

Chronology of COG/BOCI Operatorship Issues-Maljamar

David Rhodes 5-20-2011

Date Description of Event, phone call, etc.

11/11/10 Randall Hudson (RH) received phone call from COG wanting TA Hudson interests

11/12/10 David Rhodes (DR) and RH met with David Evans (DE), Ramon Reyes and Stuart Dirks of COG at RHs office. RH told COG they were supporting BOCI as operator for Maljamar.. We told them we had commitments for TA's and support from Hudson that would give BOCI a majority working interest. We hoped we could get a JOA signed and move forward with drilling soon.

12/03-16/10 BOCI received signed TAs from Delmar Hudson Lewis LT, Lindy's LT, Moore & Shelton LT. Zorro's TA came in on 3/3/11 (all TA's are effective 12/9/10)

1/6/11 On or about this date, DR called DE and left a voice message to call back to discuss drilling program and execution of a JOA. No response.

1/20/11 BOCI sent 2 well proposals to DE at Concho Resources, Inc. [Partition Fed 1 (SWSW 13) and Nosler Fed 3 (SESE 24)] via email, fax and certified mail. (Should have gone to COG Operating and Concho Oil & Gas). DE responded acknowledging receipt of email but couldn't open attachment. Wanted to know what it was.

1/21/11 DR responded to DE saying he had sent 2 AFE's for 2 Yeso wells. Also asked if he had received DR's phone message of a couple of weeks ago to discuss drilling program. No response.

1/24/11 BOCI and Hudson's received 32 well proposals from COG

2/7/11 DR sent 6 well proposals to COG (COG Operating and Concho Oil & Gas), including Partition Fed 1 and Nosler Fed 3 via certified mail

2/9/11 Bill Pollard sent letter to Tim Leach, President of COG, requesting that COG consent to let BOCI operate all wells on the leases.

2/10/11 COG received BOCIs proposal for Nosler Fed 1, 2, 3, Partition Fed 1, 2, 3 (return receipts came back)

2/17/11 BOCI and Hudson's received 7 well proposals from COG (Puckett Fed 12 #53, 55, 56, 57, 60, 62, 63 under S/2 Sect 12 JOA) and 8 well proposals for wells in the N/2 of Section 12 (total well proposals from COG in 25 day period: 47)

2/21/11 Tim Leach (TL) left voice message to Bill Pollard (BP) on his iPhone. TL apologized for being slow to respond to BP's letter of 2/9 but said he had been traveling. He wasn't

Oil Conservation Division
Case No. 3
Exhibit No. 3

up to speed on the issues but said he would get up to speed and respond. Bill P returned phone call to TL and left message.

- 3/2/11 BOCI received notice COG has filed with NMOCD for allowable increase in 13 Pools in Eddy and Lea counties; DR received phone call in afternoon from David Evans of COG requesting early AM meeting next day in BOCI office requesting BOCI & HOCT agree to support their position.
- 3/3/11 COG personnel David Evans, Lead Landman – NM shelf, Keith Corbett – Engr & NM Shelf Team Leader meeting with Bill P, David R, Randall H, Mark Jacoby (MAJ) with COG asking BOCI & HOCT to agree to support their position. Bill P told them we wanted to get an agreement from COG to support BOCI as operator for all wells at Maljamar.
- 3/7/11 DR received COG application for Special Field Rules increasing allowable
- 3/14/11 Bill P received letter from Matt Hyde with COG dated 3/10/11 responding to Bill's letter to Tim Leach. In the letter, MH said they own rights below base of San Andres and will pursue operations. They want to drill on 10 ac spacing.
- 3/16/11 Bill P sent letter to Matt Hyde, David Evans and Keith Corbett responding to Matt Hyde's letter of 3/10/11
- 3/25/11 Jim Bruce receive email from COG attorney informing him they have Ard interest; MAJ phone conversation with Joe Wright, COO COG, discussing 45 day CDO at Maljamar Puckett. Joe W told MAJ he knew of BOCI's operations and wouldn't have a problem with BOCI operating at Maljamar. DR received email from David E saying he and Keith C would like to come to our office on 3/29 to discuss operations and development.
- 3/28/11 Joe Wright returned phone call to MAJ he promised in Friday conversation telling me David Evans to call David R to discuss issues, David E and COG personnel coming to BOCI office to discuss.
- 3/29/11 Meeting in BOCI office with COG - David Evans, Keith Corbett, Ramon Reyes (Geol – NM Shelf), BOCI – DR, WDP, MAJ + Randall Hudson – COG informed us they had taken a 6 month TA with a 45 day cdo from the Ards. BOCI indicated we would consider drilling 4 wells this year and 8 wells next year if they met our economic parameters. BOCI asked if we could get JOA on entire area. Keith said no. They would sign JOA on 40 by 40 acre basis.
- 4/1/11 DR received email from David E saying he was drafting another proposal that would require 4 wells this year and 8 wells next year. DR responded that we would look it over when received.

