

Evaluation Criteria – State Com 1R

- Are all non-complying wells located at standard locations within the spacing units?
 - No. However, we sought and received NSL approval for the State Com 1R due to its proximity to Navajo Reservoir. The NSL approval acknowledges both the State Com 1 and 1R as being in the same Unit Letter.
- Are more than four (4) wells currently producing in the spacing unit?
 - No.
- Have offset operators/working interest been notified and were any objections received?
 - All were notified and none objected.
- Are additional wells planned to be drilled in the spacing units that could exceed the maximum allowed four (4) wells per spacing unit?
 - No.
- Is there any discernable interference between the wells that are in non-compliance and will incremental reserves be obtained if both wells continue to produce?
 - There isn't any discernable reservoir interference and incremental reserves will be obtained.
- Will the no-flow boundary between non-complying wells and offset wells extend beyond areas of common interest?
 - The no-flow boundary does extend beyond the area of common interest, but is typical of such boundaries in the San Juan Basin.