

6666

CASE NO: 14673
& 14674
EXHIBIT 2

Sent Via Certified Mail

February 7, 2011

DAVID S. RHODES

COG Operating LLC
Fasken Center, Tower II
550 West Texas Avenue, Suite 100
Midland, TX 79701

Attn: Stuart A. Dirks, Senior Landman

Re: Nosler Fed #3 Well
SE/4SE/4 (990' FEL, 830' FSL, Unit P-subject to BLM approval)
Section 24-T17S-R31E, N.M.P.M.
Eddy County, NM

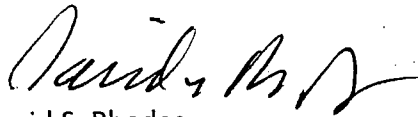
Dear Mr. Dirks:

Burnett Oil Company, through its operating entity Burnett Oil Co., Inc., hereby proposes to drill the captioned well to test the Fren (Glorieta Yeso) formation expected to require drilling to a total depth of 7200'. The completed well cost for such well is estimated to be approximately \$1,834,422 as detailed on the attached Authority for Expenditure ("AFE") and includes a tank battery and related facilities for the first well on the lease.

Enclosed, please find our AFE for this well along with Burnett's proposed form of Joint Operating Agreement ("JOA"). A completed Exhibit A and signature page to the JOA shall be sent under separate cover.

Please review the AFE and JOA, and if you wish to participate in the drilling of this well, sign and return the original AFE to the undersigned.

Sincerely,


David S. Rhodes
Land Manager

Oil Conservation Division
Case No. 2
Exhibit No. 2

BURNETT OIL CO., INC.
AUTHORITY FOR EXPENDITURE- COST ESTIMATE

DATE: 1/19/2011 AFE #: 2163
 OPERATOR: BURNETT OIL CO., INC LEASE: NOSLER FED WELL #: 3 PROPERTY #:
 COUNTY/STATE: Eddy Co., NM LOCATION: SE/4 SE/4, Sect.24, T17S, R31E
 PER BLM: UNITP, 830' FSL, 990' FEL, Sec 24, T17S, R30E FED LEASE NMLC029415B
 PROSPECT/FIELD LOCO HILLS GLORIETA YESO TD:7200' FORMATION: 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/TURNKEY	FEET @		PER FOOT			
04	CONTRACT RATE/DAYWORK	17	DAYS @	\$9,500	PER DAY	161,500	161,500
05	COMPLETION, WORKOVER UNIT	12	DAYS @	\$3,000	PER DAY		36,000
06	BITS AND STABILIZERS				30,000		30,000
07	FUEL, LUBRICANTS, WATER	12,000	WATER	15,000	FUEL		27,000
08	TRUCKING AND TRANSPORTATION	25,000	WTR HAU	15,000	CRI HAU		40,000
09	MUD AND CHEMICALS				7,000		7,000
10	PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, Prod ACP				25,000	70,000	95,000
	SQUEEZE CEMENTING						
11	CORING AND CORE ANALYSIS						
12	MUD LOGGING	14	days @	800	per day	11,200	11,200
13	DRILL STEM TESTING						
14	OPEN HOLE LOGGING				20,000		20,000
15	PERFORATING AND CASED HOLE LOGS					18,000	18,000
16	CASING CREWS, TONGS, HANDLING TOOLS				5,000	8,000	13,000
17	EQUIPMENT RENTALS	8,500	SOL	SEP	13,500	5,000	18,500
18	MISCELLANEOUS LABOR				5,000	5,000	10,000
19	ACID, FRAC, SAND CONTROL	4	fracs @	165000		660,000	660,000
20	BHP, OTHER PRODUCTION TESTING						
21	DIRECTIONAL DRILLING						
22	FISHING TOOLS AND SERVICES						
23	SUPERVISION	17	days @	1,100	per day	18,700	23,700
24	OPERATING OVERHEAD				3,000	0	3,000
25	OTHER / CONTINGENCIES				8,000	8,000	16,000
26	PLUGGING EXPENSE				10,000	-10,000	0
27	INSURANCE						
TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS:					417,400	810,000	1,227,400
TANGIBLE COSTS: (FEET/SIZE OD (WEIGHT(S)) (GRADE)							
50	CASING, DRIVE / CONDUCTOR						
51	CASING, SURFACE	750	750' 10 3/4"	32.75#	\$24.73	18,547	18,547
52	CASING / INTERMEDIATE						
53	CASING, PRODUC & RYTWAP	7200	5500' 23# 7" J	1700' 26# 8" 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:					437,447	1,052,975	1,490,422
LEASE EQUIPMENT COSTS:							
69	TANKS, HEATERS, TREATING FACILITIES					128,000	128,000
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					85,000	85,000
75	INSTALLATION COSTS					15,000	15,000
76	SUPERVISION						
77	OTHER					2,000	2,000
TOTAL LEASE EQUIPMENT COSTS:						344,000	344,000
TOTAL WELL COST: \$1,834,422					437,447	1,396,975	1,834,422
TOTAL DRY HOLE COST: \$437,417							
PREPARED BY MCS/MAJ					BUDGET /QTR:	2011/1st	

APPROVED BY BURNETT OIL CO., INC.

SIGNATURE: 
 WILLIAM D. POLLARD, PRESIDENT

DATE: 2/5/11

APPROVED- JOINT INTEREST

COMPANY: _____

NAME: _____

TITLE: _____

DATE: _____

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ 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. 	<p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) F. STACY</p> <p>C. Date of Delivery 2-10</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" type="checkbox"/> No</p>
<p>1. Article Addressed to:</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> COG Operating LLC Attn: Stuart A. Dirks, Senior Landman Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 </div>	<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" 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>
<p>2. Article Number (Transfer from service label)</p>	<div style="border: 1px solid black; padding: 5px; text-align: center; font-weight: bold; font-size: 1.2em;"> 7008 0500 0000 7856 2116 </div>
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>	

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PS Form 3800, Aug 03

COG Operating LLC
Attn: Stuart A. Dirks, Senior Landman
Fasken Center, Tower II
550 West Texas Avenue, Suite 100
Midland, Texas 79701

N033

Postmark Here

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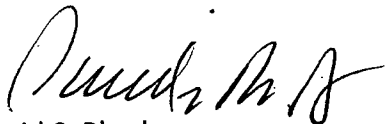
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TOTAL DRY HOLE COST:					\$437,417		
PREPARED BY MCS/MAJ						BUDGET /QTR:	2011/1st

APPROVED BY BURNETT OIL CO., INC.

SIGNATURE

WILLIAM D. POLLARD, PRESIDENT

DATE:

APPROVED- JOINT INTEREST

COMPANY:

NAME:

TITLE:

DATE:

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<p>1. Article Addressed to:</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Concho Oil & Gas LLC Attn: Stuart A. Dirks, Senior Landman Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701</p> </div>	<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> <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Registered <input type="checkbox"/> Insured Mail </div> <div> <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> C.O.D. </div> </div> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
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Attn: Stuart A. Dirks, Senior Landman

Street, Apt. No., or PO Box No. Fasken Center, Tower II

City, State, ZIP+4 550 West Texas Avenue, Suite 100
 Midland, Texas 79701

N053

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