OWL – OILFIELD WATER LOGISTICS

Hearing before

the Energy, Minerals & Natural Resources Department

August 1, 2017

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BACKGROUND

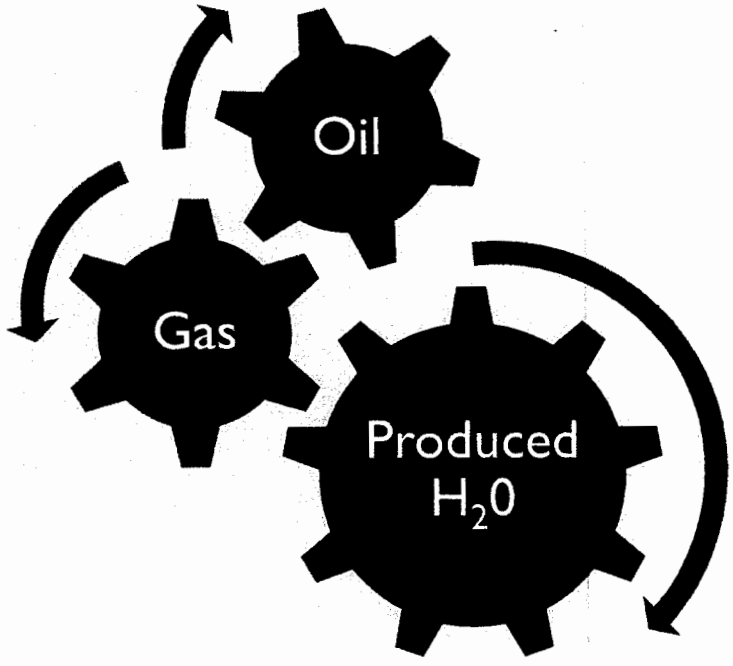
- OWL provides water infrastructure and services to the energy industry with a focus on pipeline gathering systems, produced water disposal and reclamation.
- OWL is committed to safety, to the environment and to its customers and operates at the highest standards.
- OWL answers to a sophisticated group of investors who demand full compliance with law and socially responsible action
- OWL satisfies a vital need to oil and gas producers who need economic and safe handling of produced water in order to maintain and expand production

OWL'S UNIQUE ROLE

The system utilizes a produced water gathering system arranged around central tank battery collection sites.

A state-of-the-art pipeline system is used in lieu of trucks and highways.

