Chronology of COG/BOCI Operatorship Issues-Maljamar

David Rhodes 5-20-2011

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. _____ Exhibit No. _____ 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

- 3/14/11Bill 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 "nonnegotiable" 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. 6666

Sent Via Certified Mail

February 7, 2011

DAVID S. RHODES

COG Operating LLC Fasken Center, Tower II 550 West Texas Avénue, 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-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 \$1,604,422 as detailed on the attached Authority for Expenditure ("AFE").

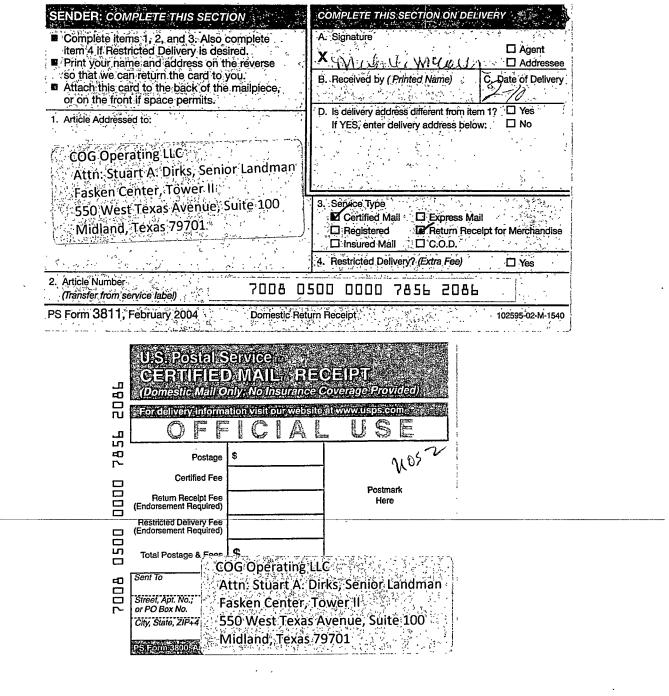
Enclosed, please find our AFE for this well along with Burnett's proposed form of Joint Operating Agreement ("JOA"). A completed Exhibit A and signature page to the JOA shall be sent under separate cover.

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,

d, M, S David S. Rhodes

Land Manager



_

BURNETT OIL CO., INC.

