

Summary of Conclusions

- **Vertical Wolfcamp Oil Wells Generate Unacceptable Economics**
 - Gross Reserves < 103 MBOE
 - Initial Rate < 20 BOEPD
 - Rate of Return < 15%
 - Negative PW_{12} - 12%^{o/b}
 - Discounted Payout > 20 Years

- **Horizontal Wolfcamp Oil Wells Generate Superior Economics**
 - Gross Reserves > 390 MBOE
 - Initial Rate > 430 BOED
 - Rate of Return=100%
 - PW_{12} > \$9.5MM
 - Discounted Payout < 1.5 Years ←

- **State of New Mexico Benefits from Horizontal Completions**
 - Ad Valorem and Severance Taxes > \$3MM per Well

Based on
H 1B3rd