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# BAYHORSE PETROLEUM, LLC

Cause No. 252, Docket No. 0909-UP-21

## Land Testimony

Left Hand Field  
Kiowa County, CO  
Cause No. 252  
Docket No. 0909-UP-21  
Bayhorse Petroleum, LLC  
Compulsory Pooling Application  
Township 18 South, Range 47 West, 6<sup>th</sup> P.M.  
Section 28: W/2 NE/4  
Marmaton Formation

September, 2009 Colorado Oil and Gas Conservation Commission Hearing

My name is Larry F. Manikowski, and I am currently the Vice President & CFO for Bayhorse Petroleum, LLC. I have a Bachelor's degree in both Finance and Accounting from Northern Illinois University that I received in 1979. I have handled the majority of land work for Bayhorse for the past 3 ½ years, and have worked on the properties that are the subject of this application for the last 4 months. My resume is attached.

In support of our application today, I have prepared five (5) exhibits. The exhibits are attached to my sworn testimony and form the basis for our application to obtain an order to pool all non-consenting interests in the applied for 80-acre spacing unit under Docket No. 0909-SP-22, located in T18S, R47W, 6<sup>th</sup> P.M., Section 28: W/2 NE/4, Kiowa County, Colorado.

### **Exhibit A. Well Location Plat.**

Exhibit A is a well location plat showing the location of the Trade Winds 1-28 Well in the W/2 NE/4 of Section 28, T18S, R47W, 6<sup>th</sup> P.M., Kiowa County, Colorado. The plat also depicts the affected lands and the outlined (10) 80-acre proposed locations within the Left Hand Field, the distance between the proposed well and other wells, and producing formations with dates and volumes in other nearby wells.

**Exhibit B. – Land Map.**

Exhibit B is a Land Map depicting the affected lands and the outlined (10) 80-acre proposed locations within the Left Hand Field, showing the mineral, leasehold and surface ownership groupings, and the proposed location with distance to the lease line and offsetting spacing units.

**Exhibit C. List of Consenting and Non-Consenting Parties.**

Exhibit C is a list of all consenting and non-consenting parties within this spacing unit. This list reflects that Bayhorse has over 89% of the unit leased but that there are five (5) unleased, non-consenting interests located within this unit which are subject to this compulsory pooling action.

**Exhibit D. Election Letters and Offer to Lease.**

Exhibit D is the form of the letter that was sent to all non-consenting owners advising them of their rights to either execute a lease or participate in the proposed operations within the subject spacing unit. This letter is dated August 4, 2009 and offers to the owner the right to either participate in the drilling of the well or to execute an oil and gas lease on what I believe are very favorable terms. The letter also advises the recipient that if they refuse to either participate in the well or execute an oil and gas lease, that Bayhorse will file with the Colorado Oil and Gas Conservation Commission to involuntarily pool all unleased mineral interests and working interests who refuse to participate. Also attached to Exhibit D is a copy of the online USPS delivery receipt for each of those, evidencing that the letter was received. All non-consenting owners listed on Exhibit C received a letter similar to the form attached in Exhibit C more than thirty (30) days prior to the date of the Commission hearing. I have also included the five (5) actual Offers to Lease for each unleased mineral interest owner.

**Exhibit E. Copy of Authority for Expenditure.**

Attached hereto as Exhibit E is a copy of an Authority for Expenditure that was sent by Bayhorse to each of the non-consenting working interest owners and non-consenting unleased mineral interest owners. This AFE is a fair and reasonable estimate of the costs of the proposed drilling operation. Each non-consenting working interest owner or non-consenting unleased mineral interest owner also received a copy of this AFE.

Based upon our examination of relevant contracts and records, and under my direction and control, all of the working interest owners and unleased mineral owners are listed on Exhibit C attached to this Application and have therefore received notice of this Application. Moreover, the consenting parties were also provided a copy of the Application and their names are also listed on such exhibit. We have not received any notice of objection or protest to this Application.

In accordance with the provisions of Rule 530 of the Rules and Regulation of the Colorado Oil and Gas Conservation Commission, at least 30 days has elapsed since written notice has been provided to the interested parties. Moreover, based upon my experience in leasing in Kiowa County, CO, I believe that a reasonable offer to lease has been tendered under Section 34-60-116(7)(d), C.R.S. Finally, all the matters itemized in Rule 530a have been provided to the interested parties.

I, Larry F. Manikowski, affirm the foregoing testimony and exhibits attached hereto, and further state that the same are true and correct to the best of my knowledge and belief and were prepared by me or under my control.

Dated this 6<sup>th</sup> day of September, 2009.

