

# OGXResources LLC

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

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: W $\frac{1}{2}$ E $\frac{1}{2}$   
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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

cog\_conchodiamondback22statecom#1hwellproposal\_020211

Oil Conservation Division  
Case No. 014638  
Exhibit No. 3



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: W $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , Section 22, T-26-S, R-28-E,  
N.M.P.M., Eddy County, New Mexico

Net Revenue to be delivered: 75%

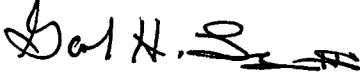
Continuous Development Provision: same as leases owned by Concho.

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

Enclosures



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:

AFE Title: Avalon Horizontal

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

Field: DELAWARE RIVER SOUTH - BONE SPRING

County: EDDY

State: NEW MEXICO

Exploratory XX

Development:

Oil: XX

GAS

Proposed Formation: AVALON

Proposed Depth: 7160 TVD / 11,450' MD

Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E

BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>DEVELOPMENTAL DRILLING:</b>						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$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		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$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			\$162,500
Drilling Footage		489	\$0		\$0	\$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.		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		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$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 LWE "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
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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
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Painting Service		568			\$0	\$0
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Subtotal					\$84,500	\$84,500

**ONSHORE FACILITIES**

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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

<b>TOTAL WELL COST:</b>	1,383,690	3,707,060	5,090,750
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**COMPANY APPROVAL**

NAME: OGX RESOURCES LLC

By:

Title: ENGINEERING MANAGER

Date: 31-Jan-11

**PARTICIPANT APPROVAL**

NAME:

By:

Title:

Date:

WI%:



U.S. Postal Service<sup>TM</sup>  
**CERTIFIED MAIL<sup>TM</sup> RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)  
For delivery information visit our website at [www.usps.com](http://www.usps.com)

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Postage \$

Certified Fee 2.80

Return Receipt Fee (Endorsement Required) 1.30

Restricted Delivery Fee (Endorsement Required) 1.39

Total Postage & Fees 5.49

Postmark Here

Sent To  
COG Operating LLC  
Attn: William Miller

Street, Apt  
or PO Box  
2208 W. Main Street

City, State  
Artesia, New Mexico 88210-3720


PS Form 3811, February 2004

**SENDER: COMPLETE THIS SECTION**

- 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:  
  
COG Operating LLC  
Attn: William Miller  
2208 W. Main Street  
Artesia, New Mexico 88210-3720

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  
X 

☐ Agent  
☐ Addressee

B. Received by (Printed Name)  
William M. Miller

C. Date of Delivery  
2/3/11

D. Is delivery address different from item 1? ☐ Yes ☒ No

If YES, enter delivery address below:

**RECEIVED FEB 07 2011**

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 1870 0000 8950 4059

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540



# OGXResources LLC

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

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

mailed 3-11-11



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
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COMPANY APPROVAL

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_



7010 1870 0000 8950 4233

<b>U.S. Postal Service</b>	
<b>CERTIFIED MAIL<sup>TM</sup> RECEIPT</b>	
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For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
<b>OFFICIAL USE</b>	
Postage	\$
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	2.60
Total Postage & Fees	\$7.80
Sent to: <b>COG Operating &amp; Concho Oil &amp; Gas</b> Street, Apt. No., or PO Box No. <b>2208 W. Main St.</b> City, State, ZIP+4 <b>Artesia, NM 88210</b>	
PS Form 3800, August 2006. See Reverse for Instructions	

**SENDER: COMPLETE THIS SECTION**

- 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:

COG Operating LLC  
&  
Concho Oil & Gas LLC  
2208 W. Main St.  
Artesia, NM 88210

2. Article Number

(Transfer from service label)

7010 1870 0000 8950 4233

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

x *Salman Wilkins*

☐ Agent

☐ Addressee

B. Received by (Printed Name)

*Salman Wilkins*

C. Date of Delivery

*3/14/11*

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes



file  
NM042-012W

# 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: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event you do not wish 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 NW $\frac{1}{4}$ SE $\frac{1}{4}$  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

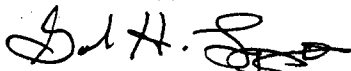
B. As to your mineral interest covering all of your open acreage (see attached).

