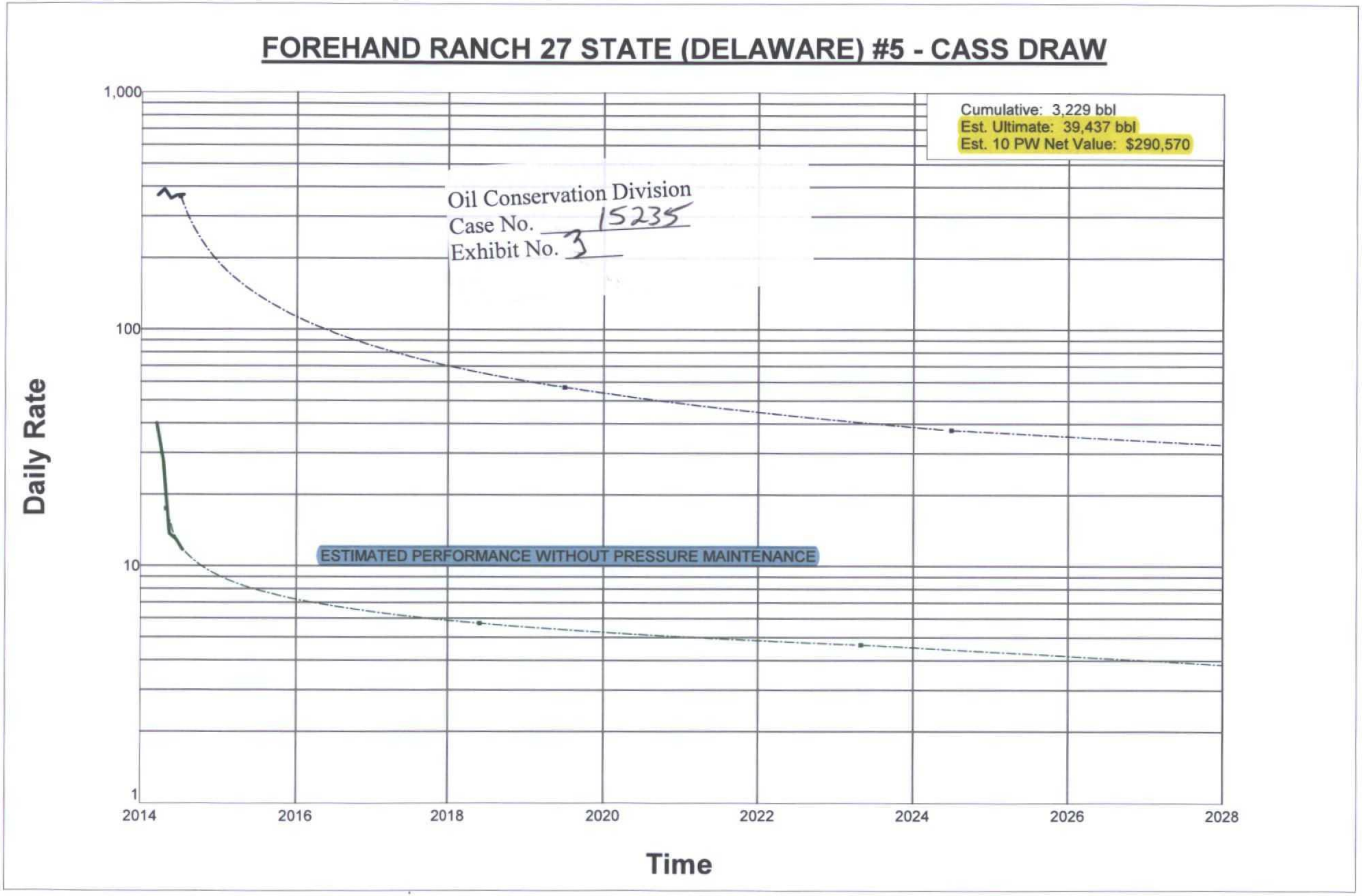

FOREHAND RANCH 27 STATE (DELAWARE) #5 - CASS DRAW
Cumulative: 3,229 bbl
Est. Ultimate: 39,437 bbl
Est. 10 PW Net Value: $290,570
Oil Conservation Division
Case No. 15235
Exhibit No. 3
ESTIMATED PERFORMANCE WITHOUT PRESSURE MAINTENANCE
Daily Rate
1,000
100
10
1
2014
2016
2018
2020
2022
2024
2026
2028
Time

