

SAN JUAN MESA PROSPECT
ROOSEVELT COUNTY, NEW MEXICO
– A Cisco Age Carbonate Build-up Play in the Permian Basin –

SUMMARY

The San Juan Mesa Prospect is a carbonate build-up with **100 BCF** recoverable reserves.

GEOLOGY AND GEOPHYSICS

The primary objective is a Cisco Age Upper Pennsylvanian carbonate build-up at a depth of 7,800 feet. It is located within a producing fairway in Roosevelt County and is defined by three wells and 16 miles of 2D seismic that describe the reservoir, trap, and seal.

RESOURCE POTENTIAL

The estimated total gas-in-place is 167 BCF with **recoverable** reserves of **100 BCF** assuming **20 feet of net pay** across the prospect area of **14,200 acres**. Based on the costs below, the estimated F&D cost would be about **\$0.72 / MCF**. Please note that the Vithner well just north of the prospect encountered 27 feet of net pay.

LAND

The leased area is 11,961 gross and 9,666 net acres. The majority of the leases expire in 2011 with the earliest expiration occurring August 2010. Please note that any future leases will be subject to the same NRI as stated below.

INITIAL WELL COST

San Juan Mesa	Gross Cost	12.5%	25%
Land/G&G Cost	\$920,000	\$115,000	\$230,000
Well to Casing Point Cost	\$658,000	\$109,667 *	\$219,333 *
Dryhole Cost	\$1,578,000	\$224,667	\$449,333
Completion Cost	\$585,000	\$73,125	\$146,250
Completed Well Cost	\$2,163,000	\$297,792	\$595,583

* NOTE: PARTICIPATION INTEREST OF "WELL TO CASING POINT COST" IS **PROMOTED 1/3 FOR 1/4**

TERMS

All leases will be delivered to the investor with a **78% NRI**. For working interest investments of less than 50%, participation is available on a ground floor basis for Land/G&G and a **1/3 for 1/4 promote to casing point** on the initial well. For 50% or greater, terms are negotiable and operatorship is available.

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