

RSC Resources, L.P.
6824 Island Cir.
Midland, Tx 79707

Guardian Operating Corp.
Guardian_op@yahoo.com
432-553-1849

RECEIVED OCD

2013 JAN 31 P. 1-32

January 28, 2013

New Mexico Oil Conservation Division
Attn: Examiner Richard I. Ezeanyim
1220 South St. Francis Dr.
Santa Fe, NM 87505

**RE: Guitar 10 No. 1 Itemized Schedule
of Estimated Costs Under
NMOCD Pooling Order No. 13667
660' FNL & 2310' FEL
Sec 10-24S-28E: N2 Spacing Unit
Eddy County, NM**

Gentlemen,

On December 17, 2012, the NMOCD entered Order No. R-13667 pooling the uncommitted interests on the above referenced well. The Order requires that each known pooled interest be furnished an itemized schedule of estimated costs of re-entering, completing, and equipping the well. The Order states each pooled interest shall have the right to pay its share of the costs within 30 days of receipt of the cost estimate.

Please find the enclosed itemized schedule of estimated **costs** in the amount of \$1,451,000.

Also, enclosed is a copy of the letter to the known uncommitted interests and a list of their addresses.

Please contact the undersigned with any questions or to discuss possible leasing of the interest.

Best Regards,



Randall Cate
President

RSC Resources, L.P.
AUTHORITY FOR EXPENDITURE
ESTIMATED WORKOVER COSTS - REVISED

PAGE 1 of 1

OPERATOR Guardian Operating Corp. WELL NAME AND NUMBER Guitar 10 #1 LOCATION 660' FNL & 2310' FEL PROJECT DESCRIPTION AND LOCATION Re-enter the Guitar 10 #1 to the Wolfcamp, fracture stimulate	AFE # 1	DATE 1/24/2013									
FIELD OR PROSPECT Malaga											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">SECTION 10</td> <td style="width: 33%;">TWSHP 24S</td> <td style="width: 33%;">RANGE 28E</td> </tr> <tr> <td colspan="2">COUNTY Eddy</td> <td>STATE NM</td> </tr> <tr> <td colspan="2">PROPOSED FORMATION Wolfcamp</td> <td>PROPOSED DEPTH (tvd/md) 11,250' MD PBTB</td> </tr> </table>			SECTION 10	TWSHP 24S	RANGE 28E	COUNTY Eddy		STATE NM	PROPOSED FORMATION Wolfcamp		PROPOSED DEPTH (tvd/md) 11,250' MD PBTB
SECTION 10	TWSHP 24S	RANGE 28E									
COUNTY Eddy		STATE NM									
PROPOSED FORMATION Wolfcamp		PROPOSED DEPTH (tvd/md) 11,250' MD PBTB									

INTANGIBLES			TOTAL
Completion Rig 20 days		\$80,000	\$80,000
Location, Roads, Pits, Survey, Permits, Cleanup, Damages & Title Opinion		\$65,000	\$65,000
Transportation and Hauling		\$25,000	\$25,000
Fuel, Power, Water		\$30,000	\$30,000
Cmt, CIBP, retainer		\$45,000	\$45,000
Cased Hole logging, Perforating		\$30,000	\$30,000
Rental Equipment - Surface		\$20,000	\$20,000
Rental Equipment - Downhole, Bits		\$40,000	\$40,000
Other Well Services, NU/BOP, Casing Inspection		\$20,000	\$20,000
Overhead & Insurance		\$15,000	\$15,000
Supervision: Wellsite, Engineering, Geological, Consultants		\$20,000	\$20,000
Contract Services		\$20,000	\$20,000
Fluids Disposal		\$55,000	\$55,000
Environmental Charges		\$3,000	\$3,000
Stimulation Treatment		\$320,000	\$320,000
Frac Tank Rentals, trucking		\$45,000	\$45,000
Miscellaneous Costs, Tax and Contingencies		\$50,000	\$50,000
TOTAL INTANGIBLES		\$883,000	\$883,000