AUTHORITY FOR EXPENDITURE- COST ESTIMATE

		AUTHORITY	FOR EXPE	NDITURE- CO	DST ESTIMA	IE	
		DATE:	1/19/2011			AFE #:	2162
	OPERATOR: BURNETT OIL CO., INC	LEASE:		WELL #:	2	ROPERTY #:	
	COUNTY/ST/Eddy Co., NI LOCATION:		IUSLER		2	NOFERIT#.	GJNUZD
		UNIT M, 940' F	SI 000' EM	Sec 24 T17			0204450
	PROSPECT/I LOCO HILLS GLORIETA			L, Sec 24, 117			
BECOM			D:7200'			FORMATION:	Yeso
RECON	MENDATION: DRILL & COMPLETE 7200	FREN (GLUR	EIA YESO)	WELL & FLO			IANK BATT
INTANGIBL	E COSTS:				DRILL	COMPL./WO	TOTAL
01	LOCATION COST (Road, survey, damag	es, permit, etc.)			25,000	5,000	30,000
02	RIG MOVE-RIG UP, RIG DOWN	······································			7,500		7,500
03	CONTRACT RATE-FTG/TU	FEET @		PER FOOT			
04	CONTRACT RATE/DAYWC 17	DAYS @	\$9,500	PER DAY	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 1	5 000 EUEL		27,000		27,000
08	TRUCKING AND TRANSPORTATION	25,000 WTR H/ 1			40,000		40,000
09	MUD AND CHEMICALS		0000 011111		7,000		7,000
10	PRIMARY CEMENTING (Incl. Equip.), Sr	fc BCP_Prod A		· · · · · · · · · · · · · · · · · · ·	25,000	70,000	95,000
	SQUEEZE CEMENTING	10 201 , 1 100 /			23,000	70,000	
11	CORING AND CORE ANALYSIS		l				
12		days @	000	per day	11 200		11 200
13	DRILL STEM TESTING	uays	600	peruay	11,200		11,200
13	OPEN HOLE LOGGING				20,000		20.000
15		~			20,000		20,000
15	PERFORATING AND CASED HOLE LOO				F 000	18,000	18,000
	CASING CREWS, TONGS, HANDLING				5,000		13,000
17	EQUIPMENT RENTALS	8,500 SOL SE	P		13,500		18,500
18	MISCELLANEOUS LABOR				5,000		10,000
19	ACID, FRAC, SAND CONTI4 fracs @ 16	5000			5,000	660,000	660,000
20	BHP, OTHER PRODUCTION TESTING		ļ				
21	DIRECTIONAL DRILLING						
22	FISHING TOOLS AND SERVICES						
23		7 days @	1,100	per day	18,700		23,700
24	OPERATING OVERHEAD				3,000		3,000
25	OTHER / CONTINGENCIES		l		8,000	8,000	16,000
26	PLUGGING EXPENSE		1		10,000	-10,000	0
27	INSURANCE						
TOTAL DRI	LLING AND COMPLETION INTANGIBLE	COSTS:			417,400	810,000	1,227,400
TANGIBLE	COSTS:	(FEET/SIZE (WEIGHT(S)	(GRADE)			
50	CASING, DRIVE / CONDUCTOR	(1221/0122 ()	11210111(0)	(010102)	and a second and a second as a second a		
51	CASING, SURFACE 750	750' 10 3/4"	32.75#	\$24.73	18,547		18.547
52	CASING / INTERMEDIATE	100 100/4	02.10#		10,041		10,047
53	CASING, PRODUC & RYTV 7200	5500' 23# 7" .1	700' 26# &"	\$21.78		156,810	156,810
54	CASING, LINER / HANGER	0000 2011 11	100 20# 0	ς φ21.70	<u></u>	100,010	
55	TUBING 7000	7000' 2 7/8"	6.5# J55	\$6.10		42,665	42,665
56	RODS 7000		3/4", 7/8", 1"			31,500	31,500
60	SUBSURFACE PRODUCTION EQUIPM		J. 4, 170, 1	φ4.00		6,500	6,500
65	CHRISTMAS TREE, WELL HEAD EQUI						
					1,500		7,000
	LLING AND COMPLETION TANGIBLE CO	Jala:			20,047	242,975	263,022
TOTAL DRI	LLING AND COMPLETION COSTS:				437,447	1,052,975	1,490,422
			************************				***********
LEASE EQ	JIPMENT COSTS: TANKS, HEATERS, TREATING FACILII		·			2237,238,669,699,699,	
70	GAS PROCESSING EQUIPMENT	IE9					*******
70						20.000	20,000
72	FLOW LINE AND INSTALLATION	ICES ETC.)	1			20,000	20,000
73	PERM. IMPROVEMENTS (GATES, FEN	UES, ETU.)				04.000	
73	PUMPING UNIT, GAS LIFT, ETC.	SAFETY FOUN				94,000	94,000
· · · · · · · · · · · · · · · · · · ·	MISCELLANEOUS VALVES, FITTINGS,	SAFELTEQUI					
75						l	
76	SUPERVISION				allan kasala da	ŧ	
77	OTHER					-	444.000
IUIAL LEA	SE EQUIPMENT COSTS:	<u></u>				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 /Q		
000000000000000000000000000000000000000		~~~~	at et al la lattat at lattat lattat bet at lattat at lattat bet at lattat	******************************		*****	

APPROVED BY BURNETT OIL CO., INC. M

DATE: 2/3/11 Z 310 , 320 990

1550 1320 -030

APPROVED- JOINT INTEREST

COMPANY:_ NAME: TITLE: DATE:

nllnllnlln

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 #2 Well SW/4SW/4 (990' FWL, 940' FSL, Unit M-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 \$1,604,422 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,

audo my

David S. Rhodes Land Manager

BURNETT OIL CO., INC.

 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. 	COMPLETE THIS SECTION ON DELIVERY A. Signature X B. Received by (Printed Name) C. Date of Delivery C. Date of Delivery D. Is delivery address different from fitem 1?
1. Article Addressed to: Concho Oil & Gas LLC Attn: Stuart A. Dirks, Senior Landman	If YES, enter delivery address below: 🖸 No
Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701	3. Service Type 3. Service Type 4. Restricted Delivery? (Extra Fee) 4. Restricted Delivery? (Extra Fee) 4. Yes
2. Article Number (Transfer from service label) PS Form 381:1, February 2004 Domestic Re	1500 0000 7856 2048
US: Postal Service in GERITIFIED MAIL Comestic Mail Only: No Insur Fordelivery information visitour	ance Coverage Provided)
Postage Certified Fee Return Receipt Fee (Endorsement Required)	Postmark Here
Restricted Delivery Fee (Endorsement Required) Total Postage & Each Concho Oil & Ga Sent To Attn: Stuart A. Street, Apt. No.; PO Box No. Fasken Center,	Dirks, Senior Landman

City, State, ZIP+4550 West Texas Avenue, Suite 100 PSP-City, State, ZIP+4550 West Texas 79701

. .

