Sawyer Field

Lea County, New Mexico

KEM ENERGY. Inc
06/2019

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About Our Unrisked Reserve Estimates:

In attempting to quantify the "*upside*", or maximum possible recoverable reserve potential of a prospect, KEM endeavors to make a "*good faith*" estimate of the maximum "*unrisked*" volume of oil and gas that could possibly be extracted from the prospect reservoir under optimum conditions.

The probability of finding this optimal volume of oil and gas within the target reservoir depends upon many **risk factors**. Reservoir quality and quantity, seal, structural timing, hydrocarbon source issues, faulting, and availability of seismic data of the target are but a few of the many risk factors that typify each and every conversion and drilling prospect. KEM attempts to minimize each risk factor; however, the investor is reminded that the occasional unsuccessful conversion or dry hole is to expected, despite our best efforts. As with all conversion and drilling proposals, one is provided with the full range of potential return on investment: from unsuccessful conversion or dry hole to maximum or "*high side estimate*". As noted above, investors are strongly advised to consult a qualified professional oil and gas industry advisor before making any decision regarding participation in an oil and gas venture.

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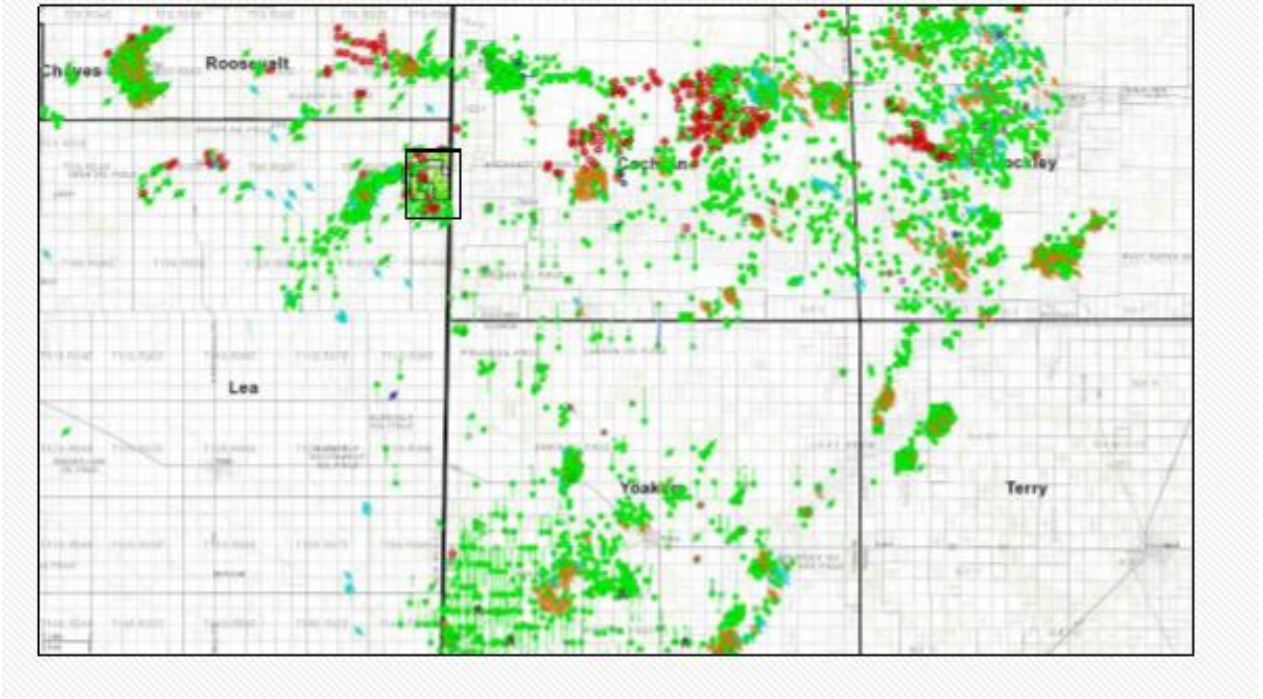
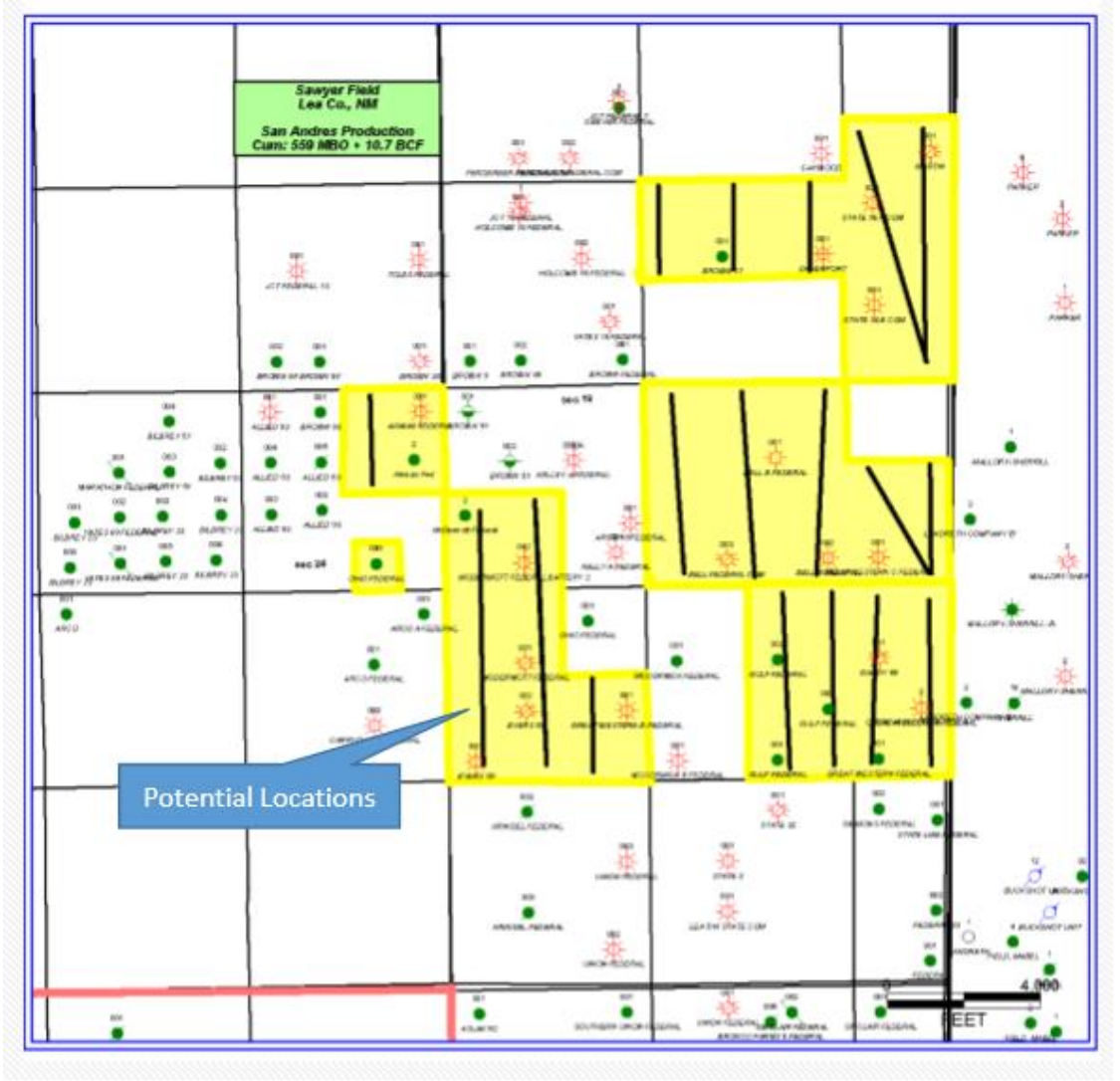


