

**APPENDIX 4**  
**FINANCIAL DATA**

**CAPITAL COSTS OF WELL DEVELOPMENT  
200 NEW WELLS AND 50 EXISTING WELLS**

<b>NEW WELL DEVELOPMENT</b>	<b>PER WELL</b>
SITE PREPARATION	\$3,335
DRILLING	30,682
CASING	13,340
CEMENTING	13,340
PERFORATION WELL LOGGING	13,340
TUBING	8,004
DOWNHOLE PUMPS	2,668
RODS	2,668
WELL HEADS AND VALVES	2,668
PUMPJACKS	6,670
WELL SERVICE RIGS	3,335
DRILLING FLUIDS/LUBRICANTS	3,335
DRILLING WATER	4,002
ELECTRICAL/POWER	1,334
HOOK-UP/RENTAL/MOSC EQUIPMENT	2,668
ENGINEERING/OVERSIGHT	3,335
LEGAL AND PERMITTING	3,335
G&A	3,335
<b>TOTAL</b>	<b>\$121,394</b>

<b>NEW WELL LEASE INFRASTRUCTURE</b>	<b>PER WELL</b>
ROADS AND BULDINGS	\$6,670
<b>TOTAL</b>	<b>\$6,670</b>

<b>NEW WELL FLUID INJECTION PROGRAM</b>	<b>PER WELL</b>
PUMPS (WATER TO TANKS FOR POLIMER BLEND)	\$6,670
TANKS FOR FLUID STORAGE	3,335
PIPELINE DISTRIBUTION SYSTEM	4,002
SEPARATION EQUIPMENT & HEAT RETRIEVAL	1,668
OIL STORAGE TANKS	6,670
RESERVE FOR PARTS AND SUPPLIES	1,334
<b>TOTAL</b>	<b>\$23,679</b>

<b>NEW WELL OPERATIONS EQUIPMENT</b>	<b>PER ITEM</b>	<b>PER WELL</b>
2 X 1 TON TOOL TRUCKS	\$66,700	\$334
2 X 25 TON WINCH TRUCKS	66,700	334
1 X DITCHING MACHINE WITH DIAMOND BIT	100,050	500
5 X PICK-UP TRUCKS	133,400	667
2 X D7 BULLDOZERS	333,500	1,668
4 X 186 BARREL TRANSPORT TRUCKS	480,240	2,401
2 X 5 YARD DUMPTRUCKS	106,720	534
3 X DOUBLE DRUM DRILL SERVICE RIGS	700,350	3,502
2 X VACUUM TRUCKS AND MUD PUMPS	333,500	1,668
MISC EQUIPMENT AND STANDBY PUMPS	266,800	1,334
STANDBY ELECTRICAL GENERATOR EQUIPMENT	2,668,000	13,340
<b>TOTAL</b>	<b>\$5,255,960</b>	<b>\$26,280</b>

**CAPITAL COSTS OF WELL DEVELOPMENT  
200 NEW WELLS AND 50 EXISTING WELLS**

<b>COST SUMMARY FOR 200 NEW WELLS</b>	PER WELL	200 WELLS
NEW WELL DEVELOPMENT	\$121,394	\$24,278,800
NEW WELL LEASE INFRASTRUCTURE	6,670	1,334,000
NEW WELL FLUID INJECTION PROGRAM	23,679	4,735,700
NEW WELL OPERATIONS EQUIPMENT	26,280	5,255,960
<b>TOTAL</b>	<b>\$178,022</b>	<b>\$35,604,460</b>

<b>COST SUMMARY FOR 50 EXISTING WELLS</b>	PER WELL	50 WELLS
REFURBISHMENT COSTS FOR EXISTING WELLS	\$80,040	\$4,002,000
<b>TOTAL</b>	<b>\$80,040</b>	<b>\$4,002,000</b>

<b>TOTAL CAPITAL COSTS OF WELL DEVELOPMENT</b>		250 WELLS
TOTAL FOR 200 NEW WELLS		\$35,604,460
TOTAL FOR 50 EXISTING WELLS		4,002,000
CONTINGENCY	12.50%	4,950,808
ESCALATION	15%	5,940,969
		<u>\$50,498,237</u>

