

RSC Resources, L.P.

AUTHORITY FOR EXPENDITURE ESTIMATED WORKOVER COSTS

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|---|--|--|
| OPERATOR Guardian Operating Corp. | AFE # 1 | DATE 9/29/2012 |
| WELL NAME AND NUMBER Guitar 10 #1 | FIELD OR PROSPECT Malaga | |
| LOCATION 660' FNL & 2310' FEL | SECTION 10 | TWSHP 24S |
| PROJECT DESCRIPTION AND LOCATION Re-enter the Guitar 10 #1 to the Wolfcamp, fracture stimulate | 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 | | \$25,000 | \$25,000 |
| Cased Hole logging, Perforating | | \$20,000 | \$20,000 |
| 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 | | \$90,000 | \$90,000 |
| Environmental Charges | | \$3,000 | \$3,000 |
| Stimulation Treatment | | \$300,000 | \$300,000 |
| Frac Tank Rentals, trucking | | \$25,000 | \$25,000 |
| Miscellaneous Costs, Tax and Contingencies | | \$100,000 | \$100,000 |
| TOTAL INTANGIBLES | | \$898,000 | \$898,000 |

| TANGIBLES (155 Accounts) | | | | | | | COMPLETION | TOTAL |
|--|---------|--------|--------|-------|----------|--|--------------------|--------------------|
| CASING | FOOTAGE | SIZE | WEIGHT | GRADE | COST/FT | | | |
| Conductor | | | | | \$ - | | | |
| Surface | | | | | \$ 35.00 | | | |
| Surface | | | | | \$ - | | | |
| Intermediate | 9600 | 7 5/8" | 39# | S95 | \$ 28.00 | | \$268,800 | \$268,800 |
| Intermediate | | | | | \$ - | | | |
| Liner | | | | | \$ 28.00 | | | |
| Production | | | | | \$ 16.00 | | | |
| 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) | | | | | | | \$20,000 | \$20,000 |
| Gas Lift Equipment | | | | | | | \$25,000 | \$25,000 |
| Flowlines | | | | | | | \$2,000 | \$2,000 |
| Tanks | | | | | | | \$70,000 | \$70,000 |
| Sales Line Equipment | | | | | | | \$5,000 | \$5,000 |
| 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 | | | | | | | \$600,800 | \$600,800 |
| TOTAL WELL COSTS | | | | | | | \$1,498,800 | \$1,498,800 |
| ESTIMATED PROJECT COST | | | | | | | \$1,498,800 | \$1,498,800 |

| | | |
|-----------------------------|------------------|--------------------------|
| Guardian Operating | | Guardian Operating Corp. |
| | | \$1,498,800 |
| | | BY: Randall Cate |
| JOINT INTEREST SHARE | | |
| COMPANY NAME/OWNER | Signature | DATE |
| | BY: | |
| | | |