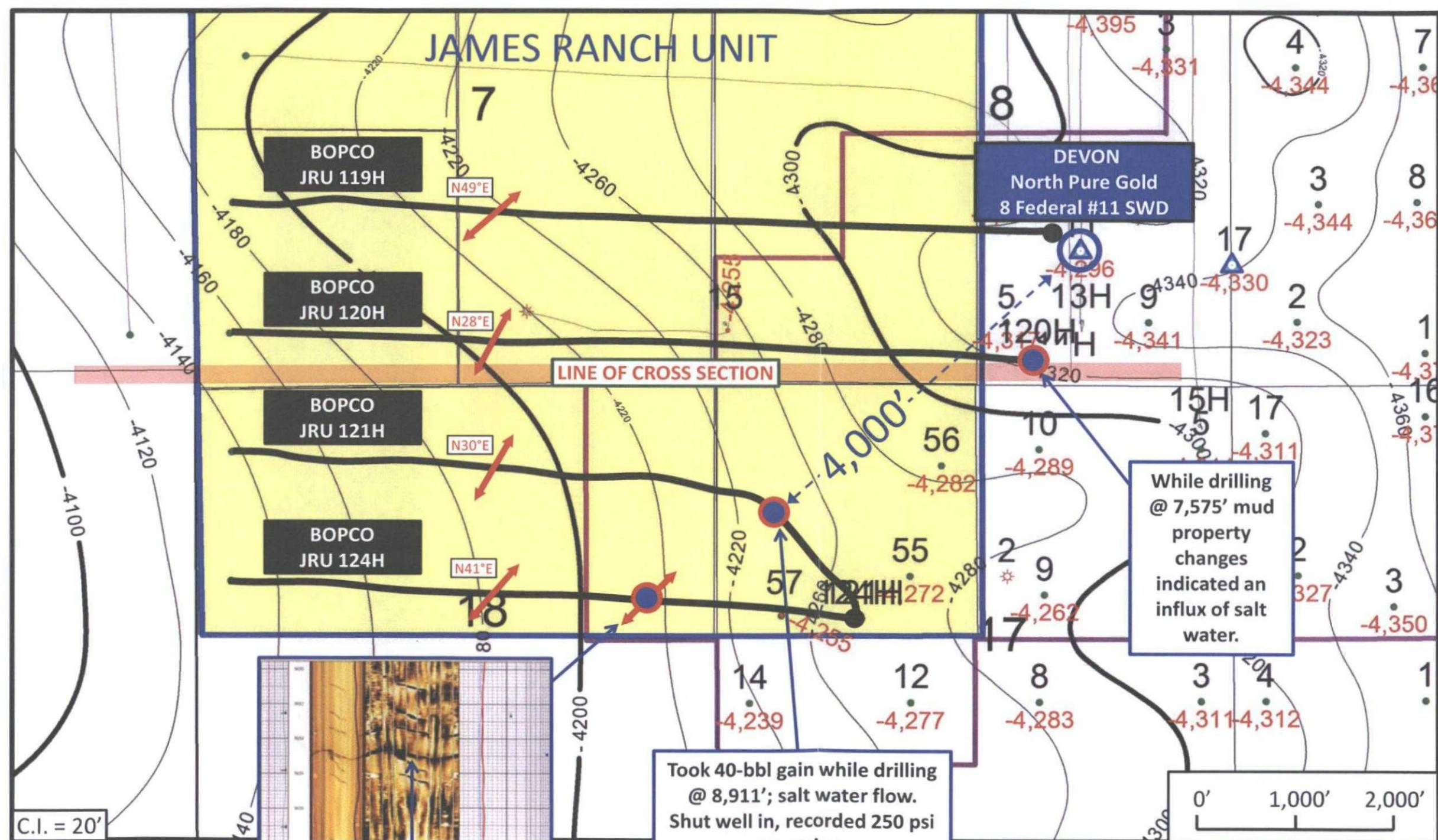


JAMES RANCH UNIT 121H AREA

EVIDENCE OF WATER ENCROACHMENT

Structure Map - Top Delaware Lower Brushy Canyon

James Ranch Unit, Eddy Co., New Mexico



N49°E
Delaware Fracture Orientation
from FMI Analysis



Took 40-bbl gain while drilling
@ 8,911'; salt water flow.
Shut well in, recorded 250 psi
on casing.

While drilling
@ 7,575' mud
property
changes
indicated an
influx of salt
water.