•

۰ ، ۲

BURNETT OIL CO., INC.

		AUTHORITY	FOR EXPEN	DITURE- CO	OST ESTIMA	ТЕ	
		DATE:	1/19/2011			AFE #:	2162
	OPERATOR: BURNETT OIL CO., INC	LEASE:		WELL #:	2	ROPERTY #:	
	COUNTY/ST/ Eddy Co., NI LOCATION:		OULLIN	TTLLL	-		
		UNIT M, 940' F	SL. 990' FWI		S. R31E FED	LEASE NML	029415B
	PROSPECT/I LOCO HILLS GLORIETA		D:7200'	-,,		FORMATION:	Yeso
RECOM	MENDATION: DRILL & COMPLETE 7200		ETA YESO)	WELL & FLO	WLINE TO ON	LEASE NEW	·······
INTANGIBLE	COSTS:			<u> </u>	DRILL	COMPL./WO	TOTAL
01	LOCATION COST (Road, survey, damag	es, permit, etc.)			25,000	5,000	30,000
02	RIG MOVE-RIG UP, RIG DOWN			· · · · · · · · · · · · · · · · · · ·	7,500		7,500
03	CONTRACT RATE-FTG/TU	FEET @		PER FOOT			
04	CONTRACT RATE/DAYWC 17	DAYS @	\$9,500	PER DAY	161,500		161,500
05	COMPLETION, WORKOVE 12	DAYS @	\$3,000	PER DAY		36,000	36,000
06	BITS AND STABILIZERS				30,000		30,000
07	FUEL, LUBRICANTS, WAT	12,000 WATE 1	15,000 FUEL		27,000		27,000
08	TRUCKING AND TRANSPORTATION	25,000 WTR H/ 1	5000 CRI HAU	L	40,000		40,000
09	MUD AND CHEMICALS				7,000		7,000
10	PRIMARY CEMENTING (Incl. Equip.), Sr	fc BCP, Prod A			25,000	70,000	95,000
	SQUEEZE CEMENTING						
11	CORING AND CORE ANALYSIS						
12	MUD LOGGING 14	t 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 LOO					18,000	18,000
16	CASING CREWS, TONGS, HANDLING				5,000	8,000	
17	EQUIPMENT RENTALS	8,500 SOL SE	Ρ.		13,500		18,500
18	MISCELLANEOUS LABOR				5,000	5,000	10,000
19	ACID, FRAC, SAND CONTI 4 fracs @ 16	5000				660,000	660,000
20	BHP, OTHER PRODUCTION TESTING						·
21	DIRECTIONAL DRILLING	-				<u> </u>	
22	FISHING TOOLS AND SERVICES						
23		<u>7 days @</u>	1,100	per day	18,700		23,700
24	OPERATING OVERHEAD				3,000		
25	OTHER / CONTINGENCIES				8,000		
26	PLUGGING EXPENSE		<u> </u>	1011 BIL 41.01	10,000	-10,000	0
27	INSURANCE						
	LING AND COMPLETION INTANGIBLE	COSTS:	······		417,400	810,000	
TANGIBLE O		(FEET/SIZE ((WEIGHT(S))	(GRADE)	· · · · · · · · · · · · · · · · · · ·	810,000	<u>XXXXXXXX</u>
50	CASING, DRIVE / CONDUCTOR						
51	CASING, SURFACE 750	750' 10 3/4"	32.75#	\$24.73	18,547		18,547
52	CASING / INTERMEDIATE		1				
53	CASING, PRODUC & RYTV 7200	5500' 23# 7" 🗸	1700' 26# &" 、	. \$21.78	-	156,810	156,810

