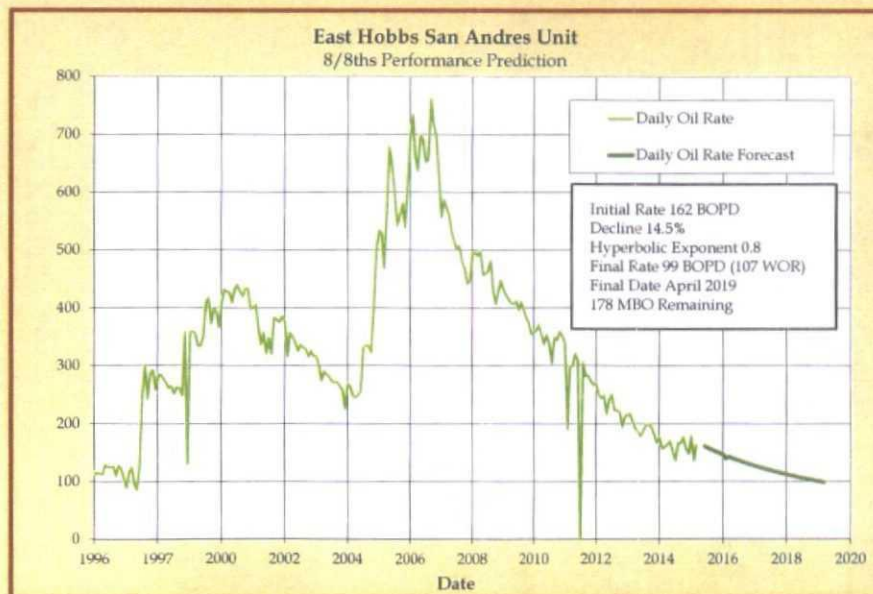


Outcomes

No Makeup Water

Continue East Hobbs San Andres Waterflood as is:

- Production declines from present rate of 162 BOPD
- Economic limit is reached in April 2019
- Field is abandoned



Makeup Water

Initiate New CO₂ Flood East Hobbs San Andres:

- In late 2015 begin water fill up and monitor progress quarterly
- In late 2017 stop all makeup water and begin CO₂ injection
- Peak oil will be reached in 2020
- An incremental 4.6 million barrels of oil will be recovered
- City of Hobbs receives 3300 feet of new water main
- City of Hobbs receives an estimated \$1,000,000 revenue for water
- Royalty owners will be paid an estimated \$55,000,000 *
- Severance and Ad Valorem Taxes estimated at \$11,300,000 *
- Sales tax on local goods and services purchased
- Field life will be extended 13 to 15 years
- Potential for further CO₂ development, extending the Field life

* Assuming \$70/bbl. oil

Oil Conservation Commission
Case No. 15284
Exhibit No. 16