

## **INTRODUCTION**

SND is selling its interests in 117 producing leases and 137 Proved Developed Non-Producing opportunities in the East Texas Field in Gregg and Rusk Counties, Texas. This offering comprises a majority of SND's producing assets in the field and represents a strategic exit from the field. Included in the sale are 381 producing wells, five water injection wells and 519 non-producing wells. The properties cover 7,836 gross acres (6,821 net acres). The 117 leases have made more than 490 million bbls and 81 Bcf from the **Woodbine Sand** at approximately 3,600'. Average gross daily production for April 2010 was 1,300 bbls and 670 Mcf (830 bbls and 425 Mcf net). All of the wells are operated by one of the two operating entities: SND Operating, LLC or SND Energy Co., Inc. It is the seller's intent to transfer these operations to the buyer. The properties and interests for sale are listed in the One Line Summary on page 13.

## **PROVED DEVELOPED PRODUCING RESERVES**

**Total gross Proved Developed Producing** reserves are estimated to be **8.6 million bbls** and **4.2 Bcf (5.7 million bbls and 2.7 Bcf net)**. Reserves are based on decline curve analysis except for properties where recent well work has improved the production. For these properties, reserves were estimated by applying the historical decline to the current producing rate.

## **PROVED DEVELOPED NON-PRODUCING RESERVES**

**Total gross Proved Developed Non-Producing** reserves are estimated to be **4.1 million bbls** and **2.0 Bcf (2.9 million bbls and 1.3 Bcf net)**. The categories of work required to recover these reserves are: (1) returning inactive wells to production (RTP); (2) deepenings; (3) plugbacks; (4) frac jobs and (5) ESP installations. Each category is discussed separately below. Gross capital is well-specific and ranges from \$20,000 to \$130,000 per well.

A total of 137 Woodbine wells have been scheduled for reactivation, plugback, frac job, ESP or deepening. Reserves were estimated for each well using a starting production rate equal to the average current producing rate for the other wells on the lease if this average rate was 5 BOPD or less. If the average current producing rate for the other wells on the lease was greater than 5 BOPD, the projected starting rate was held to just 5 BOPD. The current decline rate for the lease was applied to each well. The lease average GOR was used to estimate gas reserves. Estimated capital for restoring these wells includes all necessary rig time and equipment (pumping unit, tubing, rods, etc.). Wells that required minimal work (clean out and install equipment) were classified as RTP. If additional work was anticipated, those wells were classified by the major activity into the groups discussed below. Beginning in October 2010, the producing wells are

scheduled for their workovers at a rate of ten wells per month. The reactivations of shut-in wells begin in January 2011, also at a rate of ten wells per month.

### Basic RTPs

There are 63 inactive wells scheduled for simple reactivation and six producing wells scheduled for workovers. Total gross Proved Developed Non-Producing reserves are estimated to be 2.1 million bbls and 1.0 Bcf (1.6 million bbls and 700 MMcf net) for these basic reactivations. The reactivations and their reserve parameters are shown in the table below:

| <b>Well Name</b>     | <b>Initial Decline</b> | <b>n</b> | <b>GOR (Mcf/Bbl)</b> | <b>Initial Rate (BOPD)</b> | <b>Avg Rate per Well (BOPD)</b> | <b>Net Oil Reserves (Mbbls)</b> |
|----------------------|------------------------|----------|----------------------|----------------------------|---------------------------------|---------------------------------|
| AKIN J W 10          | 5.90                   | 0.90     | 0.500                | 5.00                       | 16.50                           | 15.6                            |
| AKIN J W 11          | 5.90                   | 0.90     | 0.500                | 5.00                       | 16.50                           | 15.6                            |
| AKIN J W 14          | 5.90                   | 0.90     | 0.500                | 5.00                       | 16.50                           | 15.6                            |
| AKIN J W 21          | 5.90                   | 0.90     | 0.500                | 5.00                       | 16.50                           | 15.6                            |
| ALBRIGHT OLIVER J 02 | 7.50                   | 0.80     | 0.750                | 4.80                       | 4.80                            | 17.0                            |
| ALBRIGHT OLIVER J 06 | 7.50                   | 0.80     | 0.750                | 4.80                       | 4.80                            | 17.0                            |
| ALBRIGHT OLIVER J 14 | 7.50                   | 0.80     | 0.750                | 4.80                       | 4.80                            | 17.0                            |
| ALBRIGHT OLIVER J 17 | 7.50                   | 0.80     | 0.750                | 4.80                       | 4.80                            | 17.0                            |
| ASHBY A B C 06       | 4.00                   | 0.00     | 0.000                | 3.20                       | 3.20                            | 14.8                            |
| ASHBY A B C 08       | 4.00                   | 0.00     | 0.000                | 3.20                       | 3.20                            | 14.8                            |
| ASHBY A B C 10*      | 4.00                   | 0.00     | 0.000                | 3.20                       | 3.20                            | 11.8                            |
| BROX S E WELL 10*    | 2.40                   | 1.70     | 1.000                | 2.60                       | 2.60                            | 20.0                            |
| BURNSIDE B 15        | 3.20                   | 1.56     | 0.850                | 3.05                       | 3.05                            | 28.3                            |
| BURNSIDE B 39        | 3.20                   | 1.56     | 0.850                | 3.05                       | 3.05                            | 28.3                            |
| CASTLEBERRY 1        | 3.40                   | 0.80     | 0.800                | 3.00                       | 3.00                            | 26.0                            |
| CLAYTON 5            | 11.70                  | 0.12     | 0.000                | 4.00                       | 4.00                            | 5.4                             |
| CLAYTON 9            | 11.70                  | 0.12     | 0.000                | 4.00                       | 4.00                            | 5.4                             |
| FREDERICK (POWELL) 1 | 4.60                   | 0.70     | 0.000                | 3.40                       | 3.40                            | 25.7                            |
| FREDERICK M&G 6*     | 6.40                   | 1.13     | 0.000                | 4.10                       | 4.10                            | 26.1                            |
| HALE 06              | 9.80                   | 1.00     | 0.000                | 3.20                       | 3.20                            | 7.6                             |
| HALE 08              | 9.80                   | 1.00     | 0.000                | 3.20                       | 3.20                            | 7.6                             |
| HALE 11              | 9.80                   | 1.00     | 0.000                | 3.20                       | 3.20                            | 7.6                             |
| HUGHEY -A- 02*       | 11.80                  | 0.90     | 0.500                | 4.10                       | 4.10                            | 14.2                            |
| HUGHEY -A- 05        | 11.80                  | 0.90     | 0.500                | 4.10                       | 4.10                            | 9.0                             |
| JONES CALLIE 1       | 1.80                   | 0.80     | 0.800                | 3.50                       | 3.50                            | 32.7                            |
| JONES CALLIE 2       | 1.80                   | 0.80     | 0.800                | 3.50                       | 3.50                            | 32.7                            |
| JONES CALLIE 7       | 1.80                   | 0.80     | 0.800                | 3.50                       | 3.50                            | 32.7                            |
| JONES CALLIE 8       | 1.80                   | 0.80     | 0.800                | 3.50                       | 3.50                            | 32.7                            |
| LAIRD S S 01         | 3.20                   | 0.60     | 0.700                | 3.00                       | 3.00                            | 26.6                            |
| LAIRD S S 03         | 3.20                   | 0.60     | 0.700                | 3.00                       | 3.00                            | 26.6                            |
| LAIRD S S 04         | 3.20                   | 0.60     | 0.700                | 3.00                       | 3.00                            | 26.6                            |
| LAIRD S S 11*        | 3.20                   | 0.60     | 0.700                | 3.00                       | 3.00                            | 26.3                            |

