

**WEST NEWMILL PROSPECT**  
**CHAVES COUNTY, NEW MEXICO**  
*– A Granite Wash Structural-Stratigraphic Play in the Permian Basin –*

**SUMMARY**

The West Newmill Prospect is a structural-strat play with **45 BCF recoverable** reserves.

**GEOLOGY AND GEOPHYSICS**

The primary objective is a Strawn Age Granite Wash submarine clastic fan at a depth of 6,800 feet. It is located within a producing fairway in Chaves and Roosevelt Counties along the strike of the prospect. Wells drilled adjacent to the prospect provide adequate subsurface control and eight miles of 2D seismic define the structural and stratigraphic traps. Additionally, low frequency aeromagnetic data confirms structural conformance to basement anomalies.

**RESOURCE POTENTIAL**

The estimated total gas-in-place is 75 BCF with **recoverable** reserves of **45 BCF** assuming **30 feet of net pay** across the prospect area of **2,800 acres**. Based on the costs below, the estimated F&D cost would be about **\$0.32 / MCF**.

**LAND**

The leased area is 4,080 gross and net acres. The earliest lease expiration occurs May 2011. Please note that any future leases will be subject to the same NRI as stated below.

**INITIAL WELL COST**

West Newmill	Gross Cost	12.5%	25%
Land/G&G Cost	\$540,000	\$67,500	\$135,000
Well to Casing Point Cost	\$626,000	\$104,333 *	\$208,667 *
<b>Dryhole Cost</b>	<b>\$1,166,000</b>	<b>\$171,833</b>	<b>\$343,667</b>
Completion Cost	\$581,000	\$72,625	\$145,250
<b>Completed Well Cost</b>	<b>\$1,747,000</b>	<b>\$244,458</b>	<b>\$488,917</b>

\* 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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