



PROJECT COST ESTIMATE

LEASE NAME: West Newmill 15 State Com

WELL NO: #1H

PROJECT: Drill 6800' vertical Montoya test and Plug back / Drill / Complete a Horizontal Abo Producer (4000' lateral)

INTANGIBLES				Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
LOCATION COSTS: ROADS & LOCATION PREPARATION / RESTORATION				156202	\$65,000	156302	\$10,000	\$75,000
RIG MOVE IN/OUT - RIG UP/DOWN				156204	\$80,000	156304		\$80,000
DRILLING - TURNKEY				156206				\$0
DRILLING - FOOTAGE				156207				\$0
DRILLING - DAYWORK	20 days	12500 /day		156208	\$250,000			\$250,000
COMPLETION UNIT	6 days	4000 /day				156309	\$24,000	\$24,000
RENTALS - TOOLS & EQUIPMENT	20 days	4500 day		156210	\$90,000	156310	\$70,000	\$160,000
BITS				156212	\$60,000			\$60,000
MUD & CHEMICALS				156214	\$40,000	156314	\$4,500	\$44,500
DISPOSAL				156215	\$100,000	156315	\$90,000	\$190,000
WATER / COMPLETION FLUIDS				156216	\$15,000	156316	\$25,000	\$40,000
SUPPLIES				156218		156318		\$0
FUEL	1000 gal / day @ \$3.00 gal			156220	\$60,000	156320	\$8,000	\$68,000
ELECTRICITY				156222		156322		\$0
COMMUNICATIONS				156224		156324		\$0
CEMENTING/SQUEEZING				156230	\$35,000	156330	\$37,500	\$72,500
STIMULATION/ACIDIZING/FRACTURING				156232		156332	\$750,000	\$750,000
PERFORATING				156234		156334	\$60,000	\$60,000
WIRELINE SERVICE (Open hole logs in vertical & gyro)				156236	\$70,000	156336	\$15,000	\$85,000
PUMPING SERVICES						156338	\$5,000	\$5,000
COIL TBG SERVICES						156340		\$0
SUPERVISION	20 days	1350 /day		156250	\$27,000	156350	\$20,000	\$47,000
WELDING				156255	2,500	156355		\$2,500
CONTRACT LABOR				156256	\$30,000	156356	\$40,000	\$70,000
TRANSPORTATION (Trucking)				156258	\$20,000	156358	\$7,500	\$27,500
LOGGING	18 days	1000 /day		156260	\$18,000	156360		\$18,000
CORING & ANALYSIS				156262		156362		\$0
FORMATION TESTING				156264		156364		\$0
TUBULAR TESTING				156268	\$7,500	156368		\$7,500
DIRECTIONAL DRILLING SERVICES				156270	\$175,000			\$175,000
INSURANCE				156280	\$20,000	156380		\$20,000
ADMINISTRATIVE OVERHEAD & INSURANCE				156290	\$25,000	156390	\$7,500	\$32,500
NON-OP INTANG. DRILLING/COMPLETION				156291		156391		\$0
MISCELLANEOUS				156295	\$37,500	156395	\$15,000	\$52,500
CONTINGENCY (5%)					65,000		60,000	\$125,000
TOTAL INTANGIBLE COST					\$1,292,500		\$1,249,000	\$2,541,500
TANGIBLE - WELL EQUIPMENT								0
CASING	SIZE	FEET	\$/FOOT					
CONDUCTOR PIPE	20"	40	100.00	157202	4,000	157302		\$4,000
SURFACE CASING	13 3/8"	450	36.00	157202	16,200	157302		\$16,200
INTERMEDIATE CASING	9 5/8"	3,600	29.00	157202	104,400	157302		\$104,400
DRILLING LINER				157202	0	157302		\$0
PRODUCTION CASING OR LINER	5 1/2"	8,100	16.00	157202		157302	129,600	\$129,600
PRODUCTION LINER				157202		157302	0	\$0
TUBING	2 7/8"	3,700	5.50			157305	20,350	\$20,350
WELLHEAD/CHRISTMAS TREE				157210	7,500	157310	7,500	\$15,000
PUMPING UNIT, ENGINE						157312		\$0
PACKERS						157320		\$0
SUBSURFACE EQUIPMENT				157221	2,000	157321	6,500	\$8,500
SUBSURFACE PUMPS						157322		\$0
SURFACE PUMPS						157323		\$0
RODS						157324		\$0
SEPARATORS/HEATERS/TREATERS						157330	25,000	\$25,000
COMPRESSOR						157332		\$0
COMPRESSOR HOUSE & SKID						157333		\$0
STORAGE TANKS						157334	35,000	\$35,000
METERS & MONITORS						157336	12,000	\$12,000
PACKS						157337		\$0
FLARES						157338		\$0
FLOW LINES						157340	5,000	\$5,000
VALVES & FITTINGS - FLOWLINES						157341		\$0
GATHERING LINES						157342		\$0
VALVES & FITTINGS - GATHERING LINES						157343	3,000	\$3,000
FREIGHT				157260		157360	8,000	\$8,000
NON-OP TANGIBLE COMPLETION				157291		157391		\$0
MISCELLANEOUS EQUIPMENT				157295	7,500	157395	20,000	\$27,500
CONTINGENCY (5%)					7,000		15,000	\$22,000
TOTAL TANGIBLES					\$148,600		\$286,950	\$435,550
P&A COSTS								\$0
TOTAL COST					\$1,441,100		\$1,535,950	\$2,977,050