547 810 54 CASING, LINER / HANGER 55 TUBING 7000' 2 7/8" 6.5# J55 42,665 42.665 7000 \$6.10 7000 3/4", 7/8", 1 56 RODS 31,500 31,500 7000 \$4.50 6,500 7,000 60 SUBSURFACE PRODUCTION EQUIPMENT 6,500 65 CHRISTMAS TREE, WELL HEAD EQUIPMENT 1,500 5,500 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: ALC: NO 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. MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT 94,000 94,000 74 فنيقاده 75 INSTALLATION COSTS . الأفاقية فيعلمهم 76 SUPERVISION 77 OTHER TOTAL LEASE EQUIPMENT COSTS: 114,000 114,000 TOTAL WELL COST: \$1,604,422 TOTAL DRY HOLE COST: \$437,417 1,166,975 1,604,422 437,447 PREPARED I MCS/MAJ BUDGET /QT 2011/1st

APPROVED BY BURNETT OIL CO., INC. SIGNATURE POLLARD, PRESIDEN WILLIAM D.

DATE: 2

APPROVED- JOINT INTEREST

COMPANY:	
NAME:	 a
DATE:	

חלחלת

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 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

BURNETT PLAZA - SUITE 1500 801 CHERRY STREET - UNIT #9

BURNETT OIL CO., INC.

FORT WORTH, TX 76102-6881 (817) 332-5108

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
1. Article Addressed to:	D. Is delivery address different from item 1? If YES; enter delivery address below: No
COG Operating LLC Attn: Stuart A. Dirks; Senior Landman Fasken Center, Tower II	
550 West Texas Ävenue, Suite 100 Midland, Texas 79701	3. Service Type
	4. Restricted Delivery? (Extra Fee)
2. Article Number (Transfer from service label) 7008 05	00 0000 7856 2123
PS Form 3811, February 2004 Domestic Retu	in Receipt 102595-02-M-1540

•

.

1

· .

е 575 9	(Domestic Mail O	DMAIL: RE	Coverage Provided).	
ப				
9 7	Postage	\$	1 st	
0	Certified Fee		18	
	Return Receipt Fee_		Postmark	:
	(Endorsement Required)		Here	4
	Restricted Delivery Fee (Endorsement Required)			1
20	Total Postana & Face	¢		: .
	Sent To COG Ope	rating LLC		:
800	Attn: Stu	iart A. Dirks, Sen	ior Landman.	
20	Street, Eackon (enter Tower II.		
	City, St. 550 Wes	st Texas Avenue,	Suite 100	
	Pstor Midland	, Texas 79701	reliens	

.

· ,

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

AUTHORITY	FOR EXPENDITURE- COST	ESTIMATE		
DATE:	1/19/2011	-	AFE #: 2	160
OPERATOR: BURNETT OIL CO., INC LEASE:	PARTITION FED WELL #:	1	PROPERTY #:	
	ct 13, T17S, R31E			
PER BLM: UNIT M, 430' F	SL, 430' FWL, Sec 13, T17S, R	30E FED LEASE	ENMLC029415A	
PROSPECT/FIELD LOCO HILLS GLORIETA YESO	TD:7200'		FORMATION:	Yeso
RECOMMENDATION: DRILL & COMPLETE 7200' FREN (GLORIETA)	(ESO) WELL & FLOWLINE TO	ON LEASE NE	W TANK BATTE	RY
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	7,000		7,000
04 CONTRACT RATE/DAYWORK DAYS @	\$9,500 PER DAY	161,500		161,500
05 COMPLETION, WORKOVER UNIT 12 DAYS @	\$3,000 PER DAY	101,000	36,000	36,000
06 BITS AND STABILIZERS		30.000		30,000
07 FUEL, LUBRICANTS, WATER 12,000 WATER	15 000 EUEI	27,000		27,000
	15000 CRI HAUL	40,000		40,000
09 MUD AND CHEMICALS		7,000		7,000
10 PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, Prod ACP		25,000		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 SEF	>	13,500		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		an de la compañía		
21 DIRECTIONAL DRILLING	1			
22 FISHING TOOLS AND SERVICES				
23 SUPERVISION 17 days @	1,100 per day	18,700	5,000	23,700
24 OPERATING OVERHEAD		3,000		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		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 & RYTWRAP 7200 5500' 23# 7" J	1700' 26# &" 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
			6,500	6,500
65 CHRISTMAS TREE, WELL HEAD EQUIPMENT		1,500		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:	undrensensensensensensensensensensensensense			
69 TANKS, HEATERS, TREATING FACILITIES			129 000	
70 GAS PROCESSING EQUIPMENT			128,000	128,000
71 FLOW LINE AND INSTALLATION			20,000	20,000
72 PERM. IMPROVEMENTS (GATES, FENCES, ETC.)	1		20,000	20,000
73 PUMPING UNIT, GAS LIFT, ETC.	·····		94,000	94,000
74 MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT			85,000	85.000
75 INSTALLATION COSTS	1		15,000	15,000
76 SUPERVISION				
77 OTHER			2,000	2,000
TOTAL LEASE EQUIPMENT COSTS:			344,000	344,000
The second s	an isan manana masa ara ara	407 447	1	1,834,422
TOTAL WELL COST: \$1,834,422 TOTAL DRY HOLE COST: \$437,417 PREPARED B	(MCS/MA I	437,447 BUDGET /QTR		1,034,422
TUTAL DRT HULE COST: <u>3437,417</u> PREPARED B			., AVII/131	

