

SW TALPA II PROSPECT

Runnels County, Texas

LOCATION

Geographic - The SW Talpa II Prospect is located in extreme eastern Runnels County, Texas. The approximate 1300 acre lease position is about 3 miles southwest of Talpa, Texas. Talpa lies on US 67 on the East side of the Runnels/Coleman County line.

Geological - The SW Talpa II Prospect is located geologically on the Eastern Shelf of the Midland Basin. The formation that is most economically prospective is the Serratt Sand in the Cisco series of the Pennsylvanian System. Other prospective formations lie in the Canyon and Strawn series of the Pennsylvanian. All of these series are comprised of varying sequences of shale, sandstone, coal and carbonate formations that were deposited in deltaic, fluvial, channel, embayment, shelf and some deep water environments usually in transgress-regressive cycles. Hydrocarbon accumulations may result from either structural or strat traps. The strat traps are usually associated with subtle nosing.

PROSPECT HISTORY

The originator of this prospect identified a structural anomaly on this acreage block while doing a regional structure study in 1983. At that time the acreage was unavailable due to a legal contest which lasted well into the era of severely depressed oil and gas prices. Subsequently that contest was settled, ownership was split several times and some fractions sold off. After lengthy (9 months) title work and extended lease negotiations the approximately 1300 acre prospect block was recently finally obtained.

TYPE OF PROSPECT

The SW Talpa II Prospect is a relatively shallow depth multi-pay prospect in an area of known quality oil and gas reserves. The lease position put together is an unusually large block of undrilled acreage with good subsurface data available from surrounding tracts. The most attractive aspect of the prospect is the ability to look for a shallow very prolific zone (Serratt) by drilling to a low risk deeper zone (Dog Bend). The Serratt must be considered a semi-wildcat despite the presence of four nearby Serratt fields. The Dog Bend which is blanket over the area however provides a low risk, fair return on investment to justify the 3700' wells.

PRIMARY ECONOMIC TARGET - The Cisco Series Serratt Sand at approximately 2100' is the most attractive target due to the potential reserves of around 75,000 bbls of oil per well average shown by the history of four Serratt fields within 2 miles of the prospective acreage. It is prospective geologically based on an obvious structural anomaly inside the block of leases put together. The Serratt is considered a Medium Risk / High Return type prospect.

- See --
1. Production History Map in back pocket
 2. "Area Work Map" in Primary Target Section
 3. Producing Formations in Area Map in Prospect Summary section

SECONDARY TARGET - The secondary target (economically) is the Canyon Series Dog Bend Lime at approximately 3200'. The Dog Bend is blanket over the area (see all four cross-sections) and hydrocarbon (mostly gas) bearing. Dog Bend economics are based on offset production history within 1-½ miles of the prospective acreage. Risk is only due to varying net pay and porosity variance. The Dog Bend is a low risk for recovering low multiples of the cost of 3700' wells at current or even lower product prices. Any romance would come from possible future price increases. The Dog Bend is considered a Low Risk / Medium Return type prospect.

- See --
1. Production History Map in back pocket
 2. Nearby Completions Map in the 2nd Target Section
 3. Producing Formations in Area Map in Prospect Summary Section

THIRD TARGET - Third most important target for the SW Talpa II Prospect is the Canyon Series Winchell Lime at approximately 2500' to 2700'. The Winchell is also blanket over the area (see all four cross-sections) but not always hydrocarbon bearing. Winchell economics like the Dog Bend are based on offset production history, in this case the Midstates field directly offsetting the prospect acreage to the South. The Operator never released the logs on the five Midstates Winchell wells but sufficient area data exists (See Cross-sections) to show blanket deposition. The Winchell is considered a Medium Risk / Medium Return type prospect.

- See --
1. Production History History Map in back pocket
 2. Nearby Completions Map in 2nd Target Section
 3. Producing Formations in Area Map in Prospect Summary Section

"POSSIBLES" - An additional 500' of hole below the Dog Bend will allow a look at the Capps, Fry, Goen, Jennings and Gardner formations of the Strawn Series. There is insufficient geological data or production history to call any of these zones as prospective on the prospect acreage. However, all of these formations have produced economically in the general area and are believed worth the cost of the additional 500' of hole. These formations are all considered High Risk / Unknown Return type prospects.

GEOLOGICAL DISCUSSION

SERRATT SAND - The Serratt at approximately 2100' has yielded high oil recoveries from four nearby fields (see Production History Map, back pocket and Area Work Map-Top of Serratt in Primary Target Section.). Two of these fields (Saxon and Charlieben) are reef drape structures. The Charlieben field is just off the top edge of the maps. The