

ENGINEERING

OCD Case Nos. 14673 & 14674

Burnett Application Filed 5/24/2011

CASE NO: 14673
& 14674
EXHIBIT 7

Oil Conservation Division
Case No. 7
Exhibit No.

New Mexico OCD
Consolidated Hearing Cases:
14673 & 14674
Burnett Oil Co., Inc.
Exhibit #

BURNETT OIL CO., INC.

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PARTITION FEDERAL #2 AFE

BURNETT OIL CO., INC.									
AUTHORITY FOR EXPENDITURE- COST ESTIMATE									
OPERATOR:	BURNETT OIL CO., INC	DATE:	8/20/2011	LEASE:	Partition Federal	WELL #:	2	AFE #:	2159
COUNTY/STATE:	Eddy Co., NM	LOCATION:	990' FSL, 1140' FEL, Unit M, Sec 13, T17S, R31E					PROPERTY	GKJ001B
POOL:	LOCO HILLS GLORIETA YESO	TD:	7200'					FED LEASE	NMLC029415B
RECOMMENDATION: DRILL & COMPLETE 7200' FREN (GLORIETA YESO) WELL & FLOWLINE TO ON LEASE NEW TANK BATTERY.									
FORMATION: Yeso									
INTANGIBLE COSTS:									
						DRILL	COMPL./WC	TOTAL	
01	LOCATION COST (Road, survey, damages, permit, etc.)					35,000	5,000	40,000	
02	RIG MOVE-RIG UP, RIG DOWN					12,500		12,500	
03	CONTRACT RATE-FTG/TURI			FEET @					
04	CONTRACT RATE/DAYWOR	17		DAYS @	\$12,000	204,000		204,000	
05	COMPLETION, WORKOVER	12		DAYS @	\$3,500		42,000	42,000	
06	BITS AND STABILIZERS					30,000		30,000	
07	FUEL, LUBRICANTS, WATER			12,000 WATE 15,000 FUEL		85,900		85,900	
08	TRUCKING AND TRANSPORTATION			25,000 WTRH 15000 CFI HAUL		64,000		64,000	
09	MUD AND CHEMICALS					7,000		7,000	
10	PRIMARY CEMENTING (Incl. Equip.), Sfc BCP, Prod AI					25,000	70,000	95,000	
11	SQUEEZE CEMENTING					45,000			
12	CORING AND CORE ANALYSIS					11,200		11,200	
13	MUD LOGGING		14	days @	800				
14	DRILL STEM TESTING								
15	OPEN HOLE LOGGING					55,000		55,000	
16	PERFORATING AND CASSED HOLE LOGS						18,000	18,000	
17	CASING CREWS, TONGS, HANDLING TOOLS					8,000	16,000	24,000	
18	EQUIPMENT RENTALS					29,750	5,000	34,750	
19	MISCELLANEOUS LABOR					5,000	5,000	10,000	
20	ACID, FRAC, SAND CONTR		3	fracs at \$220M each			660,000	660,000	
21	BHP, OTHER PRODUCTION TESTING								
	DIRECTIONAL DRILLING								
	FISHING TOOLS AND SERVICES								
	SUPERVISION		17	days @	1,100	18,700	5,000	23,700	
	OPERATING OVERHEAD					3,000	0	3,000	
	OTHER / CONTINGENCIES					8,000	8,000	16,000	
26	PLUGGING EXPENSE								
27	INSURANCE								
TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS:						647,050	834,000	1,436,050	

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TANGIBLE COSTS:					(GRADE)			
50	CASING, DRIVE / CONDUCTOR	750	750' 10 3/4"	32.75#	\$24.73	18,547		18,547
51	CASING, SURFACE							
52	CASING / INTERMEDIATE							
53	CASING, PRODUC & RYTW	7200	5500' 23# 7" ,	1700' 26# & " J	\$21.78		156,810	156,810
54	CASING, LINER / HANGER							
55	TUBING	7000	7000' 2 7/8"	6.5# J55	\$6.10		42,665	42,665
56	RODS	7000	7000 3/4" , 7/8" , 1"		\$4.50		31,500	31,500
60	SUBSURFACE PRODUCTION EQUIPMENT						6,500	6,500
65	CHRISTMAS TREE, WELL HEAD EQUIPMENT					1,500	5,500	7,000
TOTAL DRILLING AND COMPLETION TANGIBLE COSTS:						20,047	242,975	263,022
TOTAL DRILLING AND COMPLETION COSTS:						667,097	1,076,975	1,699,072
LEASE EQUIPMENT COSTS:								
69	TANKS, HEATERS, TREATING FACILITIES							
70	GAS PROCESSING EQUIPMENT							
71	FLOW LINE AND INSTALLATION						20,000	20,000
72	PERM. IMPROVEMENTS (GATES, FENCES, ETC.)							
73	PUMPING UNIT, GAS LIFT, ETC.						94,000	94,000
74	MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT							
75	INSTALLATION COSTS							
76	SUPERVISION							
77	OTHER							
TOTAL LEASE EQUIPMENT COSTS:							114,000	114,000
TOTAL WELL COST: \$1,813,072						667,097	1,190,975	1,813,072
TOTAL DRY HOLE COST: \$667,067						BUDGET	2011/1st	

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Well Bore Schematic Partition Federal No. 2 API 3001538635

New Mexico OCD
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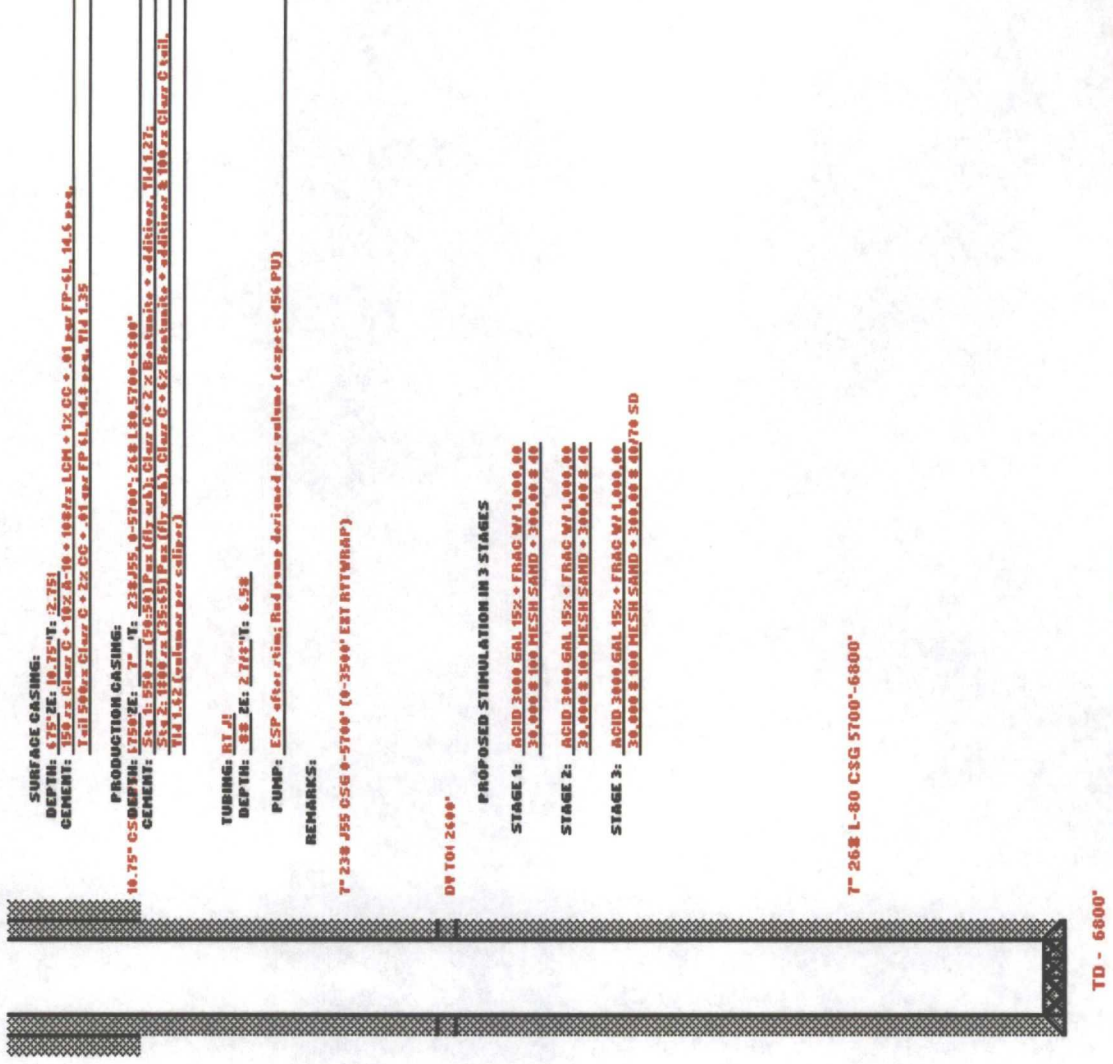
PROPOSED WELL BORE SCHEMATIC

