

Justification of Temporary Abandoned Status
Clossen "B" Well Numbers 3, 11, 16, 19, 20, 21 & 34
Lea County, New Mexico

The Clossen "B" lease currently has 15 active producers and one SWD. Euratex has tentative plans to install a water flood when economic conditions improve. The adjoining units immediately to the west, the Jalmat Yates Sand Unit and the Cone Jalmat Yates Unit, were previously under active water flood with apparent economical success. In fact, when these units were under active flood, the west line of wells on the Clossen "B" lease possibly experienced a small amount of offset flood response.

Euratex proposes to keep the seven wellbores as TA's for use in a possible water flood when economic conditions (oil price) improve. Currently the active producing wells and the seven wellbores under discussion which are not in use are in very good condition as are the surface facilities and can be used in any future water flood program. When Euratex purchased its interest in the property approximately 14 years ago in the time of the high oil prices (\$40/Bbl), outside engineers prepared a preliminary engineering report analyzing the water flood potential. This report forecast significant water flood reserves under the high oil price scenario. Unfortunately, when the oil prices fell, this potential became marginally economic where it rests today. Accordingly, Euratex proposes to keep the seven wells in question, once they have again demonstrated their mechanical integrity, in TA status until such time that a water flood of the Yates and associated sands becomes a bit better than marginally economic.

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