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

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

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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	\$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	\$7,500
Instal Elect/Pneu System		567			\$0	\$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			\$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

TOTAL WELL COST: 1,383,690 3,707,060 5,090,750

COMPANY APPROVAL

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_



Land Description	Fowlkes		Christine		Christine		Janet Renee		Janet Renee		Total
	Gross Acreage	Family Mineral Int.	Frank Blow Fowlkes	Frank Blow Fowlkes	Speidel Fowlkes	Speidel Fowlkes	Trey Fowlkes	Trey Fowlkes	Fowlkes Murrey	Fowlkes Murrey	
Lease No. 1											

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

Sec. 21: S/2SE/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50	
Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	200.00	1/2	1/16	12.50	1/16	12.50	1/32	6.25	1/32	6.25	
Sec. 28: S/2NW/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50	
Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	180.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00	
Sec. 32: NE/4NE/4	40.00	1/2	1/16	2.50	1/16	2.50	1/32	1.25	1/32	1.25	
Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	63.79	1/2	1/16	3.99	1/16	3.99	1/32	1.99	1/32	1.99	
Total	623.79			38.99		38.99		19.49		19.49	116.96
Lease MI%										18.7500%	

**Lease No. 2**

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

Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	320.00	1/2	1/16	20.00	1/16	20.00	1/32	10.00	1/32	10.00	
Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	180.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00	
Sec. 24: SW/4NE/4, N/2SE/4	120.00	1/4	1/32	3.75	1/32	3.75	1/64	1.88	1/64	1.88	
T-26-S, R-29-E, N.M.P.M											
Sec. 19: Lots 2-3-4 & E/2NW/4	199.93	1/4	1/32	6.25	1/32	6.25	1/64	3.124	1/64	3.124	
Total	799.93			40.00		40.00		20.00		20.00	119.99
Lease MI%										15.00%	

**Lease No. 3**

**T-26-S, R-29-E, N.M.P.M**

Sec. 7: S/2NE/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50	
Total	80.00			5.00		5.00		2.50		2.50	15.00
Lease MI%										18.75%	
Total all 3 leases	1503.72			83.98		83.98		41.99		41.99	83.98

<b>Bonus Consideration</b>	Net Acres	Bonus @\$2000/ac
Frank Blow Fowlkes	83.98	\$167,960.00
Christine Speidel Fowlkes	83.98	\$167,960.00
Trey Fowlkes	41.99	\$83,980.00
Janet Renee Fowlkes Murrey	41.99	\$83,980.00
Total	251.94	\$503,880.00



7010 1870 0000 8950 4110

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**OFFICIAL USE**

Postage	\$	
Certified Fee		2.80
Return Receipt Fee (Endorsement Required)		2.30
Restricted Delivery Fee (Endorsement Required)		1.20
Total Postage & Fees	\$	6.30

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

Postmark Here: KA

PS Form 3800

for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p>Mr. Trey Fowlkes            P.O. Box 23416            Waco, Texas 76702</p>	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>Trey Fowlkes</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No            If YES, enter delivery address below.</p> <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p> <p>7010 1870 0000 8950 4110</p>	



# OGXResources LLC

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

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 wish to participate, OGX would be interested in obtaining an oil and gas lease from you under the following terms:

Mailed 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 SE $\frac{1}{4}$ NE $\frac{1}{4}$  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

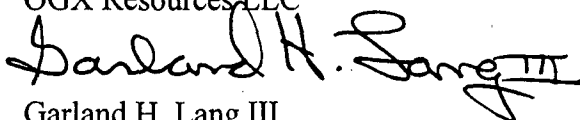
Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,  
Section 13: N/2 NW/4; and SW/4 NW/4  
Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,  
Section 22: SW/4 NE/4; and SE/4 NW/4  
T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of 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:  $1.55\% \times 1560 = 24.18$  net acres  $\times \$800.00$  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 LLC



Garland H. Lang III  
Land Manager

Enclosures



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$85,000		\$10,000	\$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		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$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			\$162,500
Drilling Footage		489	\$0		\$0	\$0
Drilling Day Work 24 days		490	\$262,500		\$37,500	\$300,000
Float Equipment		491	\$6,500		\$15,000	\$21,500
Bits, Core Barrels, 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		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$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 LWE "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	\$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

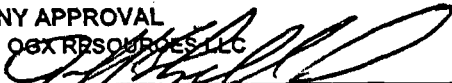
Location, Pits, Roads	745	472			\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense		545			\$1,000	\$1,000
Welding Services		566			\$7,500	\$7,500
Instal Elect/Pneu System		567			\$0	\$0
Painting Service		568			\$0	\$0
Miscellaneous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

ONSHORE FACILITIES

Misc Valves & Fittings	746	153			\$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

TOTAL WELL COST: 1,383,690 3,707,060 5,090,750

COMPANY APPROVAL

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_



U.S. Postal Service<sup>TM</sup>

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Postage

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2.80

Certified Fee

\$

2.80

Return Receipt Fee (Endorsement Required)

\$

1.05

Restricted Delivery Fee (Endorsement Required)

\$

10.15

Total Postage & Fees

\$

16.70

Postmark Here

7010 1670 0000 8950 4639

Sent To

Russell Family LLC

Street, Apt. No., or PO Box No.

