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Mr. Frank Betts

ExxonMobil Production
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ExxonMobil Means Processing Proposal - Executive Summary

The optimized results from the means processing proposal have yielded results that are a little unexpected. Optimization of the system has demonstrated that the best economics are found with an inlet flow of 50 MMSCFD with relatively low propane recovery. Small increases in the propane recovery rate result in major increases in the capital cost. The optimized case indicates that there are approximately 900 barrels of recoverable NGLs at these conditions. The estimated plant cost for this configuration is approximately \$7,000,000, but this cost will be refined over the next few weeks. If the installation cost is financed over 4 years at 6.5% the plant will yield approximately \$1,000,000 before payout and \$3,500,000 after payout. It is proposed that this net revenue will be split equally between Exxon/Mobil and our company.

The optimized case has been chosen to control capital cost and also, remove the risk of reasonable initial flow declines. The Means field is currently producing approximately 60 MMSCFD, therefore the flow can decline by almost 20% before the plant economics will be effected. Holding all other variables constant, the project will become uneconomical at flow rates below 37 MMSCFD before payout and below 18 MMSCFD after payout.

From a flow perspective, it is assumed that the CO2 flow will decrease by approximately 5% per year. At this rate the plant flow will decline to just above 50MM at payout and will continue to be viable in excess of 20 years. After 20 years the realistic life of the plant will be exceeded.

The basic Economic Limits are as follows:

Variable Description	Before Payout	After Payout	Predicted
Inlet Flow	37 MMSCFD	18 MMSCFD	50 MMSCFD
CO2 Concentration	90% CO2	94% CO2	86% CO2
Capital Cost	\$11,000,000	Not Applicable	\$7,000,000
Operating Cost	\$2,100,000/year	\$4,300,000	\$900,000
NGL Gross Revenue	\$8.75 per barrel	\$3 per barrel	\$12 per barrel

The plant process will utilize standard, proven technology to accomplish the separation. Basically the system will be comprised of a single distillation column and the usual ancillary equipment. Additionally, this processing scheme will utilize the existing dehydration facilities that are currently operating on the interstage of the Means compression system.

Our company is proposing to supply this plant in its entirety, which will include the following items:

- 1) Engineering
- 2) Permitting
- 3) Construction
- 4) Financing
- 5) Operations
- 6) Government Compliance and reporting
- 7) Land Acquisition
- 8) Product marketing
- 9) Joint Interest Allocation Accounting and Administration

Operating cost are calculated with a 4 person operation that will run unattended most of the time. Electricity has been estimated to cost 5 cents/KWH and fuel cost has been estimated at \$3/MMBTU. Flow decline is estimated at 5% per year while costs are predicted to increase by 4% per year. The cost of capital is anticipated to be 6.5% or approximately prime plus 2%. It is proposed to truck the product to the KOCH/Chaparral terminal that is located approximately 15 miles from the plant site.

Our company has visited the plant site and proposes to utilize the vacant land that is on the gas inlet side of the GCF. This locates the plant close to the necessary tie in points in the existing GCF. The anticipated ties in points are as follows:

- 1) Outlet of TEG contactor
- 2) Dehydrated gas to compression, (same spool as #1 tie in)
- 3) Fuel gas
- 4) GCF plant inlet for acid gas return

The proposed division of proceeds is very simple. Basically, our company will absorb all of the risk of the installation and financing. The net revenue after operating cost and debt service will be split 50/50 between ExxonMobil and our company. Operating cost will include operations, chemicals, administration, utilities, debt service and other expenses required to operate the facility. By utilizing this structure Exxon Mobil will gain access to the upside revenue without taking any financial or process risk. Additionally, ExxonMobil will benefit from the enhanced CO2 efficiency that stems from the removal of unwanted NGL's from the injection stream.

Frank, please forward this information to contracts and business development in order to help expedite this project. Our company can implement this project and be ready for start up in approximately 6 months after the contracts have been executed. Hopefully, this is enough additional information to move forward on the deal. The main benefit is that we can literally do everything, and Exxon Mobil takes no risks. To reiterate, ExxonMobil will receive approximately \$500,000/yr for the first 4 years, and then \$1,500,000 for the remaining life of the project. ExxonMobil will receive the benefit of this revenue without any cash outlay.

In order for project financing to be secured, we will need a contract from ExxonMobil that will guarantee the access to the gas from the means field and, if possible, guarantee that the parameters will not fall outside of the above mentioned economic limits. It would also be advantageous to include the basic terms of the agreement, ie. The split of all net revenues from the project. Additionally, the project financing could be expedited by the issuance of a "Letter of Credit" equal to and secured by the actual equipment value of the process. This would limit the financing burden of our company, which, in turn, would expedite the financing approval process. Of course these are only initial ideas and can be negotiated in the contract administration process.

Our company is also prepared to offer to contract operate all of the existing GCF facilities at the Means field. This proposal will remain separate from the plant project but can be linked to the primary plant proposal at the request of ExxonMobil. The proposal to operate the GCF will be delivered to Exxon Mobil before Christmas of 2002 and can be executed within 90 days of receipt. If there is anything else that our company can do on this effort, please call me directly at 915-381-2000.

Thanks for your help,

A handwritten signature in black ink, appearing to read "Eric Prim". The signature is fluid and cursive, with the first name "Eric" and the last name "Prim" clearly distinguishable.

Eric Prim