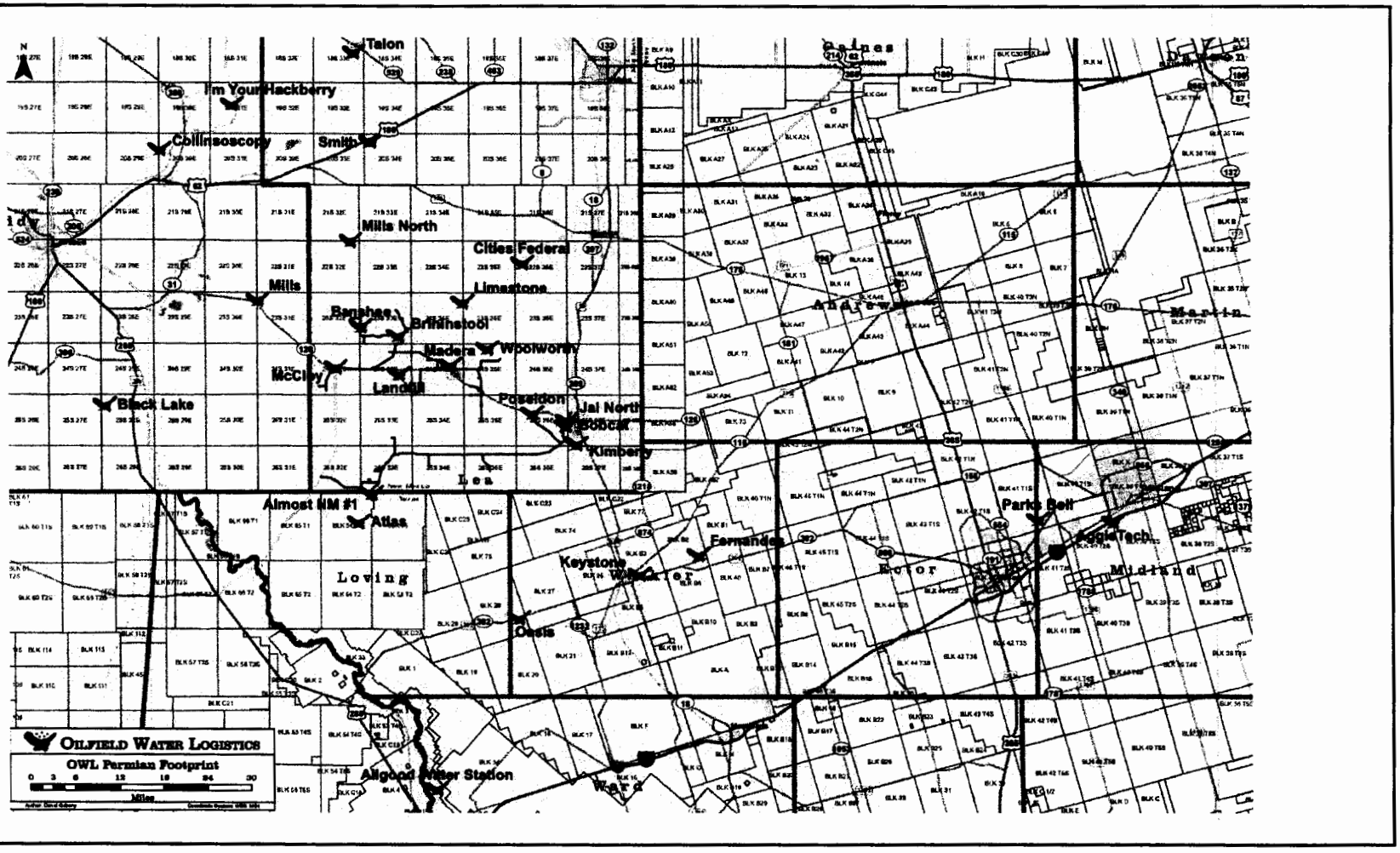
There are quantifiable increases to safety on the oil patch roads and cost of production by the industry and the State.



RESPONSIBILITY

OWL provides a unique service that:

1. Prioritizes Safety and is Conscious of Community Concerns
2. Improves Economics of Oil and Gas Production, and
3. Creates of Opportunities for Reclamation and Development


Talon
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Limestone
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Brinkhstool
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Black Lake
Poseidon
Jal North
Bobcat
Kimbery
Lea
Almost HM #1
Atlas
Loving
Keystone
Fernandes
Oasis
Parks Bell
Aggie Tech
Midland
Ward
Algood Water Station
Gaines
Andrews
Martin
Oilfield Water Logistics
OWL Permian Footprint
0 3 6 12 18 24 30
Miles

