



November 27, 2012

VIA E Mail : elidiolgonzales@state.nm.us

State of New Mexico
1625 N. French Dr.
Hobbs NM. 88240

ATTN: EL. Gonzales

**RE: Mesa Queen # 20
Lea County NM.**

**Estimate for AFE purposes only : \$ 33,250.00
One day of drilling**

Prices are subject to change after P&A procedure begins if problems arise during plugging procedure. This estimate is for AFE purposes only and does not include any additional charges that may occur due to changes in the P&A procedure. All clearing and building of roads and locations are the responsibility of the Operator.

Effective January 1, 2011, the oil company will be responsible for furnishing the BOP due to liabilities and upcoming Federal and State laws requiring BOPs to be tested after every well.

All fresh and brine water will be furnished by State of New Mexico

Any drilling that has to be done will be at Company's own expense. Also, a 2 7/8 Workstring will have to be furnished for drilling.

Services includes , pumps & cement equipment. Basic Energy will provide Wireline services per cost. (CIBP, perforating, cutting, etc.)

Estimate good for 90 days from November 27,2012.

All fluids "hauled off" will be charged to State of New Mexico. Disposal will be furnished by State of New Mexico.

State of New Mexico. will furnish their own flow pit according to the O.C.D. & B.L.M. rules & regulations. Basic Energy Services will furnish the split frac tank for all M.L.F.

If any changes are made in the field by the B.L.M., O.C.D. or Texas Railroad Commission, additional charges will be incurred.

In Texas, it is required that the oil company is to provide a company representative on location while cementing.

This Estimate is based on information furnished to Basic Energy by your company. In the event operations are delayed or restricted because of unknown wellbore conditions or changes beyond our control to original approved regulatory form, charges will revert to standard hourly rates until such problems are corrected. In the event that this occurs, your company representative will be notified. As of March 01, 2003, all anchors must have been tested within the last two years. If a Basic Energy Services flow pit is used to circulate into, it will be cleaned at Customer's expense.

***** Due to shortage Water Truck availability, any "unforeseen" downtime, due to waiting on Water Trucks, will be charged at regular rig rate.**

Thank you for this opportunity to furnish your plugging and abandonment needs.

Sincerely,

Gary Eggleston,
P&A Field Superintendent