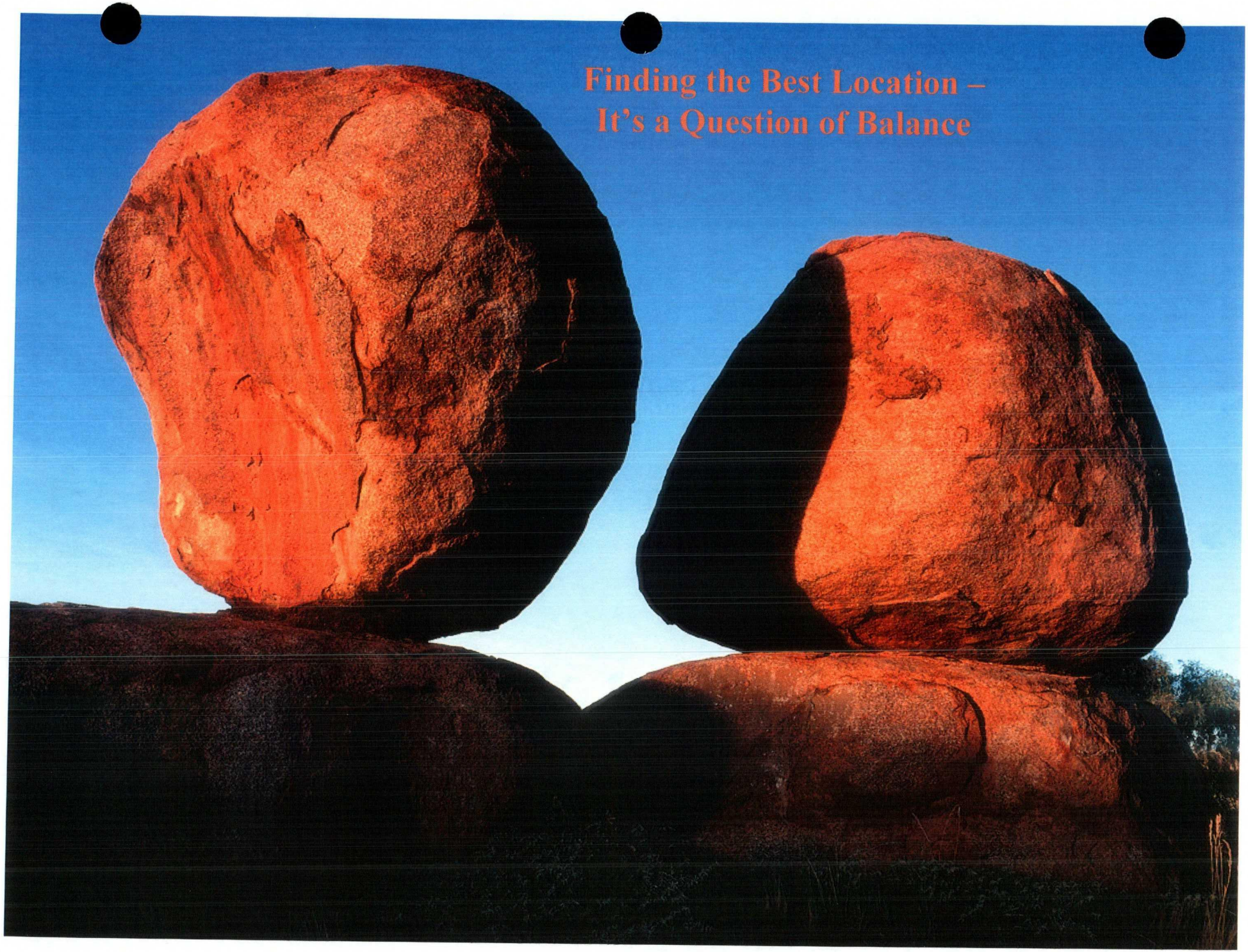
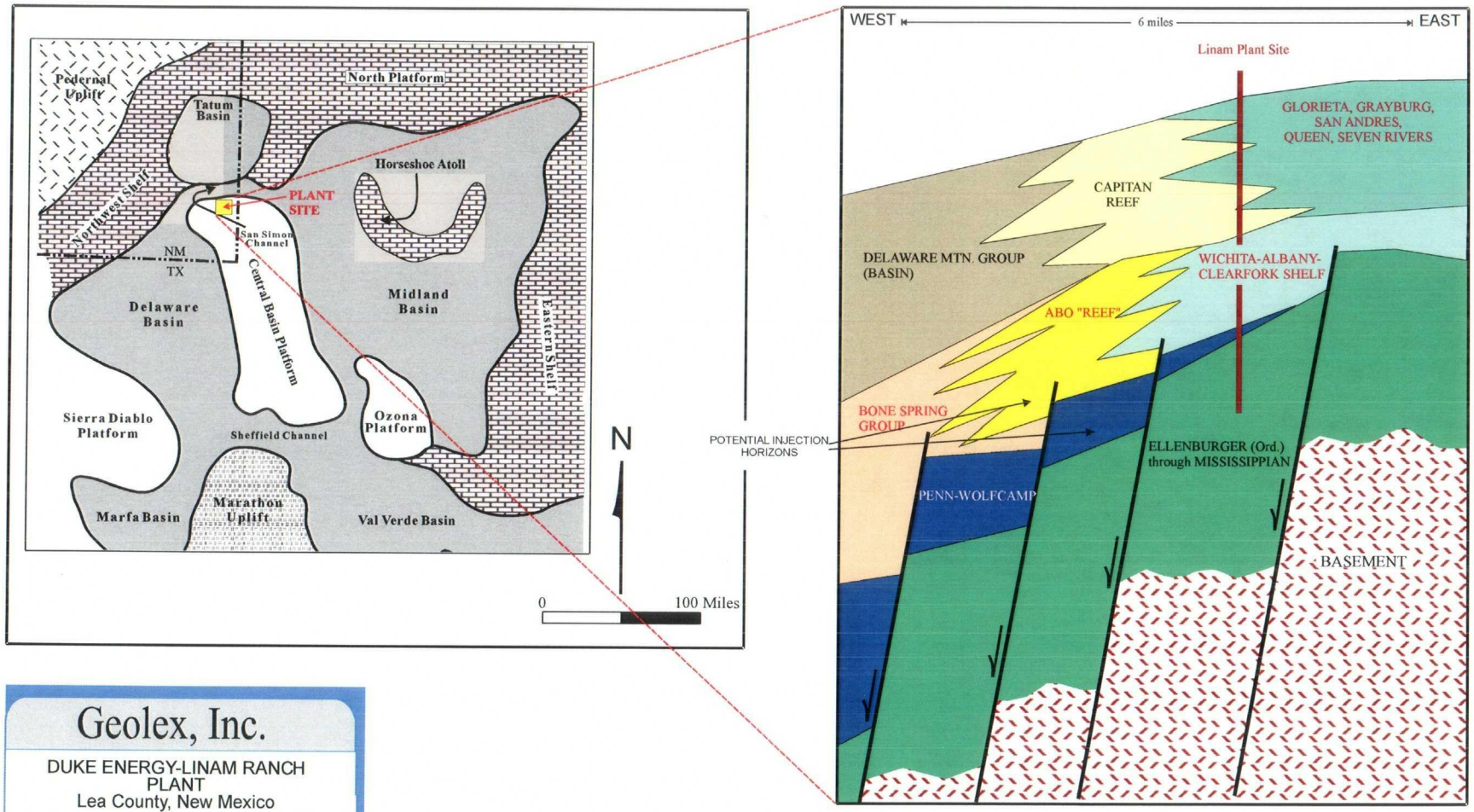
Linam Ranch Acid Gas Injection Feasibility Evaluation