WELL NAME: PARTITION FED #2
FIELD: FREN (GLORIA TESCO)
COUNTY/STA: EDDI CO., NEW MEXICO
LOCATOR SL: 1140' FSL, 990' FSL, UNIT P
1175, R31E

SPUD D: 8888
RIG REL: 8888
IP DATE: _____
API - 015-3910-015-39106
AFE: 2159

Burnett Oil Co.,

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BURNETT OIL CO., INC. - PARTITION FEDERAL NO. 2

Geologic & Drilling Prognosis

BURNETT OIL - GEOLOGIC & DRILLING PROGNOSIS									
Location Information									
Vell Name	Partition Federal No. 2	Field/Area	Fren (Glorieta - Yeso)						
SL Footage Calls	1140 FEL, 990 FSL, Unit P, Sect 13, T17S, R31E	SL Y Coord	666062.273 N	NAD 27					
BHL Footage Calls	same as Surface	County, St	Eddg, NM						
BHL X Coord		Est. Spud Date	10/26/2011						
BHL Y Coord		KB Elevation	3938						
Surveyed G	3926								
Permit Information									
AFE No.	2160	API No.	30-015-39062						
Projected Formation Tops									
Formation	MD/TVD	Subsea	Formation	MD/TVD	Subsea				
Rustler	599	3,339	San	3,673	265				
Anhyd. Salt	762	3,176	Andres	5,192	-1,254				
Base Salt	1,792	2,146	Glorieta	5,262	-1,324				
Yates	1,983	1,955	Yeso/Pad						
Seven Rivers	2,287	1,651	doek						
Queen	2,921	1,017	B/U Yeso	6,730	-2,792				
Gragburg	3,308	630	Tubb	6,800	-2,862				
			TD	7,200	-3,262				
			APD						
Offset Correlation Vells									
API	Vell Name	Location							
Casing Program									
Surface	14 3/4" hole, 10 3/4" 32.75# at 690'								
Intermediate	NA								
Production	8 3/4" hole, 7" 23#J55 0' - 5500' 26#L80 5501' - 6750' at 6750'								
Vendor	Jim Arline @ BOCI-FV								
Mud Program									
Surface	Build native mud with fresh water; LCM as needed.								
Intermediate									
Production	Drill out with brine water circulating through Claco's solids bins & CRI haul off bins for solids. Use caustic soda for PH control.								
Miscellaneous									
Primary Objectives	Yeso								
Secondary Objectives	NA								
Coring Program	Side wall cores (SVCs) to be selected from OH logs throughout								
Logging Program									
#	Log Types	Top Depth	Base Depth	Remarks					
1	DSN Spec Den Comp G	1500	TD	Halliburton					
1	BULL Micro Guard	1500	TD	Halliburton					
1	Long Speed Sonle	5000	TD	Halliburton					
1	KPMI								
1	Distribution								
Mud Logging Program	Top	Base	Samples	Remarks					
	2000	TD	2-10'						
Mud Logging Company	Kenneth L. Johnson			Company Phone Number			432-528-4228		

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NOSLER FEDERAL #3 AFE

BURNETT OIL CO., INC.										AUTHORITY FOR EXPENDITURE- COST ESTIMATE									
OPERATOR: BURNETT OIL CO., INC										DATE: 1/19/2011		WELL #:		3		ROPERTY #: GJK002C		AFE #: 2163	
COUNTY/ST/Eddy Co., NM										LOCATION: 890' FSL, 1190' FEL, Unit P, Sec 24, T17S, R31E		TD: 7200'		FED LEASE NMLC029415B		FORMATION: Yeso			
POOL: LOCO HILLS GLORIETA YESO										RECOMMENDATION: DRILL & COMPLETE 7200' FREN (GLORIETA YESO) WELL & FLOWLINE TO ON LEASE NEW TANK BATTERY.									
INTANGIBLE COSTS:										DRILL		COMPL./WO		TOTAL					
01	LOCATION COST (Road, survey, damages, permit, etc.)										25,000		5,000		30,000				
02	RIG MOVE-RIG UP, RIG DOWN										7,500				7,500				
03	CONTRACT RATE-FTG/TU										PER FOOT								
04	CONTRACT RATE/DAYWC 17										PER DAY				161,500				
05	COMPLETION, WORKOVE 12										PER DAY		36,000		36,000				
06	BITS AND STABILIZERS										30,000				30,000				
07	FUEL, LUBRICANTS, WAT										27,000				27,000				
08	TRUCKING AND TRANSPORTATION										40,000				40,000				
09	MUD AND CHEMICALS										7,000				7,000				
10	PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, Prod										25,000		70,000		95,000				
11	SQUEEZE CEMENTING																		
12	CORING AND CORE ANALYSIS																		
13	MUD LOGGING										11,200				11,200				
14	DRILL STEM TESTING																		
15	OPEN HOLE LOGGING										20,000				20,000				
16	PERFORATING AND Cased HOLE LOG												18,000		18,000				
17	CASING CREWS, TONGS, HANDLING TOOLS										5,000		8,000		13,000				
18	EQUIPMENT RENTALS										13,500		5,000		18,500				
19	MISCELLANEOUS LABOR										5,000		5,000		10,000				
20	ACID, FRAC, SAND CONT 4 fracs @ 165000												660,000		660,000				
21	BHP, OTHER PRODUCTION TESTING																		
22	DIRECTIONAL DRILLING																		
23	FISHING TOOLS AND SERVICES																		
24	SUPERVISION										18,700		5,000		23,700				
25	OPERATING OVERHEAD										3,000		0		3,000				
26	OTHER / CONTINGENCIES										8,000		8,000		16,000				
27	PLUGGING EXPENSE										10,000		-10,000		0				
28	INSURANCE																		
TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS:										417,400		810,000		1,227,400					