| <b>Well Name</b>      | <b>Initial Decline</b> | <b>n</b> | <b>GOR (Mcf/Bbl)</b> | <b>Initial Rate (BOPD)</b> | <b>Avg Rate per Well (BOPD)</b> | <b>Net Oil Reserves (Mbbls)</b> |
|-----------------------|------------------------|----------|----------------------|----------------------------|---------------------------------|---------------------------------|
| LAIRD S S 12*         | 3.20                   | 0.60     | 0.700                | 3.00                       | 3.00                            | 26.3                            |
| LATHROP F.K. "B"      | 18.00                  | 0.00     | 0.000                | 3.60                       | 3.60                            | 0.9                             |
| MCBEE-FISHER 02       | 6.90                   | 0.80     | 0.650                | 3.90                       | 3.90                            | 10.8                            |
| MCBEE-FISHER 03       | 6.90                   | 0.80     | 0.650                | 3.90                       | 3.90                            | 10.8                            |
| MCBEE-FISHER 05       | 6.90                   | 0.80     | 0.650                | 3.90                       | 3.90                            | 10.8                            |
| MCBEE-FISHER 09       | 6.90                   | 0.80     | 0.650                | 3.90                       | 3.90                            | 10.8                            |
| MCBEE-FISHER 13       | 6.90                   | 0.80     | 0.650                | 3.90                       | 3.90                            | 10.8                            |
| MCBEE-FISHER 15       | 6.90                   | 0.80     | 0.650                | 3.90                       | 3.90                            | 10.8                            |
| MCCORD W H 10         | 3.10                   | 0.99     | 0.000                | 4.80                       | 4.80                            | 41.5                            |
| MOSER K C 1B          | 6.85                   | 1.00     | 0.600                | 5.00                       | 8.50                            | 23.9                            |
| MOSER K C 2B          | 6.85                   | 1.00     | 0.600                | 5.00                       | 8.50                            | 23.9                            |
| MOSER K C 3A          | 6.85                   | 1.00     | 0.600                | 5.00                       | 8.50                            | 23.9                            |
| MOSER K C 3B          | 6.85                   | 1.00     | 0.600                | 5.00                       | 8.50                            | 23.9                            |
| MOSER K C 4A          | 6.85                   | 1.00     | 0.600                | 5.00                       | 8.50                            | 23.9                            |
| ORMS L E 7            | 3.00                   | 0.80     | 0.600                | 4.90                       | 4.90                            | 27.6                            |
| PERSONS J C 06        | 5.00                   | 1.80     | 0.850                | 3.00                       | 3.00                            | 12.9                            |
| PETERSON MRS D M -C-5 | 16.15                  | 0.80     | 0.500                | 3.10                       | 3.10                            | 5.9                             |
| PETERSON MRS D M -C-7 | 16.15                  | 0.80     | 0.500                | 3.10                       | 3.10                            | 5.9                             |
| PINKSTON L J 1        | 2.20                   | 0.70     | 0.000                | 3.40                       | 3.40                            | 33.0                            |
| PINKSTON L J 3        | 2.20                   | 0.70     | 0.000                | 3.40                       | 3.40                            | 33.0                            |
| PINKSTON L J 4        | 2.20                   | 0.70     | 0.000                | 3.40                       | 3.40                            | 33.0                            |
| PINKSTON L J 9        | 2.20                   | 0.70     | 0.000                | 3.40                       | 3.40                            | 33.0                            |
| REDDIC JEFF 05        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 06        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 09        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 11R       | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 13        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 16        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 19        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| REDDIC JEFF 20        | 3.00                   | 0.70     | 0.400                | 4.80                       | 4.80                            | 42.7                            |
| SATTERWHITE M C 08    | 9.60                   | 0.80     | 0.250                | 5.00                       | 5.40                            | 15.6                            |
| SATTERWHITE M C 13    | 9.60                   | 0.80     | 0.250                | 5.00                       | 5.40                            | 15.6                            |
| SHOULTS E CI 01       | 3.20                   | 1.60     | 0.500                | 5.00                       | 7.00                            | 41.6                            |
| SHOULTS E CI 03       | 3.20                   | 1.60     | 0.500                | 5.00                       | 7.00                            | 41.6                            |
| STOVALL T J 02        | 3.40                   | 0.00     | 0.000                | 4.30                       | 4.30                            | 31.4                            |
| STOVALL T J 09        | 3.40                   | 0.00     | 0.000                | 4.30                       | 4.30                            | 31.4                            |
| WHATLEY E M R A-B     | 24.30                  | 0.20     | 0.900                | 3.30                       | 3.30                            | 2.4                             |

\*Indicates producing well scheduled for future workover.