15711 Charles Street

City, State, ZIP

Omaha, Nebraska 68118

PS Form 3800, August 2006

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

■ 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:

Russell Family LLC

15711 Charles Street

Omaha, Nebraska

68118-3333

COMPLETE THIS SECTION ON DELIVERY

A. Signature

Robert A. Dellinger

☐ Agent
☐ Addressee

B. Received by (Printed Name)

Robert A. Dellinger

C. Date of Delivery

3-24-11

D. Is delivery address different from item 1? ☐ Yes ☐ No

If YES, enter delivery address below:

3. Service Type

☒ Certified Mail
☐ Express Mail

☐ Registered
☐ Return Receipt for Merchandise

☐ Insured Mail
☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes ☐ No

2. Article Number (Transfer from service label)

7010 1670 0000 8950 4639

PS Form

595-02-M-1540



# OGXResources LLC

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

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  
T-26-S, R-28-E, N.M.P.M.  
Section 22: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Ms. Ryan:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE $\frac{1}{4}$  NE $\frac{1}{4}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Mailed 3-17-11



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 SE $\frac{1}{4}$ NE $\frac{1}{4}$  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

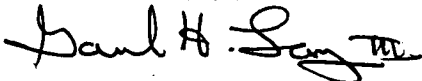
Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,  
Section 13: N/2 NW/4; and SW/4 NW/4  
Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,  
Section 22: SW/4 NE/4; and SE/4 NW/4  
T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of 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



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$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		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$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			\$162,500
Drilling Footage		489	\$0		\$0	\$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.		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		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$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 LWE "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	\$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	\$7,500
Instal Elect/Pneu System		567			\$0	\$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			\$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

TOTAL WELL COST: 1,383,690 3,707,060 5,090,750

COMPANY APPROVAL

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_



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Sent To **Ellen M. Ryan**  
 Street, Apt. No., or PO Box No. **5300 Mohawk Lane**  
 City, State, ZIP+4<sup>®</sup> **Shawnee Mission KS. 66205**

PS Form 3800, August 2006 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <input type="checkbox"/> Date of Delivery</p>	
<p>1. Article Addressed to:</p> <p><b>Ellen M. Ryan</b>  <b>5300 Mohawk Lane</b>  <b>Shawnee Mission, KS.</b>  <b>66205</b></p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p> <p><b>Ellen M.</b></p>	
<p>2. Article Number (Transfer from service label) <b>7010 1870 0000 8950 4295</b></p>		<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>	
<p>PS Form 3811, February 2004 Domestic Return Receipt</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	



# OGXResources LLC

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

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: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Mr. Fowlkes:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event you do not wish 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 NW $\frac{1}{4}$ SE $\frac{1}{4}$  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

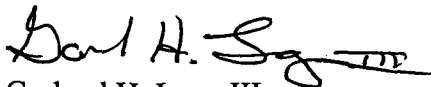
B. As to your mineral interest covering all of your open acreage (see attached)

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



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$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		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$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			\$162,500
Drilling Footage		489	\$0		\$0	\$0
Drilling Day Work 24 days		490	\$262,500		\$37,500	\$300,000
Float Equipment		491	\$6,500		\$15,000	\$21,500
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Miscellaneous & Contingencies	8%	599	\$93,640		\$216,560	\$310,200
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X-Mas Tree		446	\$0		\$16,000	\$16,000
Completion Equipment		447	\$0		\$5,000	\$5,000
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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

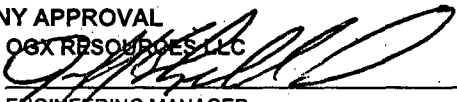
Location, Pits, Roads	745	472			\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense		545			\$1,000	\$1,000
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Pumping Equipment		451			\$135,000	\$135,000
Gas Engines & Electric 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