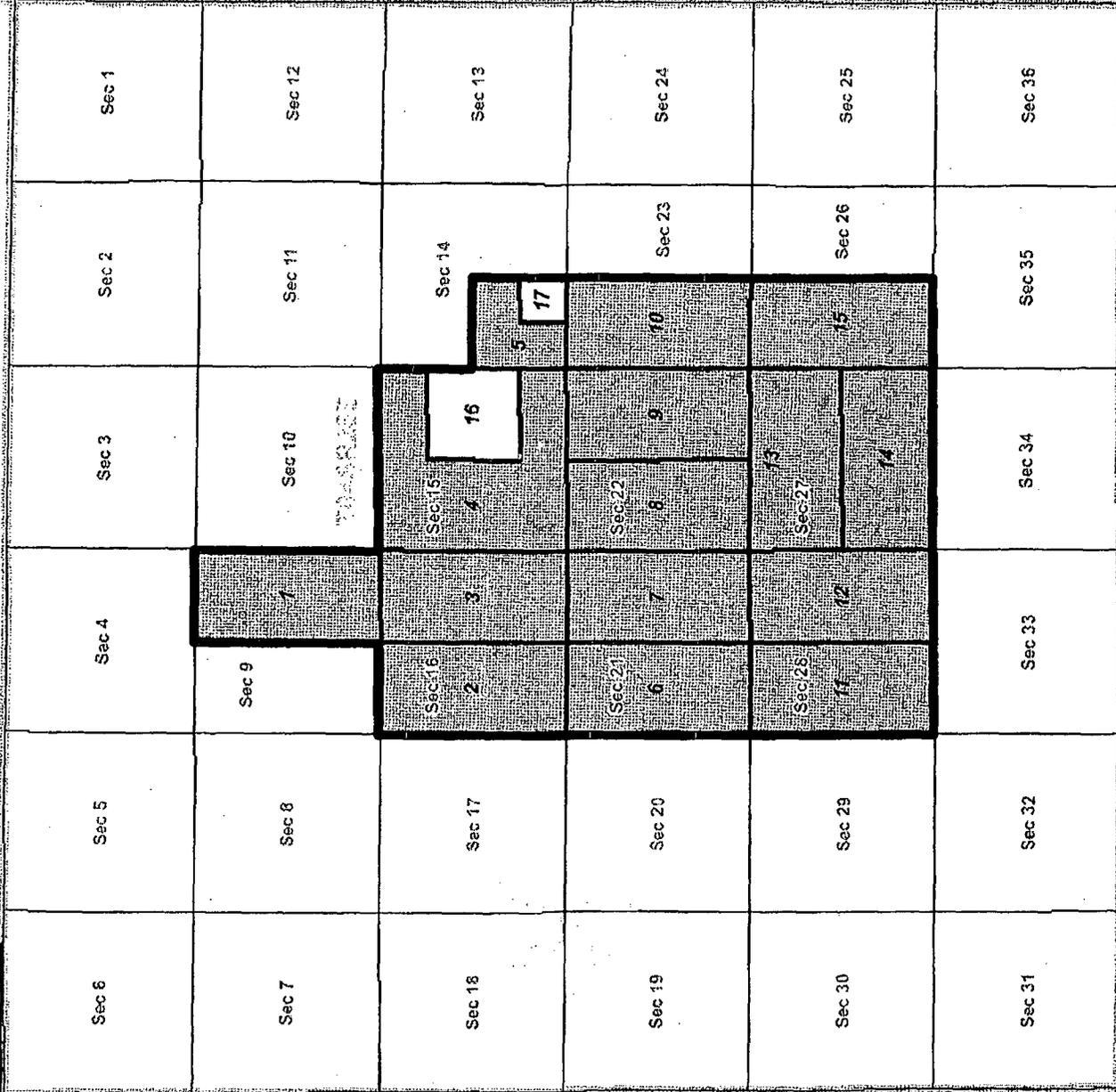
BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 14594 Exhibit No. 2
 Submitted by:
 KEYSTONE PETROLEUM NM LLC
 Hearing Date: February 17, 2011