- 4/7/11 DR received email from David E saying he was working on the drilling proposal that would split drilling between BOCI and COG. DR responded that we were firm on wanting to operate all wells on the leases. DR informed David E we have a rig coming to Maljamar and need to get this resolved.
- 4/19/11 DR received email from David E saying he and Keith C want to bring proposal for development to us tomorrow.
- 4/20/11 David Evans and Keith Corbett came to FW and met with DR and MAJ. They left their proposal dated 4/20. BOCI can operate the wells with restrictions. They want 4 wells in 2011, adhere to 45 day cdo in 2012, 2013 etc. They want to hold out 3-160 acre spacing units where BOC and Hudson's will agree to sign a JOA with COG as operator so they can adhere to their 45 day cdo. The number of wells per year is "non-negotiable" per David E's email of 4-21-11.
- 4/25/11 DR responded to COG's proposal by saying it was unacceptable and since the pooling hearing was on Thursday (4/28) we were going to move forward with hearing so we could get started on our drilling program. Asked COG, again, to sign a JOA covering entire area, except S/2 of Sec 12, naming BOCI as operator and to vote for BOCI to succeed Hudson as operator under JOA for S/2 of Sec 12.
- 4/26/11 Jim Bruce received notification from Ocean that yesterday COG had filed for a continuance to pooling hearing set for 4/28. Notified by David Brooks at OCD that pooling hearing set for 4/28 had been continued to 5/26.
- 5/12/11 Will Giraud, general counsel for COG, contacted Bob Grable, who was in Midland, and asked him to come by. He wanted to know what we wanted. Bob said to make us a proposal. That afternoon, Will sent Bob the same proposal that David Evans and Keith Corbett had left with DR and MJ at last meeting on 4/20.
- 5/13/11 Bob Grable sent Will Giraud our counter-proposal.
- 5/15/11 Will G. left Bob G a voice mail saying we were "darned far apart" on our proposals and the chance for a deal was remote. Bob called back and left voice message saying our 3 main requirements were: operations, 20 acre development (at least initially) and pace of development. No response back from Will.



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 #2 Well
SW/4SW/4 (990' FWL, 940' FSL, Unit M-subject to BLM approval)
Section 24-T175-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 \$1,604,422 as detailed on the attached Authority for Expenditure ("AFE").

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

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.

1. 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

2. Article Number
(Transfer from service label)

7008 0500 0000 7856 2086

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

A. Signature

X *Stuart A. Dirks*

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

2-10

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail

Registered Return Receipt for Merchandise

Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

OFFICIAL USE

7008 0500 0000 7856 2086

Postage \$

Certified Fee

Return Receipt Fee
(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees \$

Postmark
Here

2052

Sent To

Street, Apt. No.,
or PO Box No.