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TANGIBLE COSTS:							FEET/SIZE (WEIGHT(S)) (GRADE)		
50	CASING, DRIVE / CONDUCTOR	750	750' 10 3/4"	32.75#	\$24.73	18,547		18,547	
51	CASING, SURFACE	750							
52	CASING / INTERMEDIATE								
53	CASING, PRODUC & RYTI	7200	5500' 23# 7"	1700' 26# & "	\$21.78			156,810	
54	CASING, LINER / HANGER								
55	TUBING	7000	7000' 2 7/8"	6.5# J55	\$6.10			42,665	
56	RODS	7000	7000 3/4"	7/8", 1"	\$4.50			31,500	
60	SUBSURFACE PRODUCTION EQUIPMENT							6,500	
65	CHRISTMAS TREE, WELL HEAD EQUIPMENT					1,500		7,000	
TOTAL DRILLING AND COMPLETION TANGIBLE COSTS:							20,047	242,975	263,022
TOTAL DRILLING AND COMPLETION COSTS:							437,447	1,052,975	1,490,422
LEASE EQUIPMENT COSTS:									
69	TANKS, HEATERS, TREATING FACILITIES								
70	GAS PROCESSING EQUIPMENT								
71	FLOW LINE AND INSTALLATION							20,000	20,000
72	PERM. IMPROVEMENTS (GATES, FENCES, ETC.)								
73	PUMPING UNIT, GAS LIFT, ETC.							94,000	94,000
74	MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT								
75	INSTALLATION COSTS								
76	SUPERVISION								
77	OTHER								
TOTAL LEASE EQUIPMENT COSTS:								114,000	114,000
TOTAL WELL COST: \$1,604,422									
TOTAL DRY HOLE COST: \$437,417									
							437,447	1,166,975	1,604,422
									2011/1st

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WELLBORE SCHEMATIC NOSLER FEDERAL #3 989' FSL;1190' FEL Sec. 24-T17S-R31E Eddy County, New Mexico API 30-015-38635

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Burnett Oil Co., Inc.



PROPOSED WELL BORE SCHEMATIC

WELL NAME: NOSLER FEDERAL #3
FIELD: FREN (GLORIETA YESO)
COUNTY/STATE: EDDY CO., NEW MEXICO
LOCATION SL: 890' FSL, 1190' FEL UNIT P, SEC 24
T17S, R31E

SPUD DATE 11/15/2011
RIG RELEAS 12/9/2011
IP DATE:
API # 30-015-38635
AFE # 2163

SURFACE CASING:
DEPTH: 675' SIZE: 10.75" WT: 32.75#
CEMENT: 150 ss Class C + 10% A-10 + 10#/ss LCM + 1% CC + .01 ggs FP-61, 14.6 ppg.
Tail 500ss Class C + 2% CC + .01 ggs FP 61, 14.8 ppg, Yld 1.35

PRODUCTION CASING:
DEPTH: 6750' SIZE: 7" WT: 23#155, 0-5700'; 26# 180,5700'-6800'
CEMENT: Sigs 1: 550 ss (50-50) Poz (fly ash); Class C + 2 % Bentonite + additives, Yld 1.27
Sigs 2: 1800 ss (35-65) Poz (fly ash); Class C + 6% Bentonite + additives & 100
Yld 1.62 (volumes per caliper)

TUBING: 8 RT J55
DEPTH: 5500' SIZE: 2 7/8" WT: 6.5#

PUMP: ESP after stim; Rod pump designed per volume (expect 456 PU)

REMARKS:

7" 23# J55 CSG 0-5700' (0-3500' EXT RYTWRAF)

DV TOOL 2600'

PROPOSED STIMULATION IN 3 STAGES

STAGE 1: ACID 3000 GAL 15% + FRAC W/ 1,000,000 GALS SLICK W
30,000 # 100 MESH SAND + 300,00 # 40/70 SD

STAGE 2: ACID 3000 GAL 15% + FRAC W/ 1,000,000 GALS SLICK W
30,000 # 100 MESH SAND + 300,00 # 40/70 SD

STAGE 3: ACID 3000 GAL 15% + FRAC W/ 1,000,000 GALS SLICK W
30,000 # 100 MESH SAND + 300,00 # 40/70 SD

7" 26# L-80 CSG 5700'-6800'

TD 6800'

BURNETT OIL CO., INC. - NOSLER FEDERAL NO. 3

Geologic & Drilling Prognosis

BURNETT OIL - GEOLOGIC & DRILLING PROGNOSIS

Location Information			
Well Name	Nosler Federal No. 3	Field/Area	Fren (Glorieta - Yeso)
SL Footage Calls	1190 FEL, 880 FSL, Unit P, Sect 24, T17S, R31E		
SL X Coord	658388.550 E	SL Y Coord	660679.872 N NAD 27
BHL Footage Calls	same as Surface		
BHL X Coord		County, State	Eddy, NM
BHL Y Coord		Est. Spud Date	11/19/2011
Surveyed GL	3900	KB Elevation	3912
Permit Information			
AFE No.	2163	API No.	30-015-38635
Projected Formation Tops			
Formation	MD/TVD	Subsea	Formation
Rusler Anhyd.	588	3,324	San Andres
Salt	768	3,144	Glorieta
Base Salt	1,755	2,157	Yeso/Paddock
Yates	1,938	1,974	B/U Yeso
Seven Rivers	2,286	1,626	Tubb
Queen	2,912	1,000	TD
Grayburg	3,273	639	APD Permit
			MD/TVD
			Subsea
			271
			-1,262
			-1,334
			-2,827
			-2,888
			-3,288
Offset Correlation Wells			
API	Well Name	Location	
Casing Program			
Surface	14 3/4" hole, 10 3/4" 32.75# at 675'		
Intermediate	NA		
Production	8 3/4" hole, 7" 23#U55 0' - 5500', 26#L80 5501' - 6750' at 6750'		
Vendor	Jim Arline @ BOCI-FW		
Mud Program			
Surface	Build native mud with fresh water; LCM as needed.		
Intermediate			
Production	Drill out with brine water circulating through Clacoo's solids bins & CRI haul off bins for solids. Use caustic soda for PH control.		
Miscellaneous			
Primary Objectives	Yeso		
Secondary Objectives	NA		
Coring Program	No planned cores		
	No planned tests		
Logging Program			
Log Types	Top Depth	Base Depth	Remarks
1 DSNSpecDenCompGR	1500	TD	Halliburton
1 DLL-Micro-Guard	1500	TD	Halliburton
1 Long Spaced Sonic	1500	TD	Halliburton
1 GR-N	1500	TD	Halliburton
1 Distribution	1500	TD	Halliburton
Mud Logging Program	2000	2-10'	
Mud Logging Company	Kenneth L. Johnson		Company Phone Number 432-528-4228

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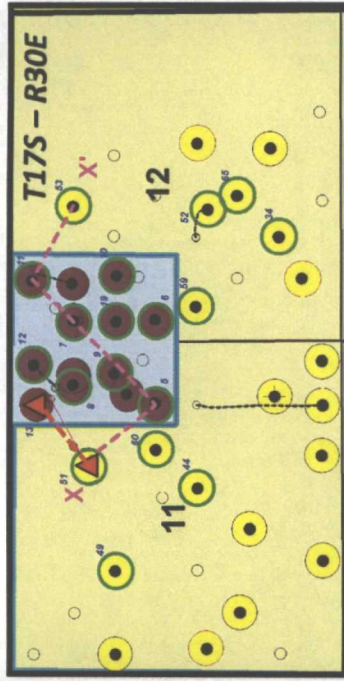