  
\_\_\_\_\_  
Larry F. Manikowski  
Vice President & CFO



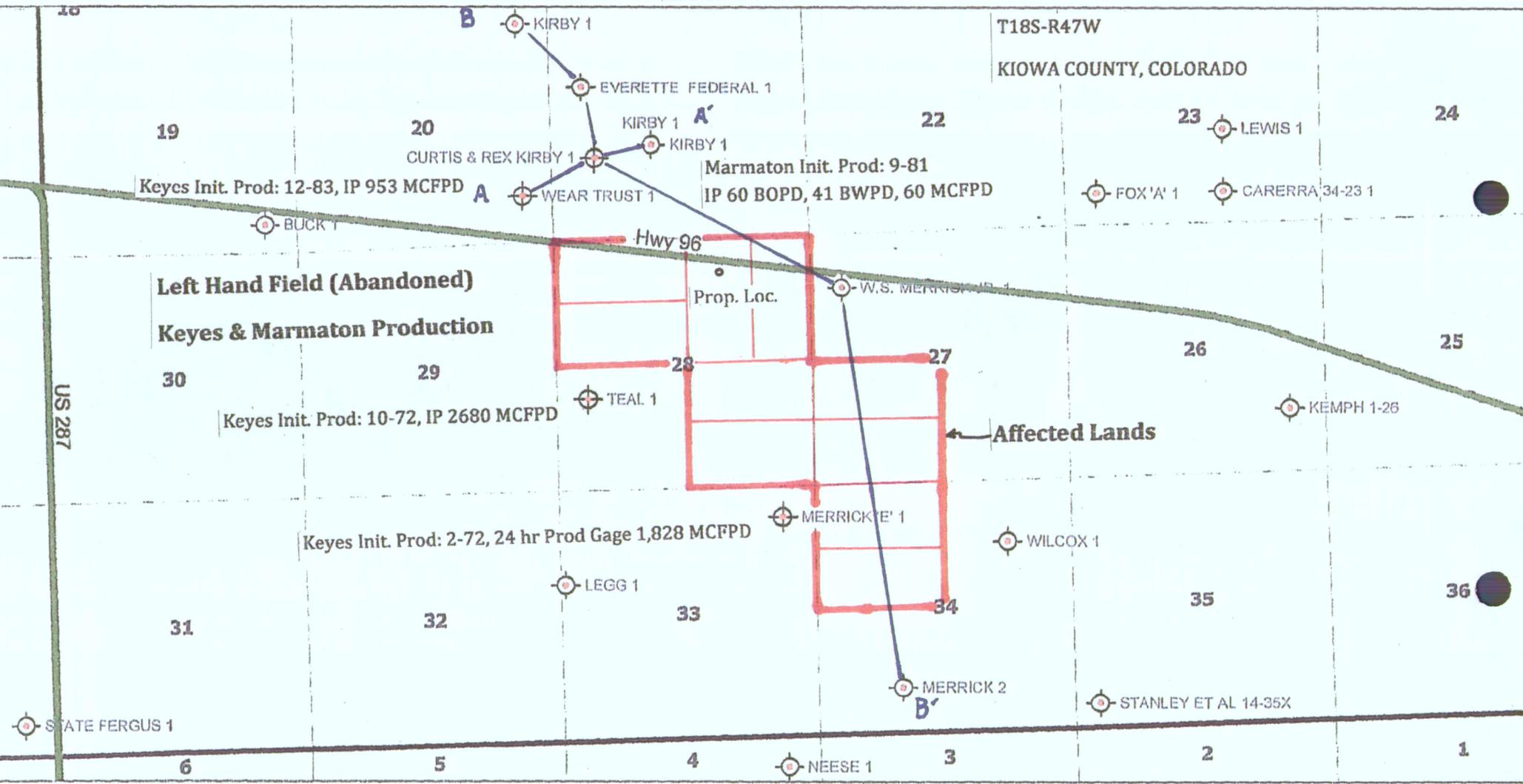
BAYHORSE PETROLEUM, LLC

## Resume

### Larry F. Manikowski – Vice President & CFO

Mr. Manikowski's executive management and experience in finance and accounting in the cable, broadcast, high-tech engineering and manufacturing industries covers more than 30 years. He has experience in startups, company turnaround situations, cash flow management, restructuring and consolidation, budgeting, forecasting, management and controls, computer systems design and implementation, divisional controllership management and manufacturing systems. Mr. Manikowski holds a Bachelor of Science degree in Accounting & Finance from Northern Illinois University. He has also handled the majority of land work for Bayhorse for the past 3 ½ years.