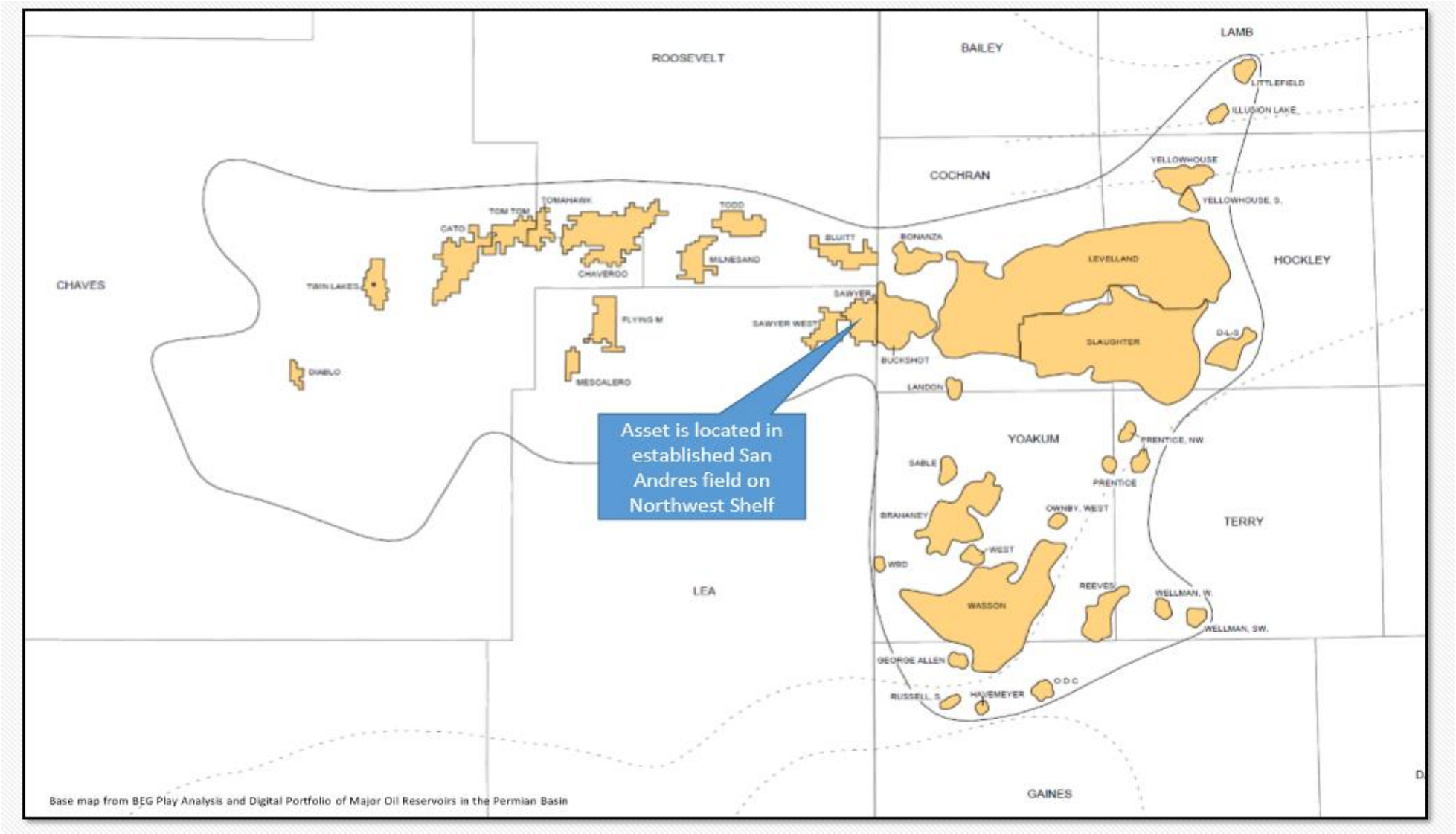
ASSET HIGHLIGHTS

- Shallow (5,000 ft) oil & gas production from the Permian San Andres formation
- 2,500 acre HBP in Lea County, New Mexico
- Current field production (15 wells, 11 producing) : 26 bopd, 240 mcfpd, 130 bwpd
- Depth limitation: all rights surface to base of San Andres
- WI: 100 %, NRI: 75%
- Stable production
- Fracture, acidize&perfs stimulation potentials
- Most of acreage originally drilled on 40 and 160 acre spacing
- Infrastructure already in place
- 3rd party study vertical or horizontal potential:

  51 vertical PUDs,18 horizontal laterals



FIELD LOCATION



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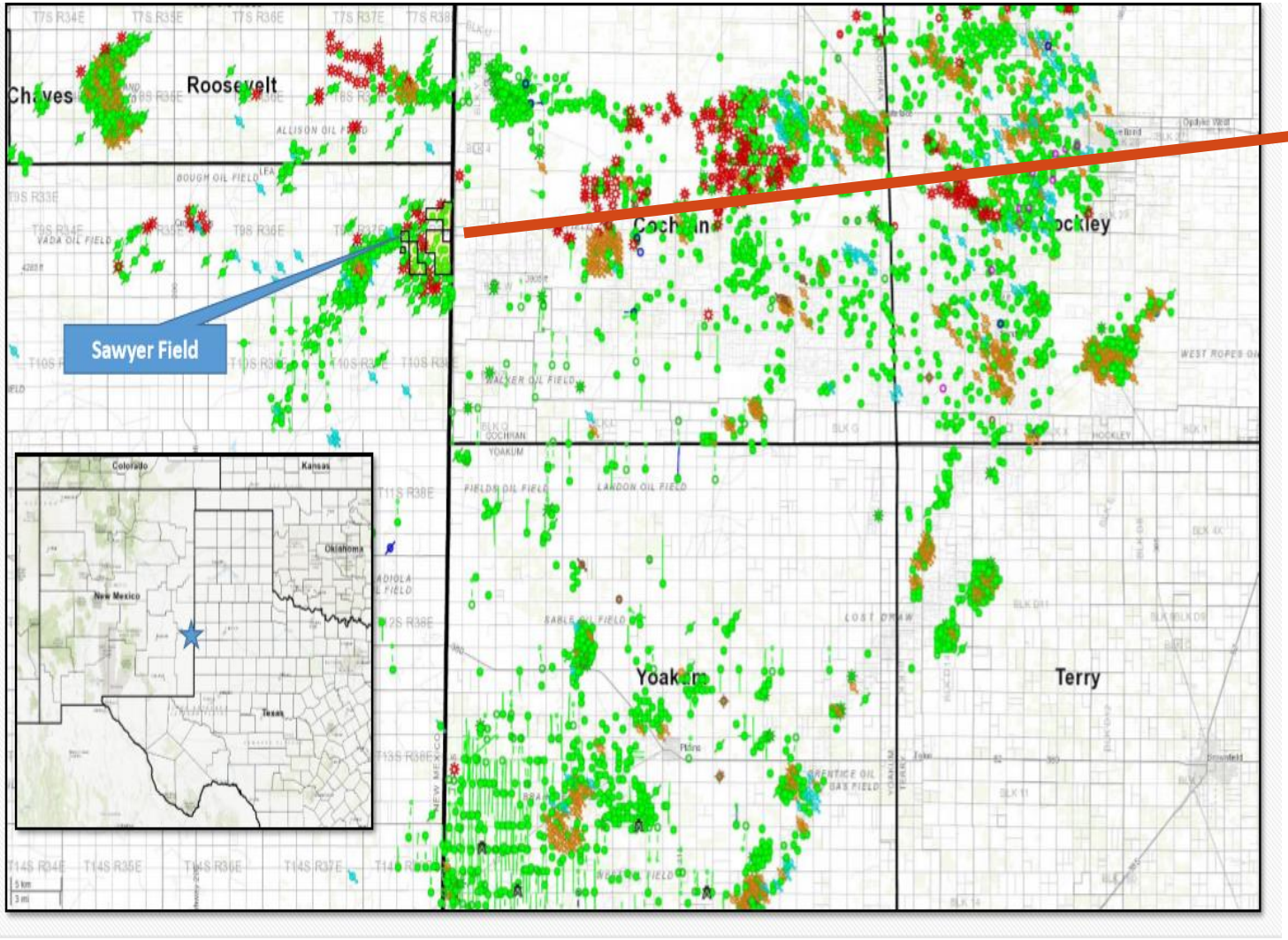

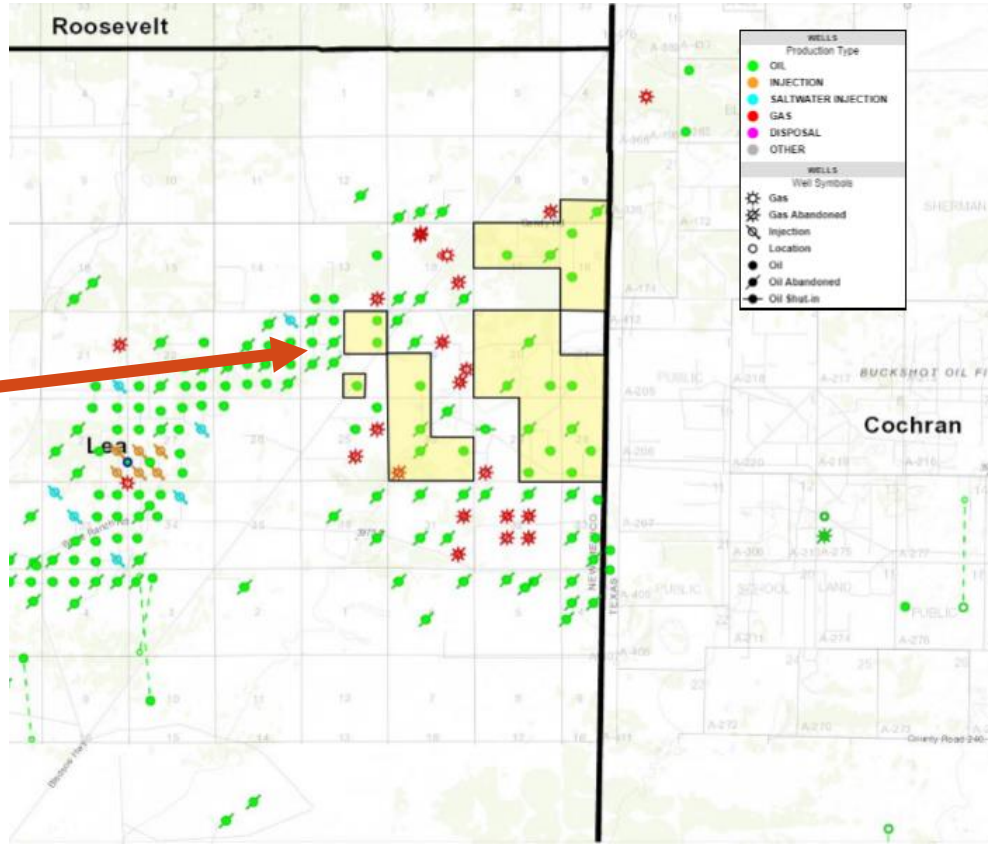

WELL LIST

Well Name:	API Number:	Lease Type	Status
Ohio Federal #1	30-025-04975	F	Producing
Aikman Federal #1	30-025-04976	F	Producing
McDermott #2	30-025-07064	F	Producing
Bell B #2	30-025-07066	F	inactive
Great Western Federal #1	30-025-07069	F	Shut-in (HIT)
Gulf Federal #1	30-025-07071	F	Producing
Great Wester B Federal #1	30-025-21445	F	Producing
Great Wester C Federal #1	30-025-21446	F	Producing
State 16A Com #1	30-025-24795	S	inactive
State 16B Com #1	30-025-24994	S	inactive
Brown 17 #1	30-025-24953	p	Producing
Gulf Federal #5	30-025-31469	F	Producing
Great Western A Federal #2	30-025-36335	F	Producing
New Wells:			
Aikman Federal #2	30-025-44305	F	Producing
McDermott Federal #3	30-025-44306	F	Producing