TOTAL WELL COST:	1,383,690	3,707,060	5,090,750
------------------	-----------	-----------	-----------

COMPANY APPROVAL

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_



Gross Acreage	Fowlkes		Frank Blow		Christine Speidel		Trey Fowlkes		Janet Renee Fowlkes		Total Net	
	Family Mineral Int.	Fowlkes	Frank Blow Fowlkes	Christine Speidel Fowlkes	Speidel Fowlkes	Fowlkes	Trey Fowlkes	Murrey	Fowlkes	Murrey	Fowlkes	Murrey
80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50			
200.00	1/2	1/16	12.50	1/16	12.50	1/32	6.25	1/32	6.25			
80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50			
160.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00			
40.00	1/2	1/16	2.50	1/16	2.50	1/32	1.25	1/32	1.25			
63.79	1/2	1/16	3.99	1/16	3.99	1/32	1.99	1/32	1.99			
623.79			38.99		38.99		19.49		19.49			116.96
										Lease M1%		18.7500%

### Lease No. 2

<b>T-26-S, R-28-E, N.M.P.M</b>											
Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	320.00	1/2	1/16	1/16	20.00	1/32	10.00	1/32	10.00		
Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	160.00	1/2	1/16	1/16	10.00	1/32	5.00	1/32	5.00		
Sec. 24: SW/4NE/4, N/2SE/4	120.00	1/4	1/32	1/32	3.75	1/64	1.88	1/64	1.88		
T-26-S, R-29-E, N.M.P.M											
Sec. 19: Lots 2-3-4 & E/2NW/4	199.93	1/4	1/32	1/32	6.25	1/64	3.124	1/64	3.124		
Total	799.93				40.00		20.00		20.00	119.99	
										Lease M1%	15.00%

### Lease No. 3

<b>T-26-S, R-29-E, N.M.P.M</b>											
Sec. 7: S/2NE/4	80.00	1/2	1/16	1/16	5.00	1/32	2.50	1/32	2.50		
Total	80.00				5.00		2.50		2.50	15.00	
										Lease M1%	18.75%
Total all 3 leases	1503.72				83.98		41.99		41.99	83.98	

<b>Bonus Consideration</b>			Net Acres	Bonus @\$2000/ac
Frank Blow Fowlkes	83.98		83.98	\$167,960.00
Christine Speidel Fowlkes	83.98		83.98	\$167,960.00
Trey Fowlkes	41.99		41.99	\$83,980.00
Janet Renee Fowlkes Murrey	41.99		41.99	\$83,980.00
Total	251.94		251.94	\$503,880.00



Land Description	Fowlkes		Christine		Christine		Frank Blow		Frank Blow		Janet Renee		Janet Renee		Total
	Gross Acreage	Family Mineral Int.	Speidel Fowlkes	Speidel Fowlkes	Speidel Fowlkes	Speidel Fowlkes	Frank Blow Fowlkes	Frank Blow Fowlkes	Frank Blow Fowlkes	Frank Blow Fowlkes	Janet Renee Fowlkes	Janet Renee Fowlkes	Janet Renee Fowlkes	Janet Renee Fowlkes	
<b>Lease No. 1</b>															
<b>T-26-S, R-28-E, N-M-P-M</b>															
Sec. 21: S/2SE/4	80.00	1/2	1/16	1/16	1/16	1/16	5.00	5.00	5.00	5.00	1/32	2.50	1/32	2.50	
Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	200.00	1/2	1/16	1/16	1/16	1/16	12.50	12.50	12.50	12.50	1/32	6.25	1/32	6.25	
Sec. 28: S/2NW/4	80.00	1/2	1/16	1/16	1/16	1/16	5.00	5.00	5.00	5.00	1/32	2.50	1/32	2.50	
Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	160.00	1/2	1/16	1/16	1/16	1/16	10.00	10.00	10.00	10.00	1/32	5.00	1/32	5.00	
Sec. 32: NE/4NE/4	40.00	1/2	1/16	1/16	1/16	1/16	2.50	2.50	2.50	2.50	1/32	1.25	1/32	1.25	
Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	63.79	1/2	1/16	1/16	1/16	1/16	3.99	3.99	3.99	3.99	1/32	1.99	1/32	1.99	
<b>Total</b>	<b>623.79</b>						<b>38.99</b>	<b>38.99</b>	<b>38.99</b>	<b>38.99</b>		<b>19.49</b>		<b>19.49</b>	<b>116.96</b>
<b>Lease No. 2</b>															<b>18.7500%</b>