# LOCATION MAP



SCALE 1 : 46,692

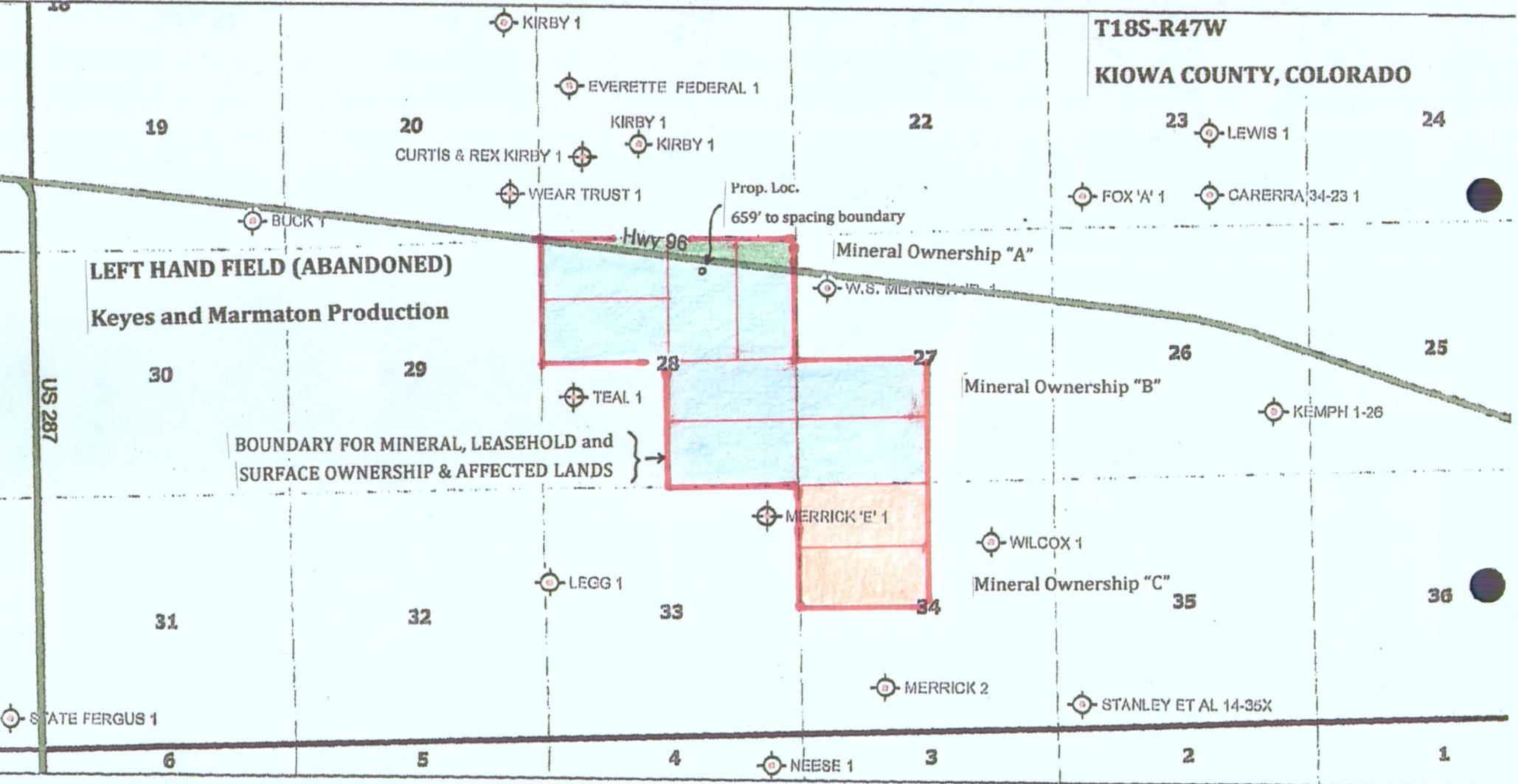


EXHIBIT A

# LAND MAP

T18S-R47W

KIOWA COUNTY, COLORADO



**LEFT HAND FIELD (ABANDONED)**  
**Keys and Marmaton Production**

BOUNDARY FOR MINERAL, LEASEHOLD and  
SURFACE OWNERSHIP & AFFECTED LANDS

Mineral Ownership "A"

Mineral Ownership "B"

Mineral Ownership "C"

SCALE 1 : 46,692



**EXHIBIT B**

**Land Testimony**  
**Exhibit C.**  
**List of Consenting and Non-Consenting Parties**

Left Hand Field  
Kiowa County, CO  
Cause No. 252  
Docket No. 0909-UP-21  
Bayhorse Petroleum, LLC  
Compulsory Pooling Application  
Township 18 South, Range 47 West, 6<sup>th</sup> P.M.  
Section 28: W/2 NE/4  
Marmaton Formation

**Consenting and/or Leased:**

Marty L. & Betsy A. Barnett  
PO Box 216  
1104 Luther  
Eads, CO 81036-0216

Leonard M. Davis  
1505 Flynn Lane  
Dillon, MT 59725

T. T. Teal & Mina Loy Teal, trustees of the  
T. T. Teal and Mina Loy Teal Living Trust  
PO Box 1015  
Clarksville, AR 72830

Helen M. Koch  
3039 B ½ Road  
Grand Junction, CO 81503

Stephen C. & Emily D. Hudkins  
105 Legend Hills Blvd.  
Llano, TX 78643

Glenn Lee & Phyllis G. Hunter  
7730 Sea Crest Way N.  
Noblesville, IN 46062-9098

Brett D. Nigh  
Trustee of the Nigh Revocable Trust  
701 Countrywood Ct.  
Noblesville, IN 46060

J. Ewing Walker Investment Company, L.L.C.  
J. Ewing Walker, Jr., Manager  
3916 Woodhead Street  
Houston, TX 77098-2816

Merco of Oklahoma, Inc.  
Ross M. Coe, Vice President  
PO Box 18607  
Oklahoma City, OK 73154

Vicki McCurry Cameron  
1671 FM 3288 E.  
Jacksonville, TX 75766

Patti McCurry Stepp (Patricia Louise)  
PO Box 755  
362 County Rd #3792  
Cleveland, TX 77328