**EXHIBIT "A" MAP OF UNIT AREA
WEST NEWMILL 4-26 EXPLORATORY UNIT
CHAVEZ COUNTY, NEW MEXICO**

-  Fee Lands
-  State of NM Lands
-  Unit Area Boundary



12/9/2010



ATTACHMENT B

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
 Within the West Newmill 4-26 Exploratory Unit
 Chaves County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number or Lessee Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
1	E2 SEC 9 T 4 S R 26 E	320	ST NM VO-7827-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		8/1/2011
2	W2 SEC 16 T 4 S R 26 E	320	ST NM VO-8869-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		12/1/2015
3	E2 SEC 16 T 4 S R 26 E	320	ST NM VO-7828-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		8/1/2011
4	N2NE, W2, S2SE	480	ST NM VO-7785-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		6/1/2011
5	N2SW, SWSW	120	ST NM VO-7790-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		6/1/2011
6	W2 SEC 21 T 4 S R 26 E	320	ST NM VO-7787-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		6/1/2011
7	E2 SEC 21 T 4 S R 26 E	320	ST NM VO-7786-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		6/1/2011
8	W2 SEC 22 T 4 S R 26 E	320	ST NM VO-7792-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		6/1/2011
9	E2 SEC 22 T 4 S R 26 E	320	ST NM VO-7791-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		6/1/2011
10	W2 SEC 23 T 4 S R 26 E	320	ST NM VO-7820-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		8/1/2011
11	W2 SEC 28 T 4 S R 26 E	320	ST NM VO-8871-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		12/1/2015
12	E2 SEC 28 T 4 S R 26 E	320	ST NM VO-7830-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		8/1/2011
13	N2 SEC 27 T 4 S R 26 E	320	ST NM VO-7821-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		8/1/2011
14	S2 SEC 27 T 4 S R 26 E	320	ST NM VO-8870-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		12/1/2015

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
 Within the West Newmill 4-26 Exploratory Unit
 Chaves County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number or Lease Name	Basic Royalty	Lessee of Record	Working Interest	Recording	Expiration
15	W2 SEC 26 T 4 S R 26 E	320	ST NM VO-7829-0001	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		8/1/2011
16	S2NE, N2SE SEC 15 T 4 S R 26 E	160	TEMPLETON, EDNA JO ANN EDDLEMAN, FT. AL. BEAVERS, ROSA M. S.	0.1250	CHISOS, LTD.	100%	BK 554 PG 41	3/13/2011
	CHISOS, LTD.		0.1250	CHISOS, LTD.	100%	BK 554 PG 33	3/13/2011	
17	SESW SEC 14 T 4 S R 26 E	40	CHISOS, LTD.		UNLEASED MINERAL OWNER WORKING INTEREST PARTICIPANT	100%		
			BAKER, DOUGLAS	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		
			BAKER, DALE	0.1667	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%		
			SEA PROPERTIES, LTD.	0.1875	NM BACK NINE EXPLORATION PARTNERS, L.L.C.	100%	BK 576 PG 1265	10/29/2011

RECAPITULATION

4760 Acres of State of New Mexico Lands = 95.967742%
 200 Acres of Fee Lands = 4.032258%
 4960 Total Acres = 100.000000%

*** No overriding royalty interests of record affecting any committed lands within the unit area. ***

EXHIBIT "C" SCHEDULE OF TRACT PARTICIPATION

Schedule Showing Tract Participation of All Lands
Within the West Newmill 4-26 Exploratory Unit
Chaves County, New Mexico