30015372400000
BURNETT OIL COMPANY INCORPORATED
GISSLER B 51
1133 R
TWP: 17 S - Range: 30 E - Sec. 11
TD=6051

30015378270000
COG OPERATING LIMITED LIABILITY CORP
HARVARD FEDERAL 13
TWP: 17 S - Range: 30 E - Sec. 11
TD=6278

COMPLETION COMPARISON

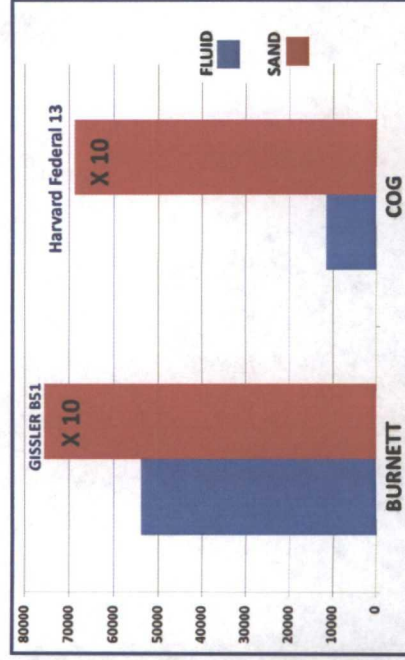
Location Map



● Burnett - Oper.
● COG - Oper.
51 Well #

○ Well Used for
Production Analysis

Total Frac Volume Comparison

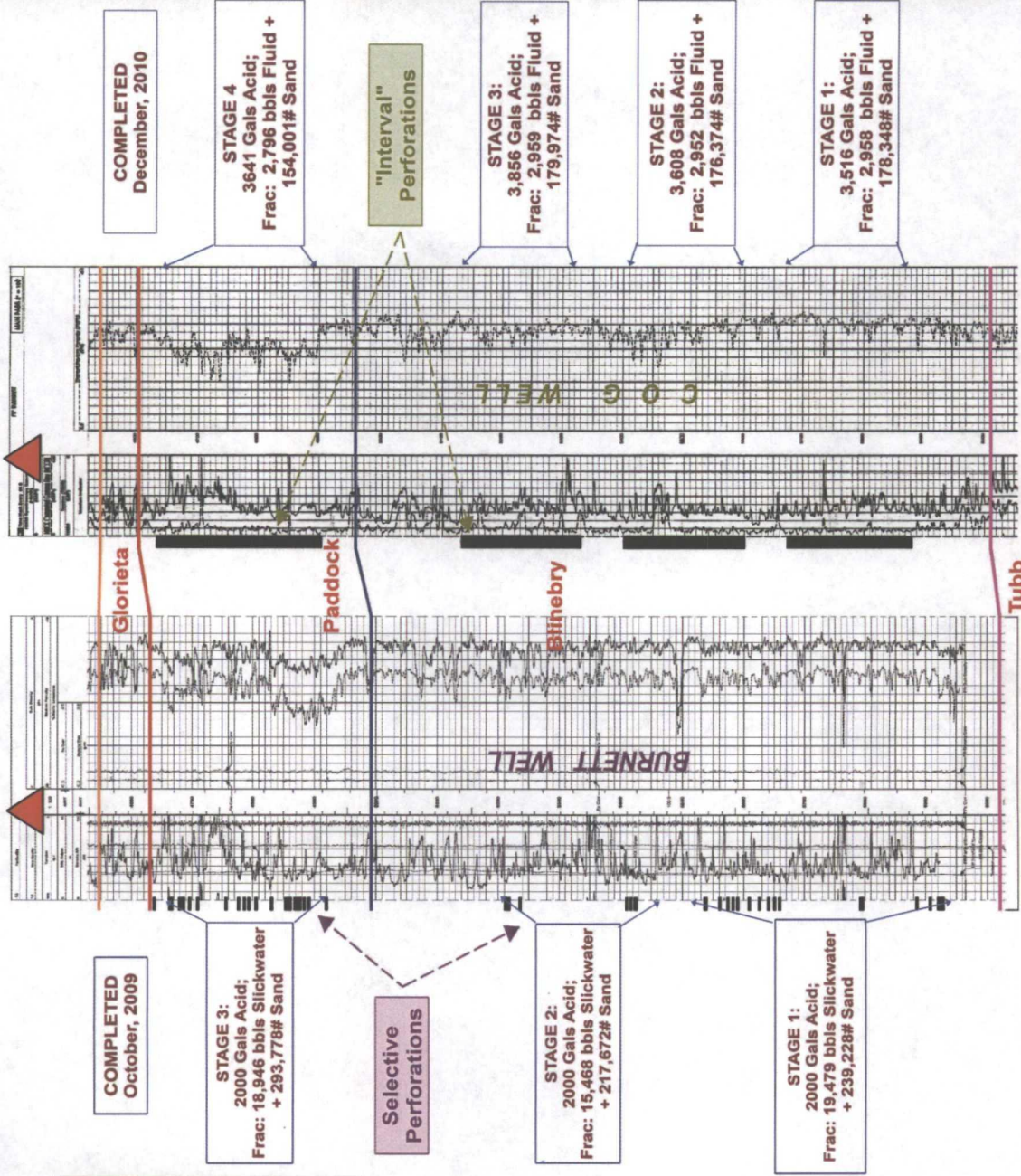


Burnett Fluid Volume: 462% of COG's

BURNETT OIL CO., INC.

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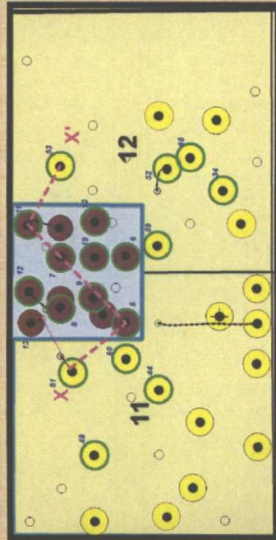


TOTAL FRAC VOLUME: 3 STAGES
754,678# Sand + 53,893 bbls. Fluid

TOTAL FRAC VOLUME: 4 STAGES
688,697# Sand + 11,665 bbls. Fluid

Cross-Section X - X'

4-Well Section thru Burnett Gissler B51 & B53 and COG Harvard-Fed 5 & 11



X

3001537420000
BURNETT OIL COMPANY INCORPORATED
GISSLER B 51
90° S - Range: 30 E - Sec. 11
TWP: 17 S - Range: 30 E - Sec. 11
TD=6061

1448 ft

3001537420000
COG OPERATING LIMITED LIABILITY CORP
HARVARD FEDERAL 5
90° S - Range: 30 E - Sec. 11
TWP: 17 S - Range: 30 E - Sec. 11
TD=6250

2796 ft

3001537420000
COG OPERATING LIMITED LIABILITY CORP
HARVARD FEDERAL 11
90° S - Range: 30 E - Sec. 12
TWP: 17 S - Range: 30 E - Sec. 12
TD=6085

1344 ft

3001537420000
BURNETT OIL COMPANY INCORPORATED
GISSLER B 53
90° S - Range: 30 E - Sec. 12
TWP: 17 S - Range: 30 E - Sec. 12
TD=6018

