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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.

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

1/19/2011

AFE #: 2163 PROPERTY #:

OPERATOR:

BURNETT OIL CO., INC COUNTY/STATE: Eddy Co., NM

LOCATION:

LEASE: NOSLER FED SE/4 SE/4, Sect.24, T17S, R31E

WELL #:

PER BLM: U PROSPECT/FIELD LOCO HILLS GLORIETA YESO

UNITP, 830' FSL, 990' FEL, Sec 24, T17S, R30E FED LEASE NMLC029415B

TD:7200'
FORMATION **FORMATION** RECOMMENDATION: DRILL & COMPLETE 7200' FREN (GLORIETA YESO) WELL & FLOWLINE TO ON LEASE NEW TANK BATTERY INTANGIBLE COSTS: LOCATION COST (Road, survey, damages, permit, etc.)
RIG MOVE-RIG UP, RIG DOWN
CONTRACT RATE-FTG/TURNKEY 30,000 25,000 5,000 7,500 7,500 113 FEET @ PER FOOT CONTRACT RATE/DAYWORK DAYS @ PER DAY 161,500 161,500 05 COMPLETION, WORKOVER UNIT DAYS @ PER DAY 36,000 \$3,000 36,000 BITS AND STABILIZERS FUEL, LUBRICANTS, WATER TRUCKING AND TRANSPORTATION 30,000 27,000 06 12,000 WATER 15,000 FUEL 27,000 40,000 7,000 25,000 WTR HAU 15000 CRI HAU 40,000 MUD AND CHEMICALS 7.000 70 PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, Prod ACP 25,000 70,000 95,000 SQUEEZE CEMENTING CORING AND CORE ANALYSIS MUD LOGGING 11,200 11,200 13 DRILL STEM TESTING OPEN HOLE LOGGING
PERFORATING AND CASED HOLE LOGS 14 20,000 18,000 13,000 18 000 CASING CREWS, TONGS, HANDLING TOOLS 5,000 8,000 **EQUIPMENT RENTALS** 8,500 SOL SEP 13,500 5,000 18,500 MISCELLANEOUS LABOR 18 5,000 10,000 ACID, FRAC, SAND CONTROL 4 fracs @ 165000 BHP, OTHER PRODUCTION TESTING 660,000 660,000 DIRECTIONAL DRILLING FISHING TOOLS AND SERVICES SUPERVISION 18,700 23,700 OPERATING OVERHEAD 3,000 3,000 OTHER / CONTINGENCIES 8 000 8.000 16,000 PLUGGING EXPENSE 10,000 -10,000 INSURANCE TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS 417,400 810,000 1,227,400 TANGIBLE COSTS: (FEET/SIZE OD (WEIGHT(S)) (GRADE) CASING, DRIVE / CONDUCTOR CASING, SURFACE 750 750' 10 3/4" 32.75# \$24.73 18,54 18,547 CASING / INTERMEDIATE CASING, PRODUC & RYTWRAP 1700' 26# &" J 7200 5500' 23# 7" J \$21.78 156,810 156,810 CASING, LINER / HANGER 55 TUBING 7000 6.5#.155 \$6.10 \$4.50 42.665 7000 7000 3/4", 7/8", 1" 31.500 31,500 SUBSURFACE PRODUCTION EQUIPMENT 6,500 6,500 7,000 65 CHRISTMAS TREE, WELL HEAD EQUIPMENT TOTAL DRILLING AND COMPLETION TANGIBLE COSTS: 242,975 263,022 TOTAL DRILLING AND COMPLETION COSTS: 437,447 1,052,975 1,490,422 LEASE EQUIPMENT COSTS: TANKS, HEATERS, TREATING FACILITIES
GAS PROCESSING EQUIPMENT 128,000 128,000 FLOW LINE AND INSTALLATION 20,000 20,000 PERM. IMPROVEMENTS (GATES, FENCES, ETC. 73 PUMPING UNIT, GAS LIFT, ETC.
MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT 94,000 85,000 15,000 85,000 INSTALLATION COSTS 15,000 SUPERVISION 77 OTHER
TOTAL LEASE EQUIPMENT COSTS: 2.000 2,000 344,000 344,000