Julia McCurry  
205 Turner Ave. #B105  
Shelton, WA 98584

Janna Elizabeth McCurry & Clell Wayne Bailey  
8457 Graystone Loop NW  
Silverdale, WA 98383

Laura D. Sanders & Gary F. Moore  
119 Kani Lane  
Bastrop, TX 78602

Charles Earl & Linda Sweatt  
1512 Cimarron Avenue  
Odessa, TX 79761

Eloise Kathleen McRee Buck  
900 Westway St.  
Denton, TX 76201

Mary Sweatt Degan  
2799 Scarlet Road  
Germantown, TN 38139

Sandy S. & Ronald W. Selph  
10407 N. 47<sup>th</sup> Drive  
Glendale, AZ 85302

FOG, LLC  
PO Box 18188  
3024 Middlesex Dr.  
Oklahoma City, OK 73154

Philip C. & Joanna B. Neilson  
500 Hardy Drive  
Edmond, OK 73013-5103

Mark & Julia McCurry  
PO Box 111  
503 NW H Street  
Stigler, OK 74462

Walker B. Comegys, Jr. Family LLC  
1401 Holliday Street, Suite 316  
Wichita Falls, TX 76301-7145

Troy L. & Barbara Davis  
% Rafter T Ranch LLC  
26351 N Hwy 281  
Stephenville, TX 76401

Randy T. Wright  
Aka Randy T. Andrews  
4 Harbor Road  
Dayton, NV 89403

Gary Mac & Loretta K. Dryden  
1600 Elver Road  
Canyon, TX 79015

Van Edward Dryden  
2116 S Polk St  
Amarillo, TX 79109-2652

Michael Victor & Dorothy R. McRee  
263 NW Colquitt Way  
Lake City, FL 32055-4853

**Non-Consenting and/or Unleased:**

Frank W. Bunnell Trust  
% Shannon Eckols, Trust Asset Manager  
Wells Fargo Trust OGM Regional Office  
750 E. Mulberry, Suite 402  
San Antonio, TX 78212

Brockton M. Bunnell Trust  
% Shannon Eckols, Trust Asset Manager  
Wells Fargo Trust OGM Regional Office  
750 E. Mulberry, Suite 402  
San Antonio, TX 78212

Shelly D. Bunnell Trust  
% Shannon Eckols, Trust Asset Manager  
Wells Fargo Trust OGM Regional Office  
750 E. Mulberry, Suite 402  
San Antonio, TX 78212

Mildred D. Richard Estate  
% Nancy Richard Greer, Executor  
5813 N. Barnes Ave.  
Oklahoma City, OK 73112-7320

Jones-Daube Mineral Company  
% Pattie Wilcox  
PO Box 1169  
Duncan, OK 73534-1169



BAYHORSE PETROLEUM, LLC

2558 E. Portsmouth Ave.

Salt Lake City, UT 84121-5627

(801) 913-1640

**Land Testimony  
Exhibit D.  
Election Letters and Offer to Lease.**

Left Hand Field  
Kiowa County, CO  
Cause No. 252  
Docket No. 0909-UP-21  
Bayhorse Petroleum, LLC  
Compulsory Pooling Application  
Township 18 South, Range 47 West, 6<sup>th</sup> P.M.  
Section 28: W/2 NE/4  
Marmaton Formation

August 4, 2009

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Well Name – Trade Winds 1-28  
W/2 NE/4 Section 28, T18S-R47W  
Kiowa County, CO

Dear \_\_\_\_\_,

It is our understanding that you own a mineral interest in lands described above and as follows: W/2 NE/4 Section 28, T18S-R47W, Kiowa County, CO. Within these lands you own a XX% interest in the minerals in 80.00 surface acres.

We also understand that you were not interested in granting an oil and gas lease of the Estate's mineral interest to Bayhorse Petroleum under the terms last offered by mail dated \_\_\_\_\_, 2009. Bayhorse Petroleum is preparing to drill a Marmaton Formation test well, the Trade Winds 1-28, in the W/2 NE/4 of Section 28, T18S-R47W, and intends to pool all of its leases within this drilling and spacing unit.

You have several options in this matter, as outlined below:

1. You may lease to Bayhorse Petroleum under the terms last offered to you. A copy of that proposal is attached hereto. If you wish to lease, please contact me at (801) 913-1640 as soon as possible. This option would enable you to receive the bonus, and royalty set forth in the lease.
2. You may join in the well as a working interest partner by paying your percent (%) of the drilling, completion, equipping and tie-in costs (actual costs) and your share of the operating costs. If you wish to be a working interest owner in the well and pay your share of the costs set out above, please sign and return the enclosed "Authority for Expenditure" ("AFE"). Bayhorse Petroleum will then mail you an Acquisition & Exploration Agreement, including an Operating Agreement for your signature.
3. You may elect to be a working interest owner but elect not to pay your costs set out in paragraph 2. above, request an Acquisition & Exploration Agreement, including an Operating Agreement, execute the Agreements, commit your acreage to the well, but become a non-consenting party as to the drilling, completing, equipping and tie-in of the well subject to the contractual non-consent penalties, under the terms of Article VI. B2. of the Operating Agreement. If you choose this option, please sign in the appropriate space at the end of this letter. Bayhorse Petroleum will mail you an Acquisition & Exploration Agreement, including an Operating Agreement for your signature and return.
4. You may, of course, do nothing. If you choose this option, Bayhorse Petroleum will request that the Colorado Oil and Gas Conservation Commission ("COGCC") compulsorily pool your interest into the well and the spacing unit. You will receive notice of any application filed by Bayhorse Petroleum in this regard.