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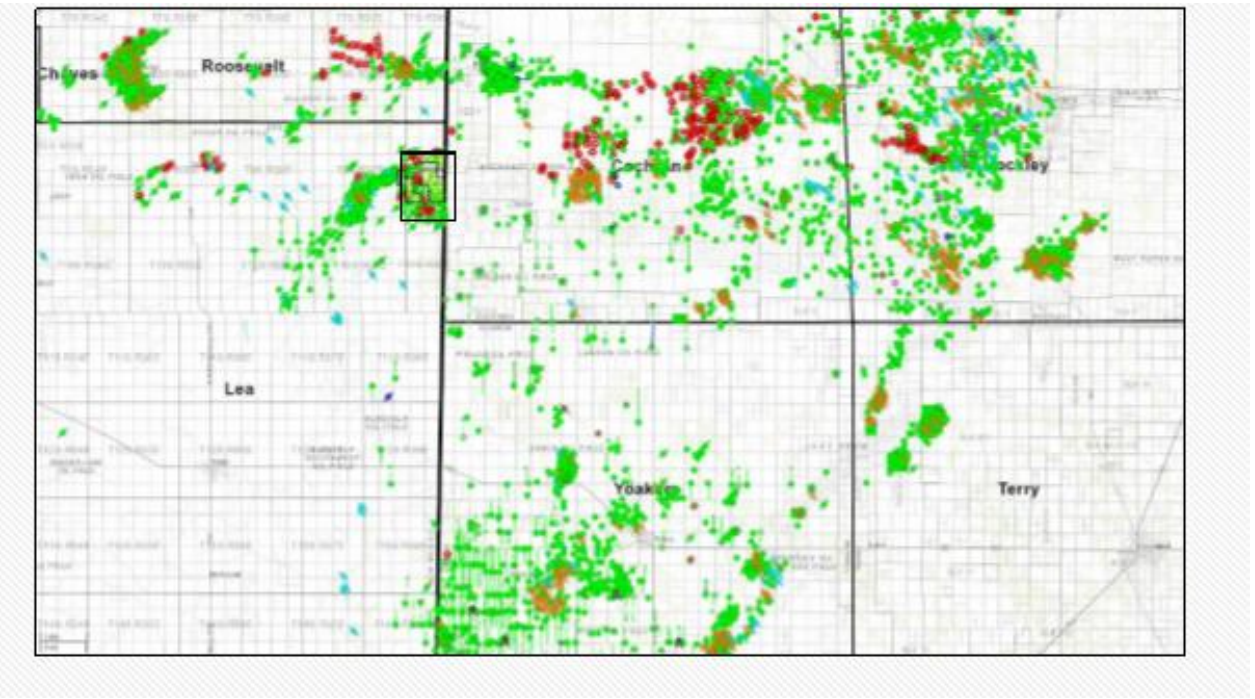
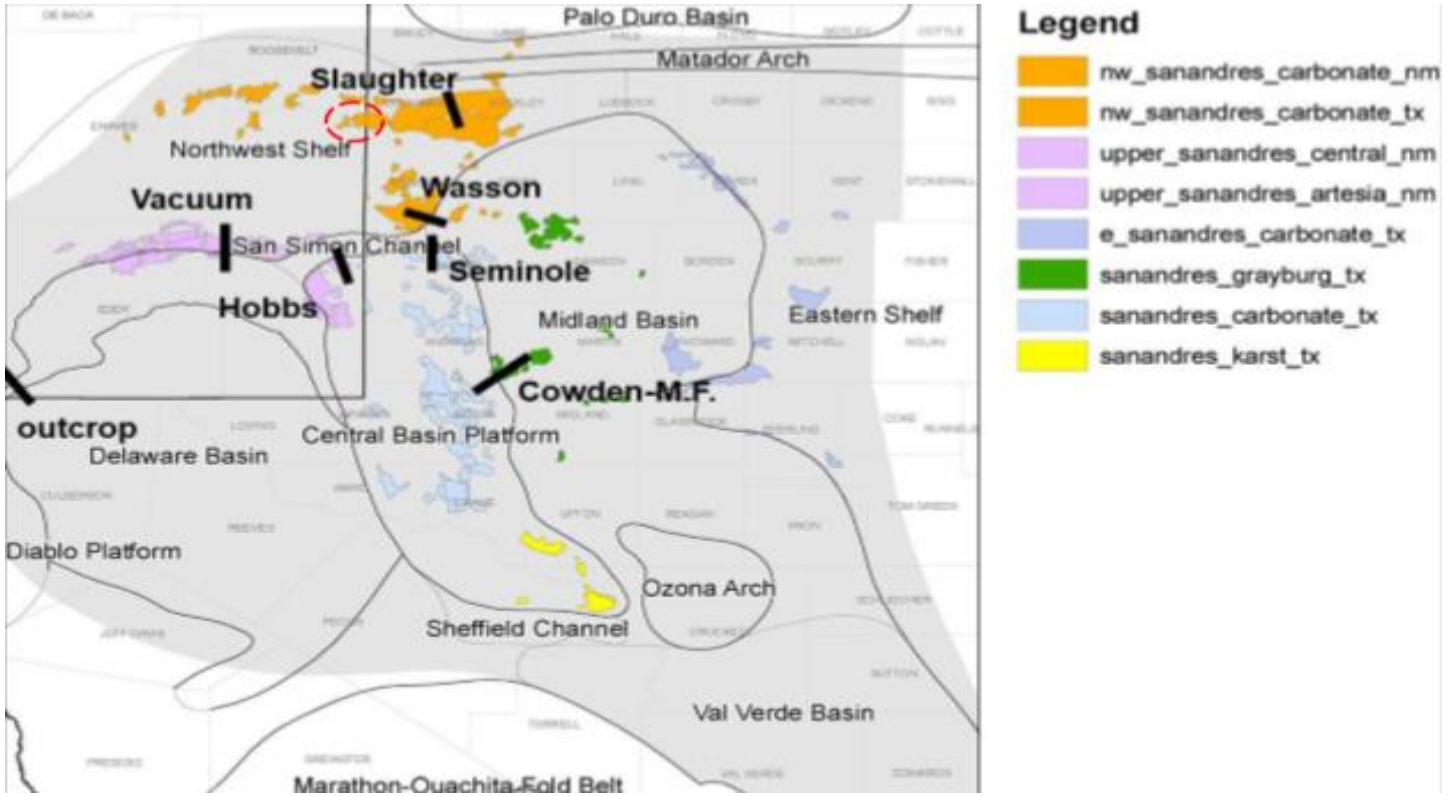


FIELD CHARACTERISTICS

Sawyer field is located on the northern part of Central Basin Platform of Permian Basin, focused on the San Andres formation. Typical vertical recovery factor for San Andres formation is between 11%-14%, while the Sawyer field has a recovery around 7% of OOIP indicating a potential for further development.



GEOLOGIC CHARACTERISTICS

The San Andres formation at Sawyer field, as at Slaughter field, consists of an **anhydrite-dolomite**. The upper San Andres is separated from the lower San Andres by a highly radioactive interval known as the **Pi marker** that provides for an excellent structural mapping datum. It is the lower San Andres that is productive at Sawyer and at the nearby surrounding field.

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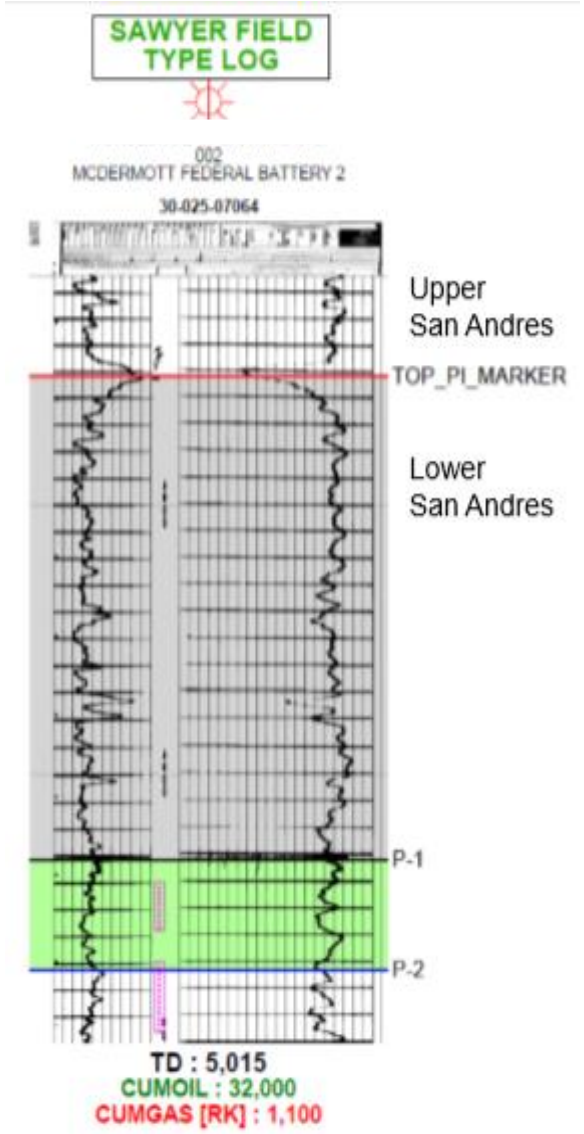
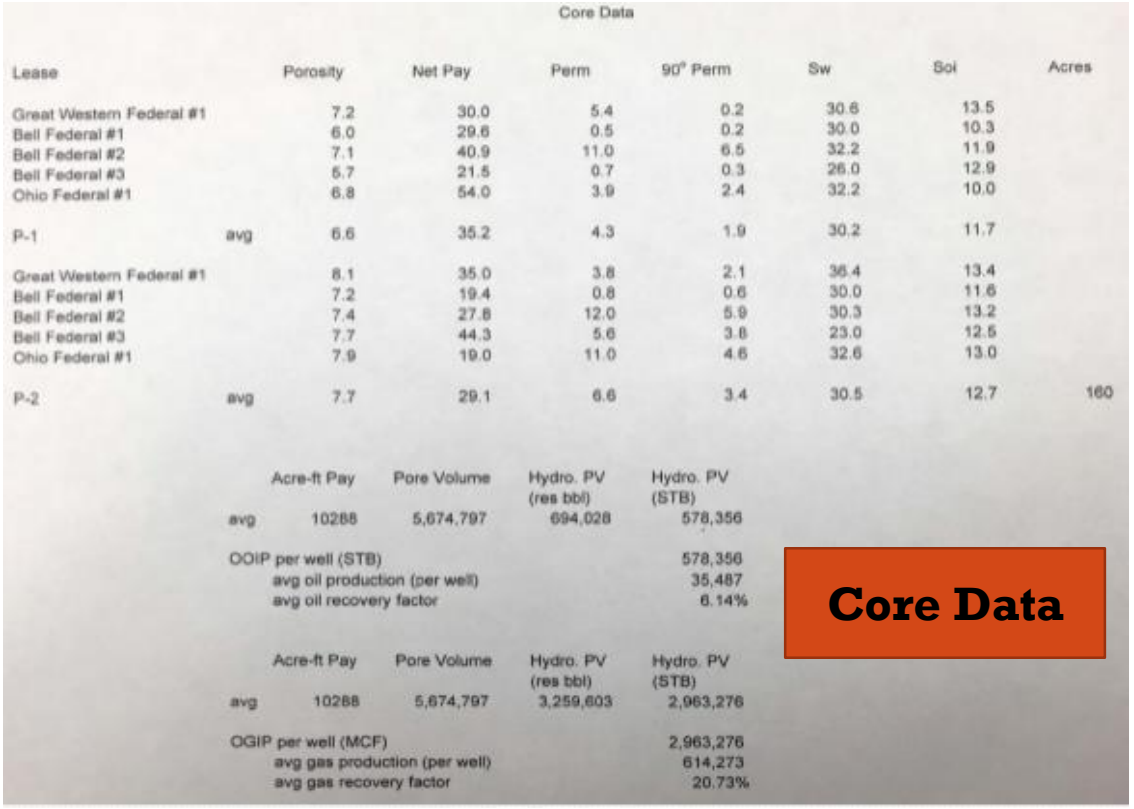


