

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	592	557
INITIAL RATE - BOED	41	395	354
MONTHLY OPERATING EXPENSES, EXCLUDING TAXES	\$1,500	\$4,000	\$2,500
GROSS ESTIMATED ULTIMATE RECOVERY, MBO	60	205	145
GROSS ESTIMATED ULTIMATE RECOVERY, MMCF	88	563	475
GROSS ESTIMATED ULTIMATE RECOVERY, MBOE	75	299	224
UNDISCOUNTED PRESENT WORTH, \$M	\$1,214	\$8,881	\$7,667
PRESENT WORTH DISCOUNTED @ 12%, PW12, \$M	\$200	\$4,403	\$4,203
RATE OF RETURN	17%	94%	77%
UNDISCOUNTED PAYOUT, YRS	4.7	1.8	-2.9
LIFE, YRS	24.4	30.0	5.6
CUMULATIVE AD VALOREM & SEVERENCE TAXES TO BE PAID, \$M:	\$334	\$1,241	\$907

ASSUMPTIONS:

OIL PRICE: \$76.50 (WTI POSTED 08/12/09)
 GAS PRICE: \$4.00 (HENRY HUB SPOT 08/12/09)
 WORKING INTEREST 100 %
 NET REVENUE INTEREST 87.5 %
 PRODUCTION START DATE: 12/2010
 NO ESCALATION OF PRICE OR LOE