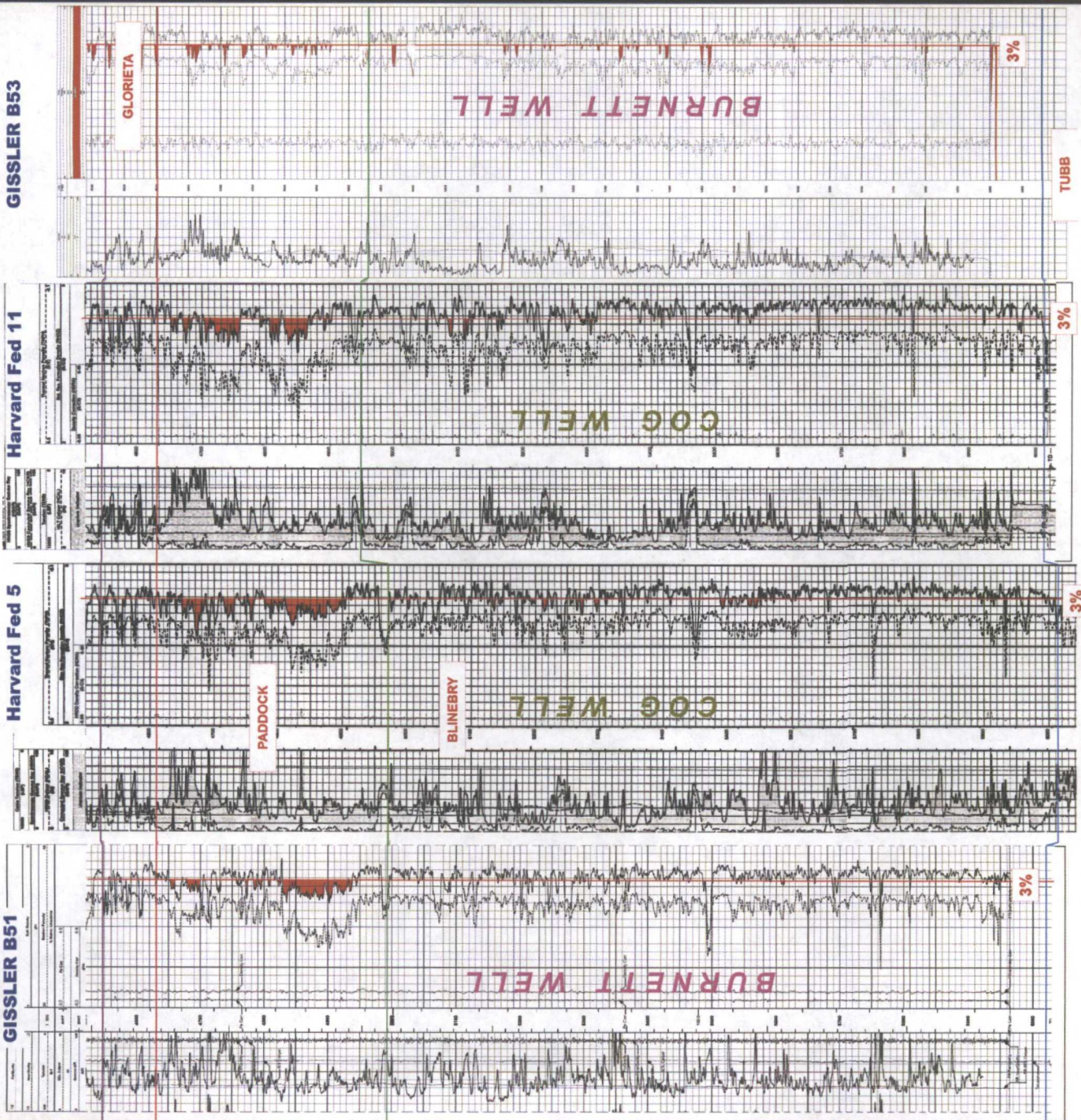
X'

GISSLER B51

Harvard Fed 5

Harvard Fed 11

GISSLER B53



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12-MONTH PRODUCTION & GOR COMPARISON

Burnett Gissler Wells (9) vs. COG Harvard Federal Wells (9)

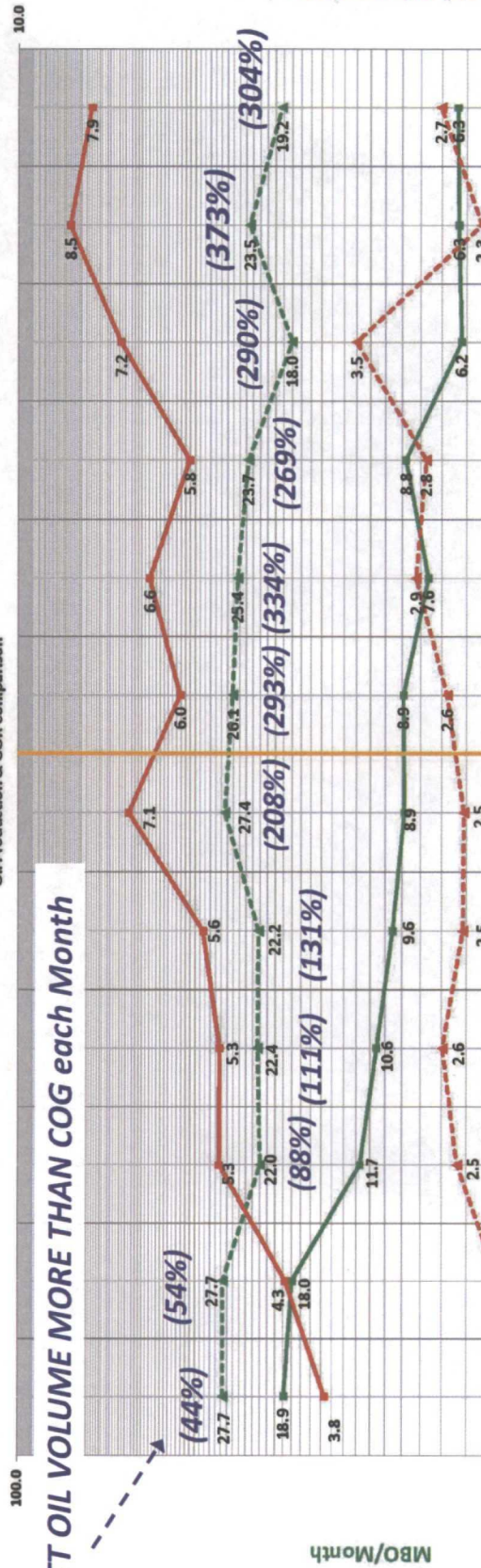
Sections 11 & 12-T117S-R30E

BURNETT OIL CO., INC.

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Burnett (Gissler A & B)
COG (Harvard Federal)
Oil Production & GOR Comparison

Data Source: IHS Energy



Nine (9) Wells of Each Operator Normalized for 1st 12 Months of Production

(Burnett wells evaluated are those nearest to COG Harvard Federal Lease)

	1	2	3	4	5	6	7	8	9	10	11	12
Burnett Oil, MBO/Mo	27.7	27.7	22.0	22.4	22.2	27.4	26.1	25.4	23.7	18.0	23.5	19.2
COG Oil, MBO/Mo	18.9	18.0	11.7	10.6	9.6	8.9	8.9	7.6	8.8	6.2	6.3	6.3
Burnett GOR/Mo x 1,000	1.7	2.2	2.5	2.6	2.5	2.5	2.6	2.9	2.8	3.5	2.3	2.7
COG GOR/Mo x 1,000	3.8	4.3	5.3	5.3	5.6	7.1	6.0	6.6	5.8	7.2	8.5	7.9