GEOLOGIC CHARACTERISTICS

Cores taken by various operators in the early 60's indicated porosities between **6% and 8% an up to 12 md permeability.** This is considered "tight" rock that requires hydraulic fracture treatment to recover rated of oil and gas reserves that are economical. To date the productive interval is **only acidized and yet to have a modern frac stimulation**.

In addition, horizontal drilling, with multi-stage fracs, could further enhance recovery by linking numerous pockets of hydrocarbons yet to be recovered, and reaching areas not yet drained by "conventional " vertical completions.



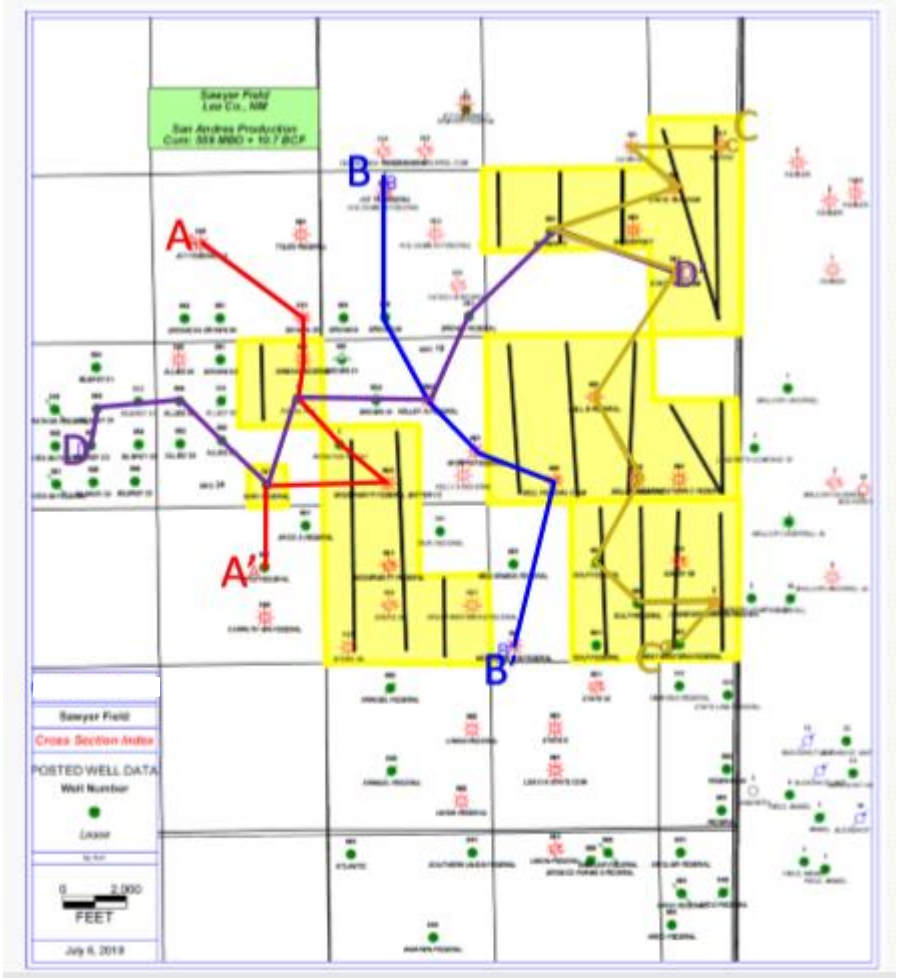
Core Data

Lease		Porosity	Net Pay	Perm	90° Perm	Sw	Soi	Acres
Great Western Federal #1		7.2	30.0	5.4	0.2	30.6	13.5	
Bell Federal #1		6.0	29.6	0.5	0.2	30.0	10.3	
Bell Federal #2		7.1	40.9	11.0	6.5	32.2	11.9	
Bell Federal #3		5.7	21.5	0.7	0.3	26.0	12.9	
Ohio Federal #1		6.8	54.0	3.9	2.4	32.2	10.0	
P-1	avg	6.6	35.2	4.3	1.9	30.2	11.7	
Great Western Federal #1		8.1	35.0	3.8	2.1	36.4	13.4	
Bell Federal #1		7.2	19.4	0.8	0.6	30.0	11.6	
Bell Federal #2		7.4	27.8	12.0	5.9	30.3	13.2	
Bell Federal #3		7.7	44.3	5.6	3.8	23.0	12.5	
Ohio Federal #1		7.9	19.0	11.0	4.6	32.6	13.0	
P-2	avg	7.7	29.1	6.6	3.4	30.5	12.7	160

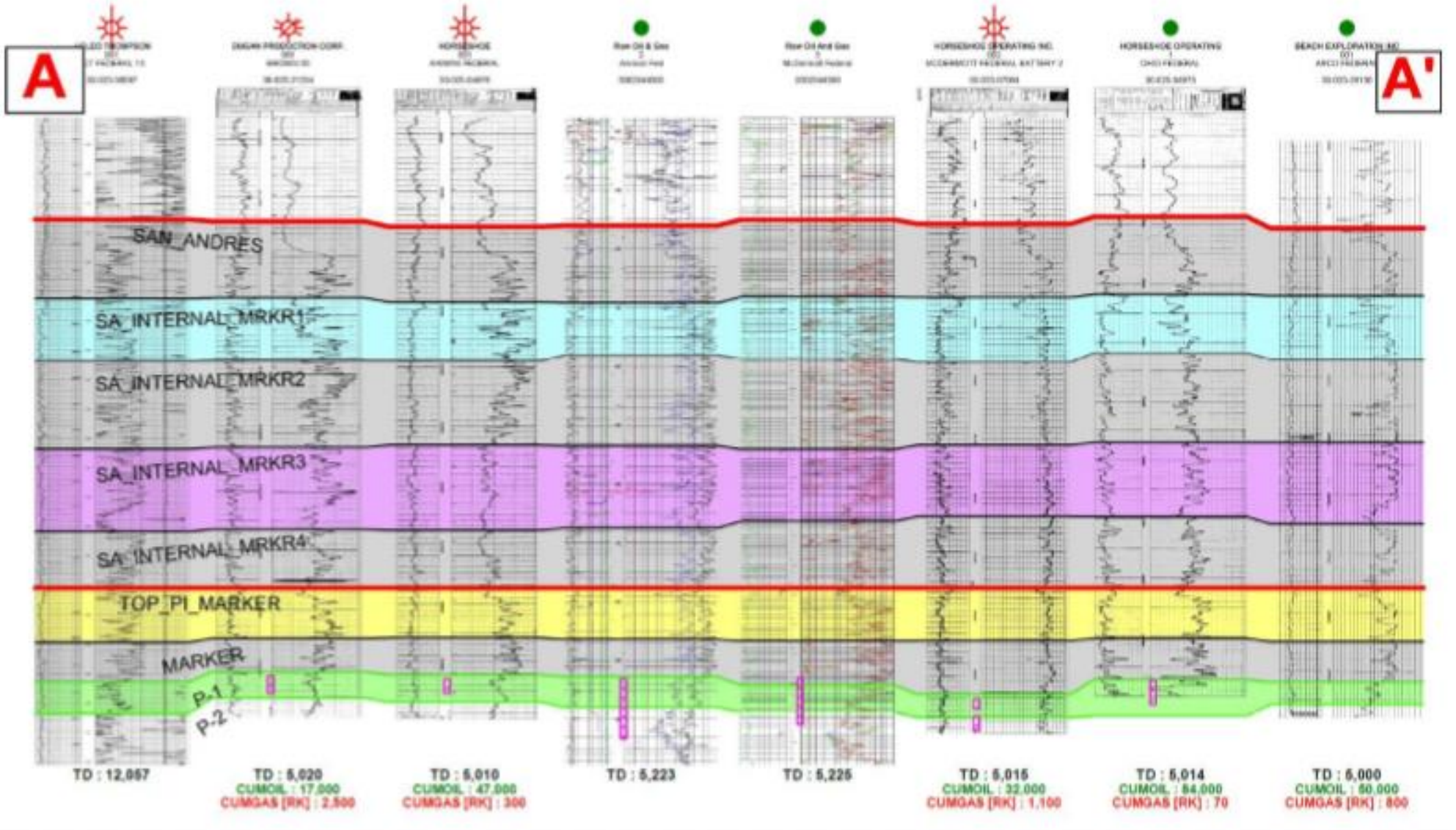
	Acre-ft Pay	Pore Volume	Hydro. PV (res bbl)	Hydro. PV (STB)
avg	10288	5,674,797	694,028	578,356
OOIP per well (STB)				578,356
avg oil production (per well)				35,487
avg oil recovery factor				6.14%