PREPARED BY MCS/MAJ

APPROVED BY BURNETT OIL CO., INC.	/
SIGNATURE SIGNATURE	-/
WILLIAM D. POLLARD, PRESIDENT	/
DATE: >h/L	

TOTAL WELL COST: \$1,834,422

TOTAL DRY HOLE COST:

APPROVED- JOINT INTEREST	
COMPANY:	_
NAME:	
TITLE:	
DATE:	_

1,396,975

2011/1st

1,834,422

437,447 BUDGET /QTR

ENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mallpiece, or on the front if space permits. Article Addressed to: COG Operating LLC Attn: Stuart A Dirks, Senior Landman Fasken Center, Tower II. 550: West Texas Avenue, Suite 100 Midland, Texas 79701	A. Signature A. Signature A. Gent Addressee B. Received by (Printed Name) C. Date of Delivery D. Is delivery address different from item;1? Yes If YES, enter delivery address below: 3. Service Type Certified Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.
Article Number 700A (4. Restricted Delivery? (Extra Fee)

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Sent Via Certified Mail

February 7, 2011

DAVID S. RHODES

Concho Oil & Gas 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:

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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

BURNETT OIL CO., INC.

AUTHORITY FOR EXPENDITURE- COST ESTIMATE

OPERATOR:

COUNTY/STATE: Eddy Co., NM

BURNETT OIL CO., INC Eddy Co., NM LOCATION:

DATE: 1/19/2011 AFE #:

LEASE: NOSLER FED WELL #: 3 PROPERTY #:

SE/4 SE/4, Sect.24, T17S, R31E

UNITP, 830' FSL, 990' FEL, Sec 24, T17S, R30E FED LEASE NMLC029415B

AFE #: 2163 PROPERTY #:

PER BLM:

NTAN	GIBLE COSTS:	121220000000000000000000000000000000000		AMMARINE SET 1992 (1993) (1993)	(CGG1021084)(CG (CG77105175	DRILL	COMPL./WO	TOTAL
01	LOCATION COST (Road, survey, damage	es pern	nit etc.)			25,000	5,000	30,00
02	RIG MOVE-RIG UP, RIG DOWN	900, 2011				7,500		7,50
703	CONTRACT RATE-FTG/TURNKEY	****************	FEET @ _		PER FOOT			
04	CONTRACT RATE/DAYWORK	17	DAYS @	\$9.500	PER DAY	161,500		161,50
705	COMPLETION, WORKOVER UNIT	12	DAYS @	\$3,000	PER DAY		36,000	36.00
06	BITS AND STABILIZERS					30,000		30,00
07-	FUEL, LUBRICANTS, WATER		12,000 WATER	15.000 FUEL	tong and representative and to	27,000		27,00
08	TRUCKING AND TRANSPORTATION		25,000 WTR HAU			40,000		40,00
09	MUD AND CHEMICALS					7,000		7,00
10	PRIMARY CEMENTING (Incl. Equip.), S	rfc BCP,	Prod ACP			25,000	70,000	95,00
	SQUEEZE CEMENTING	**						
11	CORING AND CORE ANALYSIS							
12	MUD LOGGING		14 days @	80	0 per day	11,200		11,20
13	DRILL STEM TESTING							
14	OPEN HOLE LOGGING					20,000		20,00
15	PERFORATING AND CASED HOLE LO						18,000	18,00
16	CASING CREWS, TONGS, HANDLING	TOOLS				5,000	8,000	13,00
17	EQUIPMENT RENTALS		8,500 SOL SEP			13,500	5,000	18,50
18	MISCELLANEOUS LABOR					5,000	5,000	10,00
19		cs @ 16	5000				660,000	660,00
20	BHP, OTHER PRODUCTION TESTING				····			
21	DIRECTIONAL DRILLING							
22	FISHING TOOLS AND SERVICES							
23	SUPERVISION		17 days @	1,10	0 per day	18,700	5,000	23,70
24	OPERATING OVERHEAD		-		·	3,000	0	3,00
25	OTHER / CONTINGENCIES					8,000	8,000	16,00
26	PLUGGING EXPENSE					10,000	-10,000	
27	INSURANCE	=		****				
Section of the Contract of the	DRILLING AND COMPLETION INTANGI	BLE CO				417,400	810,000	1,227,40
	BLE 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		18,54
52	CASING / INTERMEDIATE					carromrettymetereteadatarezen		
53	CASING, PRODUC & RYTWRAP	7200	5500' 23# 7" J	1700' 26# &" J	\$21.78		156,810	156,81
54	CASING, LINER / HANGER							
55	TUBING	7000	7000' 2 7/8"	6.5# J55	\$6.10		42,665	42,66
56	RODS	7000	7000	3/4", 7/8", 1"	\$4.50		31,500	31,50
60	SUBSURFACE PRODUCTION EQUIPM						6,500	6,50
65	CHRISTMAS TREE, WELL HEAD EQUI					1,500	5,500	7,00
UIAL	DRILLING AND COMPLETION TANGE	ILE COS	15:			20,047	242,975	263,02
IATO	DRILLING AND COMPLETION COSTS:	: .				437,447	1,052,975	1,490,42
FASI	EQUIPMENT COSTS:	USUS USUS USUS USUS USUS USUS USUS USU				1		
69	TANKS, HEATERS, TREATING FACILI	TIES					128,000	128.00
70	GAS PROCESSING EQUIPMENT	1112				}	120,000	120,01
71	FLOW LINE AND INSTALLATION						20,000	20,00
72	PERM. IMPROVEMENTS (GATES, FEI	ICES E	TC \				20,000	20,00
73	PUMPING UNIT, GAS LIFT, ETC.	TOLO, E	19./				94,000	94.0
74	MISCELLANEOUS VALVES, FITTINGS	SAFET	Y FOLIDMENT			1	85,000	85,0
75	INSTALLATION COSTS	, SAFEI	, LUUIFIVIEIVI				15,000	15,00
	SUPERVISION					 	13,000	15,0
76						Processors (2000)	I	
76 77						I	2 000	2.0
77	OTHER LEASE FOUIPMENT COSTS:			** ******			2,000 344,000	2,0 344.0
77 OTAL	OTHER LEASE FOUIPMENT COSTS:	1 924 42			g: 10/10 19/1000 parces	437.447	344,000	2, 344, 1,834.

APPRO\ SIGNAT	VED BY BURNETT C	OIL CO., IN	PIL	1
	LIAM D. POLLAR	D, PRESII	DENT	/
DATE:	2/2/1/1			

APPROVED- JOINT INTEREST					
COMPANY:					
IAME:					
TITLE:					
DATE:					

1,396,975 2011/1st

1,834,422

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits.	A. Signature: Agent Addressee B. Received by (Printed Name) C. Date of Delivery
1. Article Addressed to:	D: Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No
Concho Oil & Gas LLC Attn: Stuart A. Dirks, Senior Landman	
Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701	3. Service Type De Certified Mail Dexpress Mail Registered De Return Receipt for Merchandise Dinsured Mail De Co.D.
	4. Restricted Delivery? (Extra Fee)
2: Article Number 7008 [1500 0000 7856 2055
PS Form 3811, February 2004 Domestic Re	eturn Receipt 102595-02-M-1540

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	Concho Oil & Gas LLC				
20	Attn: Stuart A. Dirks, Senior Landman				
7008	Street, Apt. No.; Fasken Center, Tower II				
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