BURNETT ANALYSIS OF COG EUR'S

<u>Section</u>	<u>No. of Wells</u>	<u>EUR/well (MBO/well)</u>
17S 30E 16	34	62
17S 30E 17	16	61
17S 30E 20	40	79
17S 30E SUBTOTAL	<u>90</u>	
17S 30E AVERAGE		<u>70</u>
17S 32E 16	17	52
17S 32E 19	30	59
17S 32E 20	22	56
17S 32E 21	28	72
17S 32E 22	26	70
17S 32E SUBTOTAL	<u>123</u>	
17S 32E AVERAGE		<u>63</u>
TOTAL	<u>213</u>	
AVERAGE		<u>66 MBO</u>



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EUR COMPARISON (MBO)

By Operator & Well Treatment

T17S – Rs30,32E

VERTICAL WELLS ONLY

PADDOCK		BLINEBRY
<u>COG GEL FRACS & HOT ACID</u> 213 Wells Analyzed AVG: 66 MBO	<u>BURNETT HOT ACID</u> 65 Wells Analyzed AVG: 115 MBO	<u>BURNETT SLICKWATER</u> 6 Wells Analyzed AVG: 149 MBO
	No Commercial Production Resulting from Hot Acid Jobs in Blinebry	11 Wells Analyzed AVG: 157 MBO

Note: EUR Data for COG & Burnett Yeso wells generated by 3rd Party Reservoir Engineers: PGH Engineering & Environmental

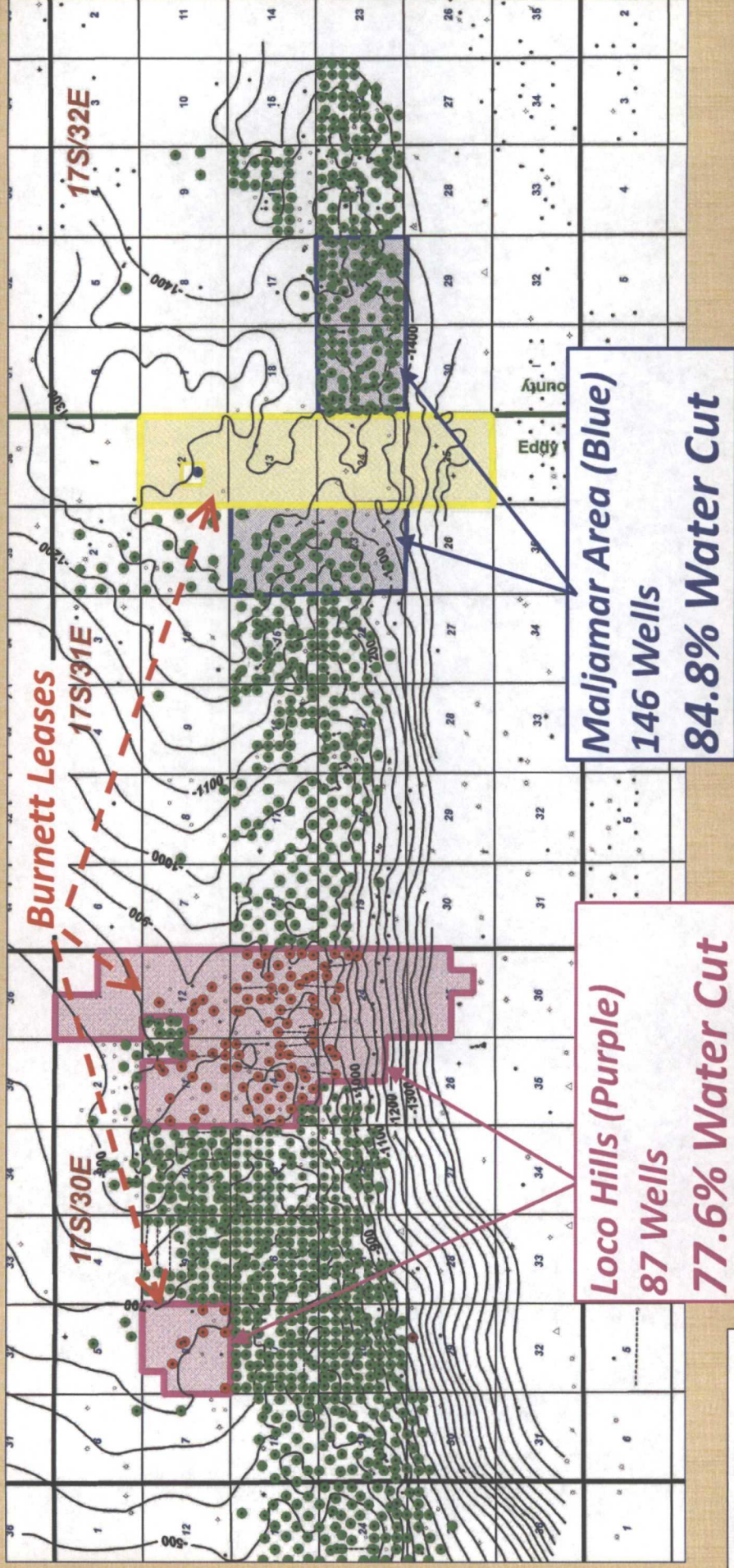
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Burnett Oil Co., Inc.
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WATER CUT: YESO PRODUCTION

LOCO HILLS vs. MALJAMAR AREAS



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*Note: Colored Dots Represent Wells
Produced from Yeso Formation*

Data Source: IHS Energy

- By Operator -



1	Apache
12	Burnett
2	Cimarex
4	COG

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Burnett Lease

Gissler A 28 = Well Name & No.



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<i>Operator</i>	<i>No.</i>
 Apache	1
 Burnett	12
 Cimarex	2
 COG	4

Burnett Loco Hills Lease

Gissler A 28 = Well Name & No.



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BURNETT HORIZONTAL YESO WELLS

ESTIMATED ULTIMATE RECOVERIES

- LOCO HILLS AREA -

<u>API</u>	<u>Case Name</u>	<u>Location</u>	<u>Oil EUR</u> (MBO)	<u>Gas EUR</u> (mmcf)	<u>EUR</u> (MBOE)	<u>Completion</u> <u>Technique</u>	<u>Zone</u>	<u>Lateral Length</u> (ft)	<u>BOE</u> <u>Per Lateral Ft</u>
<u>Cemented Casing Completion</u>									
30015348500000	GISSLER A 27H	17S 30E 14 I	188	309	240	Hot Acid	Paddock	1,734	138
30015349090000	GISSLER A 28H	17S 30E 14 O	226	241	266	Hot Acid	Paddock	1,811	147
30015366540000	GISSLER A 33H	17S 30E 14 I	204	412	273	Hot Acid	Paddock	2,533	108
30015340000000	JACKSON A 31	17S 30E 24 B	229	451	304	Hot Acid	Paddock	1,813	168
30015348460000	STEVENS A 13	17S 30E 13 N	374	945	531	Hot Acid	Paddock	2,010	264
30015361460000	STEVENS A 16H	17S 30E 13 L	227	430	299	Hot Acid	Paddock	1,875	159
<u>Un-Cemented Casing Completion</u>									
30015331230000	GISSLER A 23	17S 30E 14 H	95	145	119	Hot Acid	Paddock	1,728	69
30015345030000	GISSLER A 26	17S 30E 14 J	87	110	106	Hot Acid	Paddock	2,488	42
30015345020000	JACKSON A 35	17S 30E 13 G	163	413	231	Hot Acid	Paddock	2,190	106

EURs Calculated by PGH Engineering

Note: All Wells are in Completed in Paddock Member. Only Wells with a Minimum of 6 Months Production were Analyzed.