	Acre-ft Pay	Pore Volume	Hydro. PV (res bbl)	Hydro. PV (STB)
avg	10288	5,674,797	3,259,603	2,963,276
OGIP per well (MCF)				2,963,276
avg gas production (per well)				614,273
avg gas recovery factor				20.73%

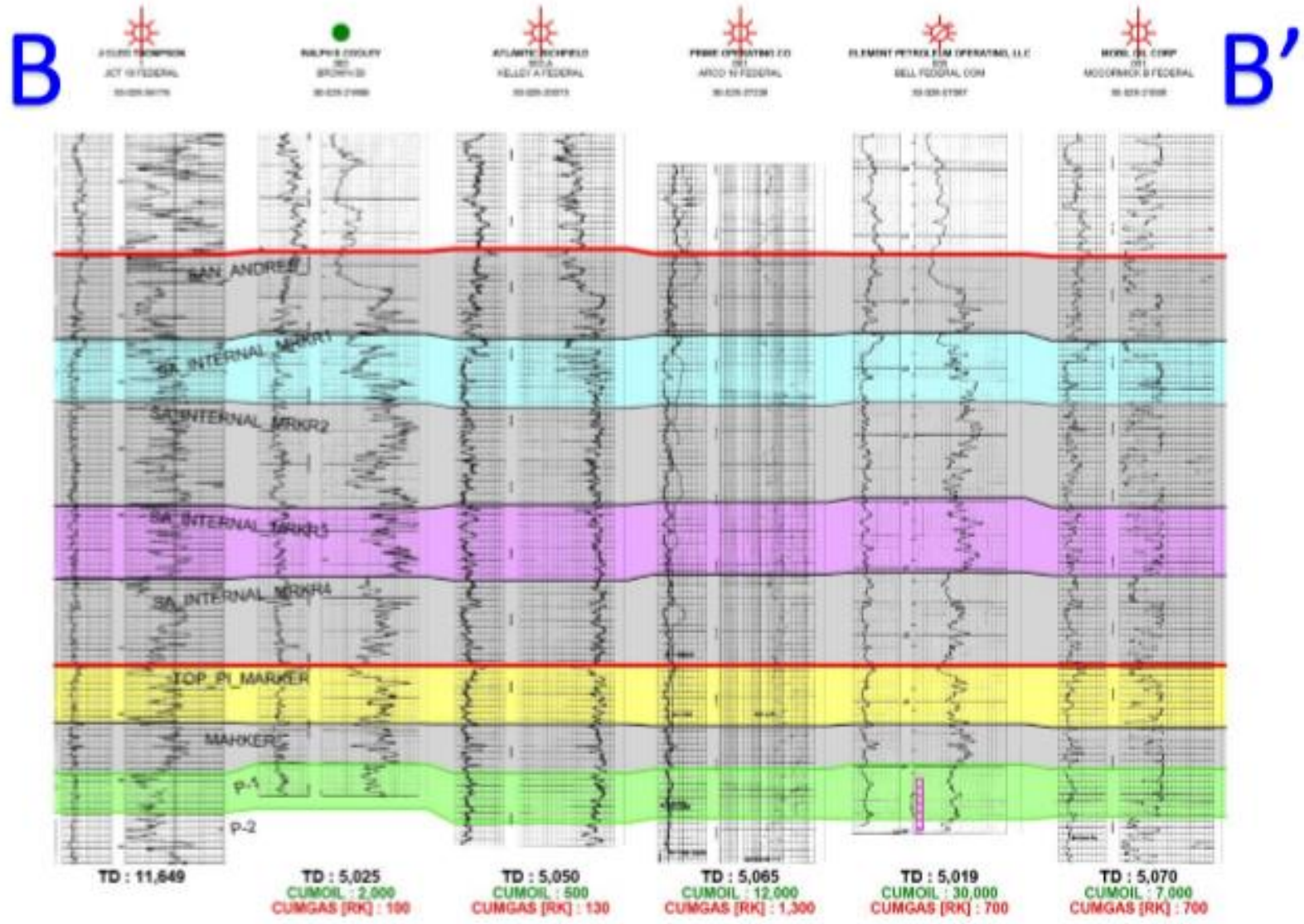
CROSS SECTION INDEX MAP



CROSS-SECTION A-A'



CROSS-SECTION B-B'



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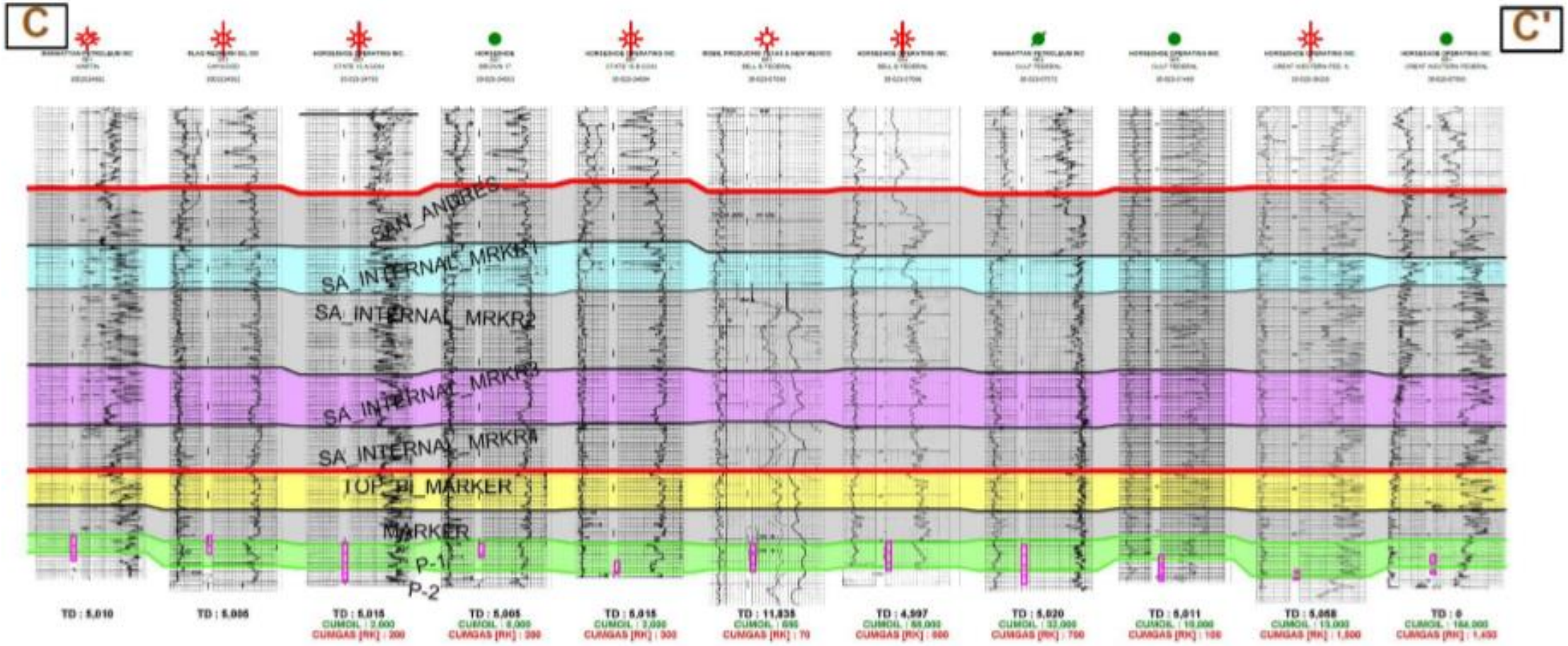

