "DRILLING"						
urface Casing 13 3/8 @ 425'	727	441	\$16,750	727	\$0	\$16,75
termediate Casing 8 5/8" @ 2525'		442 443	\$9,500 \$58,300		\$0 \$0	\$9,50 \$58,30
oduction Casing 5 1/2" @ 11,450'		443	\$0		\$220,000	\$220,00
rilling Liner oduction Liner		450	\$0		\$0	\$
asing Head		460 445	\$0 \$34,000		\$0 \$30,000	\$64,00
Mas Tree		446	\$0		\$16,000	\$16,00
ompletion Equipment etrievable Packers		447 448	\$0 \$0		\$5,000	\$5,00
bing		449	\$0		\$5,000 \$55,000	\$5,00 \$55,00
her Material & Equipment		469	\$1,000		\$1,500	\$2,50
IDIO(GI		<u> </u>	\$119,550		\$332,500	\$452,05
NSHORE FACILITIES	_					
cation, Pits, Roads ontract Services & Equip	745	472 510			\$45,000 \$25,000	\$45,000 \$25,000
gineering Surveys		516			\$4,500	\$4,500
to & Truck Expense		545			\$1,000	\$1,000
elding Services tal Elect/Pneu System		566 567			\$7,500 \$0	\$7,500 \$0
inting Service		568			\$0	\$(
scellaneous & Contingencies btotal		599			\$1,500 \$84,500	\$1,500 \$84,500
The state of the s				<u></u>	<u>Ψ0</u> -,000]	ψυ -1 ,υ00
NSHORE FACILITIES	-					·
c Valves & Fittings rrosion or Chemical Treating Equip	746	153 438			\$35,000 \$0	\$35,000 \$0
mping Equipment		451			\$135,000	\$135,000
s Engines & Electric Motors		452			\$15,000	\$15,000
ctric Lines, Poles, Transformers, etc.		453 454			\$35,000 \$8,000	\$35,000 \$8,000
d Lines		456			\$7,500	\$7,50
ks, Stairs, Walkways, etc. arator & Fittings		457 458			\$38,000 \$10,500	\$38,00 \$10,50
ters, Treaters & Connections		459			\$10,500	\$12,00
ver & Circulating Pumps		460			\$2,500	\$2,50
ers er Material & Equipment		463 469		+	\$23,000 \$45,000	\$23,000 \$45,000
ototal					\$366,500	\$366,500
TAL WELL COST:			1,383,690		3,707,060	5,090,75
The state of the s	~ ·	DARTIC	IPANT APPR	OVAL		
OMPANY APPROVAL	/	VARTIC	IPANI APPR			
: Jeffbull	E	3y: _				
le: <u>ENGINEERING MANAGER</u>		litie: _				
nte: 31_lan_11		Date:				

A SALE OF THE SALE	mentalis in the second of the second
SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 Complete items 1, 2, and 8. 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
1. Article Addressed to: MS. Leekugle Go John Elmore	If YES, enter delivery address below: No
2002 Manor Road, Swith B. Austin, TX 78722	3. Service Type ☑ Certified Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee) ☐ Yes
2. Article Number (Transfer from service label) 7010 1	870 0000 8950 4301
PS Form 3811, February 2004 Domestic Retu	ern Receipt 102595-02-M-1540



Certified Mail #7010 1870 0000 8950 4103

February 7, 2011

Ms. Janet Renee Fowlkes Murrey P.O. Box 23416 Waco, Texas 76702

Re:

Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W½E½

Eddy County, New Mexico

Dear Ms. Murrey:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW1/4SE1/4 of Section 22, T-26-S, R-28-E, N.M.P.M.

OGX Resources LLC ("OGX") hereby proposes to drill the above referenced horizontal well at a surface hole location of 480' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

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

OGX invites you to participate in this well. If you wish to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution covering the W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Janet Renee Fowlkes Murrey Well Proposal Diamondback "22" State Com #1H Well February 7, 2011 Page 2

A. As to your mineral interest covering the NW\'4SE\'4 of Section 22, T-26-S, R-28-E, N.M.P.M, being 3.125\% (1.25 net acres).

Term: Six (6) months

Royalty: 22%

Standard Lease Form

Cash Consideration: \$400.00 per net mineral acre.