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Taylor Draw Unit Data

(As Proposed to BLM)

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Burnett Oil Co., Inc. – Taylor Draw Unit Horizontal Well AFE

BURNETT OIL CO., INC.									
AUTHORITY FOR EXPENDITURE- COST ESTIMATE									
DATE:	8/20/2011	LEASE:	Taylor Draw Unit	WELL #:	AFE #:				
OPERATOR:	BURNETT OIL CO., INC				PROPERTY #:				
LOCATION:	SL:	330 FSL, 990 FWL, Unit M, Sect 13, T17S, R31E							
	BHL:	330 FNL, 990 FWL, Unit D, Sect 13, T17S, R31E							
FIELD/POOL:	Fren (Glorieta-Yeso)		CTY/STATE:		Eddy Co., NM	FORMATION:	Yeso		
RECOMMENDATION: Drill & Complete approx. 10700' MD Horizontal Yeso									
INTANGIBLE COSTS:									
					DRILL	COMPL./WO	TOTAL		
01	LOCATION COST (Road, survey, damages, permit, etc.)				40,000	5,000	45,000		
02	RIG MOVE-RIG UP, RIG DOWN				15,000		15,000		
03	CONTRACT RATE-FIT/TURNKEY		FEET @	PER FOOT					
04	CONTRACT RATE/DAYWORK	23	DAYS @	PER DAY	276,000				
05	COMPLETION, WORKOVER UNIT	12	DAYS @	PER DAY		39,600	39,600		
06	BITS AND STABILIZERS				61,500		61,500		
07	FUEL, LUBRICANTS, WATER				122,100		122,100		
08	TRUCKING AND TRANSPORTATION				84,500	10,000	94,500		
09	MUD AND CHEMICALS				50,000		50,000		
10	PRIMARY CEMENTING (Incl. Equip.)				14,000	75,000	89,000		
	SQUEEZE CEMENTING								
11	CORING AND CORE ANALYSIS								
12	MUD LOGGING				14,450		14,450		
13	DRILL STEM TESTING								
14	OPEN HOLE LOGGING				18,000		18,000		
15	PERFORATING AND CASSED HOLE LOGS					35,000	35,000		
16	CASING CREWS, TONGS, HANDLING TOOLS				8,000	22,000	30,000		
17	EQUIPMENT RENTALS				52,500	15,000	67,500		
18	MISCELLANEOUS LABOR				8,000	7,000	15,000		
19	ACID, FRAC, SAND CONTROL					1,000,000	1,000,000		
20	BHP, OTHER PRODUCTION TESTING								
21	DIRECTIONAL DRILLING				72,000		72,000		
22	FISHING TOOLS AND SERVICES								
23	SUPERVISION				30,000	24,000	54,000		
24	OPERATING OVERHEAD				3,000	0	3,000		
25	OTHER / CONTINGENCIES				10,000	10,000	20,000		
26	PLUGGING EXPENSE				10,000	-10,000	0		
27	INSURANCE								
TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS:					889,050	1,232,600	2,121,650		
					Page 1 of 2				

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Taylor Draw Unit
Federal Unit No.
NMNM126930X

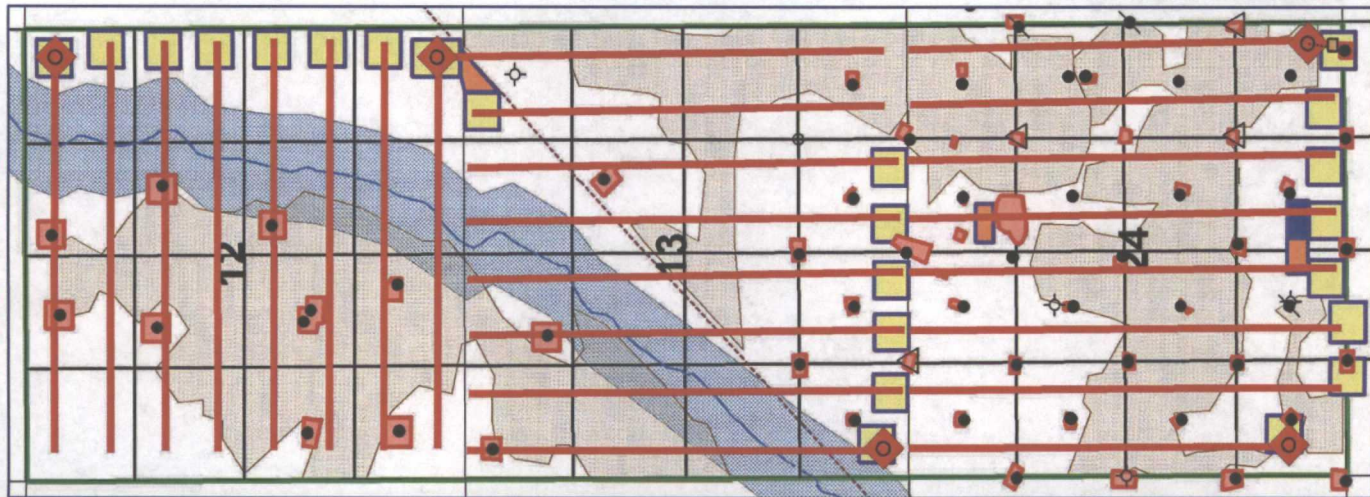
Submitted to BLM:
July 14th, 2011

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T17S R31E



TAYLOR DRAW UNIT - Plan of Development -

- Taylor Draw Unit Boundary
- Proposed Padsite
- Existing Padsite
- Proposed Tank Battery (2-3)
- Proposed Water Facility
- Potential Habitat (BLM)
- Taylor Draw (Stream) Exclusion Area

- Vertical Well Proposal
- Horizontal Well Proposal
- Existing Well or Injector

Total Padsites: 23
Total Surface Usage: 105.5 Ac.

0 1000 2000 3000 4000 ft

BURNETT OIL CO., INC.

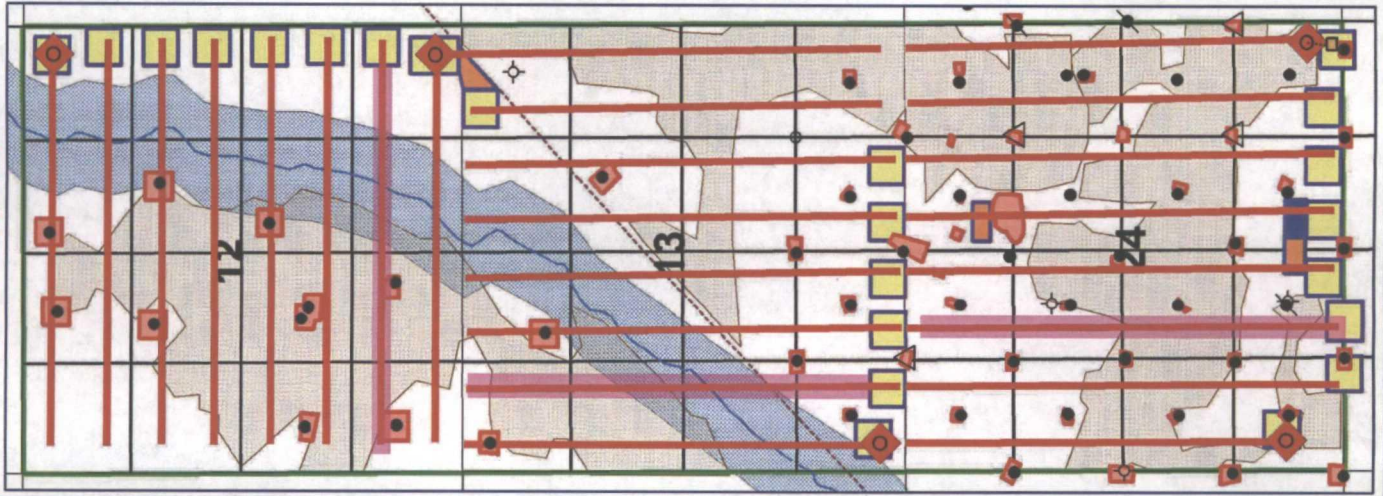
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TAYLOR DRAW UNIT
PLAN OF DEVELOPMENT
EXISTING & PROPOSED SURFACE USAGE
Eddy County, New Mexico

Geol: L. Galbadi, J. Scale: 1" = 1800' File: BLM POD

Date: July 5th, 2011

T17S R31E



TAYLOR DRAW UNIT - Plan of Development -

- Taylor Draw Unit Boundary
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0 1000 2000 3000 4000 ft

BURNETT OIL CO., INC.