APPLICATION TO INJECT

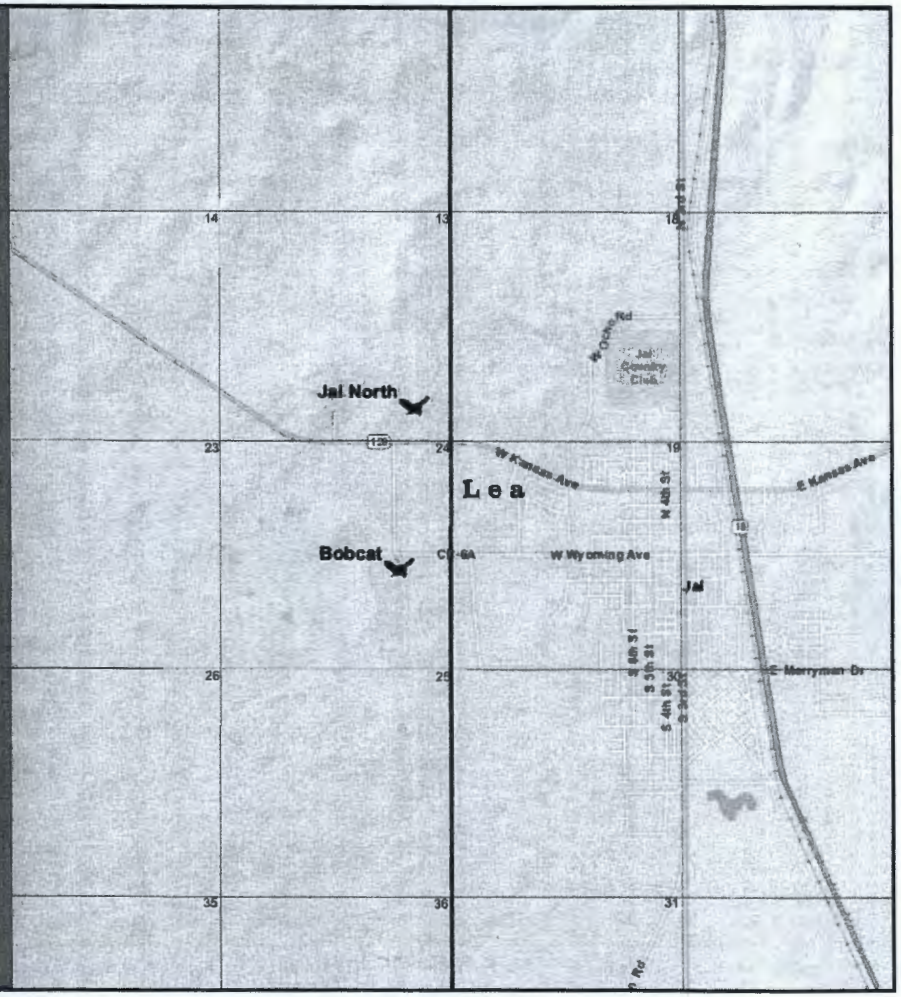
- Requesting an order authorizing the injection of water for disposal into the Yates-Seven Rivers formation in Lea County, NM
- Proposing to complete the well for injection of water by open hole from 2,915 to 3,060 feet.
- Anticipating daily average injection pressure of 550 PSI (surface pressure) and maximum injection pressure of 580 PSI (surface pressure).
- Proposing injection of water at average daily rates of approximately 25,000 bbls and a maximum daily rate of approximately 30,000 bbls.
- The source of the injected fluids would be formation water from the Delaware, Bone Spring, Devonian, and Yates-Seven Rivers formations.

OWL IN NEW MEXICO

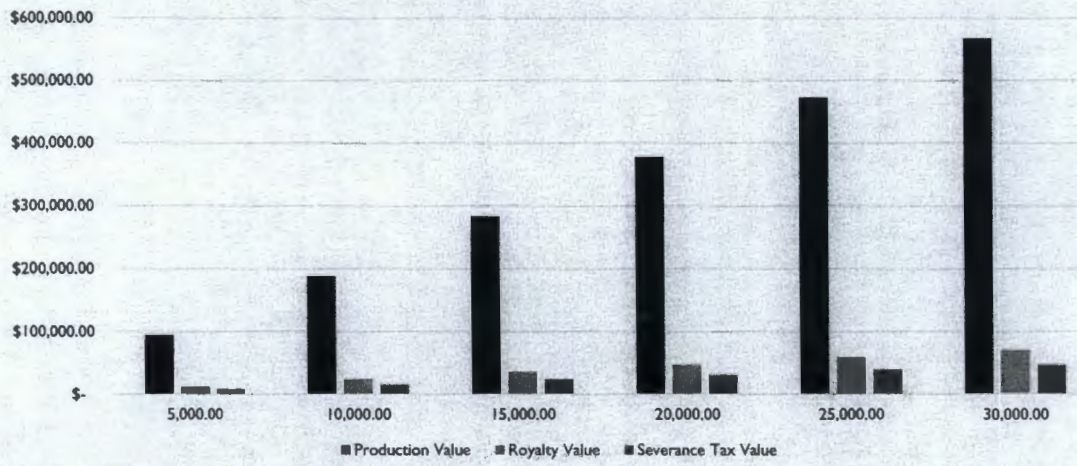
OWL's water management services are predominately located in Southeastern New Mexico in Lea and Eddy Counties