APPROVED BY BURNETT OIL CO., INC Ø WILLIAM D. POLLARD, PRESIDENT 2/2 DATE:_ μ

APPROVED- JOINT INTEREST COMPANY:

COMPAN	NT	 	
NAME:		 	
DATE:			

// n// n// n

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 atotal 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,

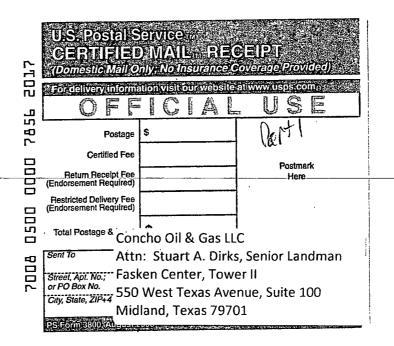
(und, Imp

David S. Rhodes Land Manager

BURNETT OIL CO., INC.

FORT WORTH, TX 76102-6881 (817) 332-5108

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. 	A Signature X GT GT Addressee
Attach this card to the back of the mailpiece, or on the front if space permits.	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	.3. Service Type
550 West Texas Avenue, Suite 100	Certified Mail
Midland, Texas 79701	Registered Return Receipt for Merchandise
	4. Restricted Delivery? (Extra Fee)
2. Artičle Number (Transfer from service label) 7008 05	00 0000 7856 2017
PS Form 3811, February 2004	um Receipt



BURNETT OIL CO., INC.

