# Panhandle West, LLC

Texas Panhandle Rework and Development

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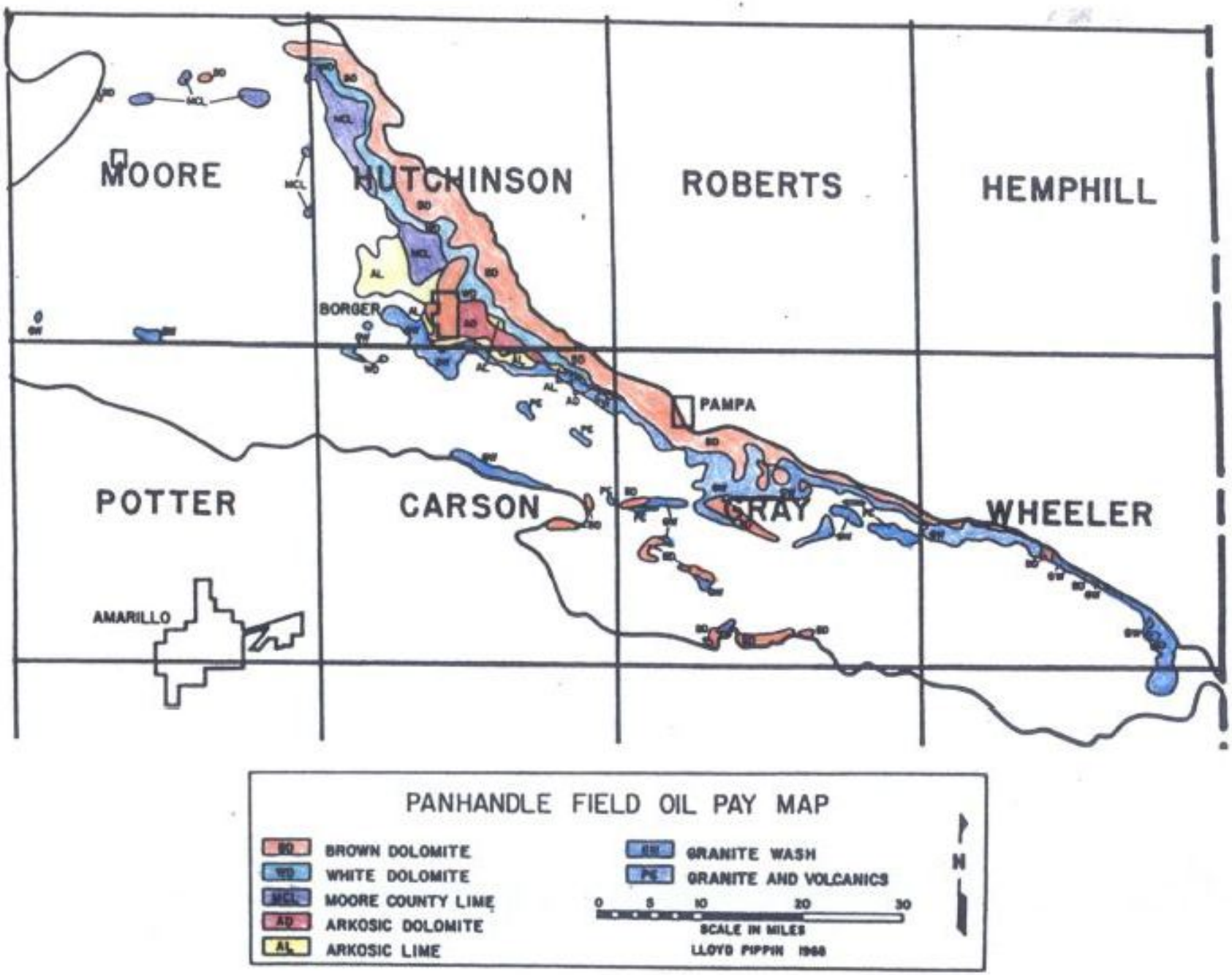
# *Warning Regarding Forward-Looking Information*

- This presentation contains forward-looking statements (projections, valuations, estimates and plans, among others) that involve significant unknown and known risks, uncertainties and other factors that could cause actual results and actual values to vary materially from the projections, valuations, estimates, and plans contained herein. Those receiving this presentation are cautioned not to rely on any such forward-looking statements in the event they decide to invest in Panhandle West, LLC, and that they should view these forward-looking statements as matters that cannot be guaranteed or warranted in any way, and that any potential investor should reach his or her own conclusions on these matters. Among the many factors that could cause results to vary are factors involving oil and gas exploration, the volatility associated with commodity pricing, world wide oil and gas supplies, domestic and international economic trends, world wide geopolitical factors, environmental issues, and laws associated with drilling for and producing hydrocarbons. These risks and many others may be discussed in the Private Placement Memorandum, which should be reviewed carefully by any potential investor.

