



Economic Evaluation

Project: C:\Data\Projects\EHUSales03.MDB

Date: 3/18/2003

Time: 8:55 AM

Lease Name: Incr. Full Scale Unrisked Case (S/P 2.5)

Field Name: HOBBS EAST (SAN ANDRES)

Operator: ENERQUEST RESOURCES

County, ST: LEA, NM

Reservoir:

Lease API: - -

Location: 0-0-0

Reserve Type:

Reserve Class: Developed, Non-Producing

Economic Dates:

Effective Date 01/2003

Calculated Limit 02/2038

Economic Life 422 Months

35 Years 2 Months

EHU WATERFLOOD - INCREMENTAL CASE

Pricing: Flat \$25/Bbl. \$4/MCF

Differential: -\$1.84/bbl, -\$0.26/MCF

Initial Division of Interest:

WI: 100.000000

Oil: 80.000000

ORI 0.000000

Gas: 80.000000

0.000000

Reversion Date: None

Injection: 0.000000

0.000000

Discount Present Worth:

0.00 % 137,951,860

2.00 % 119,635,412

4.00 % 104,812,948

6.00 % 92,575,050

8.00 % 82,302,693

9.00 % 77,762,639

12.00 % 66,039,126

20.00 % 44,254,575

25.00 % 35,037,369

30.00 % 27,941,454

50.00 % 11,360,705

Economics Information:

Net Payout Date: 02/2006

Rate of Return: 88.14 %

Return on Investment: 20.37

Disc Return on Invest: 11.33

Economics Summary:

Ultimate Gross 8,759,455

Historic Gross 0

Gross at Eff Date 0

Remaining Gross 8,759,455

Remaining Net 7,007,564

Bbl Oil

Mcf Gas

1,820,585

0

1,820,585

1,456,468

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/MMBtu)	(\$)
12/2003	3	0	0	0	0	0.00	0.00	0
12/2004	6	0	0	0	0	0.00	0.00	0
12/2005	6	271,221	55,511	216,977	44,409	23.17	3.74	5,193,443
12/2006	6	1,951,745	406,529	1,561,396	325,223	23.17	3.74	37,393,877
12/2007	6	2,016,148	419,923	1,612,919	335,938	23.17	3.74	38,627,733
12/2008	6	1,076,415	224,214	861,132	179,371	23.17	3.74	20,623,274
12/2009	6	500,653	104,293	400,523	83,434	23.17	3.74	9,592,157
12/2010	6	490,320	102,144	392,256	81,715	23.17	3.74	9,394,180
12/2011	6	374,352	77,978	299,482	62,383	23.17	3.74	7,172,302
12/2012	6	229,734	47,855	183,787	38,284	23.17	3.74	4,401,525
12/2013	6	182,045	37,921	145,636	30,336	23.17	3.74	3,487,852
12/2014	6	168,475	35,072	134,780	28,058	23.17	3.74	3,227,791
12/2015	6	153,144	31,846	122,515	25,477	23.17	3.74	2,933,957
12/2016	6	139,208	28,916	111,366	23,133	23.17	3.74	2,666,872
12/2017	6	126,540	26,256	101,232	21,005	23.17	3.74	2,424,100
Remainder:		1,079,455	222,127	863,564	177,702	23.17	3.74	20,673,383
Grand Total:		8,759,455	1,820,585	7,007,564	1,456,468	23.17	3.74	167,812,443

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2003	155,988	0	-155,988	7,123,000	-7,278,988	-7,278,988	-7,271,195
12/2004	311,976	0	-311,976	0	-311,976	-7,590,964	-269,445
12/2005	311,976	368,963	4,512,505	0	4,512,505	-3,078,459	3,417,876
12/2006	311,976	2,656,699	34,425,201	0	34,425,201	31,346,742	24,546,846
12/2007	311,976	2,744,360	35,571,396	0	35,571,396	66,918,138	23,093,467
12/2008	311,976	1,465,209	18,846,089	0	18,846,089	85,764,227	11,233,474
12/2009	311,976	681,488	8,598,692	0	8,598,692	94,362,920	4,612,924
12/2010	311,976	667,423	8,414,781	0	8,414,781	102,777,701	4,102,285
12/2011	311,976	509,566	6,350,759	0	6,350,759	109,128,460	2,827,868
12/2012	311,976	312,712	3,776,836	0	3,776,836	112,905,296	1,526,818
12/2013	311,976	247,799	2,928,077	0	2,928,077	115,833,373	1,073,063
12/2014	311,976	229,323	2,686,492	0	2,686,492	118,519,866	895,309
12/2015	311,976	208,446	2,413,535	0	2,413,535	120,933,400	731,227
12/2016	311,976	189,471	2,165,425	0	2,165,425	123,098,825	596,423
12/2017	311,976	172,222	1,939,902	0	1,939,902	125,038,727	485,740
Remainder:	6,291,516	1,468,734	12,913,133	0	12,913,133	137,951,860	1,959,051
Grand Total:	10,815,168	11,922,415	145,074,860	7,123,000	137,951,860	137,951,860	73,561,730