OWL's unique system utilizes a state-of-the-art pipeline and SWD well arrangement to serve the needs of oil producers in the area

Bobcat SWD No. 1
740' FSL & 705'FEL (Unit P)
Section 25
T-25S, R-36E, NMPM



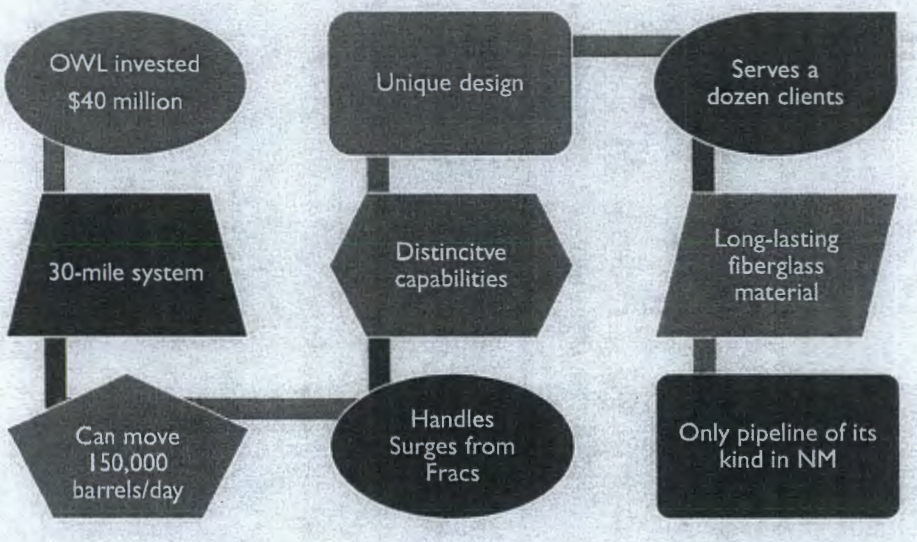
ESTIMATED VALUE OF PRODUCTION WITH PROPOSED (BOBCAT) WELL USE



Assumptions:

- Price per barrel: $45.00
- The water cut for contributing reservoirs is approximately 70% on average
- Royalty rate average of 12.5%
- Severance tax is held constant at 8.4%

RED HILL TRUNK LINE



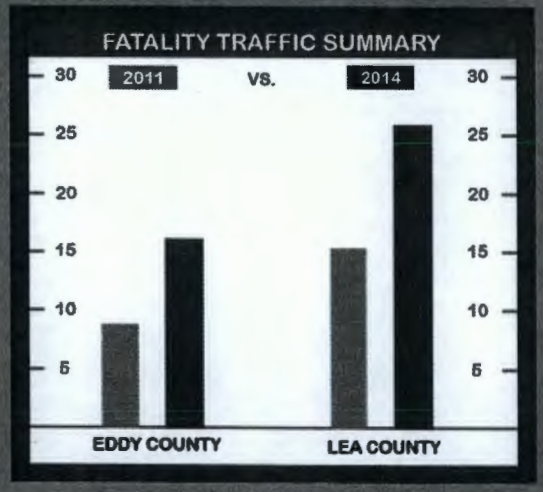
SAFETY

OWL is committed to a business model that not only holds the company above industry standards and best practices, but also makes the communities in which OWL operates more safe and stable.