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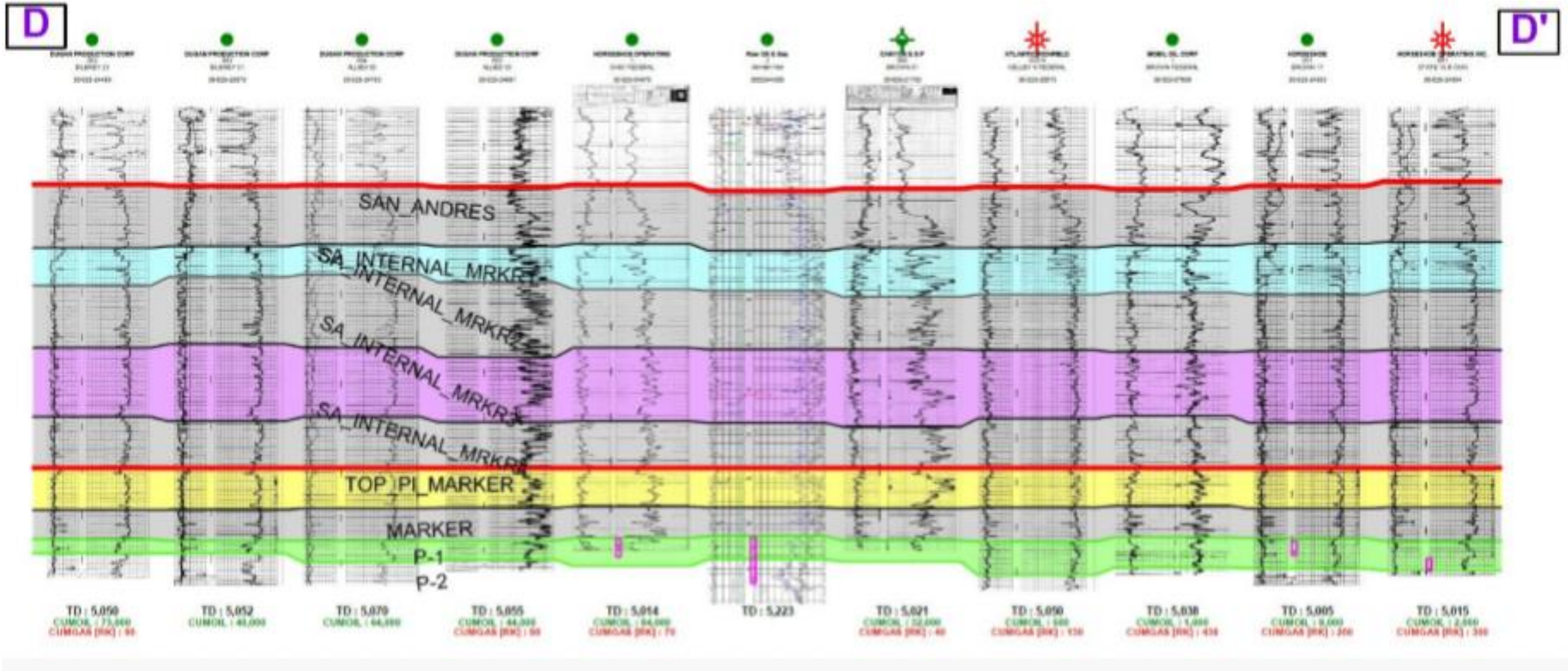

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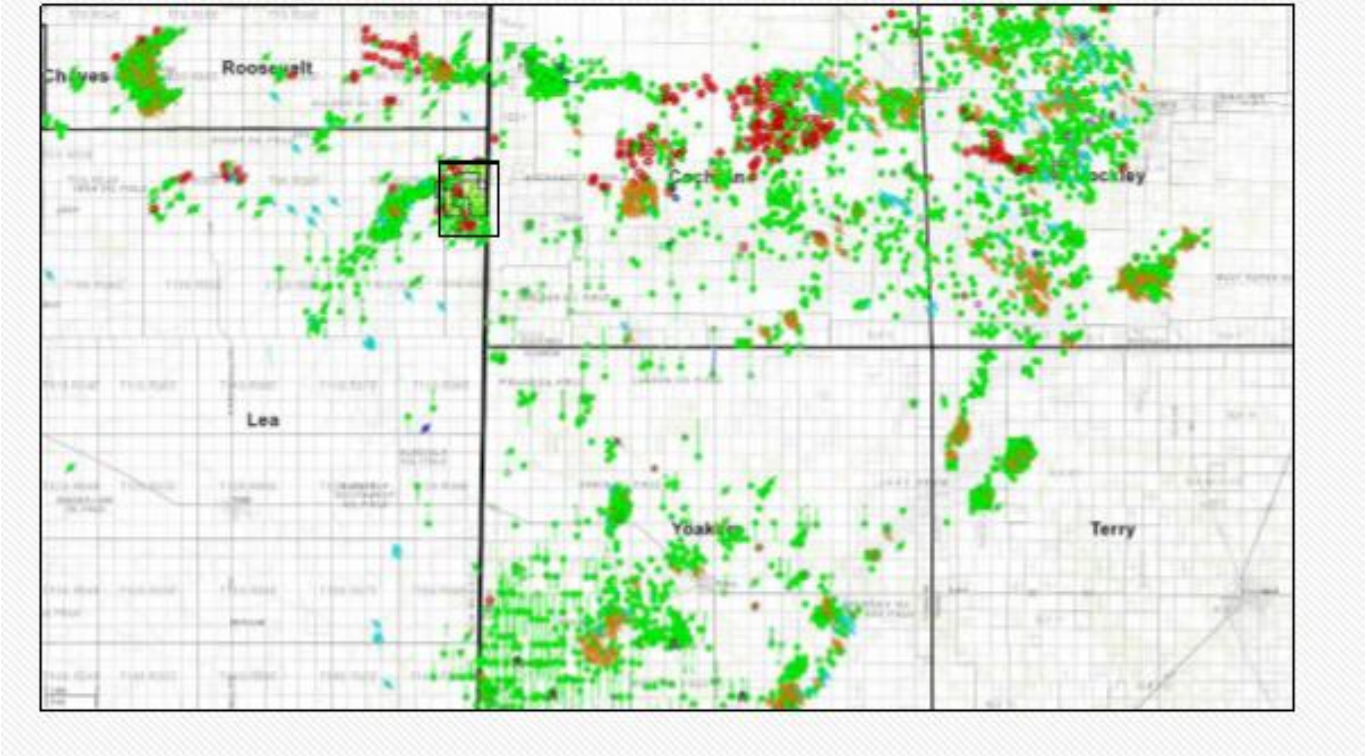
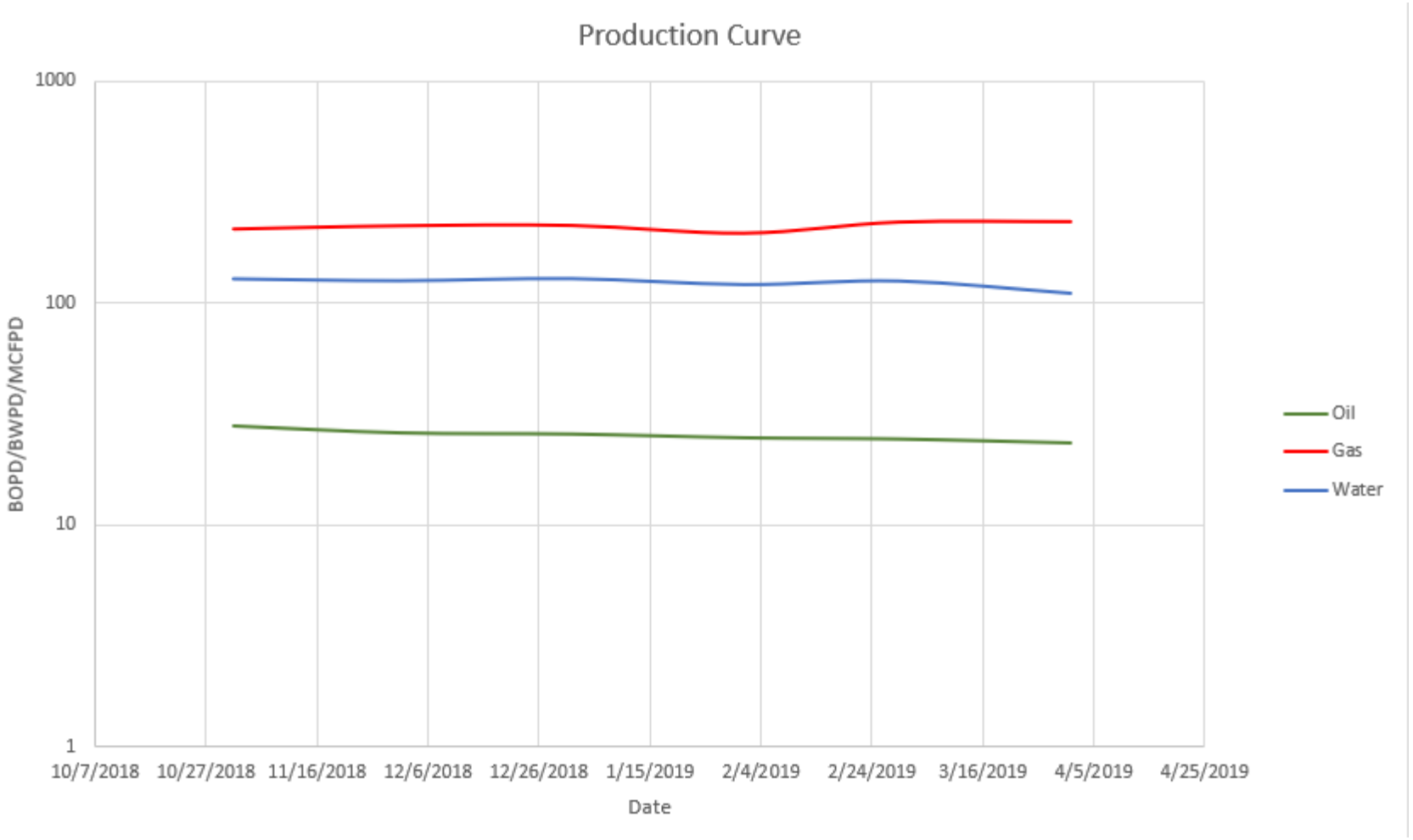
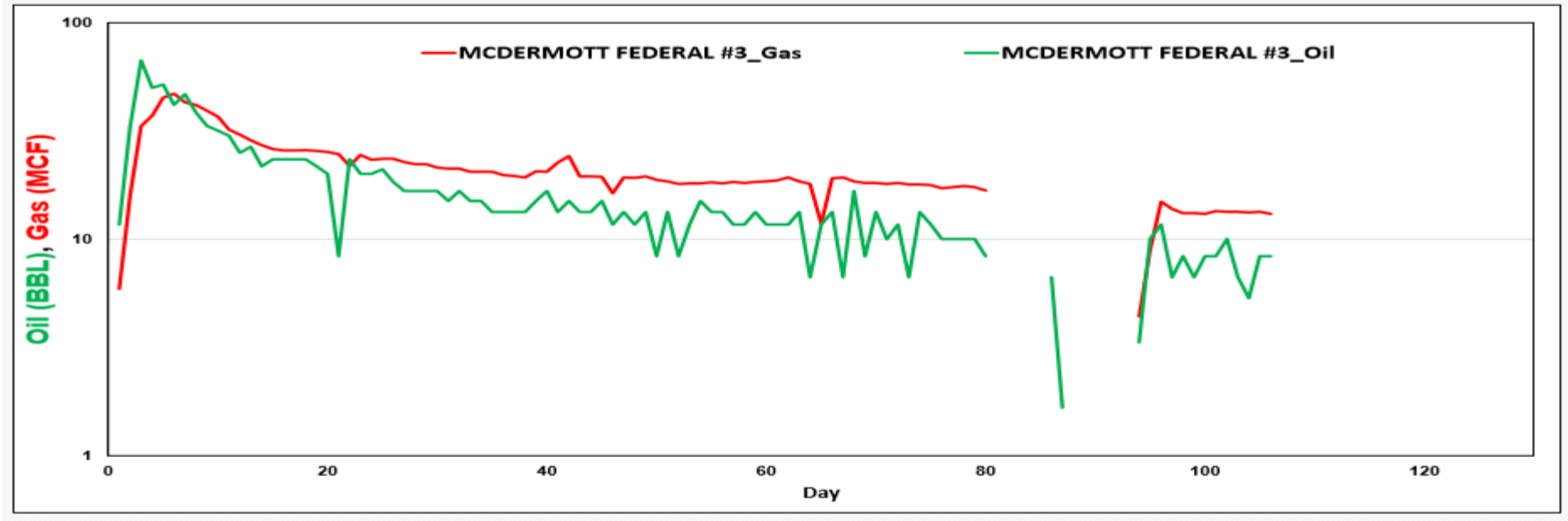