OR

B. As to your mineral interest covering all of your open acreage (see attached)

Term: Three (3) years

Royalty: 22%

Standard Lease Form with a Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$2,000.00 per net mineral acre.

Please let us know within thirty (30) days from receipt of this letter if you (1) want to participate in the subject well, (2) lease your unleased minerals under proposal (A) above or (3) lease your unleased minerals under proposal (B) above. If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

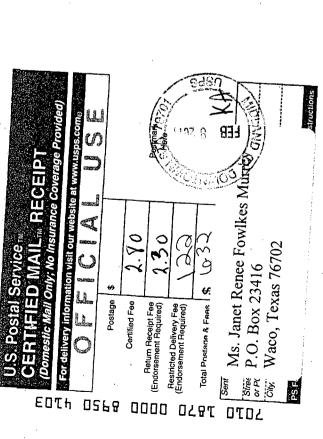
Garland H. Lang III Land Manager

Enclosures

OGX RESOURCES LLC AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11			-		
OGX AFE No.:					
AFE Title: Avaion Horizontal					
Well Name & No.: DIAMONDBACK 22 STATE COM #1H			Field DELAWA	ARE RIVER SOUTH - BONE	SPRING
State: NEW MEXICO			County: EDDY		
***************************************	******	******	***********		****
Exploratory XX Development: Proposed Formation: AVALON			Oil: XX Proposed Depth	GAS n: 7160 TVD / 11,450' MD	
Description SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E			T Toposcu Bopu	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E		*******	***********	*********	****
	<u>MAJ</u>	<u>SUB</u>	DRY HOLE	MAJ COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:					
Turnkey	725	470	\$0	726 \$0	\$0 \$65,000
Mobilization/Demob. Location, Pits, Roads		471	\$65,000 \$65,000	\$10,000	\$65,000 \$75,000
Cement and Cementing Services		473	\$75,000	\$50,000	\$125,000
Mud Logging Mud Materials, Chemical & Water		474	\$35,000 \$65,000	\$0 \$175,000	\$35,000 \$240,000
Logging and Sidewall Coring		478	\$35,000	\$5,000	\$40,000
Perforating		479	\$0	\$0	\$0
Stimulation Formation Testing		480 482	\$0 \$0	\$1,850,000 \$42,000	\$1,850,000 \$42,000
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 Drilling Footage		488 489	\$162,500 \$0	\$0	\$162,500 \$0
Drilling Day Work 24 days		490	\$262,500	\$37,500	\$300,000
Float Equipment		491	\$6,500	\$15,000	\$21,500
Bits, Core Barrells, etc. Other Special Well Services		492	\$70,000	\$15,000	\$85,000
Contract Services & Equip		510	\$18,000 \$12,000	\$355,000 \$55,000	\$373,000 \$67,000
Directional Drilling		511_	\$130,000	. \$0	\$130,000
Completion Unit		528	\$0	\$56,000	\$56,000
Fuel & Power Auto & Truck Expense		539 545	\$72,000 \$15,000	\$0 \$2,500	\$72,000 \$17,500
Company Supervision 60 @ 1200		501	\$42,000	\$30,000	\$72,000
Miscellaneous & Contingencies Subtotal	8%	599	\$93,640	\$216,560 \$2,923,560	\$310,200
Subjular			\$1,264,140	\$2,923,500	\$4,187,700
DEVELOPMENTAL LWE "DRILLING"				e e	
Surface Casing 13 3/8 @ 425'	727	441	\$16,750	727 \$0	\$16,750
Conductor Pipe		442	\$9,500	\$0	\$9,500
Intermediate Casing 8 5/8" @ 2525' Production Casing 5 1/2" @ 11,450'		443 443	\$58,300 \$0	\$0 \$220,000	\$58,300 \$220,000
Drilling Liner		450	\$0	\$0	\$0
Production Liner		460	\$0	\$0	
Casing Head X-Mas Tree		445 446	\$34,000 \$0	\$30,000 \$16,000	\$64,000 \$16,000
Completion Equipment		447	\$0	\$5,000	\$5,000
Retrievable Packers		448	\$0	\$5,000	\$5,000
Tubing Other Material & Equipment		449 469	\$0 \$1,000	\$55,000 \$1,500	\$55,000 \$2,500
Subtotal		08	\$119,550	\$332,500	\$452,050
ONSHORE FACILITIES					
Location, Pits, Roads Contract Services & Equip	745	472 510		\$45,000	\$45,000
Engineering Surveys		516		\$25,000 \$4,500	\$25,000 \$4,500
Auto & Truck Expense		545		\$1,000	\$1,000
Welding Services Instal Elect/Pneu System		566		\$7,500	\$7,500
Painting Service		567 568		\$0 \$0	\$0 \$0
Miscellaneous & Contingencies		599		\$1,500	\$1,500
Subtotal				\$84,500	\$84,500
ONSHORE FACILITIES					
	746	153		\$35,000	\$35,000
Corrosion or Chemical Treating Equip		438		\$0	\$0
Pumping Equipment Gas Engines & Electric Motors		451 452		\$135,000	\$135,000
Electric Lines, Poles, Transformers, etc.		453		\$15,000 \$35,000	\$15,000 \$35,000
Bottom Hole Pump		454		\$8,000	\$8,000
Field Lines Tanks, Stairs, Walkways, etc.		456	· ·	\$7,500	\$7,500
Separator & Fittings		457 458		\$38,000 \$10,500	\$38,000 \$10,500
Heaters, Treaters & Connections		459		\$12,000	\$12,000
Power & Circulating Pumps Meters		460 463		\$2,500 \$23,000	\$2,500 \$23,000
Other Material & Equipment		469		\$45,000	\$45,000
Subtotal				\$366,500	\$366,500
TOTAL WELL COST-			4 000 000	A =A= AA=	
TOTAL WELL COST:			1,383,690	3,707,060	5,090,750
COMPANY APPROVAL	1	PARTIC	IPANT APPRO	OVAL	
NAME: OGX RESOURCES LC	_	NAME:			
By: 4/19/11/2		By: _			
Title: ENGINEERING MANAGER		Title:		,	
Date: <u>31-Jan-11</u>		Date: _			
	1	N1%: _	<u> </u>		