- Duke Energy Field Services (DEFS) retains Geolex, Inc. in May 2005 to locate a geologic reservoir capable of accepting 5MMCF per day of acid gas for an expected life cycle of up to 30 yrs with the following guidance:
  - The reservoir must be capable of accepting the injected fluid safely without affecting either potential or existing oil and gas production.
  - The well must be constructed to prevent any potential leakage into ground water and the reservoir is have the geological properties and integrity to assure that the acid gas remains within the reservoir.
  - The well should be located at the Linam Plant site if at all possible


Finding the Best Location –
It's a Question of Balance

Process for Geologic Evaluation

- Identify Background Regional Geologic Data (Exhibit 8)
- Define Characteristics of Ideal Acid Gas Reservoir
- Identify, Locate and Evaluate all Wells in Local Area(Exhibit 7)
- Evaluate Stratigraphic Information to Identify Reservoirs Meeting Basic Geologic Criteria (Exhibits 8 – 11, 16)
- Construct Cross Sections with Available Logs (Exhibits 10,11)
- Review and Obtain Seismic if Available (Exhibits 12-15)
- Review Nearby Well Test Data and Plugging Status (Exhibits 4-6)
- Conduct Preliminary Reservoir Analysis Based on Available Data
- Identify Potential Secondary Targets and Finalize Recommendation to DEFS



Local hydrocarbon pay zones indicated in red

Geolex, Inc.

DUKE ENERGY-LINAM RANCH PLANT
Lea County, New Mexico

Regional Setting of Linam Plant and General Stratigraphy of the Northwest Side of the Central Basin Platform

CLIENT: DEFS DATE: 05/03/2005

Exhibit 8

Ideal Acid Gas Reservoir Properties

- Laterally Extensive Permeable, Good Porosity
- Below Existing or Potential Production
- Good Geologic Seal to Contain Gas
- Compatible Fluid Chemistry
- Isolated From Any Fresh Groundwater

Identify and Characterize Wells, Stratigraphy and Geologic Structure in the Linam Area

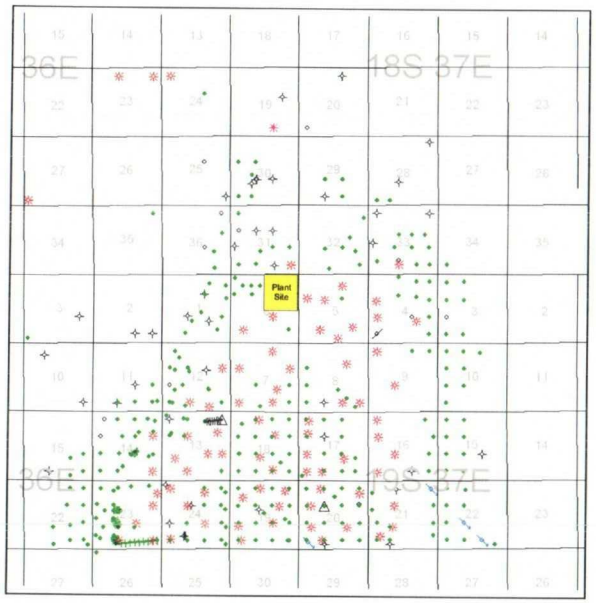
- Many Shallow Wells, Mostly P&A in the area
- Few Deep Wells (>7500') in Abo
- Based on Stratigraphic Analysis, Lower Bone Spring is Best Target only Found West and North of Plant Site, Brushy Canyon Also has Potential
- Stratigraphic Analysis Indicates Recommended Location Closest to Plant in Sec. 30,T18S, R37E
- Well Logs and Tests in Conoco State #1 Demonstrate That Target is Non Productive for Oil and Gas but Permeable and Porous with Salt Water

Geolex, Inc

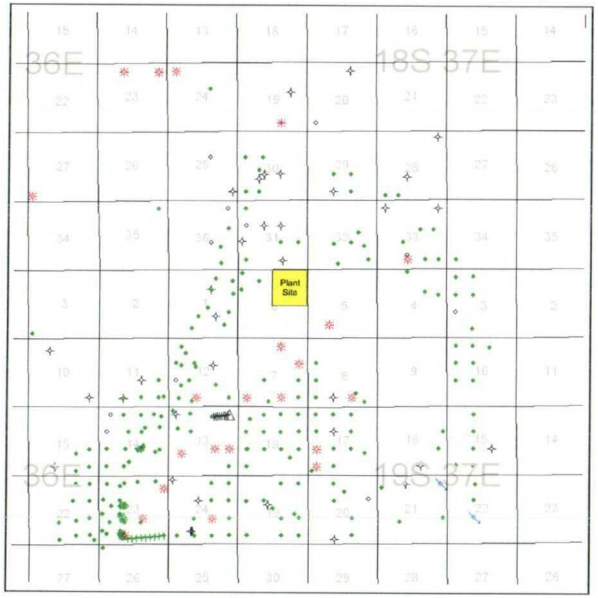
DUKE ENERGY-LINAM RANCH PLANT
Lea County, New Mexico