<b>T-26-S, R-28-E, N-M-P-M</b>															
Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	320.00	1/2	1/16	1/16	1/16	1/16	20.00	20.00	20.00	20.00	1/32	10.00	1/32	10.00	
Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	160.00	1/2	1/16	1/16	1/16	1/16	10.00	10.00	10.00	10.00	1/32	5.00	1/32	5.00	
Sec. 24: SW/4NE/4, N/2SE/4	120.00	1/4	1/32	1/32	1/32	1/32	3.75	3.75	3.75	3.75	1/64	1.88	1/64	1.88	
<b>T-26-S, R-29-E, N-M-P-M</b>															
Sec. 19: Lots 2-3-4 & E/2NW/4	199.93	1/4	1/32	1/32	1/32	1/32	6.25	6.25	6.25	6.25	1/64	3.124	1/64	3.124	
<b>Total</b>	<b>799.93</b>						<b>40.00</b>	<b>40.00</b>	<b>40.00</b>	<b>40.00</b>		<b>20.00</b>		<b>20.00</b>	<b>119.99</b>
<b>Lease No. 3</b>															<b>15.00%</b>

<b>T-26-S, R-29-E, N-M-P-M</b>															
Sec. 7: S/2NE/4	80.00	1/2	1/16	1/16	1/16	1/16	5.00	5.00	5.00	5.00	1/32	2.50	1/32	2.50	
<b>Total</b>	<b>80.00</b>						<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>		<b>2.50</b>		<b>2.50</b>	<b>15.00</b>
<b>Total all 3 leases</b>	<b>1503.72</b>						<b>83.98</b>	<b>83.98</b>	<b>83.98</b>	<b>83.98</b>		<b>41.99</b>		<b>41.99</b>	<b>83.98</b>

<b>Bonus Consideration</b>	<b>Net Acres</b>	<b>Bonus @\$2000/ac</b>
Frank Blow Fowlkes	83.98	\$167,960.00
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<b>Total</b>	<b>251.94</b>	<b>\$503,880.00</b>

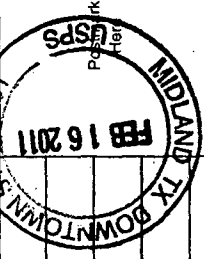


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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	



Sent To Mr. Frank Blow Fowlkes  
Street, Apt. No., 316 Granda Ave.  
or PO Box No.   
City, State, ZIP+4 El Paso, Texas 79912

PS Form 3800, August 2006 See Reverse for Instructions

7010 1870 0000 8950 4189

<b>SENDER: COMPLETE THIS SECTION</b>		<b>COMPLETE THIS SECTION ON DELIVERY</b>	
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature <u>Frank Blow Fowlkes</u> <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <u>Frank Blow Fowlkes</u> C. Date of Delivery <u>2-18-11</u></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>	
<p>1. Article Addressed to:</p> <p><u>Mr. Frank Blow Fowlkes</u> <u>316 Granda Ave.</u> <u>El Paso, Texas 79912</u></p>		<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p>2. Article Number (Transfer from service label) <u>7010 1870 0000 8950 4189</u></p>			
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p> <p><u>Mombay 24 Feb 11</u> <u>Tecolote Peak</u></p>			



# OGXResources LLC

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

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  
T-26-S, R-28-E, N.M.P.M.  
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 NW¼SE¼ 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 wish 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 NW $\frac{1}{4}$ SE $\frac{1}{4}$  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

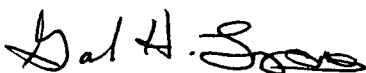
B. As to your mineral interest covering all of your open acreage (see attached)

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



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$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		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$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			\$162,500
Drilling Footage		489	\$0		\$0	\$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.		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		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$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 LWE "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	\$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

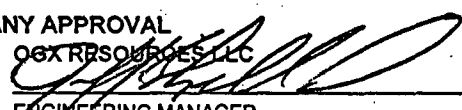
Location, Pits, Roads	745	472			\$45,000	\$45,000
Contract Services & Equip		510			\$25,000	\$25,000
Engineering Surveys		516			\$4,500	\$4,500
Auto & Truck Expense		545			\$1,000	\$1,000
Welding Services		566			\$7,500	\$7,500
Instal Elect/Pneu System		567			\$0	\$0
Painting Service		568			\$0	\$0
Miscellaneous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

ONSHORE FACILITIES

Misc Valves & Fittings	746	153			\$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

TOTAL WELL COST: 1,383,690 3,707,060 5,090,750

COMPANY APPROVAL

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Wf%: \_\_\_\_\_



Land Description	Fowlkes		Christine		Christine		Janet Renee		Janet Renee		Total
	Gross Acreage	Family Mineral Int.	Frank Blow Fowlkes	Frank Blow Fowlkes	Speidel Fowlkes	Speidel Fowlkes	Trey Fowlkes	Trey Fowlkes	Fowlkes Murrey	Fowlkes Murrey	
Lease No. 1											