Date: 11/13/2014 Time: 12:24 PM

# Annual CashFlow Report

Project: C:\Users\tsam\D[illegible] Final PDP_Drillout.mdb

Lease Name: FOREHAND RANCH 27 STATE (DELAWARE) (5) Operator: CAZA OPERATING LIMITED LIABILITY COR
County, ST: EDDY, NM Field Name: CASS DRAW
Location: S23 E27 27 Reserve Type/Class: Proved/Developed, Producing

| Date | Well Count | Gross Production Oil (Bbl) | Gross Production Gas (Mcf) | Net Production Oil (Bbl) | Net Production Gas (Mcf) | Average Prices Oil ($/Bbl) | Average Prices Gas ($/Mcf) | Sales Total ($) |
|---|---|---|---|---|---|---|---|---|
| 12/2014 | 1 | 873 | 0 | 423 | 0 | 79.67 | 0.00 | 33,739 |
| 12/2015 | 1 | 2,913 | 0 | 1,413 | 0 | 76.13 | 0.00 | 107,585 |
| 12/2016 | 1 | 2,470 | 0 | 1,198 | 0 | 74.54 | 0.00 | 89,320 |
| 12/2017 | 1 | 2,235 | 0 | 1,084 | 0 | 74.51 | 0.00 | 80,786 |
| 12/2018 | 1 | 2,079 | 0 | 1,009 | 0 | 74.70 | 0.00 | 75,354 |
| 12/2019 | 1 | 1,965 | 0 | 953 | 0 | 75.05 | 0.00 | 71,528 |
| 12/2020 | 1 | 1,875 | 0 | 910 | 0 | 75.43 | 0.00 | 68,618 |
| 12/2021 | 1 | 1,802 | 0 | 874 | 0 | 75.69 | 0.00 | 66,180 |
| 12/2022 | 1 | 1,741 | 0 | 845 | 0 | 75.82 | 0.00 | 64,046 |
| 12/2023 | 1 | 1,684 | 0 | 817 | 0 | 75.82 | 0.00 | 61,954 |
| 12/2024 | 1 | 1,618 | 0 | 785 | 0 | 75.82 | 0.00 | 59,514 |
| 12/2025 | 1 | 1,553 | 0 | 754 | 0 | 75.82 | 0.00 | 57,133 |
| 12/2026 | 1 | 1,491 | 0 | 723 | 0 | 75.82 | 0.00 | 54,848 |
| 12/2027 | 1 | 1,432 | 0 | 694 | 0 | 75.82 | 0.00 | 52,654 |
| 12/2028 | 1 | 1,374 | 0 | 667 | 0 | 75.82 | 0.00 | 50,548 |
| Remainder: | | 8,450 | 0 | 4,099 | 0 | 75.82 | 0.00 | 310,786 |
| Grand Total: | | 35,557 | 0 | 17,249 | 0 | 75.63 | 0.00 | 1,304,594 |