This is not a legal opinion, however, it is Bayhorse Petroleum's position that if you are force pooled pursuant to COGCC rules and regulations you should be aware that the production obtained from the drilling unit shall be allocated to each owner in the unit on the basis of the proportion that the number of acres in such tract bears to the total number of mineral acres within each drilling unit. Each owner of an interest in each drilling unit shall be entitled to receive his/her share of the production of the well located on each drilling unit applicable to his interest in each drilling unit. If you are deemed to have elected not to participate, you shall therefore be deemed to be non-consenting as to the well(s) at issue and be subject to the penalties as provided for by Rule 34-60-116 (7), C.R.S.

The offer to lease your acreage under the above terms, as set out in paragraph 1. above, or to allow you to commit your acreage under the Acquisition & Exploration Agreement, including the Operating Agreement by paying your share of the costs or going non-consent shall only remain open until 30 days after the date of this letter or September 3, 2009.

Should you have questions or comments, please do not hesitate to contact me at (801) 913-1640. Thank you for your consideration and attention to this matter.

Sincerely,

Larry F. Manikowski  
Vice President & CFO/COO  
Bayhorse Petroleum, LLC  
(801) 913-1640 cell

Re: Well Name – Trade Winds 1-28  
W/2 NE/4 Section 28, T18S-R47W  
Kiowa County, CO

Mineral Ownership:  
XX% interest in the minerals in 80.00 surface acres.

Please check one of the boxes below, sign and return to us in the envelope provided.

\_\_\_\_\_ I elect to lease my mineral interest to Bayhorse Petroleum as set out in paragraph 1. above.

\_\_\_\_\_ I elect to join in an Acquisition & Exploration Agreement, including an Operating Agreement as a consenting party and will pay my costs of the well as set out on the attached AFE.

\_\_\_\_\_ I elect to join in an Acquisition & Exploration Agreement, including an Operating Agreement, however, I hereby elect to be deemed a non-consenting party, as defined therein.

\_\_\_\_\_ I elect not to execute a lease and elect not to participate as a working interest owner.

---

Name \_\_\_\_\_ Date \_\_\_\_\_

---

Enclosures \_\_\_\_\_

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 08/04/2009

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City, State, ZIP+4 *73534*

PS Form 3800, August 2006 See Reverse for Instructions

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Certified Fee	\$2.80
Return Receipt Fee (Endorsement Required)	\$0.00
Restricted Delivery Fee (Endorsement Required)	\$0.00
<b>Total Postage &amp; Fees</b>	<b>\$ 3.85</b>
0010 AUG 08 2009 SALT LAKE CITY UT 84121 HUNWOOD BRANCH Postmark Here 08/04/2009	
Sent To <i>MILWAUKEE D. RICHARD</i>	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
73112	
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#### Detailed Results:

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- Arrival at Unit, August 07, 2009, 7:38 am, SAN ANTONIO, TX 78212
- Acceptance, August 04, 2009, 2:37 pm, SALT LAKE CITY, UT 84121

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<b>Total Postage &amp; Fees</b>	<b>\$ 3.85</b>
Sent To <i>Frank W. Bennell Trust</i> Street, Apt. No.; or PO Box No. City, State, ZIP+4 <i>78212</i>	
PS Form 3800, August 2006 See Reverse for Instructions	



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- **Arrival at Unit, August 07, 2009, 7:38 am, SAN ANTONIO, TX 78212**
- **Acceptance, August 04, 2009, 2:36 pm, SALT LAKE CITY, UT 84121**

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<b>Total Postage &amp; Fees</b>	<b>\$</b>	<b>\$3.85</b>

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 City, State, ZIP+4 *78212*

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Status: **Delivered**

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Detailed Results:

- Delivered, August 07, 2009, 10:13 am, SAN ANTONIO, TX 78212
- Arrival at Unit, August 07, 2009, 7:38 am, SAN ANTONIO, TX 78212
- Acceptance, August 04, 2009, 2:34 pm, SALT LAKE CITY, UT 84121