## Deepenings

The Lower Sand Stringers (LSS) of the Woodbine have produced in many areas of the East Texas Field. Recently, operators drilling for the deeper Cotton Valley have logged the Woodbine and shared this information with the Woodbine producers. SND has used both recent and older logs to construct numerous cross-sections across their leases to identify 14 candidates for deepening to the Lower Woodbine. Of these 14 candidates 13 are inactive. The Burnside B 38 is currently producing and is scheduled to be deepened in 2020. SND has already successfully deepened seven wells. These wells had an average initial production rate of 30 BOPD. The wells to be deepened and the parameters used to estimate their reserves are shown in the following table. Each of these candidates is on the same lease as or on a lease directly offset to one of the seven wells that have already been deepened.

| <u>Well Name</u>     | <u>Decline</u> | <u>n</u> | <u>GOR<br/>(Mcf/Bbl)</u> | <u>Initial<br/>Rate<br/>(BOPD)</u> | <u>Avg Rate<br/>per Well<br/>(BOPD)</u> | <u>Net Oil<br/>Reserves<br/>(Mbbls)</u> |
|----------------------|----------------|----------|--------------------------|------------------------------------|---|---|
| AKIN J W 02          | 5.9            | 0.90     | 0.50                     | 5.00                               | 16.50                                   | 15.6                                    |
| AKIN J W 03          | 5.9            | 0.90     | 0.50                     | 5.00                               | 16.50                                   | 15.6                                    |
| AKIN J W 05          | 5.9            | 0.90     | 0.50                     | 5.00                               | 16.50                                   | 15.6                                    |
| AKIN J W 09          | 5.9            | 0.90     | 0.50                     | 5.00                               | 16.50                                   | 15.6                                    |
| AKIN J W 12          | 5.9            | 0.90     | 0.50                     | 5.00                               | 16.50                                   | 15.6                                    |
| AKIN J W 15          | 5.9            | 0.90     | 0.50                     | 5.00                               | 16.50                                   | 15.6                                    |
| ALBRIGHT OLIVER J 05 | 7.5            | 0.80     | 0.75                     | 4.80                               | 4.80                                    | 17.0                                    |
| ALBRIGHT OLIVER J 07 | 7.5            | 0.80     | 0.75                     | 4.80                               | 4.80                                    | 17.0                                    |
| ALBRIGHT OLIVER J 08 | 7.5            | 0.80     | 0.75                     | 4.80                               | 4.80                                    | 17.0                                    |
| BURNSIDE B 38        | 3.2            | 1.56     | 0.85                     | 3.05                               | 3.02                                    | 24.8                                    |
| CLAYTON 3            | 11.7           | 0.12     | 0.00                     | 4.00                               | 4.00                                    | 5.5                                     |
| HUGHEY -A- 13        | 11.8           | 0.90     | 0.50                     | 4.10                               | 4.10                                    | 9.0                                     |
| SATTERWHITE M C 04   | 9.6            | 0.80     | 0.25                     | 5.00                               | 5.40                                    | 15.6                                    |
| YOUNG CALVIN -A-2    | 2.1            | 1.98     | 0.00                     | 2.40                               | 2.40                                    | 22.3                                    |

Total gross Proved Developed Non-Producing reserves for these deepenings are estimated to be 423,000 bbls and 236 MMcf (222,000 bbls and 119 MMcf net).