Maps Showing Well Control By Depth Interval in Vicinity of Plant Site

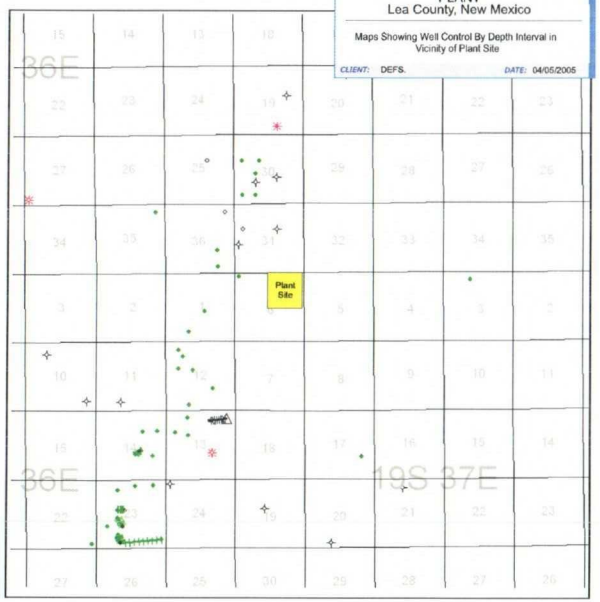
CLIENT: DEFS. DATE: 04/05/2005



ALL WELL CONTROL

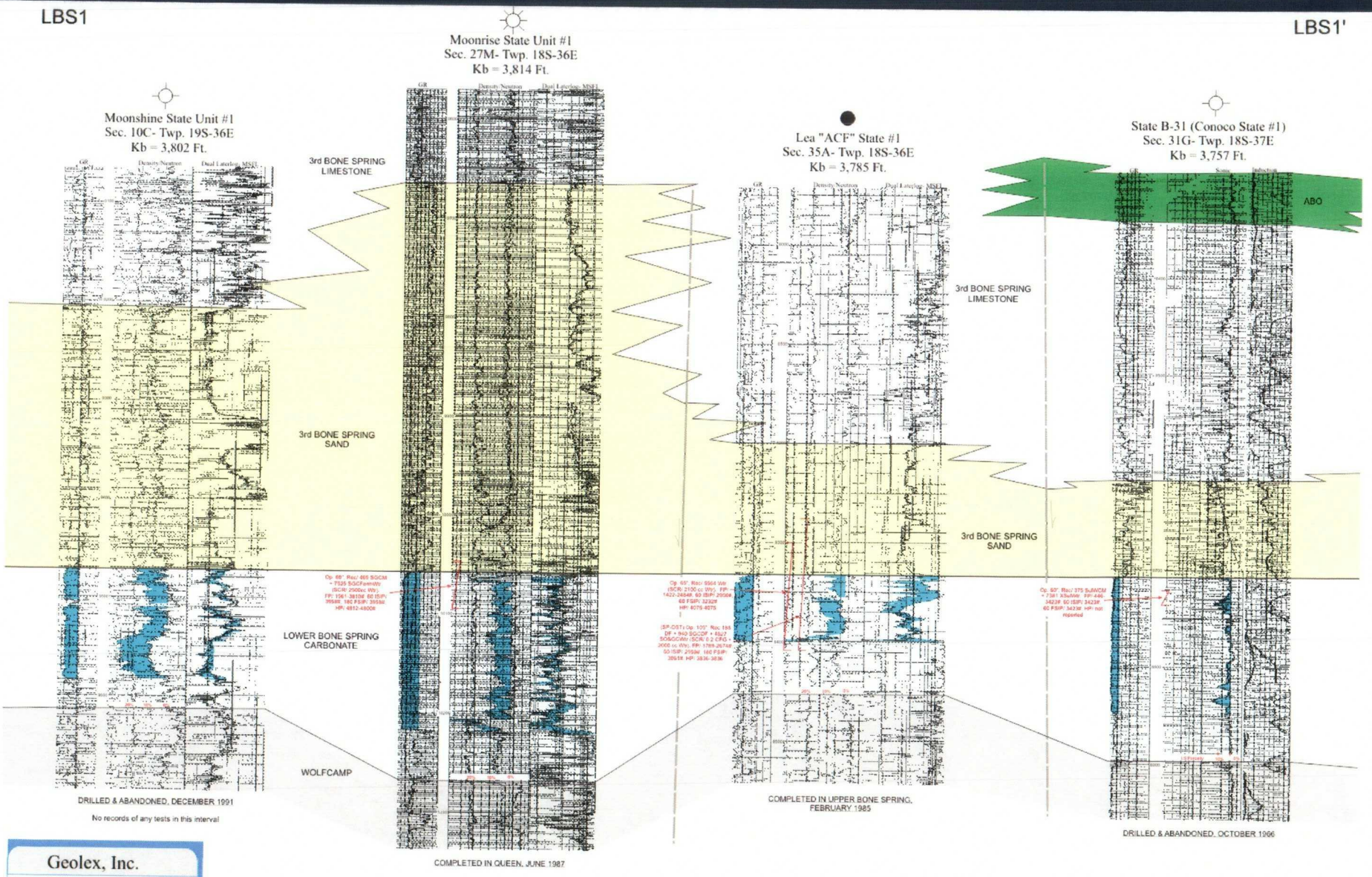


WELLS DEEPER THAN 4000 FT. (Queen)



WELLS DEEPER THAN 7500 FT. (Abo)

Exhibit 7



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DUKE ENERGY-LINAM RANCH PLANT
Lea County, New Mexico

Stratigraphic Cross-Section Showing Porosity-Resistivity Through Lower Bone Spring Carbonate Zone (LBS1-LBS1')