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

Sec. 21: S/2SE/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50	116.96
Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	200.00	1/2	1/16	12.50	1/16	12.50	1/32	6.25	1/32	6.25	
Sec. 28: S2NW/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50	
Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	160.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00	
Sec. 32: NE/4NE/4	40.00	1/2	1/16	2.50	1/16	2.50	1/32	1.25	1/32	1.25	
Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot I)	63.79	1/2	1/16	3.99	1/16	3.99	1/32	1.99	1/32	1.99	18.7500%
Total	623.79			38.99		38.99		19.49		19.49	
<b>Lease No. 2</b>											

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

Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	320.00	1/2	1/16	20.00	1/16	20.00	1/32	10.00	1/32	10.00	119.99
Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	160.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00	
Sec. 24: SW/4NE/4, N/2SE/4	120.00	1/4	1/32	3.75	1/32	3.75	1/64	1.88	1/64	1.88	
<b>Lease No. 3</b>											

**T-26-S, R-29-E, N.M.P.M**

Sec. 19: Lots 2-3-4 & E/2NW/4	199.93	1/4	1/32	6.25	1/32	6.25	1/64	3.124	1/64	3.124	15.00
Total	799.93			40.00		40.00		20.00		20.00	
<b>Lease No. 3</b>											

<b>Bonus Consideration</b>		Net Acres	Bonus @\$2000/ac
Frank Blow Fowlkes		83.98	\$167,960.00
Christine Speidel Fowlkes		83.98	\$167,960.00
Trey Fowlkes		41.99	\$83,980.00
Janet Renee Fowlkes Murrey		41.99	\$83,980.00
Total		251.94	\$503,880.00

Total all 3 leases

1503.72

83.98

83.98

41.99

41.99

83.98

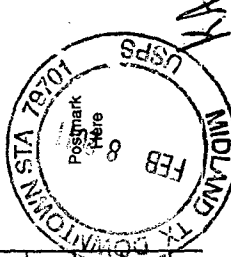


U.S. Postal Service<sup>TM</sup>  
**CERTIFIED MAIL<sup>TM</sup> RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)  
For delivery information visit our website at [www.usps.com](http://www.usps.com)  
**OFFICIAL USE**

7010 1870 0000 8950 4080

Postage \$	2.40
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.89
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	6.32

Sent to Ms. Christine Speidel Fowlkes  
Street, Apt. No. Mr. Christopher C. Fowlkes  
or PO Box No. 404 Glenosa  
City, State, Zip El Paso, Texas 79928  
PS Form 3800



<b>SENDER: COMPLETE THIS SECTION</b>		<b>COMPLETE THIS SECTION ON DELIVERY</b>	
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) Chris Fowlkes C. Date of Delivery 2-10-04</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>	
Ms. Christine Speidel Fowlkes Mr. Christopher C. Fowlkes 404 Glenosa El Paso, Texas 79928		<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
1. Article Addressed to:		2. Article Number (Transfer from service label)	
		7010 1870 0000 8950 4080	
PS Form 3811, February 2004		Domestic Return Receipt 102595-02-M-1540	



# OGXResources LLC

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

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: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Ms. Kugle:

According to the records of Eddy County, New Mexico you own unleased minerals under the SE $\frac{1}{4}$  NE $\frac{1}{4}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

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

Mailed 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 SE $\frac{1}{4}$ NE $\frac{1}{4}$  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

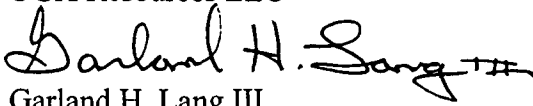
Section 11: W/2; S/2 NE/4; and SE/4, Section 12: SW/4 NW/4; SW/4; and NW/4 SE/4,  
Section 13: N/2 NW/4; and SW/4 NW/4  
Section 14: N/2; W/2 SE/4; SE/4 SE/4; SE/4 SW/4; and N/2 SW/4,  
Section 22: SW/4 NE/4; and SE/4 NW/4  
T-26-S, R-28-E, N.M.P.M., Eddy County, New Mexico, containing 1,560 acres of 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

leemkuglediamondback22statecom#1hwellproposal\_031711



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>DEVELOPMENTAL DRILLING:</b>						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
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Miscellaneous & Contingencies	8%	599	\$93,640		\$216,560	\$310,200
Subtotal			\$1,264,140		\$2,923,560	\$4,187,700

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**ONSHORE FACILITIES**

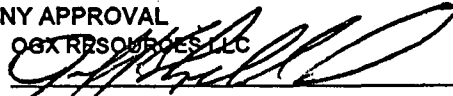
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Subtotal					\$84,500	\$84,500

**ONSHORE FACILITIES**

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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