## Plugbacks

For years a program of plugging back to the very top of the Massive Woodbine and skimming oil has been successful throughout the East Texas Field. There are 28 candidates for such plugbacks. Of these, 27 are currently inactive. The Bradford B-1 is currently producing 4 BOPD. Its plugback was not scheduled until 2020. All candidates and the parameters used to estimate their reserves are shown in the following table.

| <b>Well Name</b>  | <b>Decline</b> | <b>n</b> | <b>GOR<br/>(Mcf/Bbl)</b> | <b>Initial<br/>Rate<br/>(BOPD)</b> | <b>Avg Rate<br/>per Well<br/>(BOPD)</b> | <b>Net Oil<br/>Reserves<br/>(Mbbls)</b> |
|-------------------|----------------|----------|--------------------------|------------------------------------|---|---|
| AKIN J W 17       | 5.9            | 0.90     | 0.500                    | 5.00                               | 16.50                                   | 15.6                                    |
| ASHBY A B C 09    | 4.0            | 0.00     | 0.000                    | 3.20                               | 3.20                                    | 14.8                                    |
| BOUKNIGHT W A 11  | 3.2            | 1.50     | 0.125                    | 5.00                               | 6.30                                    | 33.3                                    |
| BRADFORD -B 01*   | 2.6            | 0.00     | 0.150                    | 3.30                               | 3.30                                    | 18.4                                    |
| BROX S E WELL 06  | 2.4            | 1.70     | 1.000                    | 2.60                               | 2.60                                    | 23.7                                    |
| BURNSIDE B 12     | 3.2            | 1.56     | 0.850                    | 3.05                               | 3.05                                    | 28.1                                    |
| BURNSIDE B 18     | 3.2            | 1.56     | 0.850                    | 3.05                               | 3.05                                    | 28.3                                    |
| BURNSIDE B 30     | 3.2            | 1.56     | 0.850                    | 3.05                               | 3.05                                    | 28.3                                    |
| BURNSIDE B 31     | 3.2            | 1.56     | 0.850                    | 3.05                               | 3.05                                    | 28.3                                    |
| BURNSIDE B 35     | 3.2            | 1.56     | 0.850                    | 3.05                               | 3.05                                    | 28.3                                    |
| CASTLEBERRY 2     | 3.4            | 0.80     | 0.800                    | 3.00                               | 3.00                                    | 26.0                                    |
| CLAYTON 4         | 11.7           | 0.12     | 0.000                    | 4.00                               | 4.00                                    | 5.4                                     |
| HALE 01           | 9.8            | 1.00     | 0.000                    | 3.20                               | 3.20                                    | 7.6                                     |
| HALE 03           | 9.8            | 1.00     | 0.000                    | 3.20                               | 3.20                                    | 7.6                                     |
| MCBEE-FISHER 01   | 6.9            | 0.80     | 0.650                    | 3.90                               | 3.90                                    | 10.8                                    |
| MCCORD W H 08     | 3.1            | 0.99     | 0.000                    | 4.80                               | 4.80                                    | 41.5                                    |
| MCGEORGE PERCY 03 | 4.6            | 0.80     | 0.500                    | 3.10                               | 3.10                                    | 14.3                                    |
| MCGEORGE PERCY 17 | 4.6            | 0.80     | 0.500                    | 3.10                               | 3.10                                    | 14.3                                    |
| PERSONS J C 04    | 5.0            | 1.80     | 0.850                    | 3.00                               | 3.00                                    | 12.9                                    |
| PERSONS J C 14    | 5.0            | 1.80     | 0.850                    | 3.00                               | 3.00                                    | 12.9                                    |
| PERSONS J C 18    | 5.0            | 1.80     | 0.850                    | 3.00                               | 3.00                                    | 12.9                                    |
| PERSONS J C 24    | 5.0            | 1.80     | 0.850                    | 3.00                               | 3.00                                    | 12.9                                    |
| PERSONS J C 26    | 5.0            | 1.80     | 0.850                    | 3.00                               | 3.00                                    | 12.9                                    |
| SPIVEY J H 4      | 4.7            | 0.60     | 0.650                    | 2.60                               | 2.60                                    | 16.8                                    |
| SPIVEY J H 8      | 4.7            | 0.60     | 0.650                    | 2.60                               | 2.60                                    | 16.8                                    |
| STOVALL T J 37    | 3.4            | 0.00     | 0.000                    | 4.30                               | 4.30                                    | 31.4                                    |
| THOMAS M 11       | 5.5            | 0.57     | 0.800                    | 3.10                               | 3.10                                    | 10.6                                    |
| THOMAS M 17       | 5.5            | 0.57     | 0.800                    | 3.10                               | 3.10                                    | 10.6                                    |