CLIENT: DEFS DATE: 05/02/2006

Exhibit 10

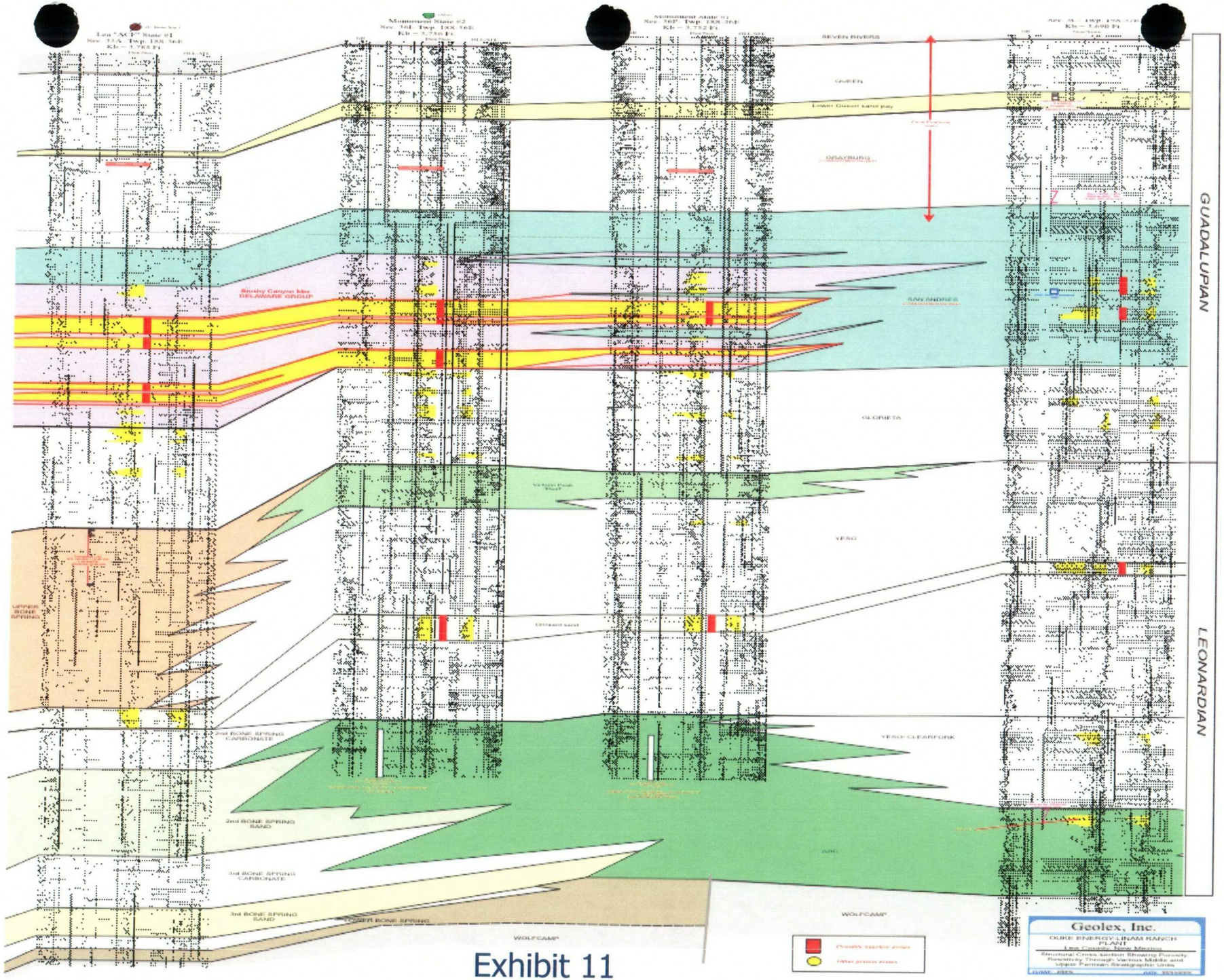
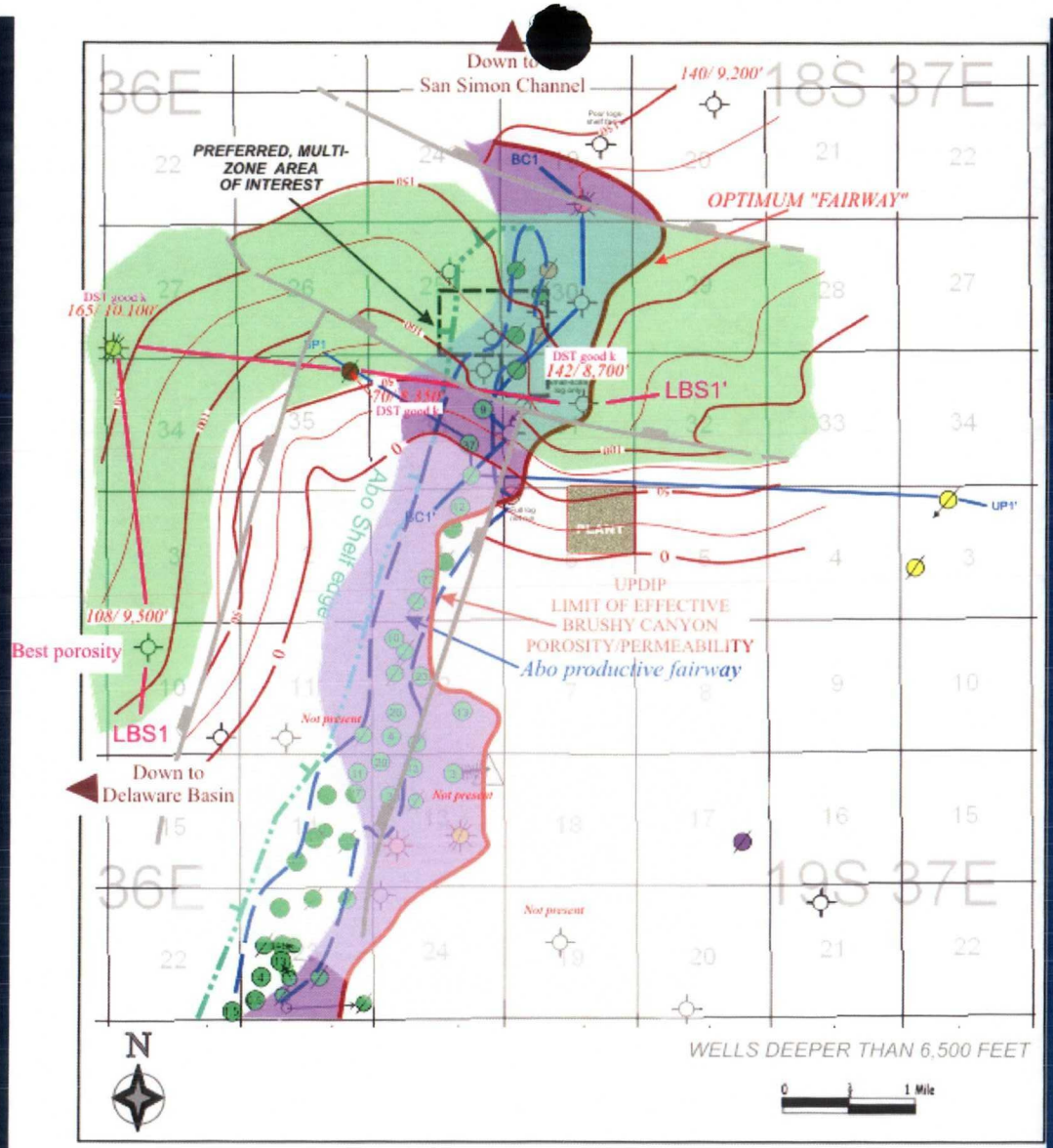

