

SINCLAIR OIL & GAS COMPANY
P. O. Box 1470
Midland, Texas

OIL RESERVES & ECONOMICS
PENNSYLVANIAN ZONE

I. Factors used in computing Pennaylvanian Reserves:

- a. Porosity of 5.03% (weighted average of core analysis on eight wells)
- b. Effective pay thickness of 37.7 feet (from electric-micro-radio active logs and/or core analysis on 15 wells.)
- c. Formation volume factor of 2.315 barrels reservoir oil per barrel of Stock Tank Oil (BH sample analysis Sinclair State 735 #1.)
- d. Connate water of 16%.
- e. Oil recovery of 20%.

II. Pennaylvanian Oil in place equals 5350 ST barrels per acre.

III. Pennaylvanian Stock Tank Oil reserves:

- a. Gross barrels per acre equals 1,070
- b. Gross barrels for 40 acres equals 42,800
- c. Gross barrels for 80 acres equals 85,600

IV. Price of Stock Tank Oil equals \$2.83 per barrel.

V. Economics of Pennaylvanian Well:

| | <u>40 acre</u> | <u>80 acre</u> |
|-----------------------------------|-------------------|-------------------|
| a. Gross value of recoverable STO | \$ 121,124 | \$ 242,248 |
| b. Charges against well | | |
| Royalty | \$ 15,140 | \$ 30,280 |
| Direct tax | 6,056 | 12,112 |
| Operating expense | 28,800 | 30,000 |
| Cost of well | 221,076 | 221,076 |
| Total charges | <u>\$ 271,072</u> | <u>\$ 293,468</u> |
| c. Net loss to Operator | (\$ 149,948) | (\$ 51,220) |