## VALUE OF RESERVES AND MONTHLY PRODUCTION

### ASSUMPTIONS

TOTAL RESERVES (BARRELS)	46,926,057
PERCENTAGE RECOVERABLE	86.00%
RECOVERABLE RESERVES (BARRELS)	40,356,409
NUMBER OF PRODUCTION WELLS*	200
DAILY PRODUCTION/WELL (BARRELS)	40
MONTHLY PRODUCTION/WELL (BARRELS)	1,200
MONTHLY PRODUCTION/ALL WELLS (BARRELS)	240,000

### VALUE OF RESERVES

\$/BARREL	TOTAL RESERVES	RECOVERABLE RESERVES
\$50	\$2,346,302,850	\$2,017,820,451
\$55	\$2,580,933,135	\$2,219,602,496
\$60	\$2,815,563,420	\$2,421,384,541
\$65	\$3,050,193,705	\$2,623,166,586
\$70	\$3,284,823,990	\$2,824,948,631
\$75	\$3,519,454,275	\$3,026,730,677
\$80	\$3,754,084,560	\$3,228,512,722
\$85	\$3,988,714,845	\$3,430,294,767
\$90	\$4,223,345,130	\$3,632,076,812
\$95	\$4,457,975,415	\$3,833,858,857
\$100	\$4,692,605,700	\$4,035,640,902

### VALUE OF MONTHLY PRODUCTION

\$/BARREL	PER WELL	ALL WELLS
\$50	\$60,000	\$12,000,000
\$55	\$66,000	\$13,200,000
\$60	\$72,000	\$14,400,000
\$65	\$78,000	\$15,600,000
\$70	\$84,000	\$16,800,000
\$75	\$90,000	\$18,000,000
\$80	\$96,000	\$19,200,000
\$85	\$102,000	\$20,400,000
\$90	\$108,000	\$21,600,000
\$95	\$114,000	\$22,800,000
\$100	\$120,000	\$24,000,000

\*50 of the 250 wells are injection wells

## PROJECTED OPERATING EXPENSES

MONTHLY FIXED OPERATING EXPENSES	PER WELL	250 WELLS
WELL OVERHEAD & REPORTING	\$200	\$50,000
BONDING AND INSURANCE	100	25,000
ELECTRICITY	400	100,000
WELL MAINTENANCE	400	100,000
PRO FLOW	30	7,500
CHEMICALS & MISC EQUIPMENT	50	12,500
LEGAL SERVICE/CREW OVERHEAD	400	100,000
ALLOWANCE FOR WELL REWORK	400	100,000
<b>SUB-TOTAL</b>	<b>\$1,980</b>	<b>\$495,000</b>
G&A	20.00%	396
CONTINGENCY	6.00%	119
<b>TOTAL</b>	<b>\$2,495</b>	<b>\$623,700</b>

### MONTHLY OPERATING EXPENSES TO MONTHLY GROSS REVENUES

\$/BARREL	OPERATING EXPENSES	GROSS REVENUES	RATIO
\$50	\$623,700	\$12,000,000	5.20%
\$55	\$623,700	\$13,200,000	4.73%
\$60	\$623,700	\$14,400,000	4.33%
\$65	\$623,700	\$15,600,000	4.00%
\$70	\$623,700	\$16,800,000	3.71%
\$75	\$623,700	\$18,000,000	3.47%
\$80	\$623,700	\$19,200,000	3.25%
\$85	\$623,700	\$20,400,000	3.06%
\$90	\$623,700	\$21,600,000	2.89%
\$95	\$623,700	\$22,800,000	2.74%
\$100	\$623,700	\$24,000,000	2.60%

