

Exhibit 12

STATE "AW" DEVELOPMENT PROPOSALS

- (1) Drill Wolfcamp-Pennsylvanian Dual.
- (2) Drill single well to combined Wolfcamp-Pennsylvanian zones.
- (3) Dually complete State "AW" #2 as proposed.
- (4) Dually complete State "AW" #2 to combined Wolfcamp-Pennsylvanian zones.

	<u>Proposals</u>			
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Gross Oil Recovery - Barrels	77,680	77,680	46,600	77,680
Net Oil Recovery - Barrels	67,970	67,970	40,775	67,970
Gross Earnings @ 2.83/Net Bbl.	\$191,563	\$191,563	115,393	191,563
Operating Expense	40,782	33,985	20,388	33,985
Tax Expense @ .16/Net Bbl.	10,875	10,875	6,524	10,875
Net Earnings	139,906	146,703	88,481	146,703
Development Expense	275,709	213,814	23,709	23,709
Net Earnings Less Development Expense	<u>\$135,803</u> (Loss)	<u>\$ 67,111</u> (Loss)	64,772	122,994

Expense data:

Cost to D&E Pennsylvanian well	\$213,814
Cost to D&E Wolfcamp-Pennsylvanian dual	275,709
Cost to dually complete State "AW" #2	23,709