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SAN ANTONIO, TX 78212																
<table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">Postage</td> <td style="width: 20%;">\$ 1.05</td> <td style="width: 50%;"></td> </tr> <tr> <td>Certified Fee</td> <td>\$ 2.80</td> <td></td> </tr> <tr> <td>Return Receipt Fee (Endorsement Required)</td> <td>\$ 0.00</td> <td></td> </tr> <tr> <td>Restricted Delivery Fee (Endorsement Required)</td> <td>\$ 0.00</td> <td></td> </tr> <tr> <td><b>Total Postage &amp; Fees</b></td> <td><b>\$ 3.85</b></td> <td></td> </tr> </table>	Postage	\$ 1.05		Certified Fee	\$ 2.80		Return Receipt Fee (Endorsement Required)	\$ 0.00		Restricted Delivery Fee (Endorsement Required)	\$ 0.00		<b>Total Postage &amp; Fees</b>	<b>\$ 3.85</b>		<div style="text-align: center;">                 0010                  08                  Postmark Here                  2009                  COTTONWOOD BRANCH                  SALT LAKE CITY, UT 84121             </div>
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Return Receipt Fee (Endorsement Required)	\$ 0.00															
Restricted Delivery Fee (Endorsement Required)	\$ 0.00															
<b>Total Postage &amp; Fees</b>	<b>\$ 3.85</b>															
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Street, Apt. No.; or PO Box No.																
City, State, ZIP+4																
78212																
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See Reverse for Instructions																

7009 0080 0001 1300 1174



BAYHORSE PETROLEUM, LLC

2558 E. Portsmouth Ave.

Salt Lake City, UT 84121-5627

(801) 913-1640

July 19, 2009

Frank W. Bunnell Trust  
% Shannon Eckols, Trust Asset Manager  
Wells Fargo Trust  
750 E. Mulberry, Suite 402  
San Antonio, TX 78212

Dear Mr. Eckols,

We have revised the lease and this offer letter, and also added (2) addendums to the lease to cover a Depth Claus and a Most Favored Nation Clause. Enclosed are two copies of our standard lease; one to be signed, notarized and returned and the other for your records. Our intent is to drill our initial well within the tracts of land on your lease, meaning **your lease acreage is within the initial drill site.**

Bayhorse is offering an above-standard \$25.00 per net mineral acre bonus consideration, with a standard annual rental payment of \$1.00 per acre for a 5 year lease, and an above-standard 3/16<sup>th</sup> royalty interest. It appears that you own 1.743252 acres within the tracts of land as shown in the lease. If all is in order, you may execute the lease with your notarized signature and return the lease in the enclosed stamped, self-addressed envelope. Please check your name, address, etc carefully and fill in data where the X-marks are. Please initial any changes you make.

Also enclosed is an IRS Form W-9. Please fill out and return to us along with the lease.

Bayhorse will mail the bonus consideration check immediately upon receipt of the correctly executed lease.

Please call me at 801-913-1640 if you have any questions. Please leave a message if I am not available and I will get right back to you. Bayhorse is not a speculator. **We do intend on drilling within 2009, hopefully by the summer/fall timeframe.**

Sincerely,

Larry F. Manikowski  
Vice President & CFO/COO  
Bayhorse Petroleum, LLC  
(801) 913-1640 cell  
lfmanski@aol.com



BAYHORSE PETROLEUM, LLC

2558 E. Portsmouth Ave.

Salt Lake City, UT 84121-5627

(801) 913-1640

July 19, 2009

Brockton M. Bunnell Trust  
% Shannon Eckols, Trust Asset Manager  
Wells Fargo Trust  
750 E. Mulberry, Suite 402  
San Antonio, TX 78212

Dear Mr. Eckols,

We have revised the lease and this offer letter, and also added (2) addendums to the lease to cover a Depth Claus and a Most Favored Nation Clause. Enclosed are two copies of our standard lease; one to be signed, notarized and returned and the other for your records. Our intent is to drill our initial well within the tracts of land on your lease, meaning **your lease acreage is within the initial drill site.**

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BAYHORSE PETROLEUM, LLC

2558 E. Portsmouth Ave.

Salt Lake City, UT 84121-5627

(801) 913-1640

July 19, 2009

Shelly D. Bunnell Trust  
% Shannon Eckols, Trust Asset Manager  
Wells Fargo Trust  
750 E. Mulberry, Suite 402  
San Antonio, TX 78212

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Bayhorse is offering an above-standard \$25.00 per net mineral acre bonus consideration, with a standard annual rental payment of \$1.00 per acre for a 5 year lease, and an above-standard 3/16<sup>th</sup> royalty interest. It appears that you own 1.743252 acres within the tracts of land as shown in the lease. If all is in order, you may execute the lease with your notarized signature and return the lease in the enclosed stamped, self-addressed envelope. Please check your name, address, etc carefully and fill in data where the X-marks are. Please initial any changes you make.

Also enclosed is an IRS Form W-9. Please fill out and return to us along with the lease.

Bayhorse will mail the bonus consideration check immediately upon receipt of the correctly executed lease.

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Sincerely,

Larry F. Manikowski  
Vice President & CFO/COO  
Bayhorse Petroleum, LLC  
(801) 913-1640 cell  
lfmanski@aol.com



BAYHORSE PETROLEUM, LLC

2558 E. Portsmouth Ave.

Salt Lake City, UT 84121-5627

(801) 913-1640

July 29, 2009

Mildred D. Richard Estate  
% Nancy Richard Greer, Executor  
5813 N. Barnes Ave.  
Oklahoma City, OK 73112-7320  
(405) 879-3347

Dear Mrs. Greer,

This letter regards Bayhorse Petroleum's interest in leasing your oil and gas mineral rights in Kiowa County, Colorado. **We have increased our offer dramatically.** Enclosed are two copies of our revised lease; one to be signed, notarized and returned and the other for your records.