## **APPENDIX 5**

### **PRO-FORMA FINANCIAL STATEMENTS**

## PRO-FORMA PROFIT & LOSS STATEMENT

9 # of 1st year earning months

50 \$/Barrel

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>REVENUES</b>					
PRODUCTION REVENUE	\$108,000,000	\$144,000,000	\$144,000,000	\$144,000,000	\$144,000,000
ROYALTIES (20%)	21,600,000	28,800,000	28,800,000	28,800,000	28,800,000
<b>NET REVENUES:</b>	<b>\$86,400,000</b>	<b>\$115,200,000</b>	<b>\$115,200,000</b>	<b>\$115,200,000</b>	<b>\$115,200,000</b>
 <b>PRODUCTION COSTS</b>					
WELL OVERHEAD & REPORTING	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
BONDING AND INSURANCE	300,000	300,000	300,000	300,000	300,000
ELECTRICITY	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
WELL MAINTENANCE	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
PRO FLOW	90,000	90,000	90,000	90,000	90,000
CHEMICALS & MISC EQUIPMENT	150,000	150,000	150,000	150,000	150,000
LEGAL SERVICE/CREW OVERHEAD	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
ALLOWANCE FOR WELL REWORK	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
G&A	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000
CONTINGENCY	356,400	356,400	356,400	356,400	356,400
<b>TOTAL PRODUCTION COSTS:</b>	<b>\$7,484,400</b>	<b>\$7,484,400</b>	<b>\$7,484,400</b>	<b>\$7,484,400</b>	<b>\$7,484,400</b>
<b>TOTAL GROSS PROFIT:</b>	<b>\$78,915,600</b>	<b>\$107,715,600</b>	<b>\$107,715,600</b>	<b>\$107,715,600</b>	<b>\$107,715,600</b>
<i>GROSS PROFIT MARGIN %:</i>	<i>73.07%</i>	<i>74.80%</i>	<i>74.80%</i>	<i>74.80%</i>	<i>74.80%</i>
 <b>OPERATING EXPENSES</b>					
Consulting & other contract service fees	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000
General Liability Insurance	15,000	15,000	15,000	15,000	15,000
Miscellaneous	80,000	80,000	80,000	80,000	80,000
Office Supplies	12,000	12,000	12,000	12,000	12,000
Office Rental & Utilities-Maintenance	48,000	48,000	48,000	48,000	48,000
Computer equipment Rental	3,000	3,000	3,000	3,000	3,000
Professional fees	120,000	120,000	120,000	120,000	120,000
Salaries & Benefits	600,000	600,000	600,000	600,000	600,000
Phone, Postages, Communication Costs	24,000	24,000	24,000	24,000	24,000
Travel & Entertainment	40,000	40,000	40,000	40,000	40,000
Vehicle Lease Expenses	18,000	18,000	18,000	18,000	18,000
<b>TOTAL OPERATING EXPENSES:</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>
<b>OPERATING INCOME (EBIDTA):</b>	<b>\$77,715,600</b>	<b>\$106,515,600</b>	<b>\$106,515,600</b>	<b>\$106,515,600</b>	<b>\$106,515,600</b>
<i>EBIDTA (Loss) as a % of Revenues:</i>	<i>72%</i>	<i>74%</i>	<i>74%</i>	<i>74%</i>	<i>74%</i>
<b>DEPRECIATION:</b>	<b>\$2,304,009</b>	<b>\$2,304,009</b>	<b>\$2,304,009</b>	<b>\$2,304,009</b>	<b>\$2,304,009</b>
<b>INTANGIBLE DRILLING COSTS (IDC):</b>	<b>\$23,478,400</b>	<b>\$23,478,400</b>	<b>\$23,478,400</b>	<b>\$23,478,400</b>	<b>\$23,478,400</b>
<b>DEPLETION:</b>	<b>\$12,960,000</b>	<b>\$17,280,000</b>	<b>\$17,280,000</b>	<b>\$17,280,000</b>	<b>\$17,280,000</b>
<b>OPERATING INCOME (EBITA):</b>	<b>\$38,973,191</b>	<b>\$86,931,591</b>	<b>\$86,931,591</b>	<b>\$86,931,591</b>	<b>\$86,931,591</b>
<i>EBITA (Loss) as a % of Revenues:</i>	<i>36%</i>	<i>60%</i>	<i>60%</i>	<i>60%</i>	<i>60%</i>
 <b>OTHER INCOME (EXPENSE)</b>					
Interest Expense					
Interest Income					
Amortization of Financing Costs					
<b>TOTAL OTHER INCOME (EXPENSE):</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>PRE-TAX INCOME</b>	<b>\$38,973,191</b>	<b>\$86,931,591</b>	<b>\$86,931,591</b>	<b>\$86,931,591</b>	<b>\$86,931,591</b>
<b>PROVISION FOR TAXES</b>	<b>\$13,640,617</b>	<b>\$30,426,057</b>	<b>\$30,426,057</b>	<b>\$30,426,057</b>	<b>\$30,426,057</b>
<b>NET INCOME (LOSS)</b>	<b>\$25,332,574</b>	<b>\$56,505,534</b>	<b>\$56,505,534</b>	<b>\$56,505,534</b>	<b>\$56,505,534</b>
<i>Net Income (Loss) as a % of Revenues:</i>	<i>23%</i>	<i>39%</i>	<i>39%</i>	<i>39%</i>	<i>39%</i>