Tract #	Description of Lands	Acres	State of New Mexico Serial Number	Tract Participation Factor
State Of New Mexico Lands				
1	E2 SEC 9 T 4 S R 26 E	320	ST NM V0-7827-0001	0.06451613
2	W2 SEC 16 T 4 S R 26 E	320	ST NM V0-8869-0001	0.06451613
3	E2 SEC 16 T 4 S R 26 E	320	ST NM V0-7828-0001	0.06451613
4	N2NE, W2, S2SE SEC 15 T 4 S R 26 E	480	ST NM V0-7785-0001	0.09677419
5	N2SW, SWSW SEC 14 T 4 S R 26 E	120	ST NM V0-7790-0001	0.02419355
6	W2 SEC 21 T 4 S R 26 E	320	ST NM V0-7787-0001	0.06451613
7	E2 SEC 21 T 4 S R 26 E	320	ST NM V0-7786-0001	0.06451613
8	W2 SEC 22 T 4 S R 26 E	320	ST NM V0-7792-0001	0.06451613
9	E2 SEC 22 T 4 S R 26 E	320	ST NM V0-7791-0001	0.06451613
10	W2 SEC 23 T 4 S R 26 E	320	ST NM V0-7820-0001	0.06451613
11	W2 SEC 28 T 4 S R 26 E	320	ST NM V0-8871-0001	0.06451613
12	E2 SEC 28 T 4 S R 26 E	320	ST NM V0-7830-0001	0.06451613
13	N2 SEC 27 T 4 S R 26 E	320	ST NM V0-7821-0001	0.06451613
14	S2 SEC 27 T 4 S R 26 E	320	ST NM V0-8870-0001	0.06451613
15	W2 SEC 26 T 4 S R 26 E	320	ST NM V0-7829-0001	0.06451613
Total State of New Mexico Lands				0.95967742
Fee Lands				
16	S2NE, N2SE SEC 15 T 4 S R 26 E	160		0.03225806
17	SESW SEC 14 T 4 S R 26 E	40		0.00806452
Total Fee Lands				0.04032258

Recapitulation		
	Unit Percentage	Total Acres
Total State Of New Mexico Lands	95.967742%	4760
Total Fee Lands	4.032258%	200
Total Unit Area	100%	4960



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

December 29, 2010

NM Back Nine Exploration Partners, LLC
1331 Lamar, Suite 1450
Houston, Texas 77010-3039

Attention: Mr. R. Keith Turner

Re: Preliminary Approval
Proposed West Newmill 4-26 Exploratory Unit
Chaves County, New Mexico

Dear Mr. Turner:

This office has received the unexecuted copy of the unit agreement, which you have submitted for the proposed West Newmill 4-26 Exploratory Unit: area, Chaves County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

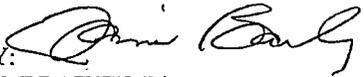
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. The filing fee for a unit agreement is \$30 for every section or partial section thereof. Please submit a filing fee in the amount of \$300.00.
9. On Exhibit "C" Please correct the title to read West Newmill 4-26 Exploratory Unit. Also Change from Roosevelt County, to Chaves County, New Mexico.
10. Keystone Petroleum NM LLC, as operator, must submit a \$20,000 surface improvement damage bond.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