| Date | Operating Expenses ($) | Taxes ($) | Operating Income ($) | Other Costs ($) | Periodic Cash Flow ($) | Cumulative Cash Flow ($) | 10% Cash Flow ($) |
|---|---|---|---|---|---|---|---|
| 12/2014 | 9,672 | 2,706 | 21,362 | 0 | 21,362 | 21,362 | 21,032 |
| 12/2015 | 34,673 | 8,627 | 64,285 | 0 | 64,285 | 85,647 | 59,799 |
| 12/2016 | 32,550 | 7,163 | 49,608 | 0 | 49,608 | 135,255 | 41,896 |
| 12/2017 | 32,002 | 6,478 | 42,306 | 0 | 42,306 | 177,561 | 32,470 |
| 12/2018 | 31,917 | 6,043 | 37,394 | 0 | 37,394 | 214,955 | 26,085 |
| 12/2019 | 32,056 | 5,736 | 33,736 | 0 | 33,736 | 248,690 | 21,391 |
| 12/2020 | 32,325 | 5,503 | 30,790 | 0 | 30,790 | 279,481 | 17,748 |
| 12/2021 | 32,680 | 5,307 | 28,193 | 0 | 28,193 | 307,674 | 14,773 |
| 12/2022 | 33,096 | 5,136 | 25,814 | 0 | 25,814 | 333,487 | 12,297 |
| 12/2023 | 33,559 | 4,968 | 23,427 | 0 | 23,427 | 356,914 | 10,147 |
| 12/2024 | 34,066 | 4,772 | 20,675 | 0 | 20,675 | 377,589 | 8,143 |
| 12/2025 | 34,607 | 4,582 | 17,944 | 0 | 17,944 | 395,533 | 6,425 |
| 12/2026 | 34,678 | 4,398 | 15,772 | 0 | 15,772 | 411,305 | 5,133 |
| 12/2027 | 34,581 | 4,222 | 13,850 | 0 | 13,850 | 425,155 | 4,098 |
| 12/2028 | 34,488 | 4,053 | 12,006 | 0 | 12,006 | 437,161 | 3,230 |
| Remainder: | 263,327 | 24,922 | 22,537 | 0 | 22,537 | 459,698 | 5,903 |
| Grand Total: | 740,279 | 104,617 | 459,698 | 0 | 459,698 | 459,698 | 290,570 |

**Discount Present Worth:**

| | |
|---|---|
| 0.00 % | 459,698 |
| 10.00 % | 290,570 |
| 20.00 % | 212,803 |
| 30.00 % | 170,357 |
| 40.00 % | 144,010 |
| 50.00 % | 126,095 |
| 60.00 % | 113,098 |
| 70.00 % | 103,209 |
| 80.00 % | 95,411 |
| 90.00 % | 89,088 |
| 100.00 % | 83,846 |

**Economic Dates:**

| | |
|---|---|
| Effective Date | 10/2014 |
| Calculated Limit | 03/2036 |
| Economic Life | 258 Months |
| | 21 Years 6 Months |