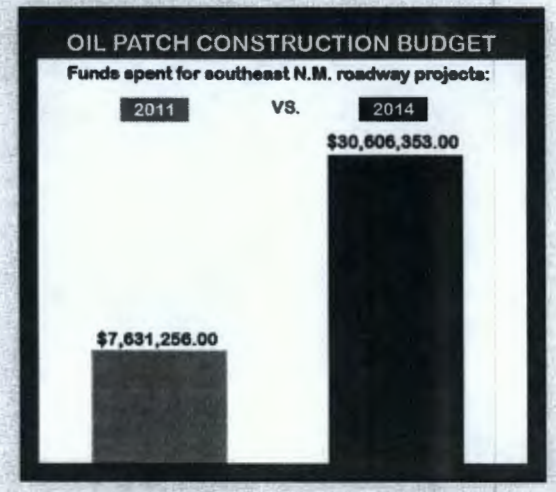
OWL'S MISSION TO REDUCE HIGHWAY SAFETY RISKS

"Oil patch highways some of New Mexico's most deadly..."

- KRQE 13, 2014

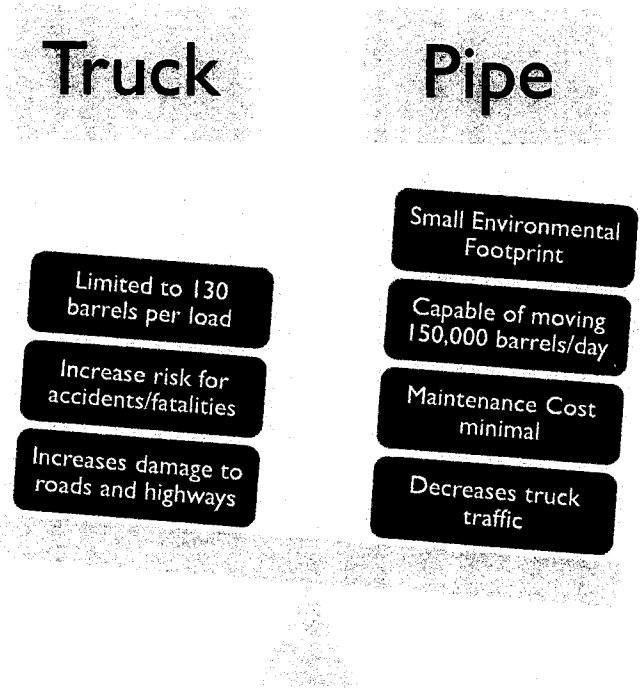


Graphs from 2014 KRQE 13 News Feature



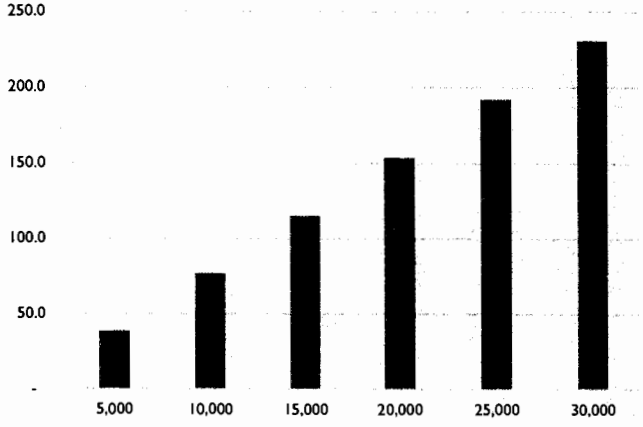
- In 2015, heavy trucks made up 33% of all traffic in Eddy County
- In 2015, heavy trucks made up 35% of all traffic in Lea County
- Use of the proposed well reduces truck use by approximately 400 trips per day or 12,000 per month

PIPE BENEFITS OUTWEIGH TRUCK USE

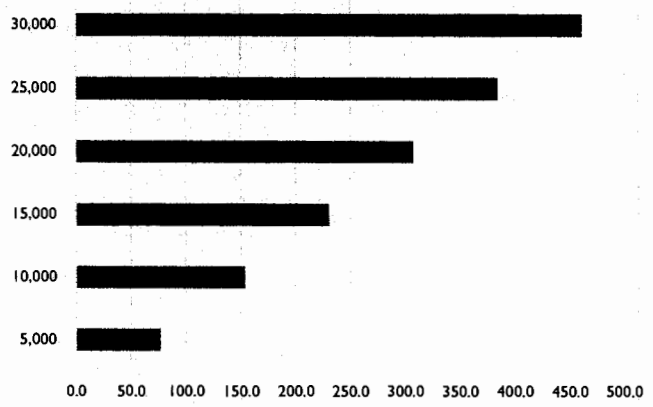


INCREASED TRUCK NEED PER 5,000 BBLS

Loads to Transport



Truck Runs (Round Trip)