SEVEN RIVERS
QUEEN
Lower Queen sand pay
GRAYBURG
SAN ANDRES
GLORIETA
YESO
YESO CLEARFORK
WOLFCAMP
GUADALUPIAN
LEONARDIAN
Brushy Canyon Mbr.
DELAWARE GROUP
2nd BONE SPRING CARBONATE
2nd BONE SPRING SAND
3rd BONE SPRING CARBONATE
3rd BONE SPRING SAND
UPPER BONE SPRING
Geolex, Inc.
DUKE ENERGY LINAM RANCH PLANT
Lea County, New Mexico

Exhibit 11



Producing Zones:

- Queen
- San Andres- Grayburg
- Upper Bone Spring
- Drinkard
- Abo, with current daily production (BOPD)

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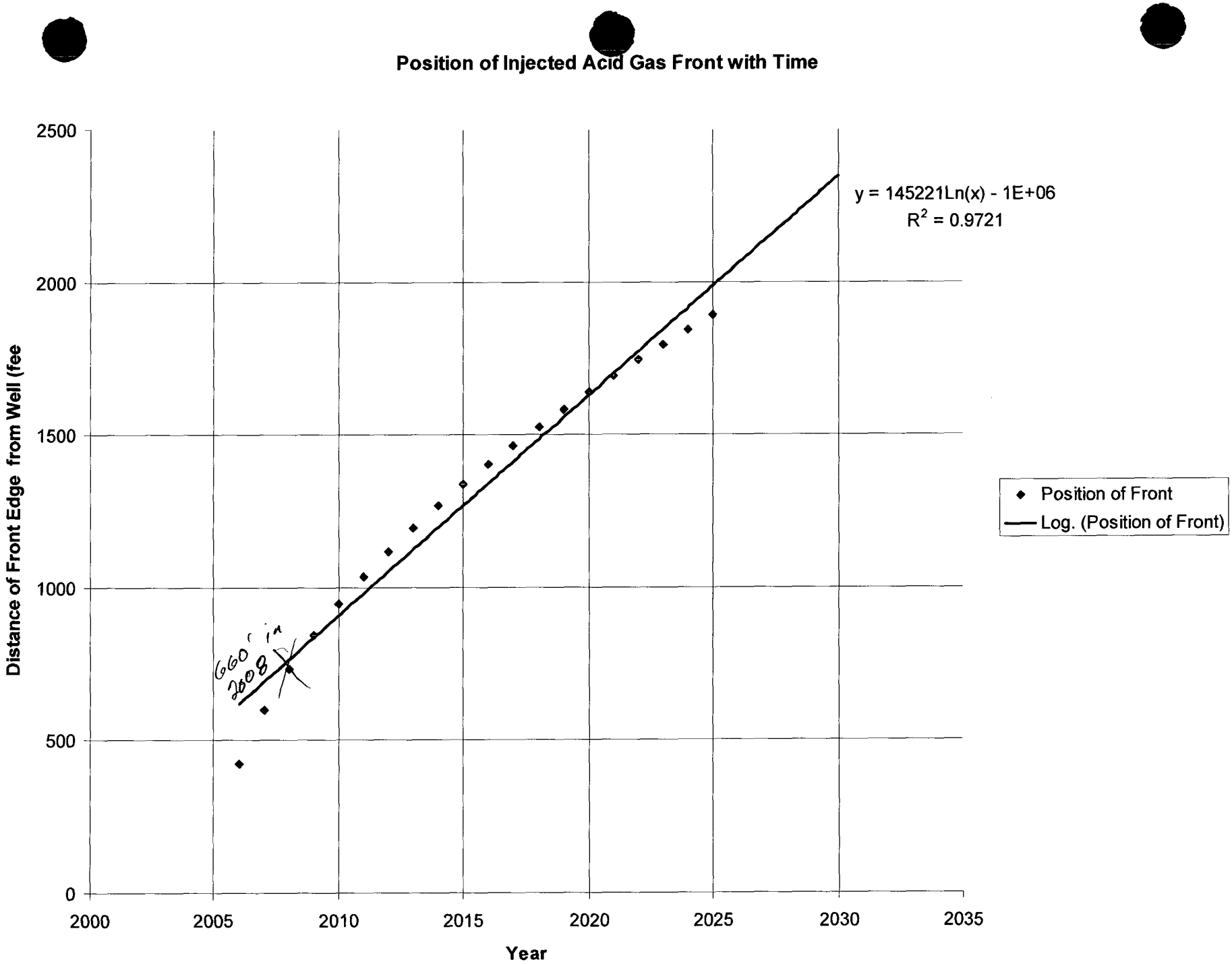
DUKE ENERGY-LINAM RANCH PLANT
Lea County, New Mexico

Map Showing Lower Bone Spring Brushy Canyon and Abo Trends

CLIENT: DEFS DATE: 05/04/2005

Exhibit 9


Position of Injected Acid Gas Front with Time
y = 145221Ln(x) - 1E+06
R2 = 0.9721
Position of Front
Log. (Position of Front)
Distance of Front Edge from Well (fee
Year
2500
2000
1500
1000
500
0
2000
2005
2010
2015
2020
2025
2030
2035
660 in
2008

Seismic Analysis Results

- Available Good Quality Seismic Purchased with N-S and E-W Lines Crossing in Sec. 30, T18S, R37E
- Lower Bone Spring Thickness Increase in Recommended Area Confirmed
- Structures Inferred from Stratigraphic and Log Analysis Confirm that Lower Bone Spring is Ideal Reservoir – See Exhibits 12-15 for Details

Executive Summary

- Lower Bone Spring Formation in Sec. 30,T18S, R37E is Excellent, Safe Acid Gas Reservoir Capable of Containing 5MMcf/day of Acid Gas without Detrimental Effects on Oil and Gas Resources or Groundwater in Area
- Lower Bone Spring Does Not Underlie Linam Plant and Directional Drilling not Recommended for Acid Gas Injection Well
- Adequacy of Target Reservoir will be Tested by Drill Stem Test and Core Analysis when Well is Drilled
- C108 Application Details the Full Information Needed to Approve the Installation of AGI Well at This Location if Drilling Tests Confirm Geologic Analysis