AUTHORITY FOR EXPENDITURE- COST ESTIMATE

2002	******	TOTAL DRY HOLE COST	: <u>\$437,417</u>	PREPARED BY N		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	BUDGET /QTR	: 2011/1st	
i		TOTAL WELL COST					437,447		1,834,422
2.222	57 K.K.K.				4	<u></u>	a walio la numero care	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
		LEASE EQUIPMENT COSTS:				191 <u></u>	· · · · · · · · · · · · · · · · · · ·	344,000	344,000
	77	OTHER						2,000	2,000
	76	SUPERVISION						10,000	10,000
	75	INSTALLATION COSTS	NGO, SAFET					15,000	15,000
	73 _. 74	PUMPING UNIT, GAS LIFT, ETC. MISCELLANEOUS VALVES, FITTI	NGS SAFET					94,000 85,000	94,000 85,000
	72	PERM. IMPROVEMENTS (GATES	, FENCES, E	<u>IC.)</u>				04.000	04.000
	71	FLOW LINE AND INSTALLATION			1			20,000	20,000
	70	GAS PROCESSING EQUIPMENT			1				
	<u>69</u>	TANKS, HEATERS, TREATING FA	ULTHES		1			128,000	128,000
		EQUIPMENT COSTS:	CILITIES					122.000	100.000
27323	ternane		69/18.1011199/1111						
TO	TAL	DRILLING AND COMPLETION CO	STS:				437,447	1,052,975	1,490,422
	JIAL	DRILLING AND COMPLETION TAI	NGIBLE COS	19:			20,047	242,975	263,022
	65	CHRISTMAS TREE, WELL HEAD		76.	1		1,500		7,000
		SUBSURFACE PRODUCTION EQU						6,500	6,500
	50 60	RODS		7000 3	/4", 7/8", 1"	\$4.50		31,500	31,500
	55 56	TUBING	7000		6.5# J55	\$6.10		42,665	42,665
	55	CASING, LINER / HANGER	7000	7000' 2 7/8"	6 5# 155		de los 11 . Calero	42.665	40.605
	53 54	CASING, PRODUC & RYTWRAP	/200	5500' 23# 7" J	1700' 26# &" J	\$21.78		156,810	100,010
	52 53	CASING / INTERMEDIATE	7200	EE001 00# 711 1	47001 20# 811 1	604 70	<u></u>		156.810
	51 52		750	750' 10 3/4"	32.75#	\$24.73	18,547		18,547
	50	CASING, DRIVE / CONDUCTOR	750	7601 40 014	00.754	#04 =0	10 - 1-		
		BLE COSTS:		(FEET/SIZE OD (WEIGHT(S)	(GRADE)			<u> </u>
*******	******		SOUTH ACCOUNT					010,000	
		DRILLING AND COMPLETION INTA		STS.			417,400	810,000	1,227,400
	20	INSURANCE					10,000	-10,000	0
	26	PLUGGING EXPENSE					10,000	-10,000	10,000
	25	OTHER / CONTINGENCIES		······································			8,000		16,000
	24	OPERATING OVERHEAD			, io		3,000		3,000
	23	SUPERVISION		17 days @	1 10	0 per day	18,700	5,000	23,700
	22	FISHING TOOLS AND SERVICES			1			, and representation in the second of	
	21	DIRECTIONAL DRILLING	انگ				erorosine normerazio		
1	20	BHP, OTHER PRODUCTION TEST							
-			4 fracs @ 16	5000				660,000	660,000
	18	MISCELLANEOUS LABOR					5,000	5,000	10,000
1		EQUIPMENT RENTALS		8,500 SOL SEP			13,500	5,000	18,500
	16	CASING CREWS, TONGS, HANDL	ING TOOLS				5,000	8,000	· 13,000
	15	PERFORATING AND CASED HOLI						18,000	18,000
	14	OPEN HOLE LOGGING					20,000		20,000
	13	DRILL STEM TESTING			L				
	12	MUD LOGGING		14 days @	800) per day	11,200		11,200
		CORING AND CORE ANALYSIS		44 4000 0					
	11	SQUEEZE CEMENTING							
	10						25,000	70,000	95,000
	10	PRIMARY CEMENTING (Incl. Equip) Sefe BOD	Prod ACP		•	7,000	70.000	7,000
	09	MUD AND CHEMICALS		20,000 WIR HAU 1	JUUU GRI HAUL		40,000		40,000
	08	TRUCKING AND TRANSPORTATIO	<u> </u>	12,000 WATER 1 25,000 WTR HAU 1			27,000		27,000
	07	FUEL, LUBRICANTS, WATER		12 000 WATED 4			30,000		30,000
4	06	BITS AND STABILIZERS		DATO	\$3,000			36,000	36,000
	05	COMPLETION, WORKOVER UNIT	12	DAYS @		PER DAT	101,500	36.000	
	04-	CONTRACT RATE/DAYWORK	17	DAYS @	\$9,500	PER DAY	161,500		161,500
	03	CONTRACT RATE-FTG/TURNKEY		FEET @		PER FOOT	7,500		1,500
	02	RIG MOVE-RIG UP, RIG DOWN				·····	7,500	5,000	7,500
	01	LOCATION COST (Road, survey, da	amages perm	nit. etc.)			25,000	5,000	30,000
INT	TANC	SIBLE COSTS:	erene medinisti etetata a a ala biologia erapaida.	annan a george a state bigger a suid das state distances and die bei			DRILL	COMPL./WO	TOTAL
1	RE	COMMENDATION: DRILL & COMP	LETE 7200' F	REN (GLORIETA YE	<u>SO) WELL & F</u>	LOWLINE TO	ON LEASE NE	W TANK BATTE	RY.
1		PROSPECT/FIELD LOCO HILLS (D:7200'			FORMATION:	Yeso
i î			PER BLM:	UNIT M, 430' FSL		c 13, T17S, R	BUE FED LEASE		.,
1.		COUNTY/STATE: Eddy Co., NM	LOCATION		13, T17S, R31	E			
		OPERATOR: BURNETT OIL C			ARTITION FEE		1	PROPERTY #:	
				DATE:	1/19/2011			AFE #:	2160
						UKE- COST 1	ESTIMATE		
				AUTHORITY FO	IN RYPENIN''	HDE. CASTI	ESTIMATE		

APPROVED BY BURNETT OIL CO., INC SIGNATURE Л WILLIAM D. POLLARD, PRESIDENT 2 DATE:

APPROVED- JOINT INTEREST COMPANY:_

		 	-
NAME:	 	 	
TITLE:			
DATE:			