\*Indicates producing well scheduled for future workover.

Total gross Proved Developed Non-Producing reserves from this plugback program are estimated to be 774,000 bbls and 473 MMcf (525,000 bbls and 316 MMcf net).

## Frac Jobs

Although the Massive Woodbine enjoys porosity around 25% and permeability in the 2-3 darcy range, some of the lower stringers are shaley and tight. Small fracs in the range of 300 bbls of gelled water and 10-12,000 lbs of sand (soft frac) have been successful in improving production in these lower stringers. Recently, SND has fraced seven wells and seen an average production increase of 9 BOPD. Nine additional frac candidates have been identified. All are completed in the LSS with a history of low total fluid production. A “soft frac” is scheduled. Although the average production increase has been 9 BOPD, a conservative rate increase based on the average current producing rate for the other wells on the lease was used, not to exceed 5 BOPD. Those wells and their reserve parameters are listed in the following table:

| <b>Well Name</b>     | <b>Decline</b> | <b>n</b> | <b>GOR<br/>(Mcf/Bbl)</b> | <b>Rate<br/>Increase<br/>(BOPD)</b> | <b>Avg Rate<br/>Per Well<br/>(BOPD)</b> | <b>Net Oil<br/>Reserves<br/>(Mbbls)</b> |
|----------------------|----------------|----------|--------------------------|-------------------------------------|---|---|
| AKIN J W C 02        | 7.1            | 1.00     | 0.250                    | 2.60                                | 2.60                                    | 7.2                                     |
| ALBRIGHT OLIVER J 13 | 7.5            | 0.80     | 0.750                    | 4.80                                | 4.80                                    | 15.6                                    |
| BURNSIDE B 07        | 3.2            | 1.56     | 0.850                    | 3.05                                | 3.05                                    | 28.3                                    |
| CLAYTON 8            | 11.7           | 0.12     | 0.000                    | 4.00                                | 4.00                                    | 5.4                                     |
| FREDERICK (POWELL) 2 | 4.6            | 0.70     | 0.000                    | 3.40                                | 3.40                                    | 25.7                                    |
| FREDERICK (POWELL) 5 | 4.6            | 0.70     | 0.000                    | 3.40                                | 3.40                                    | 25.7                                    |
| FREDERICK (POWELL) 6 | 4.6            | 0.70     | 0.000                    | 3.40                                | 3.40                                    | 25.7                                    |
| FREDERICK LULING 1   | 11.9           | 0.19     | 0.000                    | 3.70                                | 3.70                                    | 7.1                                     |
| THOMAS M 08          | 5.5            | 0.57     | 0.800                    | 3.10                                | 3.10                                    | 10.6                                    |

Total gross Proved Developed Non-Producing reserves from this frac work are estimated to be 193,000 bbls and 65 MMcf (151,000 bbls and 46 MMcf net).