TANGIBLES (155 Accounts)						COMPLETION	TOTAL
CASING	FOOTAGE	SIZE	WEIGHT	GRADE	COST/FT		
Conductor					\$ -		
Surface					\$ 35.00		
Surface					\$ -		
Intermediate					\$ 28.00		
Intermediate					\$ -		
Liner					\$ 28.00		
Production	11000	5 1/2'	20#	P-110	\$13.00	\$143,000	\$143,000
Production					\$ -		
Tubing	11,000	2 7/8"	6.5	N80	\$ 7.00	\$77,000	\$77,000
Subsurface Well Equipment (Packers/Bottom Hole Pump)						\$8,000	\$8,000
Wellhead Equipment (Casing Head/Christmas Tree)						\$35,000	\$35,000
Gas Lift Equipment						\$110,000	\$110,000
Flowlines						\$5,000	\$5,000
Tanks						\$35,000	\$35,000
Sales Line Equipment						\$30,000	\$30,000
Separator-Prod. Equip.						\$30,000	\$30,000
Valves, Fittings etc.						\$20,000	\$20,000
Installation of Surface Lease Equipment						\$40,000	\$40,000
Other Lease & Well Equip.; Misc.						\$35,000	\$35,000
TOTAL TANGIBLES						\$568,000	\$568,000
TOTAL WELL COSTS						\$1,451,000	\$1,451,000
ESTIMATED PROJECT COST						\$1,451,000	\$1,451,000

Guardian Operating	Guardian Operating Corp. \$1,451,000	BY: Randall Cate
JOINT INTEREST SHARE		
COMPANY NAME/OWNER 	Signature BY:	DATE

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January 28, 2013

**RE: Guitar 10 No. 1 Proposed Operations Under
NMOCD Pooling Order No. 13667
660' FNL & 2310' FEL
Sec 14-24S-28E: N2 Spacing Unit
Eddy County, NM**

Dear Mineral Owner,

RSC Resources, L.P. had previously proposed the reentry and completion of the Guitar 10 No.1 to the Wolfcamp interval from 10,200'-11,000'. The designated orthodox spacing unit is the N2 of section 10-24S-28E, containing approximately 320 acres. Your interest is still uncommitted.

On December 17, 2012, the NMOCD entered Order No. R-136667 pooling your interest for the purposes of the proposed operation. The Order also requires that each known pooled interest be furnished an itemized schedule of estimated costs of re-entering, completing, and equipping the well. The Order states each pooled interest shall have the right to pay its share of the costs within 30 days of receipt of the cost estimate.

Please find the enclosed Authority for Expenditure(AFE) in the amount of \$1,451,000. Please be aware this is only an estimated cost and actual final costs may be different. If you decide to join in the operation as a working interest owner, please signify by executing the AFE in the space provided and return to RSC as soon as possible. RSC will then provide an invoice for your proportionate share of the costs. Guardian Operating Corp., wholly owned by RSC, will be designated as Operator.

As an alternative, RSC still offers to take an oil and gas lease covering the above described lands and will pay \$500 per net acre as bonus for the lease, 1 yr term, 1/5th royalty.

If you decide to enter into a lease agreement, RSC will then send the Lease form within 3 business days. Please fill in the information requested below and return this letter also.

Please provide proof of ownership; i.e., copy of deed, will or probate. Thank you for your cooperation.

Please contact the undersigned with any questions or to discuss possible leasing of the interest.

Will participate: _____

Will not participate: _____

Will Lease: _____

Best Regards,



Randall Cate
President

T-24-S, R-28-E, NMPM
SECTION 10 : N2

OWNER NAMES	ADDRESS	CITY	STATE	ZIP CODE
STEVE STRIBLING, C/o John Stribling	520 RANCHITO RD., NW	LOS RANCHOS DE ALBUQUERQUE	NM	87114
MARTHA STRIBLING	520 RANCHITO RD., NW	LOS RANCHOS DE ALBUQUERQUE	NM	87114
SPIRAL INC., ATTN M. RANDLE	P.O. 1933	ROSWELL	NM	88202
MICHAEL JEROME BEEMAN	11011 BROWNSTONE DR.	PARKER	CO	80138
ConocoPhillips Company , Mr. Thomas Scarbrough	600 N. Dairy Ashford ,	Houston	TX	77079-1175
Devon Energy Production Company, Mr. Ken Gray	20 N. Broadway Ave.	Oklahoma City	OK	73102
James C. Dewey, Dinero Operating	1004 N. Big Spring, Ste 500	Midland	Tx	79701
Gilberto Ruiz, c/o Mrs. Ramos	4248 S. St. Claire	Mesa	Az	85212
Cecilio Ruiz	P.O. 1355	Loving	NM	88256