# Texas Panhandle Rework and Development

- Over many decades tens of thousands of wells have been drilled in the Panhandle / Hugoton Field spanning multiple counties.


MOORE
HUTCHINSON
ROBERTS
HEMPHILL
BORGER
PAMPA
POTTER
CARSON
GRAY
WHEELER
AMARILLO
PANHANDLE FIELD OIL PAY MAP
BD BROWN DOLOMITE
WD WHITE DOLOMITE
MCL MOORE COUNTY LIME
AD ARKOSIC DOLOMITE
AL ARKOSIC LIME
GW GRANITE WASH
PG GRANITE AND VOLCANICS
0 5 10 20 30
SCALE IN MILES
LLOYD PIPPIN 1968
N

# Texas Panhandle Rework and Development

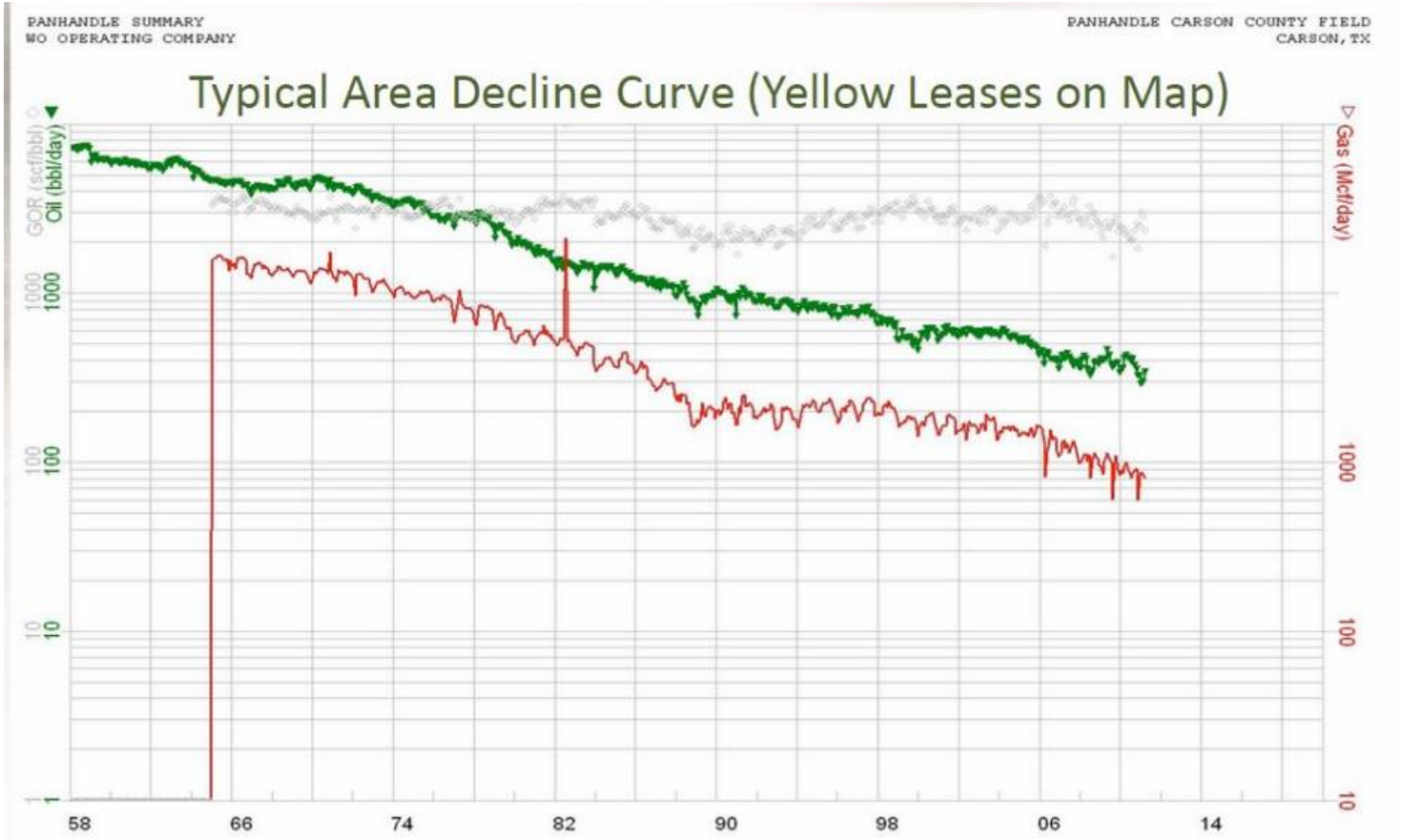
- Most of these wells were completed in the formation known as the Brown Dolomite. Many of the Brown Dolomite wells can be deepened two to three hundred feet and encounter the White Dolomite, Moore Co. Lime, Arkansas Dolomite, Arkansas Lime and the Granite Wash.