## ESP Installations

SND currently has submersible pumps in 55 wells. The lifting capacity of the pumps ranges from 150 to 1,200 BPD with the average being 800 BPD. There are 17 additional candidates for ESP installation. These wells have sufficient fluid above their pumps or a history of mechanical issues that justify an ESP. Historically, oil cuts have remained the same at higher lift volumes; however, a conservative incremental rate was used based on the average current producing rate for the other wells on the lease. Operating expenses were increased \$1,000 per well per month. The 17 candidates and the parameters used to estimate their reserves are shown in the table below.

| Well Name             | Decline | n    | GOR<br>(Mcf/Bbl) | Rate<br>Increase<br>(BOPD) | Avg Rate<br>per Well<br>(BOPD) | Net Oil<br>Reserves<br>(Mbbls) |
|-----------------------|---------|------|------------------|----------------------------|--------------------------------|--------------------------------|
| AKIN J W 16           | 5.9     | 0.90 | 0.500            | 5.00                       | 16.50                          | 16.6                           |
| ALBRIGHT OLIVER J 12  | 7.5     | 0.80 | 0.750            | 4.80                       | 4.80                           | 17.3                           |
| BAUKNIGHT W A 4       | 3.2     | 1.50 | 0.125            | 5.00                       | 6.30                           | 24.2                           |
| BRADFORD -B 03        | 2.6     | 0.00 | 0.150            | 3.30                       | 3.30                           | 23.8                           |
| BRADFORD -B 07        | 2.6     | 0.00 | 0.150            | 3.30                       | 3.30                           | 23.8                           |
| BRADFORD -B 08        | 2.6     | 0.00 | 0.150            | 3.30                       | 3.30                           | 23.8                           |
| BRADFORD -B 19        | 2.6     | 0.00 | 0.150            | 3.30                       | 3.30                           | 23.8                           |
| BRADFORD -B 20        | 2.6     | 0.00 | 0.150            | 3.30                       | 3.30                           | 23.8                           |
| BRADFORD D 04         | 3.6     | 0.14 | 0.000            | 3.20                       | 3.20                           | 19.9                           |
| BURNSIDE B 21         | 3.2     | 1.56 | 0.850            | 3.05                       | 3.05                           | 21.8                           |
| CUSTER MINNIE M 2     | 16.0    | 0.90 | 0.450            | 2.60                       | 2.60                           | 4.4                            |
| ELDER J S -A-WELL 1   | 3.5     | 0.70 | 0.425            | 2.70                       | 2.70                           | 23.2                           |
| HOPKINS PET 6         | 4.5     | 1.00 | 0.800            | 5.00                       | 8.70                           | 25.4                           |
| LAIRD B F -B-2        | 5.5     | 0.80 | 1.400            | 5.00                       | 5.40                           | 35.5                           |
| LEDBETTER DIVERNIA 38 | 3.4     | 0.80 | 0.000            | 5.00                       | 5.40                           | 41.6                           |
| ORMS L E 4            | 3.0     | 0.80 | 0.600            | 4.90                       | 4.90                           | 28.2                           |
| SHOULTS E C 15        | 3.2     | 1.60 | 0.500            | 5.00                       | 7.00                           | 38.7                           |

Total gross Proved Developed Non-Producing reserves from the ESP program are estimated to be 602,000 bbls and 239 MMcf (416,000 bbls and 160 MMcf net).

#### UPSIDE POTENTIAL

After the aforementioned PDNP work, there will be 406 remaining inactive wells. Essentially all of them are reactivation candidates. At current oil prices, a 3 BOPD well has an average monthly cash flow over \$4,000. A thorough examination of all available data should reveal numerous additional candidates for deepenings, fracs and plugbacks. *No value for this upside has been included in the accompanying economics.*

Reservoir pressure in the north end of the East Texas Field is supported by a prolific aquifer and peripheral injection. Bottom hole pressure is not substantially below what it was when the field was discovered in 1930. Many areas in the south end of the field do not receive the same pressure support. Waterfloods have been successful in this area. SND operates a waterflood on its Bradford lease. There are numerous other “mini-waterfloods” in the south end of the field. SND has several leases of sufficient size to allow implementation of a small waterflood. William J. Cobb & Associates is conducting a study of the former Bradford area waterflood and has found indications of bypassed oil. *No value for this upside has been included in the accompanying economics.*