Bonus Consideration Frank Blow Fowlkes Christine Speldel Fowlkes Trey Fowlkes Janet Renee Fowlkes Murrey Total	Total all 3 leases	T-26-S, R-29-E, N.M.P.M Sec. 7: S/2NE/4	T-26-S, R-29-E, N.M.P.M Sec. 19: Lots 2-3-4 & E/2NW/4 Total	T-26-S, R-28-E, N.M.P.M Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4 Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4 Sec. 24: SW/4NE/4, N/2SE/4	Sec. 21: S/2SE/4 Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4 Sec. 28: S2NW/4 Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4 Sec. 32: NE/4NE/4 Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1) Total Lease No. 2	Land Description Lease No. 1 T-26-S, R-28-E, N.M.P.M
Net Acres 83.98 83.98 41.99 41.99 251.94	1503.72	80.00 80.00	199.93 799.93	320.00 160.00 120.00	80.00 200.00 80.00 160.00 40.00 63.79 623.79	Gross Acreage
Bonus @\$2000/ac \$167,960.00 \$167,960.00 \$83,980.00 \$83,980.00 \$503,880.00		1/2	1/4	1/2 1/2 1/4	12 12 12 12 12	Fowlkes Family Mineral Int.
		1/16	1/32	1/16 1/16 1/32	1/16 1/16 1/16 1/16 1/16	Frank Blow Fowlkes
·	Lease MI% 83.98	5.00	6.25 40.00 Lease MI%	20.00 10.00 3.75	5.00 12.50 5.00 10.00 2.50 3.99 38.99 Lease MI%	Frank Blow Fowlkes
		1/16	1/32	1/16 1/16 1/32	1/16 1/16 1/16 1/16 1/16 1/16	Christine Speidel Fowkles
	Lease MI% 83.98	5.00	6.25 40.00 Lease MI%	20.00 10.00 3.75	5.00 12.50 5.00 10.00 2.50 3.99 38.99 Lease MI%	Christine Speidel Fowkles
		1/32	1/64	1/32 1/32 1/64	1/32 1/32 1/32 1/32 1/32	Trey Fowlkes
	Lease MI% 41.99	2.50	3.124 20.00 Lease MI%	10.00 5.00 1.88	2.50 6.25 2.50 5.00 1.25 1.99 19.49 Lease MI%	Trey Fowlkes
		1/32	1/64	1/32 1/32 1/64	1/32 1/32 1/32 1/32 1/32 1/32	Janet Renee Fowlkes Murrey
	Lease MI% 41.99	2.50	3.124 20.00 Lease MI%	10.00 5.00 1.88	2.50 6.25 2.50 5.00 1.25 1.99 19.49 Lease MI%	Janet Renee Fowlkes Murrey
	18.75% 83.98	3	119.99 15.00%		116.96 18.7500%	Total Net