# Stratigraphic Column

| System | Series | Group | Local Nomenclature: Panhandle Field | Local Nomenclature: Hugoton Field |
|---|---|---|---|---|
| PERMIAN | Leonard | Sumner | Red Cave | Red Cave |
| | | | Panhandle Lime evaporite | Wellington evaporite |
| | Wolfcamp | Chase | Brown Dolomite | Herington |
| | | | | Krider |
| | | | White Dolomite | Winfield |
| | | | Moore Co. Lime | FL Riley |
| | | | Arkansas Dolomite | |
| | | | Arkansas Lime | Wreford |
| | | Council Grove | Granite Wash | Council Grove |
| | | Admire | | Admire |
| Pennsylvanian | Virgil | Wabaunsee | Granite PC | Wabaunsee |
| | | Shawnee | | Shawnee |

# Texas Panhandle Rework and Development

- The declines for the wells in the Hugoton Field are typically small and the wells have a long life expectancy.


PANHANDLE SUMMARY
WO OPERATING COMPANY
PANHANDLE CARSON COUNTY FIELD
CARSON, TX
Typical Area Decline Curve (Yellow Leases on Map)
GOR (scf/bbl)
Oil (bbl/day)
Gas (Mcf/day)
1000
100
10
1
58
66
74
82
90
98
06
14

# Texas Panhandle Rework and Development

- This project consists of two acquisitions and the rework of those wells. The acquisition price and turnkey workover cost is $30,000,000. The majority of the wells produce from the Brown Dolomite. In addition to the Brown Dolomite there are several other producing formations within 350 feet below bottom of the Brown Dolomite.

- The Panhandle Field stretches across three counties and touches others. Thousands of wells were drilled in this field and after the era of low oil prices in the 1980's many of the wells have been shut in. This project is a wellbore and equipment project. The small wells typically produce between 1-2 barrels of oil per day and 4,000-6,000 cubic feet of gas per day.

- Currently we own an interest in about 100 wells in this field and we are returning them to active status. Our associates operate about 500 additional wells intermingled with the leases in our proposed projects.

# Project One: Two Phases

- Phase One is simply 'set a schedule to place the wells back in service' and go do it. We will clean the downhole wellbore and replace equipment as needed. The gathering systems and tank batteries will be repaired and upgraded as needed. Our schedule calls for 10 wells per month to be returned to production.
- Phase Two takes advantage of the great fracing technological gains made in the last decade. Most of the wells have not had scientifically designed stimulations done. We estimate over fifty of the wells can be frac'd.
- The expense of Phase One is included in the acquisition price and is a turnkey figure. Phase Two is funded through cash flow after all of the wells have been returned to production during the initial phase. Our schedule for this phase requires the stimulation of about one well per week.

Much of the equipment is old but serviceable. We will replace where needed but continue to use existing equipment where possible.

# Project Two: Two Phases and Two Concentrations.

- The first concentration of the second project is the same as phase one. We have projected 156 wells need to be returned to production and then in phase two frac 51 of these wells.
- The second concentration is the drilling of 75 wells in the red cave formation. These shallow wells are surrounded by production and afford low risk drilling. The project price includes drilling the first 10 wells and the balance will be drilled with cash flow. As the project develops there could eventually be 250 wells to drill.