**Economics Information:**

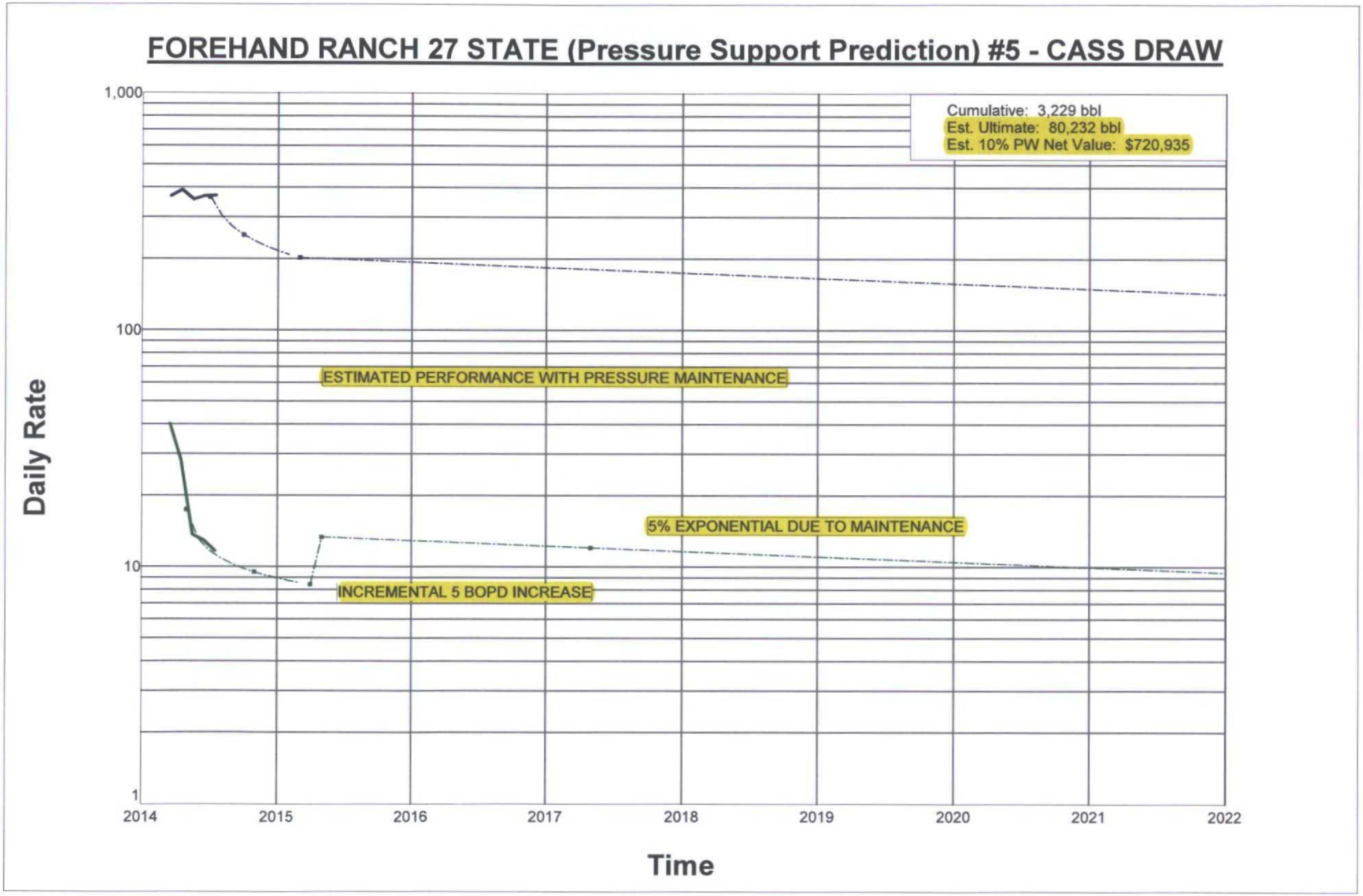
| | |
|---|---|
| Net Payout Date: | 10/2014 |
| Rate of Return: | >100 % |
| Return on Investment: | 0.00 |
| Disc Return on Invest: | 0.00 |
| Initial Division of Interest: | |

