

**LOWER ABO/WOLFCAMP HORIZONTAL VS. VERTICAL
ECONOMIC COMPARISON**

**T16S - R28E
EDDY COUNTY, NM**

<u>CATEGORY</u>	<u>VERTICAL 40AC WELL</u>	<u>HORIZONTAL 160AC WELL</u>	<u>DIFFERENCE</u>
DRILLING & COMPLETION COST	\$1,452,000	\$3,517,000	\$2,065,000
INITIAL RATE - BOPD	35	296	261
INITIAL RATE - MCFD	35	888	853
INITIAL RATE - BOED	41	444	403
MONTHLY OPERATING EXPENSES, EXCLUDING TAXES	\$1,410	\$4,000	\$2,590
GROSS ESTIMATED ULTIMATE RECOVERY, MBO	70	229	159
GROSS ESTIMATED ULTIMATE RECOVERY, MMCF	122	857	735
GROSS ESTIMATED ULTIMATE RECOVERY, MBOE	90	372	282
UNDISCOUNTED PRESENT WORTH, \$M	\$1,707	\$10,079	\$8,372
PRESENT WORTH DISCOUNTED @ 12%, PW12, \$M	\$119	\$5,278	\$5,159
RATE OF RETURN	15%	100%	
UNDISCOUNTED PAYOUT, YRS	5.9	1.8	-4.1
LIFE, YRS	42.8	23.7	-19.1
CUMULATIVE AD VALOREM & SEVERENCE TAXES TO BE PAID, \$M:	\$350	\$1,342	\$993

ASSUMPTIONS:

OIL PRICE: \$70.16 (WTI POSTED 08/12/09)
 GAS PRICE: \$3.479 (HENRY HUB SPOT 08/12/09)
 WORKING INTEREST 100 %
 NET REVENUE INTEREST 82 %
 PRODUCTION START DATE: 06/2010
 NO ESCALATION OF PRICE OR LOE