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse 	A. Signature
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.	B. Received by (Printed Name) C. Date of Delivery
1. Article Addressed to:	D. Is delivery address different from from 1? If YES, enter delivery address below: If YES, enter delivery address below:
	AND OFFICE IN
Ms. Janet Renee Fowlkes Murrey	(A)
P.O. Box 23416	
Waco, Texas 76702	3. Service Type Continue Mail Continue Mail
	☐ Registered ☐ Return Receipt for Merchandise
	☐ insured/Mail ☐ C.O.D.
	4. Restricted Delivery? (Extra Fee)

Domestic Return Receipt

(Transfer from service label)
PS Form 3811, February 2004

2. Article Number



Certified Mail #7010 1870 0000 8950 4073 and Email justin.zerkle@chk.com

February 2, 2011

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

Attn: Mr. Justin Zerkle

Re: Well Proposal

Diamondback "22" State Com #1H Well

T-26-S, R-28-E, N.M.P.M.

Section 22: W½E½

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' FNL and 1,960' FEL and a bottom hole location of 330' FSL and 2,125' FEL of Section 22, T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a true vertical depth of 7,160' then horizontally 4,290' for a total measured depth of 11,450' to adequately test the Avalon portion of the Bone Spring Formation. The proration unit for this well will be the W½E½ of said Section 22.

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

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 W½E½ of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event CHESAPEAKE does not which to participate, OGX would be interested in obtaining a one year (1) term assignment from CHESAPEAKE for the following terms:

Term: One (1) year

Lands to be included: SE¼NW¼, SW¼NE¼, Section 22, T-26-S, R-28-E,

N.M.P.M., Eddy County, New Mexico

Net Revenue to be delivered: 75%

Chesapeake Exploration LLC Well Proposal Diamondback "22" Fed Com #1H Well February 2, 2011 Page 2

Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

Cash Consideration: \$300.00 per net leasehold acre.

If you have any questions, please contact the undersigned.