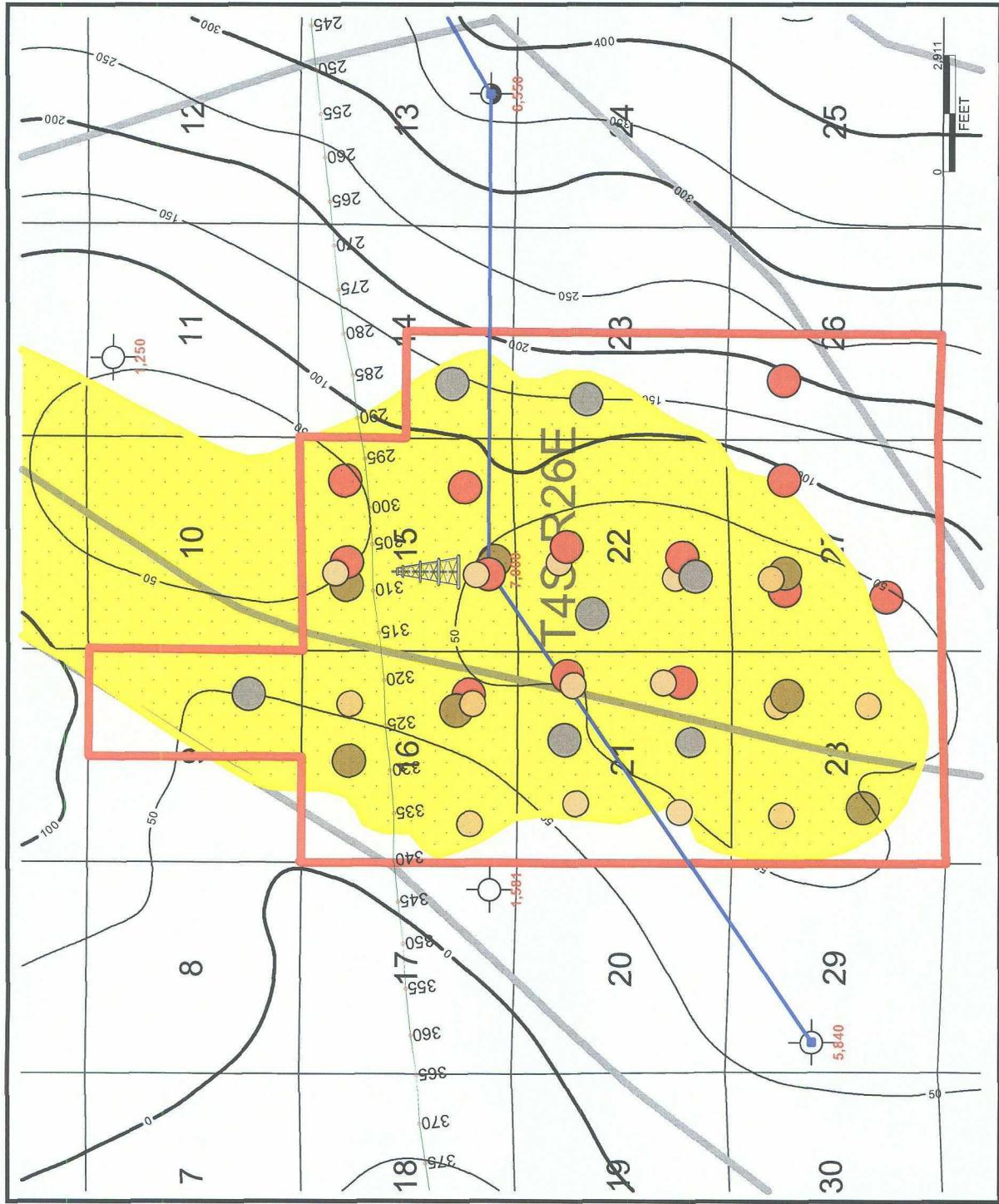
BY:


JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744

PL/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Ed Martin

ATTACHMENT E



ATTACHMENT E

Structure, top of Abo (C. I. = 50 ft), with summary of proposed locations and objectives. Deep faults are shown for reference, but they do not cut the Abo. The Abo is the only map that can be estimated from the sporadic well control, regional trends, and the 2D seismic line. Abo structure suggests a broad nosing or structural closure under the prospect that could reflect higher magnitude, deeper structures, and contribute to enhanced fracturing of the Abo sands that would make them potential reservoirs.

The proposed unit outline is shown in bold red. The initial proposed location is shown by the rig symbol. The unitization of this prospect acreage is necessary in order to assure orderly development of the different objective formations, since every location might have a different suite of producing zones.