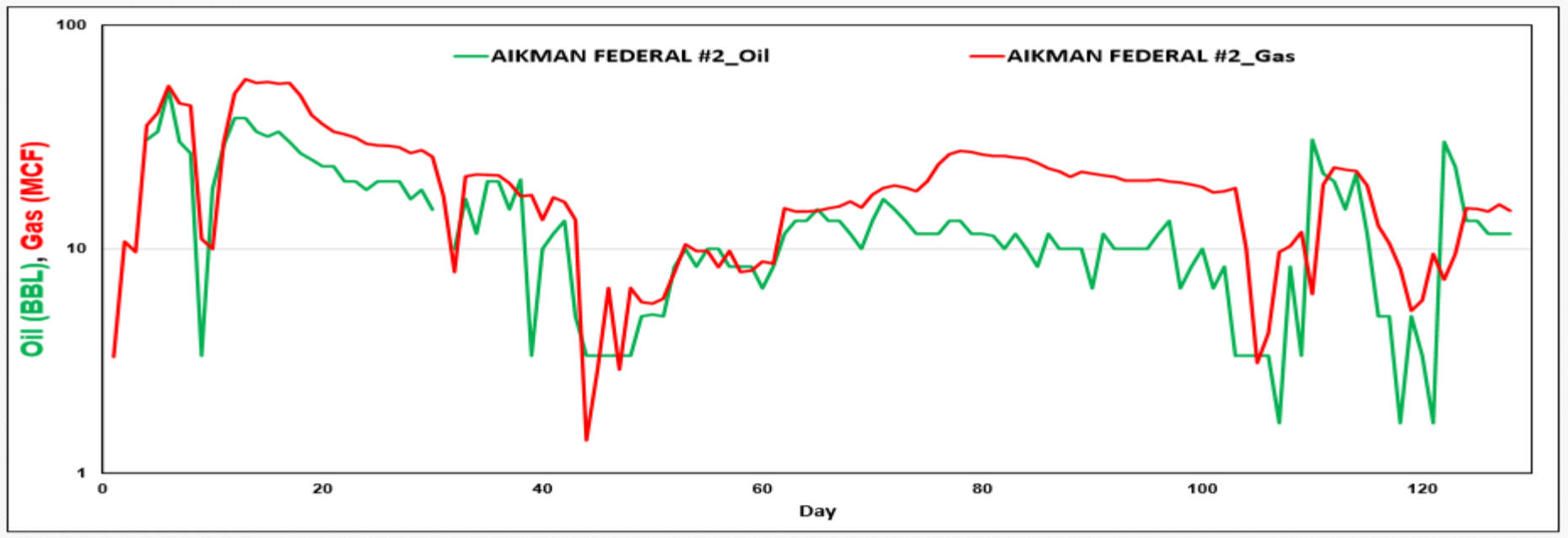
MONTHLY PRODUCTION HISTORY

Extremely Stable Production

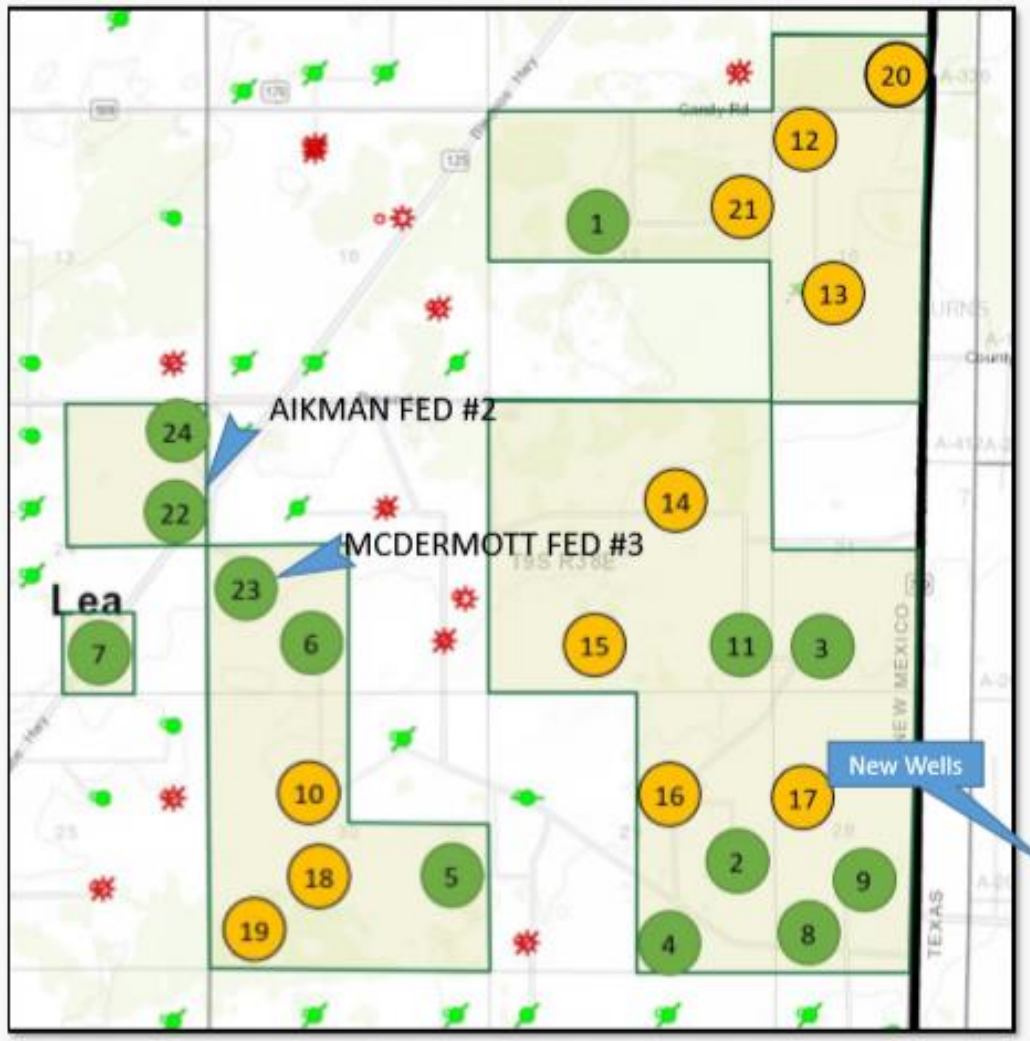


NEW WELLS PRODUCTION





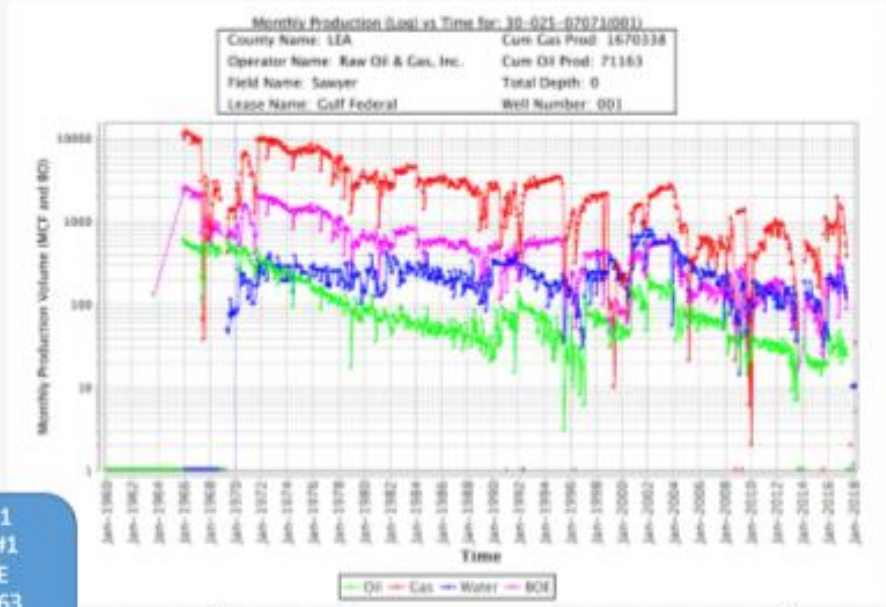
CUMULATIVE PRODUCTION

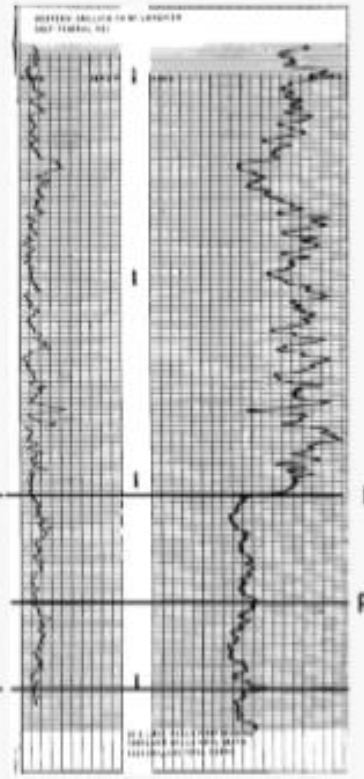


Well	API	First PROD	CUM OIL	CUM GAS	CUM WTR
1	30-025-24953	May-75	8,737	198,682	66,196
2	30-025-31469	Jan-92	18,210	170,892	65,233
3	30-025-21446	Jan-66	31,957	752,227	47,762
4	30-025-07071	Sep-63	71,178	1,670,357	130,452
5	30-025-21445	Jan-66	29,157	3,619,547	76,270
6	30-025-07064	Jan-66	33,235	1,111,903	163,192
7	30-025-04975	Oct-58	85,912	71,227	126,828
8	30-025-07069	May-58	166,141	1,462,890	231,512
9	30-025-36335	May-05	12,364	88,730	47,788
10	30-025-07075	Jan-66	21,622	2,209,085	176,009
11	30-025-07066	Aug-63	59,138	806,701	52,482
12	30-025-24795	Jan-76	2,170	207,473	33,719
13	30-025-24994	Jan-76	1,750	320,775	25,267
14	30-025-07065	Aug-63	580	67,269	367
15	30-025-07067	Aug-63	30,124	697,147	57,599
16	30-025-07072	Sep-63	32,140	738,496	61,230