City, State, ZIP+4

PS Form 3800-9A

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

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

DATE: **1/19/2011** AFE #: **2162**
 OPERATOR: **BURNETT OIL CO., INC** LEASE: **NOSLER** WELL #: **2** ROPEY #: **GJK002B**
 COUNTY/ST/ Eddy Co., NM LOCATION:
 PER BLM: **UNIT M, 940' FSL, 990' FWL, Sec 24, T17S, R31E FED LEASE NMLC029415B**
 PROSPECT/I **LOCO HILLS GLORIETA YESO** TD:**7200'** FORMATION: **Yeso**
 RECOMMENDATION: **DRILL & COMPLETE 7200' FREN (GLORIETA YESO) WELL & FLOWLINE TO ON LEASE NEW TANK BATT**

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					
04	CONTRACT RATE/DAYWC	17	FEET @ PER FOOT	161,500		161,500
05	COMPLETION, WORKOVE	12	DAYS @ PER DAY		36,000	36,000
06	BITS AND STABILIZERS			30,000		30,000
07	FUEL, LUBRICANTS, WAT	12,000	WATE 15,000 FUEL	27,000		27,000
08	TRUCKING AND TRANSPORTATION	25,000	WTR H/ 15000 CRI HAUL	40,000		40,000
09	MUD AND CHEMICALS			7,000		7,000
10	PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, Prod A			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 LOG				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 CONT 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	5,000	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 ((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 & RYTV	7200	5500' 23# 7" ,1700' 26# &" \$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					
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				437,447	1,166,975	1,604,422
TOTAL DRY HOLE COST: \$437,417 PREPARED I MCS/MAJ				BUDGET /QT	2011/1st	

APPROVED BY BURNETT OIL CO., INC.

SIGNATURE *William D. Pollard*
 WILLIAM D. POLLARD, PRESIDENT

DATE: 2/5/11

APPROVED- JOINT INTEREST

COMPANY: _____

NAME: _____

TITLE: _____

DATE: _____

1550
 1320

 230

2310
 1320

 990



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

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Section 24-T17S-R31E, N.M.P.M.
Eddy County, NM

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Land Manager

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 Fasken Center, Tower II
 550 West Texas Avenue, Suite 100
 Midland, Texas 79701

2. Article Number
 (Transfer from service label)

7008 0500 0000 7856 2048

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Michael Truitt*

- Agent
- Addressee

B. Received by (Printed Name)

C. Date of Delivery

2-10

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only. No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

OFFICIAL USE

7008 0500 0000 7856 2048

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
Here

V052

Sent To **Concho Oil & Gas LLC**
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

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

DATE: 1/19/2011 AFE #: 2162
 OPERATOR: BURNETT OIL CO., INC LEASE: NOSLER WELL #: 2 ROPERTY #: GJK002B
 COUNTY/ST/ Eddy Co., NM LOCATION:
 PER BLM: UNIT M, 940' FSL, 990' FWL, Sec 24, T17S, R31E FED LEASE NMLC029415B
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APPROVED BY BURNETT OIL CO., INC.

SIGNATURE 
 WILLIAM D. POLLARD, PRESIDENT

DATE: 2/5/11

APPROVED- JOINT INTEREST

COMPANY: _____

NAME: _____

TITLE: _____

DATE: _____



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: Partition Fed #1 Well
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Section 13-T175-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") which includes the 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

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 Midland, Texas 79701

2. Article Number

(Transfer from service label)

7008 0500 0000 7856 2123

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X MICHELLE RECORD

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

2-10

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

Certified Mail

Express Mail

Registered

Return Receipt for Merchandise

Insured Mail

C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

7008 0500 0000 7856 2123

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only, No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$

Certified Fee

Return Receipt Fee (Endorsement Required)

Restricted Delivery Fee (Endorsement Required)

Total Postage & Fees

Postmark Here

Part 1

Sent To

Street, or P.O. E.

City, St.