Assumptions:

- Average load of trucked produced water is 130/bbls
- Truck trips will not exceed 30 miles per leg

ECONOMIC BENEFITS

OWL has a substantial infrastructure investment in New Mexico and a significant clientele dependent upon services provided.

OWL's success is dependent upon its reputable conduct and cost-saving performance.

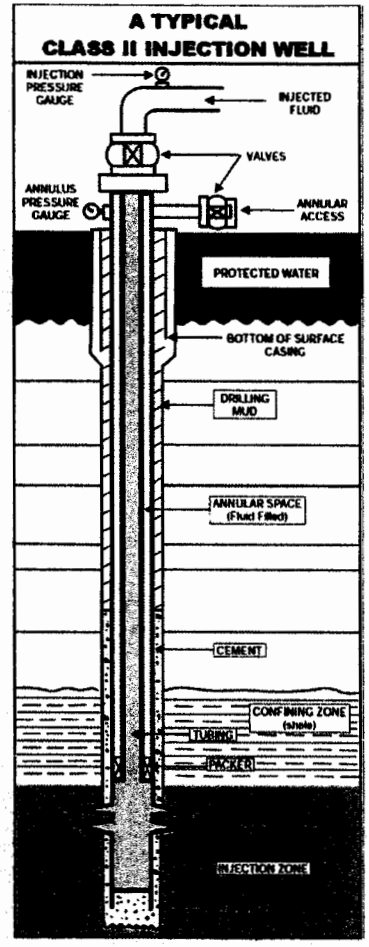
OWL's initiatives are reliable and forward-thinking regarding cost-savings and sustainability.

SALTWATER DISPOSAL WELLS

Long history of using SWD wells as safe way to dispose/store produced water

Since UIC program inception, Class II wells have safely injected over 33 trillion gallons of oilfield Brine without endangering underground sources of drinking water

OWL is committed to being a responsible and professional industry leader.

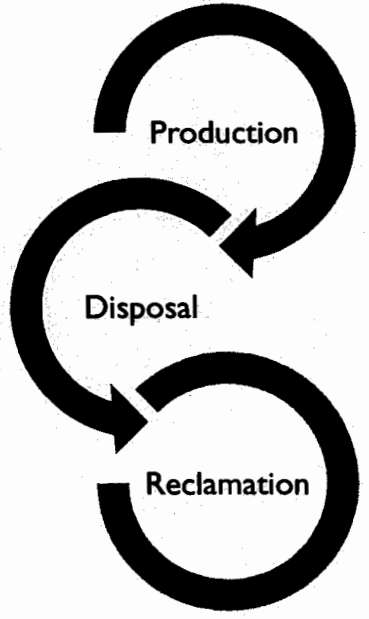


INDUSTRY OPPORTUNITIES

OWL's unique produced water disposal system is integral to the creation of water reclamation developments and enhancing production in the oil and gas industry in Southeastern New Mexico that would go on to benefit the State as a whole.

WATER RECLAMATION

- OWL can integrate water reclamation services into its systems for customers to reclaim produced water for reuse.
- OWL has access to water treatment systems and partners and is active in the R&D pursuit of efficient, low cost technology.
- OWL currently providing produced water to customers for fracking needs.



RECYCLING AND INJECTION

OWL is in the permitting process for produced water ponds capable of holding 1mm barrels for reuse.

Constant production of produced water and intermittent/irregular demand for recycled, produced water requires the use of injection wells.

CLIENTS

Many of OWL's clients are leaders in the New Mexico oil and gas production industry and rely on OWL for their produced water disposal needs.