Bayhorse is offering an above-standard **\$25.00** per net mineral acre bonus consideration, with a standard annual rental payment of \$1.00 per acre for a 5 year lease, and an above-standard **15%** royalty interest. It appears that you own 10.459515 acres within the tracts of land as shown in the lease. If all is in order, you may execute the lease with your notarized signature and return the lease in the previously-enclosed stamped, self-addressed envelope. Please check your name, address, etc carefully and fill in data where the X-marks are. Please initial any changes you make.

Please also fill out the previously-enclosed IRS Form W-9 and return to us along with the lease.

Bayhorse will mail the bonus consideration check immediately upon receipt of the correctly executed lease.

We completed a survey and staking of the initial well site yesterday. We hope to be filing for a drilling permit for this initial well by the end of the week or early next week. We still have a handful of non-signed leases such as yours. As a portion of them have not responded to letters and phone calls, including you, we have no choice but to file for a force pooling with the Colorado Oil & Gas Commission. As the filing date for the pooling application is upon us, we will be sending out 30-day option notifications to all unleased mineral owners. I wanted you to be aware of this in advance, so as not to be surprised by this. Our intent is to drill as soon as we have an approved drilling permit, hopefully in the Sept timeframe.

Please call me at 801-913-1640, as I do not have your phone #. I will be happy to answer any questions. Please leave a message if I am not available and I will get right back to you.

Sincerely,

Larry F. Manikowski  
Vice President & CFO/COO  
Bayhorse Petroleum, LLC  
(801) 913-1640 cell  
lfmanski@aol.com



BAYHORSE PETROLEUM, LLC

2558 E. Portsmouth Ave.

Salt Lake City, UT 84121-5627

(801) 913-1640

August 4, 2009

Jones-Daube Mineral Company  
PO Box 1169  
Duncan, OK 73534-1169  
Attn: Patti Wilcox

Dear Mrs. Wilcox,

As per our telecon, this letter regards Bayhorse Petroleum's interest in leasing your oil and gas mineral rights in Kiowa County, Colorado. Enclosed are two copies of our standard lease; one to be signed, notarized and returned and the other for your records. Our intent is to drill our initial well within the tracts of land on your lease, meaning **your lease acreage is within the initial drill site.**

Bayhorse is offering an above-standard \$25.00 per net mineral acre bonus consideration, with a standard annual rental payment of \$1.00 per acre for a 5 year lease, and an above-standard 3/16<sup>th</sup> royalty interest. It appears that you own 98.24408 acres within the tracts of land as shown in the lease. If all is in order, you may execute the lease with your notarized signature and return the lease in the enclosed stamped, self-addressed envelope. Please check your name, address, etc carefully and fill in data where the X-marks are. Please initial any changes you make.

Also enclosed is an IRS Form W-9. Please fill out and return to us along with the lease.

Bayhorse will mail the bonus consideration check immediately upon receipt of the correctly executed lease.

Please call me at 801-913-1640, as I do not have your phone #. I will be happy to answer any questions. Please leave a message if I am not available and I will get right back to you. Bayhorse is not a speculator. **We do intend on drilling within 2009, hopefully by the summer/fall timeframe.**

Sincerely,

Larry F. Manikowski  
Vice President & CFO/COO  
Bayhorse Petroleum, LLC  
(801) 913-1640 cell  
lfmanski@aol.com

**Land Testimony  
Exhibit E.  
Authority for Expenditure**

Left Hand Field  
Kiowa County, CO  
Cause No. 252  
Docket No. 0909-UP-21  
Bayhorse Petroleum, LLC  
Compulsory Pooling Application  
Township 18 South, Range 47 West, 6<sup>th</sup> P.M.  
Section 28: W/2 NE/4  
Marmaton Formation

BAYHORSE PETROLEUM, LLC  
 AUTHORITY FOR EXPENDITURE  
 08/03/2009

WELL NAME/NUMBER: Trade Winds 1-28  
 WELL LOCATION: T18S-R47W-Section 28 W/2 NE/4  
 COUNTY: Kiowa County, Colorado  
 PROSPECT/DEPTH: Trade Winds/4,450'  
 ESTIMATED SPUD DATE RANGE: 09/08/09 - 12/31/09  
 OPERATOR: Bayhorse Petroleum, LLC

DRILLING COSTS - PRE C.P.

