ECONOMIC ANALYSIS

The following economic analysis indicates that the cost of drilling solely for the Bone Spring First and Second Sandstone pay zones is not commercilly viable in the Nash Unit. Therefore, if the wells in the Nash Unit are drilled only through the Delaware Mountain Group, it is unlikely that the deeper Bone Spring reserves will ever be developed, potentially resulting in under waste of resources. The deeper Pennsylvanian horizons have already been tested in the west half of section 18-T235-R30E and therefore the Bone Spring Formation will not be tested by a deep well.

The Bone Spring Sandstone reservoirs have steep declines and require expensive frac stimulations. A typical Bone Spring Sandstone well will initially produce 150 BOPD however within 3 months the well will decline to 50 BOPD and within a year, it will typically decline to 30 BOPD.

ECONOMIC PARAMETERS

Average Bone Spring reserves:........60,000 bbls oil
120,000 MCFG

Estimated Cost to Drill and Complete.$628,080.00

Average N.R.I........................75%

Lifting costs........................$2.50/barrel

Value of Oil.........................$14.00/barrel

Value of Gas.........................$2.50/MCF

Tax..................................8%

ECONOMIC PROJECTIONS

(60,000 bbls x .75 NRI x .92 X 11.50/bbl) + (120,000 MCF X .75 NRI x .92 x 2.50/MCF) = $683,100.

RETURN ON INVESTMENT: 1.08 to 1

BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO. 4

CASE NO. 10936