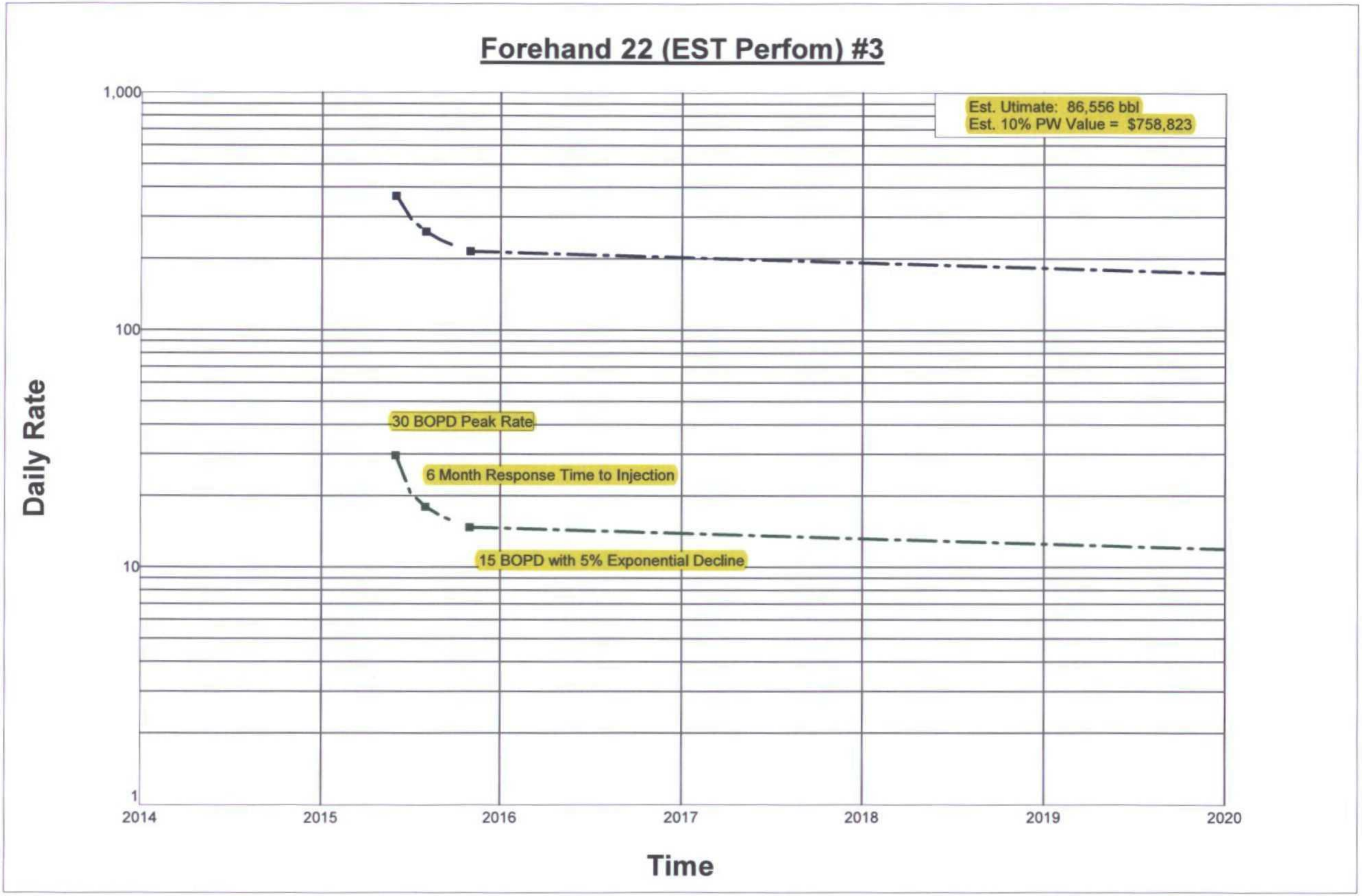
**Economics Summary:**

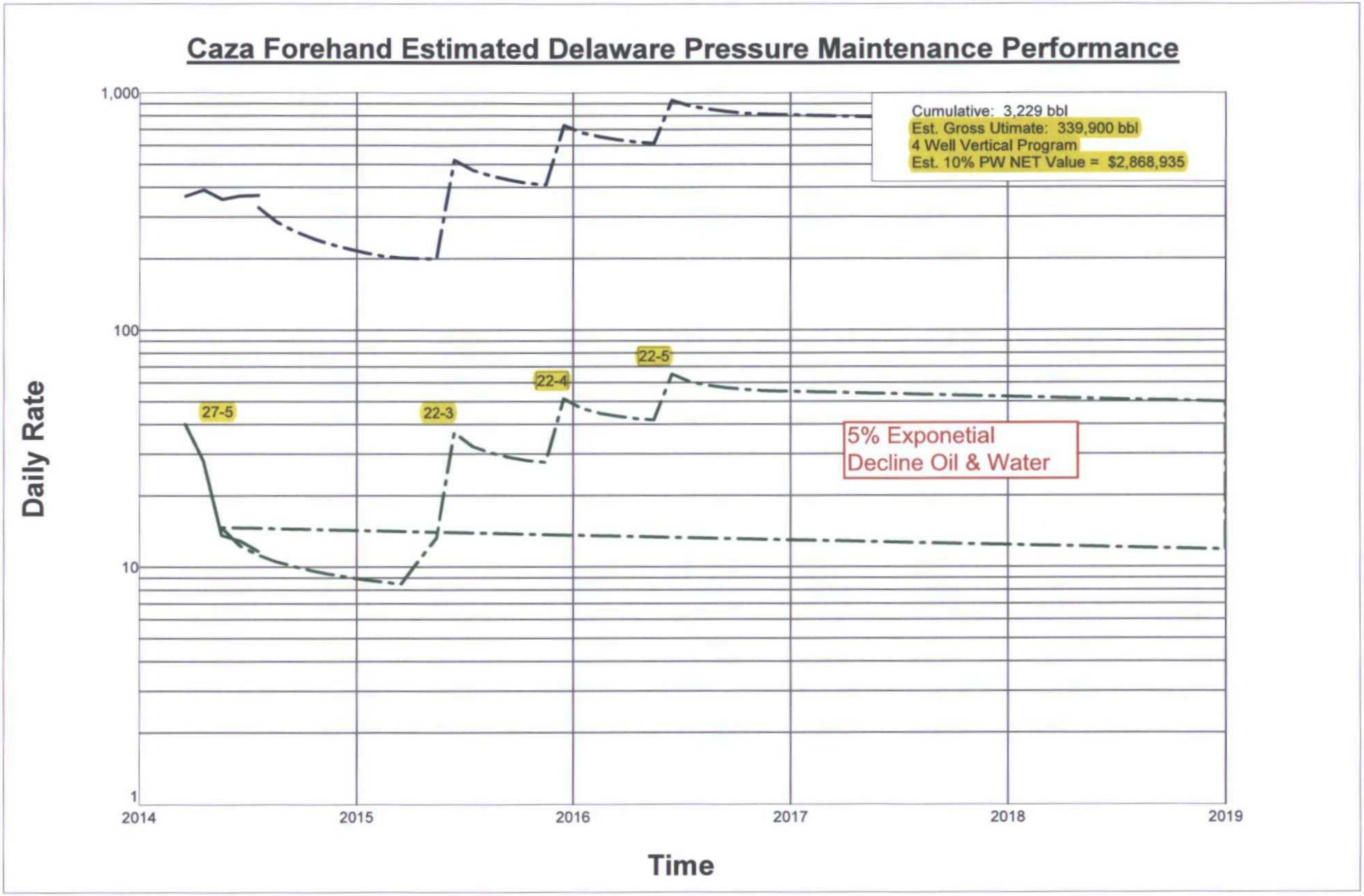
| | Bbl Oil | Mcf Gas |
|---|---|---|
| Ultimate Gross | 39,437 | 0 |
| Historic Gross | 3,229 | 0 |
| Gross at Eff Date | 3,880 | 0 |
| Remaining Gross | 35,557 | 0 |
| Remaining Net | 17,249 | 0 |

BTU Content: 1.000 mmbtu/mcf
Gravity: Oil: 28.00 Gas: 0.800

| | | | NRI | ORI |
|---|---|---|---|---|
| WI: | 63.000000 | Oil: | 48.510000 | 0.000000 |
| | | Gas: | 48.510000 | 0.000000 |
| Reversion Date: | None | Injection: | 0.000000 | 0.000000 |


FOREHAND RANCH 27 STATE (Pressure Support Prediction) #5 - CASS DRAW
Cumulative: 3,229 bbl
Est. Ultimate: 80,232 bbl
Est. 10% PW Net Value: $720,935
ESTIMATED PERFORMANCE WITH PRESSURE MAINTENANCE
5% EXPONENTIAL DUE TO MAINTENANCE
INCREMENTAL 5 BOPD INCREASE
Daily Rate
1,000
100
10
1
2014
2015
2016
2017
2018
2019
2020
2021
2022
Time