**TOTAL WELL COST:** 1,383,690 3,707,060 5,090,750

**COMPANY APPROVAL**

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

**PARTICIPANT APPROVAL**

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
W%: \_\_\_\_\_



7010 1870 0000 8950 4301

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
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Return Receipt Fee (Endorsement Required)		2.30
Restricted Delivery Fee (Endorsement Required)		1.05
<b>Total Postage &amp; Fees</b>	<b>\$</b>	<b>6.15</b>

Postmark Here

KA

Sent to: **Ms. Lee Kugle c/o John Elmore**  
 Street, Apt. No., or PO Box No. **2002 Manor Road, Suite B.**  
 City, State, ZIP+4 **Austin TX 78722**

PS Form 3800, August 2006 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p><b>Ms. Lee Kugle</b>  <b>c/o John Elmore</b>  <b>2002 Manor Road, Suite B.</b>  <b>Austin, TX 78722</b></p>	<p>A. Signature  X <b>[Signature]</b> <span style="float: right;"><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</span></p> <p>B. Received by (Printed Name) <span style="float: right;">C. Date of Delivery <b>3-21-11</b></span></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>2. Article Number          (Transfer from service label)</p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>7010 1870 0000 8950 4301</p>	
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>	



file

# OGXResources LLC

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

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: W $\frac{1}{2}$ E $\frac{1}{2}$   
Eddy County, New Mexico

Dear Ms. Murrey:

According to the records of Eddy County, New Mexico you own unleased minerals under the NW $\frac{1}{4}$ SE $\frac{1}{4}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event you do not wish 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 $\frac{1}{4}$ SE $\frac{1}{4}$  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

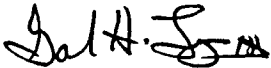
B. As to your mineral interest covering all of your open acreage (see attached)

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

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T28S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
<b>DEVELOPMENTAL DRILLING:</b>						
Turnkey	725	470	\$0	726	\$0	\$0
Mobilization/Demob.		471	\$65,000		\$0	\$65,000
Location, Pits, Roads		472	\$65,000		\$10,000	\$75,000
Cement and Cementing Services		473	\$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		478	\$35,000		\$5,000	\$40,000
Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$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			\$162,500
Drilling Footage		489	\$0		\$0	\$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.		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		528	\$0		\$56,000	\$56,000
Fuel & Power		539	\$72,000		\$0	\$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			\$1,284,140		\$2,923,560	\$4,187,700

**DEVELOPMENTAL LWE "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	\$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	\$7,500
Instal Elect/Pneu System		567			\$0	\$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			\$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

**TOTAL WELL COST:** 1,383,690 3,707,060 5,090,750

**COMPANY APPROVAL**

NAME: OGX RESOURCES LLC

By: 

Title: ENGINEERING MANAGER

Date: 31-Jan-11

**PARTICIPANT APPROVAL**

NAME: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Wf: \_\_\_\_\_



Land Description	Fowlkes				Christine		Janet Renee		Total
	Gross Acreage	Family Mineral Int.	Frank Blow Fowlkes	Frank Blow Fowlkes	Speidel Fowlkes	Speidel Fowlkes	Trey Fowlkes	Trey Fowlkes	
Lease No. 1									Net

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

Sec. 21: S/2SE/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50
Sec. 22: W/2SW/4, NE/4SW/4, N/2SE/4	200.00	1/2	1/16	12.50	1/16	12.50	1/32	6.25	1/32	6.25
Sec. 28: S2NW/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50
Sec. 29: E/2SE/4, NW/4SE/4, SE/4NE/4	160.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00
Sec. 32: NE/4NE/4	40.00	1/2	1/16	2.50	1/16	2.50	1/32	1.25	1/32	1.25
Sec. 33: W/2NW/4 (aka NW/4NW/4 + Lot 1)	63.79	1/2	1/16	3.99	1/16	3.99	1/32	1.99	1/32	1.99
Total	623.79			38.99		38.99	19.49	19.49		116.96
Lease No. 2				Lease MI%		Lease MI%	Lease MI%	Lease MI%		18.7500%

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

Sec. 23: E/2E/2, SW/4SE/4, SE/4SW/4, N/2SW/4	320.00	1/2	1/16	20.00	1/16	20.00	1/32	10.00	1/32	10.00
Sec. 24: N/2NW/4, NW/4NE/4, SE/4SE/4	160.00	1/2	1/16	10.00	1/16	10.00	1/32	5.00	1/32	5.00
Sec. 24: SW/4NE/4, N/2SE/4	120.00	1/4	1/32	3.75	1/32	3.75	1/64	1.88	1/64	1.88