POTENTIAL LOCATIONS	
	ABO (VERTICAL)
	STRAWN-GRANITE WASH (320 ACRE SPACING)
	LOWER PALEOZOIC

ATTACHMENT F

W

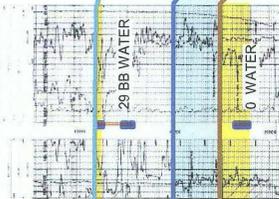
E

WEST NEWMILL UNIT

3000500010000



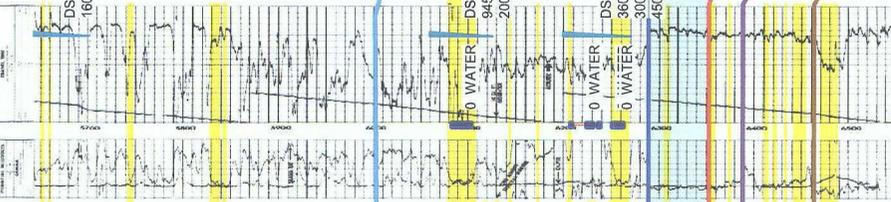
READ & STEVENS INC
WEST NEWMILL #1
2130 FNL 760 FWL
T4S R26E S29
County: CHIAVES
HELV_NB = 3372



3000500270000



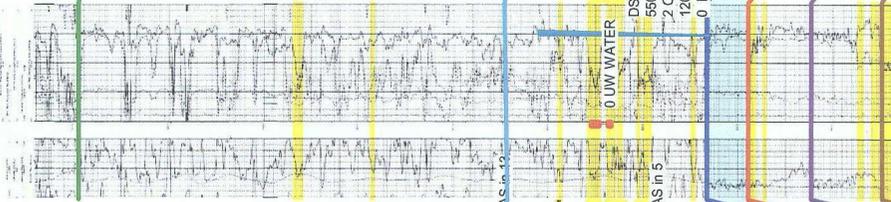
SHENANDOAH OIL CORP
SEA PROPERTIES INC #1
660 FNL 1980 FEL
T4S R26E S13
County: CHIAVES
HELV_NB = 3388



3000563710000



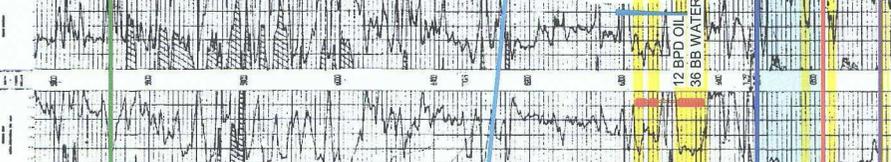
WAGNER & BROWN LTD
STATE 18 COM #1
2400 FNL 1980 FWL
T4S R27E S20
County: CHIAVES
HELV_NB = 3384



3000500218000



MILLER CHARLES P
STATE #1
660 FNL 1980 FWL
T4S R27E S20
County: CHIAVES
HELV_NB = 3384



CISCO [SENNI]=5759.9

STRAWN

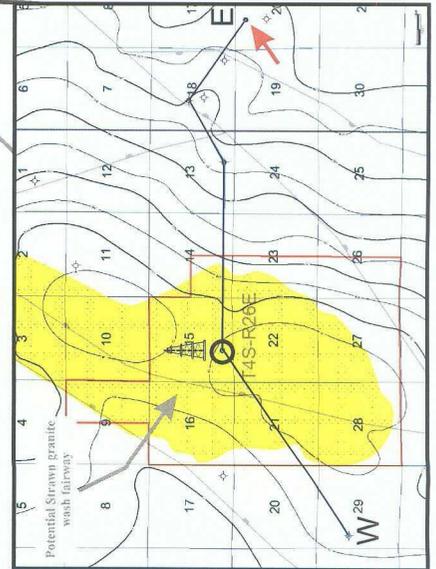
OSAGE

FUSSELLMAN = 6510

MONTOYA = 6570

GRANITE_WASH

Structural cross-section incorporating four deep wells around the prospect area. The production symbols are aside those intervals that are potentially productive on the prospect. The primary targets are carbonates of the **Fusselman** and **Monroya Formations** where they either build depositionally or truncate against several faults that punctuate the area, and **Strawn** sands that were eroded off the reactivated fault blocks. There is also secondary potential from the eroded granite basement (primary 'granite wash'), shallower **Wollicamp** carbonates and **Abo sands**. Analogous for these targets are found at Peterson and Peterson North Field to the east, Foor Ranch Field to the southwest, and Pecos Slope Abo Field offsetting the prospect to the west-southwest. The zones shaded in yellow are porous sands or carbonates. The well indicated by the red arrow was completed in the Strawn in the late 1950s, but production figures pre-date the ONGARD records.



ATTACHMENT F