# Hutchinson County Rework Project

| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---|---|---|---|---|---|
| **Investment** | $ 12,000,000 | **Project One in Two Phases** | | | |
| **Wells Returned to Production** | 113 | 113 | 62 | 62 | 62 |
| **Wells Frac'd** | 0 | 0 | 51 | 51 | 51 |
| **Net Oil Sales** | $ 886,464.00 | $ 2,720,678 | $ 6,319,248 | $ 11,438,669 | $ 11,438,669 |
| **Net Gas Sales** | $ 459,648.00 | $ 1,484,006 | $ 2,246,365 | $ 2,959,841 | $ 2,959,841 |
| **Operating Exp** | $ (1,054,800.00) | $ (1,627,200) | $ (1,627,200) | $ (1,627,200) | $ (1,627,200) |
| **Frac Expense** | $ - | $ - | $ (6,375,000) | $ - | $ - |
| **Mgmt Exp** | $ (39,931.20) | $ (257,748) | $ (693,841) | $ (1,277,131) | $ (1,277,131) |
| **Net Income** | $ 251,380.80 | $ 2,319,736 | $ (130,428) | $ 11,494,179 | $ 11,494,179 |

| | | | | | |
|---|---|---|---|---|---|
| **Investment** | $ 15,000,000 | **Project Two in Two Phases and Two Concentrations** | | | |
| **Wells Returned to Production** | 120 | 157 | 106 | 106 | 106 |
| **Wells Frac'd** | 0 | 0 | 51 | 51 | 51 |
| **Net Oil Sales** | $ 886,464.00 | $ 3,515,213 | $ 7,611,552 | $ 12,690,662 | $ 12,690,662 |
| **Net Gas Sales** | $ 459,648.00 | $ 1,917,389 | $ 3,146,035 | $ 4,157,261 | $ 4,157,261 |
| **Operating Exp** | $ (1,080,000.00) | $ (2,235,600) | $ (2,260,800) | $ (2,260,800) | $ (2,260,800) |
| **Frac Exp** | $ - | $ - | $ (6,375,000) | $ - | $ - |
| **Mgmt Exp** | $ (37,411.20) | $ (319,700) | $ (849,679) | $ (1,458,712) | $ (1,458,712) |
| **Net Income** | $ 228,700.80 | $ 2,877,301 | $ 1,272,108 | $ 13,128,411 | $ 13,128,411 |

| | | | | | |
|---|---|---|---|---|---|
| **Investment** | $ 10,000,000 | | | | |
| **Wells Drilled** | 24 | 48 | 75 | 75 | 75 |
| **Net Oil Sales** | $ 2,954,880.00 | $ 10,834,560 | $ 18,960,480 | $ 24,624,000 | $ 24,624,000 |
| **Net Gas Sales** | $ 459,648.00 | $ 2,166,912 | $ 4,634,784 | $ 6,019,200 | $ 6,019,200 |
| **Operating Exp** | $ (216,000.00) | $ (561,600) | $ (928,800) | $ (1,080,000) | $ (1,080,000) |
| **Drilling Exp** | $ (3,500,000.00) | $ (6,000,000) | $ - | $ - | $ - |
| **Mgmt Exp** | $ (322,012.80) | $ (1,243,987) | $ (2,266,646) | $ (2,956,320) | $ (2,956,320) |
| **Net Income** | $ (623,484.80) | $ 5,195,885 | $ 20,399,818 | $ 26,606,880 | $ 26,606,880 |

| | | | | | |
|---|---|---|---|---|---|
| **Total Investment** | $ 37,000,000 | | | | |
| **Total Number of Producing Wells** | 257 | 318 | 345 | 345 | 345 |
| **Total Cash Flow** | $ (143,403.20) | $ 10,392,923 | $ 21,541,498 | $ 51,229,470 | $ 51,229,470 |
| **Return on Investment** | -0.39% | 28.09% | 58.22% | 138.46% | 138.46% |

# Summary

- As mentioned above this is a wellbore and equipment project. As we return wells to production they will be engineered to provide a benchmark of value. In our proforma (enclosed) we have assumed year one $45.00 oil, $7.00 gas, year two $55.00 oil, $9.00 gas and year three $65.00 oil, $11.00 gas. With funding this can be a lucrative project with an excellent exit value in year five.

- As an added bonus, the nature of this project will provide significant tax benefits for the first three to four years with little to no taxable income until year four. Consult your tax advisor to determine how this might impact your situation.