T-26-S-R-29-E, N.M.P.M

Sec. 19: Lots 2-3-4 & E/2NW/4	199.93	1/4	1/32	6.25	1/32	6.25	1/64	3.124	1/64	3.124
Total	799.93			40.00		40.00	20.00	20.00		119.99
Lease No. 3				Lease MI%		Lease MI%	Lease MI%	Lease MI%		15.00%

T-26-S-R-29-E, N.M.P.M

Sec. 7: S/2NE/4	80.00	1/2	1/16	5.00	1/16	5.00	1/32	2.50	1/32	2.50
Total	80.00			5.00		5.00	2.50	2.50		15.00
Total all 3 leases	1503.72			83.98		83.98	41.99	41.99		18.75%

Bonus Consideration	Net Acres	Bonus @\$2000/ac
Frank Blow Fowlkes	83.98	\$167,960.00
Christine Speidel Fowlkes	83.98	\$167,960.00
Trey Fowlkes	41.99	\$83,980.00
Janet Renee Fowlkes Murrey	41.99	\$83,980.00
Total	251.94	\$503,880.00



EO74 0568 0000 0287 0702

Postmark  
St. Helene  
99701  
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MIDLAND COUNTY POST OFFICE

PSF

## Instructions

- 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.

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

D. Is delivery address different from item 1? ☐ Yes ☐ No  
If YES, enter delivery address below:

4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

102595-02-M-1540



file

# OGXResources LLC

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

Certified Mail #7010 1870 0000 8950 4073 and Email [justin.zerkle@chk.com](mailto: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: W $\frac{1}{2}$ E $\frac{1}{2}$   
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 W $\frac{1}{2}$ E $\frac{1}{2}$  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 W $\frac{1}{2}$ E $\frac{1}{2}$  of said Section 22, which will supersede all existing operating agreements, naming OGX as the Operator.

In the event CHESAPEAKE does not wish 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: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , 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

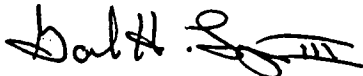
Continuous Development Provision: 180 days (if well drilled within primary term, 180 days starts 180 days from end of primary term)

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



OGX RESOURCES LLC  
AUTHORIZATION FOR EXPENDITURE

DATE: 1/31/11

OGX AFE No.:  
AFE Title: Avalon Horizontal  
Well Name & No.: DIAMONDBACK 22 STATE COM #1H

Field: DELAWARE RIVER SOUTH - BONE SPRING  
County: EDDY

State: NEW MEXICO

Exploratory XX Development:  
Proposed Formation: AVALON  
Descriptor SHL: 480'FNL & 1960'FEL / SEC.22-T26S-R28E  
BHL: 330' FSL & 2125' FEL, SEC. 22, T26S, R28E

Oil: XX GAS  
Proposed Depth: 7160 TVD / 11,450' MD

	MAJ	SUB	DRY HOLE	MAJ	COMPLETION	TOTAL
DEVELOPMENTAL DRILLING:						
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Mobilization/Demob.		471	\$65,000		\$0	\$65,000
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Perforating		479	\$0		\$0	\$0
Stimulation		480	\$0		\$1,850,000	\$1,850,000
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Fuel & Power		539	\$72,000		\$0	\$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 LWE "DRILLING"

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Conductor Pipe		442	\$9,500		\$0	\$9,500
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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

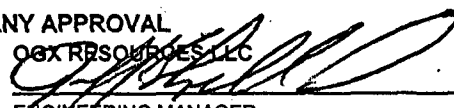
Location, Pits, Roads	745	472			\$45,000	\$45,000
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ONSHORE FACILITIES

Misc Valves & Fittings	746	153			\$35,000	\$35,000
Corrosion or Chemical Treating Equip		438			\$0	\$0
Pumping Equipment		451			\$135,000	\$135,000
Gas Engines & Electric Motors		452			\$15,000	\$15,000
Electric Lines, Poles, Transformers, etc.		453			\$35,000	\$35,000
Bottom Hole Pump		454			\$8,000	\$8,000
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Separator & Fittings		458			\$10,500	\$10,500
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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

NAME: OGX RESOURCES LLC  
By:   
Title: ENGINEERING MANAGER  
Date: 31-Jan-11

PARTICIPANT APPROVAL

NAME: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
WI%: \_\_\_\_\_

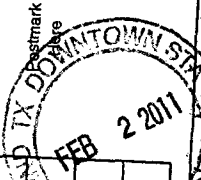


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PS Form 3800, August 2006 See Reverse for Instructions



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