PS Form

COG Operating LLC

Attn: Stuart A. Dirks, Senior Landman

Fasken Center, Tower II

550 West Texas Avenue, Suite 100

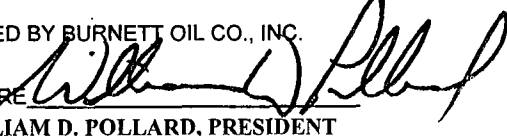
Midland, Texas 79701

Instructions

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

OPERATOR: **BURNETT OIL CO., INC** LEASE: **PARTITION FED** WELL #: **1** AFE #: **2160**
 COUNTY/STATE: **Eddy Co., NM** LOCATION: **SW/4 SW/4, Sect.13, T17S, R31E** PROPERTY #:
 PER BLM: **UNIT M, 430' FSL, 430' FWL, Sec 13, T17S, R30E FED LEASE NMLC029415A**
 PROSPECT/FIELD **LOCO HILLS GLORIETA YESO** TD:**7200'** FORMATION: **Yeso**
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06	BITS AND STABILIZERS		36,000	36,000
07	FUEL, LUBRICANTS, WATER 12,000 WATER 15,000 FUEL	30,000		30,000
08	TRUCKING AND TRANSPORTATION 25,000 WTR HAU 15000 CRI HAU	27,000		27,000
09	MUD AND CHEMICALS	40,000		40,000
10	PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, Prod ACP	7,000		7,000
	SQUEEZE CEMENTING	25,000	70,000	95,000
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 CASSED 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	5,000	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
52	CASING / INTERMEDIATE			
53	CASING, PRODUC & RYTWRAP 7200 5500' 23# 7" J 1700' 26# &" J \$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
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
70	GAS PROCESSING EQUIPMENT			
71	FLOW LINE AND INSTALLATION			20,000
72	PERM. IMPROVEMENTS (GATES, FENCES, ETC.)			
73	PUMPING UNIT, GAS LIFT, ETC.			94,000
74	MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT			85,000
75	INSTALLATION COSTS			15,000
76	SUPERVISION			
77	OTHER			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: 2/3/11

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



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: Partition Fed #1 Well
SW/4SW/4 (430' FSL, 430' FWL, Unit M-subject to BLM approval)
Section 13-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") which includes the 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

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Concho Oil & Gas LLC
 Attn: Stuart A. Dirks, Senior Landman
 Fasken Center, Tower II
 550 West Texas Avenue, Suite 100
 Midland, Texas 79701

2. Article Number
 (Transfer from service label)

7008 0500 0000 7856 2017

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *[Signature]* Agent Addressee

B. Received by (Printed Name)
 ESTACON

C. Date of Delivery
 2-10

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type:
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

7008 0500 0000 7856 2017

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only, No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$		Postmark Here <i>[Handwritten Mark]</i>
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage &		

Sent To: Concho Oil & Gas LLC
 Attn: Stuart A. Dirks, Senior Landman
 Fasken Center, Tower II
 550 West Texas Avenue, Suite 100
 Midland, Texas 79701

PS Form 3800, April 2003

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

OPERATOR: **BURNETT OIL CO., INC** LEASE: **PARTITION FED** WELL #: **1** AFE #: **2160**
 COUNTY/STATE: **Eddy Co., NM** LOCATION: **SW/4 SW/4, Sect.13, T17S, R31E** PROPERTY #:
 PER BLM: **UNIT M, 430' FSL, 430' FWL, Sec 13, T17S, R30E** FED LEASE **NMLC029415A**
 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	161,500		161,500
05	COMPLETION, WORKOVER UNIT	12	DAYS @ \$3,000		36,000	36,000
06	BITS AND STABILIZERS			30,000		30,000
07	FUEL, LUBRICANTS, WATER	12,000 WATER	15,000 FUEL	27,000		27,000
08	TRUCKING AND TRANSPORTATION	25,000 WTR HAU	15,000 CRI HAU	40,000		40,000
09	MUD AND CHEMICALS			7,000		7,000
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PREPARED BY MCS/MAJ				BUDGET /QTR:	2011/1st	

APPROVED BY BURNETT OIL CO., INC.

SIGNATURE

WILLIAM D. POLLARD, PRESIDENT

DATE: 2/3/11

APPROVED- JOINT INTEREST

COMPANY: _____

NAME: _____

TITLE: _____

DATE: _____