Sincerely,

OGX Resources LLC

Garland H. Lang III Land Manager

Enclosures

AUTHORIZATI	ION FO	OR EXP	ENDITURE			
DATE: 1/31/11					· ·	
DATE: 1191111						
OGX AFE No.:			•		•	
AFE Title: Avaion Horizontal						
Well Name & No.: DIAMONDBACK 22 STATE COM #1H			Field: DELAW	ARE RIVE	ER SOUTH - BONE S	PRING
State: NEW MEXICO			County: EDDY			, Killo
*************	*****	****	*******		* *******	*****
Exploratory XX Development:			Oil: XX		GAS	
Proposed Formation: AVALON Description: SUL 1. 480/ENL 2. 1980/EEL 1. SEC 22 T288 P286			Proposed Dep	th: 7160 T	VD / 11,450' MD	
Descriptior SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E						
***************************************	*****	****	******	****	* ********	******
<u>MA</u>	<u>\J</u>	<u>SUB</u>	DRY HOLE	<u>MAJ</u>	COMPLETION	<u>TOTAL</u>
DEVELOPMENTAL DRILLING:	_					
Turnkey 725	5	470	\$0	726	\$0	\$0
Mobilization/Demob. Location, Pits, Roads		471 472	\$65,000 \$65,000		\$10,000	\$65,000 \$75,000
Cement and Cementing Services		473	\$75,000		\$50,000	\$125,000
Mud Logging		474	\$35,000		\$0	\$35,000
Mud Materials, Chemical & Water		475	\$65,000		\$175,000	\$240,000
Logging and Sidewall Coring Perforating		478 479	\$35,000		\$5,000	\$40,000
Stimulation	-	480	\$0 \$0		\$0 \$1,850,000	\$0 \$1,850,000
Formation Testing	_	482	\$0		\$42,000	\$42,000
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	\$162,500		<u> </u>	\$162,500
Drilling Footage Drilling Day Work 24 days		489 490	\$0 \$262,500		\$0 \$37,500	\$0 \$300,000
Float Equipment	}	490	\$262,500		\$15,000	\$300,000
Bits, Core Barrells, etc.		492	\$70,000		\$15,000	\$85,000
Other Special Well Services		494	\$18,000		\$355,000	\$373,000
Contract Services & Equip		510	\$12,000		\$55,000	\$67,000
Directional Drilling	_	511	\$130,000		\$0	\$130,000
Completion Unit Fuel & Power	-+	528 539	\$0 \$72,000		\$56,000 \$0	\$56,000 \$72,000
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	\$93,640		\$216,560	\$310,200
Subtotal			\$1,264,140		\$2,923,560	\$4,187,700
DEVELOPMENTAL LIME "DOULING"						
DEVELOPMENTAL LWE "DRILLING" Surface Casing 13 3/8 @ 425' 727	, _	444	646.750	707	\$0	640.750
Conductor Pipe	-	441	\$16,750 \$9,500	727	\$0	\$16,750 \$9,500
Intermediate Casing 8 5/8" @ 2525'	_	443	\$58,300		\$0	\$58,300
Production Casing 5 1/2" @ 11,450'		443	\$0		\$220,000	\$220,000
Drilling Liner		450	\$0		\$0	\$0
Production Liner		460	\$0		\$0	
Casing Head X-Mas Tree		445 446	\$34,000 \$0	,	\$30,000 \$16,000	\$64,000 \$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		\$332,500	\$452,050
ONSHORE FACILITIES						
Location, Pits, Roads 745		472		<u>_</u> _	\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense		545			\$1,000	\$1,000
Welding Services Instal Elect/Pneu System		566 567			\$7,500 \$0	\$7,500 \$0
Painting Service		568			\$0	\$0
Miscellaneous & Contingencies		599			\$1,500	\$1,500
Subtotal					\$84,500	\$84,500
ONSHORE FACILITIES	_					
Misc Valves & Fittings 746		153 438			\$35,000 \$0	\$35,000 \$0
Corrosion or Chemical Treating Equip Pumping Equipment		438 451			\$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 Tanks, Stairs, Walkways, etc.		456 457			\$7,500 \$38,000	\$7,500 \$38,000
Separator & Fittings		458			\$10,500	\$10,500
Heaters, Treaters & Connections		459			\$12,000	\$12,000
Power & Circulating Pumps		460			\$2,500	\$2,500
Meters Other Meterial & Equipment		463			\$23,000 \$45,000	\$23,000 \$45,000
Other Material & Equipment Subtotal	-+	469			\$45,000 \$366,500	\$366,500
Cuptorial					\$000,000[+===,
TOTAL WELL COST:			1,383,690		3,707,060	5,090,750
			.,000,000		-1 1,000	1
COMPANY APPROVAL	P	ARTIC	IPANT APPI	ROVAL		•
NAME: OCK RESOLUTION		AME:				
By: J-//	_ B ₁	-				
Title: ENGINEERING MANAGER		tie:				
Date: 31-Jan-11		ate:				
	W	1%:			•	

Centified Fee

Centified Fee

Centified Fee

Cendorsement Required)

Restricted Delivery Fee

Cendorsement Required)

Total Postage & Fees \$ (Condorsement Required)

Sent To Condorsement Required)

Sent To Condorsement Required) Postage E704 02P8

~		
SENDER: COMPLETE THIS SECTION	CO ETE THIS SECTION ON DELIVERY	VERY
 ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print vour name and address on the reverse 	A. Signature	☐ Agent☐ Addresse
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.	B. Received by (Printed Name)	C. Date of Deliver
1. Article Addressed to:	D. Is delivery address different from item 1? The Yes If YES, ent REMED Eddress Delow: The No	n 1?
Chesapeake Exploration uc	FEB 07 2011	
DO. (20)X 18/10/10	## A-11 1-305 to	
Wishesia C.t.	3. Service Mpg LFC CO.	
DEMONIA CIO, ORIGINA	☐ Registered ☐ Return Reco	☐ Return Receipt for Merchandis: ☐ C.O.D.
		1

4. Restricted Delivery? (Extra Fee)

2. Article Number (Transfer from service Jabel)
PS Form 3811, February 2004

Domestic Return Receipt