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TAYLOR DRAW UNIT
PLAN OF DEVELOPMENT
EXISTING & PROPOSED SURFACE USAGE
Eddy County, New Mexico

Geol: L. Galbati, J. Haldick
Date: July 5th, 2011
Scale: 1" = 1800'
File: BLM POD

Burnett Initial
3 Horizontal
Proposals

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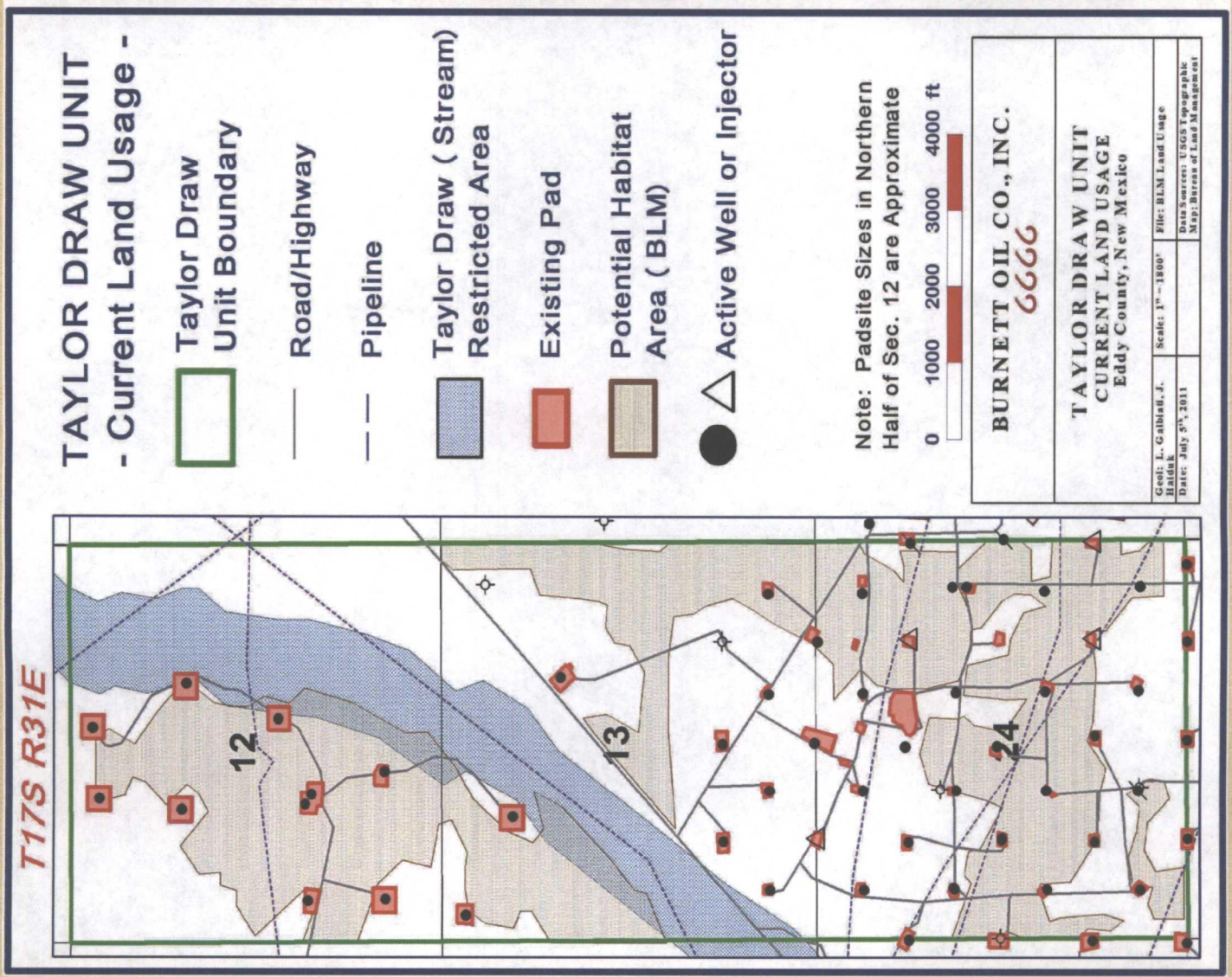
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SURFACE CONSIDERATIONS & ENVIRONMENTAL ISSUES

- **Burnett has Received Preliminary Approval to Form the Taylor Draw Unit from the Bureau of Land Management**

- Sections 12, 13 & 24 – T17S – R31E, Eddy County, New Mexico
- Unit is Limited Stratigraphically to the Glorieta-Yeso Formations
- Burnett Plans to Develop the Unit primarily with Horizontal Wells
- Unit Formed by Working Closely with BLM Personnel in Carlsbad, New Mexico
- Burnett Oil Co., Inc. will be the Designated Operator of the Unit

- **Hudson Oil Co. of Texas – Development of GBSA Reservoir**

- Hudson operates throughout the Maljamar Lease
and is currently developing GBSA in Sections 12 & 13
- Burnett Serves as Contract Operator through Completion of Each Well
- Burnett & Hudson have a Long-Term Working Relationship
- Allowing Burnett & Hudson to Jointly Develop the YESO & GBSA Reservoirs will Result in Significant Operational Efficiencies & Cost Savings

- **Candidate Conservation Agreement (CCA)**

- Approved with Burnett Oil Co., Inc. as Operator
- Burnett Recognizes that Reducing the Surface Usage is Very Important & will Continue to Work with the State of New Mexico & BLM to Minimize its Operational Footprint

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SUMMARY – MALJAMAR LEASES

Nosler Fed. No. 3 & Partition Fed. No. 2 – 40-Acre Units

- **Burnett Oil Company (46.28541657%), Javelina Partners (16%), and Zorro Partners, LTD (4%) Control 66.28541657% of Leasehold (Working Interest in Yeso)**
- **Burnett Oil Co., Inc. is Supported for Operations by 100% of the Record Title Owners**
- **Burnett Oil Co., Inc. has an Ongoing Yeso Drilling Program near the Maljamar Leases & has Contracted a Rig to Begin Development of this Property**
- **Burnett Oil Co., Inc. has Six (6) Approved APD's**
- **Burnett Oil Co., Inc. & Hudson Oil Company have a Long Working Relationship & Plan to Unify Development of the YESO & GBSA Reservoirs Resulting in:**
 - **Operational Efficiencies (Cost Savings)**
 - **Reduction of Surface Usage**
 - **Plans to Construct an Oil Gathering System to Reduce Truck Traffic**
- **Burnett Oil Co., Inc. is a member company in the Candidate Conservation Agreement (CCA)**

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