Forehand 22 (EST Perfom) #3
Est. Utimate: 86,556 bbl
Est. 10% PW Value = $758,823
1,000
100
10
1
30 BOPD Peak Rate
6 Month Response Time to Injection
15 BOPD with 5% Exponential Decline
2014
2015
2016
2017
2018
2019
2020
Daily Rate
Time


Caza Forehand Estimated Delaware Pressure Maintenance Performance
Cumulative: 3,229 bbl
Est. Gross Utimate: 339,900 bbl
4 Well Vertical Program
Est. 10% PW NET Value = $2,868,935
27-5
22-3
22-4
22-5
5% Exponetial
Decline Oil & Water
Daily Rate
Time
1,000
100
10
1
2014
2015
2016
2017
2018
2019

**FOREHAND 27 STATE #4**
1980 FNL & 660 FEL
SEC 27, T23S, R27E
EDDY COUNTY, NM
CAZA WI: 63 %
API # 30-015-42309
ELEV 3147' GR. DF 10'

20" cond @ 49 ft
13-3/8" 48# H-40 STC Csg @ 476ft
8-5/8" 24# J-55 Csg STC @ 2062 ft
5-1/2"15.5# J-55 Csg LTC @ 4704'
FLOAT collar 4658 ft
PBTD CIBP @ 3560 ft.
PERFS: 3315-3337 FT (44HOLES)

**DEVELOPMENT : DRILL AND COMPLETE SWD**
AFE# 52020 GROSS: $1,222,700. PTD: 4000 MD.

9/10/14 PO: W/O State approval to inject. Day: 18.

Repair road & location site due to heavy rain. R/U pump truck to perform injection test.
Step Rate:
½ BPM pumped 30 bbls. Starting pressure 100 psi. ending pressure 130 psi.
1 BPM pumped 30 bbls. Starting pressure 130 psi. ending pressure 190 psi.
1-1/2 BPM pumped 30 bbls. Starting pressure 190 psi. ending pressure 220 psi.
2 BPM pumped 30 bbls. Starting pressure 220 psi. ending pressure 210 psi.
2-1/2 BPM pumped 30 bbls. Starting pressure 260 psi. ending pressure 300 psi.
3 BPM pumped 30 bbls. Starting pressure 320 psi. ending pressure 340 psi.
ISIP 220 psi. 5 min 190 psi. 10 min 180 psi. 15 min 175 psi.

Daily Cost: $ 4,150 TWC: $ 1,003,327

9/9/14 PO: Prep to do preliminary inj test. Day: 17.

Released all rental equip. Ordered dirt equip to dress location tomorrow. Ordered pump truck to perform injection test for preliminary design. Secure Well & SDFN.

Daily Cost: $ 1725 TWC: $999,187

9/8/14 PO: Well ready for injection test. Day: 16.

Finish RIH w/ injection packer. Set same @ 3299'. Tested to 1000 psi for 30 minutes. Okay. Release on/off tool. Displace hole w/ packer fluid. N/D BOPE. N/U Tree. Tested string & packer to 1000 psi for 30 minutes. Okay. Pump out plug w/ 2500 psi. Well ready for injection. R/D WSU. Location extremely sloppy & slick due to heavy rains.

Daily Cost: $ 15,878 TWC: $ 997,462

9/6/14 PO: SD for Sunday. Day: 15.

Casing had slight flow. R/U vacuum truck. POH w/ work string L/D same. P/U 5-1/2" Nickel coated packer. RIH w/ internal plastic coated 2-7/8" EUE tubing to 2456'. Tongs on rig broke. Secure Well & SD for Sunday. Will Finish in hole Monday.

Daily Cost: $ 21,434 TWC: $ 981,584

9/5/14 PO: Finish POH w/ work string. Day: 14.