RESERVE ESTIMATE

S.W. Bronco Field

Lea County, New Mexico

I. To establish recovery factor for fractured carbonate reservoirs in Tatum basin:

Bronco W. (Devonian) Field -

1,373,000 bbls oil / (140 acres) x (75' avg. pay) = <u>130 bbls/acre - ft.</u>

Jenkins, N.E. (Devonian) Field

975,000 bbls oil (est. ultimate) / (288 acres) x (26' avg pay) = <u>130 bbls/acre - ft.</u>

II. Decline Curve Analysis (see attached Reserves and Economics sheets)

Estimated ultimate recovery -

Lowe "20" #1 = <u>172,018 bbls oil</u>

Lowe "20" #2 = <u>127,360 bbls oil</u>

III. Determination of Drainage Area -

Drainage area = Recoverable reserves/Recovery factor x pay thickness

Lowe "20" #1-
Drainage area = 172,018 bbls / (130 bbls/acre-ft x 19') = <u>69.6 acres</u>

Lowe "20" #2-
Drainage area = 127,360 bbls / (130 bbls/acre-ft x 13') = <u>75.4 acres</u>