

Inc. has a 100% gross working interest and an 87.5% net interest in both zones.

- D) New Mexico Oil Conservation Division Form C-116 is attached showing a test of produced oil, water and gas from the Penrose Skelly Grayburg and Eumont Yates Seven Rivers Queen zones.
- E) A production decline curve for the Penrose Skelly Grayburg formation production is attached. No production history is available for the Eumont Yates Seven Rivers Queen zone since this zone is a recent completion. A complete resume of the well, including Penrose Skelly Grayburg and Eumont Yates Seven Rivers Queen treating and testing is attached. The prognosis for future production from each zone is as per past production trends and as per the attached production tests for each zone.
- F) The bottom hole pressure for zones obtained by stabilized fluid level measurements are as follows:
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|---------------------------------|---------|
| Penrose Skelly Grayburg | 200 psi |
| Eumont Yates Seven Rivers Queen | 110 psi |
- G) The Penrose Skelly Grayburg and Eumont Yates Seven Rivers Queen formations are compatible and have been successfully commingled on other Lea County properties. Therefore, no fluid incompatibilities are expected for the commingled Penrose Skelly Grayburg and Eumont Yates Seven Rivers Queen formations in the subject wellbore.
- H) The prices received for hydrocarbon products sold from the C. P. Falby "A" Lease are the same for all zones. Therefore, the value of the commingled production will not be less than the sum of the values of the individual streams.
- I) Offset operators have been notified of the pending downhole commingling (See Table 1 of a list of the offset operators that have been notified). Also, the United States Geological Survey has been notified of this proposed commingling on the Federal lease as per United States Department of the Interior Form 3160-3.