NATURE OF EXPENDITURE	QUANTITY	TANGIBLE	INTANGIBLE	TOTALS
1 Title, Abstracts, Legal			8,000	
2 Initial Leases Costs			20,000	
3 Surface Damage Fees			2,000	
4 Surveys			2,250	
5 Site/Road Excavation & Preparation	Tom Haskell		5,300	
6 Move In - Move Out			18,000	
7 Drilling - Footage	4,450' @ \$15.00/Ft		66,750	
8 Drilling - Daywork	60 Hrs @ \$400/Hr		24,000	
9 Drilling - Laydown - Extra Crew			0	
10 Drilling - Surveys			0	
11 Drilling - Fuel/Oil			0	
12 Drilling - Trash Trailer/Portal Toilet			980	
13 Drilling - Generator/Payson Internet	\$600/\$600		1,200	
14 Drilling - Rental Tools/Welding/Inspect			2,400	
15 Drilling - Permits			500	
16 Mud & Chemicals			18,000	
17 Onsite Geologist/Mud Logging-R. Say	5 Days @ \$850/Day+Exps		5,200	
18 Water Service	Weber		8,500	
19 Surface Casing - 8 5/8"	(11) 440' @ Cost	10,730		
20 Surface Casing Crew			0	
21 Cementing Surface Casing			8,000	
22 Trucking Frt - Surface Casing			1,500	
23 Drill Stem Testing	(2)		5,000	
24 Wireline Logging			9,000	
25 Backfill & Restoration			2,500	
26 Contingency			12,190	
27 Cementing - Plugging	(Dry Hole Only)		8,000	
<b>TOTAL DRILLING COSTS</b>		<b>10,730</b>	<b>229,270</b>	<b>240,000</b>

The above numbers are estimates. Prices of equipment and services may vary. Approval of this AFE extends to costs actually incurred in conducting these operations whether more or less than estimated. Some of these costs have already been incurred, and Bayhorse will be reimbursed at actual cost based upon a partners' working interest percentage.

WORKING INTEREST OWNERS:	DRILLING	
	W.I. %	\$ AMOUNT
Partner(s)	XX%	XXX
Bayhorse Petroleum, LLC	XX%	XXX
<b>TOTAL</b>	<b>100.00%</b>	<b>240,000</b>

WORKING INTEREST APPROVALS:

Company: \_\_\_\_\_ Bayhorse Petroleum, LLC  
 Name/Title: \_\_\_\_\_ Larry F. Manikowski - VP/CFO  
 Signature: \_\_\_\_\_  
 Date: \_\_\_\_\_ 08/03/2009

BAYHORSE PETROLEUM, LLC  
 AUTHORITY FOR EXPENDITURE  
 08/03/2009

WELL NAME/NUMBER: Trade Winds 1-28  
 WELL LOCATION: T18S-R47W-Section 28 NW NE  
 COUNTY: Kiowa County, Colorado  
 PROSPECT/DEPTH: Trade Winds/4,450'  
 ESTIMATED SPUD DATE RANGE: 09/08/09 - 12/31/09  
 OPERATOR: Bayhorse Petroleum, LLC

COMPLETION COSTS - AFTER C.P.

NATURE OF EXPENDITURE	QUANTITY	TANGIBLE	INTANGIBLE	TOTALS
1 Bonds (Refundable)			20,000	
2 Production Casing - 5 1/2"	4,300' @ \$10.00/Ft	43,000		
3 Completion - Daywork	21.5 Hrs @ \$400/Hr		8,600	
3 Completion - Fuel/Oil			0	
4 Wirelogging - Additional	Dip Meter		0	
5 Cementing - Plugging	(Dry Hole Only)		(8,000)	
6 Cementing - Production Casing & Plugs			20,000	
7 Trucking Frt - Production Casing			1,500	
8 Completion Casing Crew			2,500	
9 Service Rig & Completion Crew	5 Days @ \$2,400/Day		12,000	
10 Trucking & Setup Operator			0	
11 Completion Supervision			5,000	
12 Logging/Perforating/Testing			5,500	
13 Lead Line	300' @ \$2/Ft		600	
14 Stimulation			4,500	
15 Rental Service Tools			2,000	
16 Completion Water Service			500	
17 Frac Tank Rental	5 Days @ \$200		1,000	
18 Clean Up Location			3,500	
19 Tubing - 2 7/8"	4,300' @ \$4.05	17,415		
20 Rods - 3/4"(top 2/3); 7/8"(bot 1/3)		10,000		
21 Wellhead, Packer, Fittings, Misc		5,000		
22 Downhole Pump		2,000		
23 Pumping Unit		20,000		
24 Elect Motor/Hookup Gas Engine		6,500		
25 Tank Battery w/Treater		35,000		
26 Pad Hook-up for Battery		5,000		
27 Misc		8,000		
28 Contingency			8,885	
<b>TOTAL COMPLETION COSTS</b>		<b>151,915</b>	<b>88,085</b>	<b>240,000</b>

The above numbers are estimates. Prices of equipment and services may vary. Approval of this AFE extends to costs actually incurred in conducting these operations whether more or less than estimated. Some of these costs have already been incurred, and Bayhorse will be reimbursed at actual cost based upon a partners' working interest percentage.

WORKING INTEREST OWNERS:	COMPLETION W.I. %	\$ AMOUNT
Partners	XX%	XXX
		XXX
Bayhorse Petroleum, LLC	XX%	0
<b>TOTAL</b>	<b>100.00%</b>	<b>240,000</b>

WORKING INTEREST APPROVALS:

Company: \_\_\_\_\_  
 Name/Title: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Date: \_\_\_\_\_

Bayhorse Petroleum, LLC  
 Larry F. Manikowski - VP/CFO  
 \_\_\_\_\_  
 08/03/2009