17	30-025-21235	Jan-66	57,682	1,111,515	45,128
18	30-025-23637	Nov-71	11,977	1,227,834	83,812
19	30-025-07074	Jan-66	4,149	301,989	4,059
20	30-025-24882	Jan-76	174	522,051	2,803
21	30-025-24995	Jan-76	1,197	94,975	19,222
22	30-025-44305	Apr-18	988		7,576
23	30-025-44306	Apr-18	302		223
24	30-025-04976	Jan-66	48,074	291,822	56,447

Active Wells
InActive Wells

FIELD OOIP





GULF-FEDERAL #1 CORE DATA	CORE USED	AVG K (md)	AVG POR (%)	SO (%)	GRAV	GOR	FVF	OOIP (STB/ACFT)	MAIN RES FLUID
4899.5-4951.4	40.9	11	7.1	67.8	NA	NA	NA	NA	CONDENSATE
4951.4-4983.0	27.8	12	7.4	69.7	31	1200	1.74	254	OIL
4983.0-5001.1	18.1	12	9.9	68.1	31	1200	1.74	340	OIL

Based on Gulf-Federal #1 core data, OOIP for 100' of San Andres interval over a quarter section of a reservoir is over 3 MMBO.

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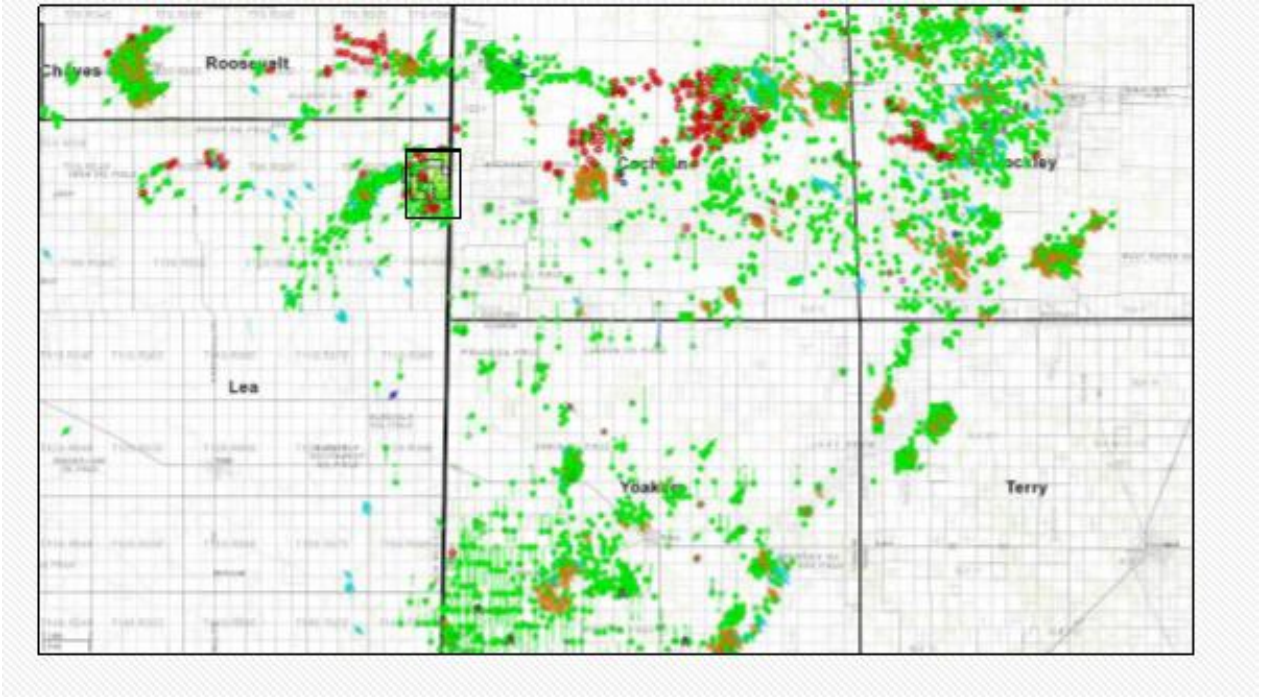
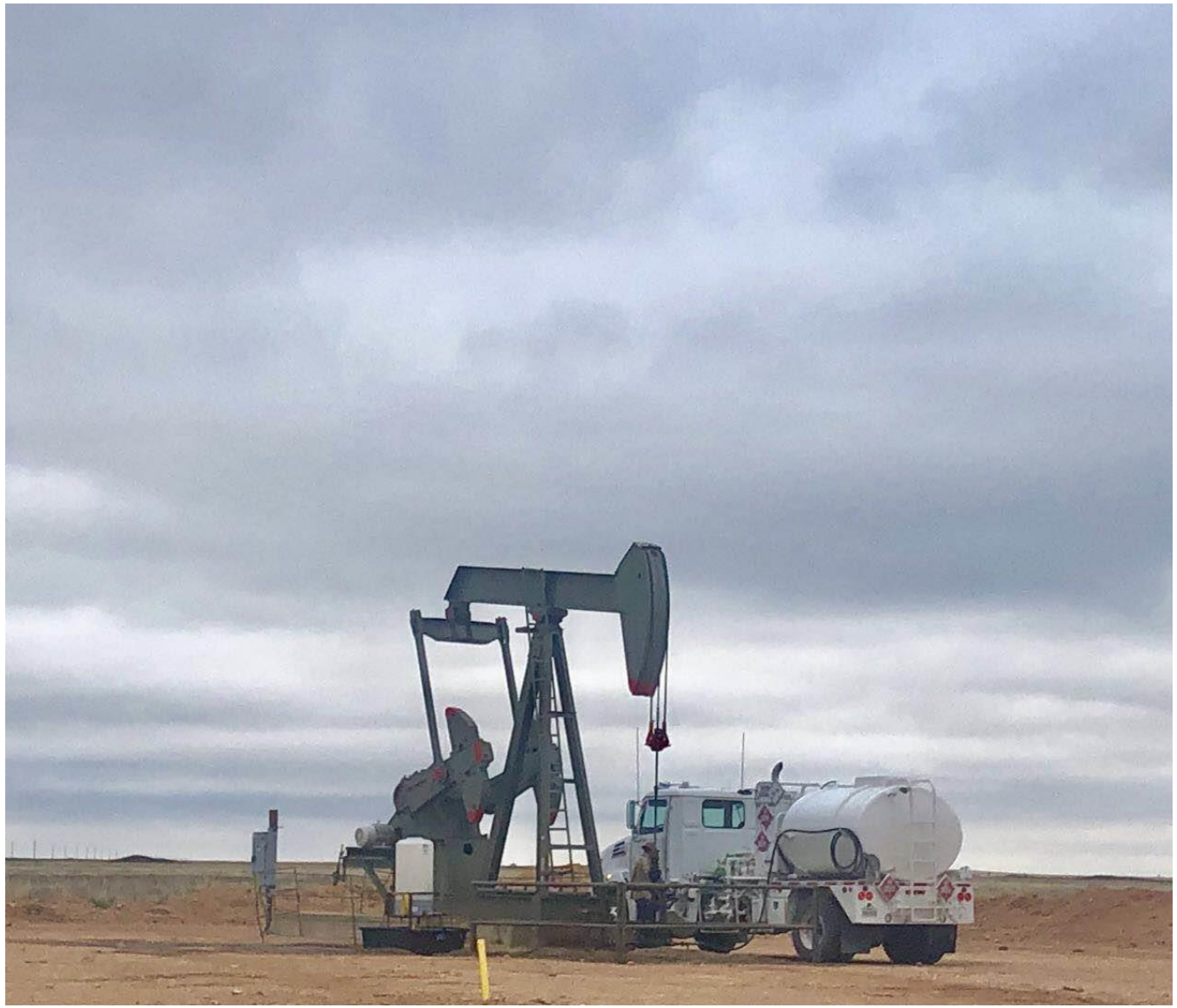


WELL SITE



WELL SITE

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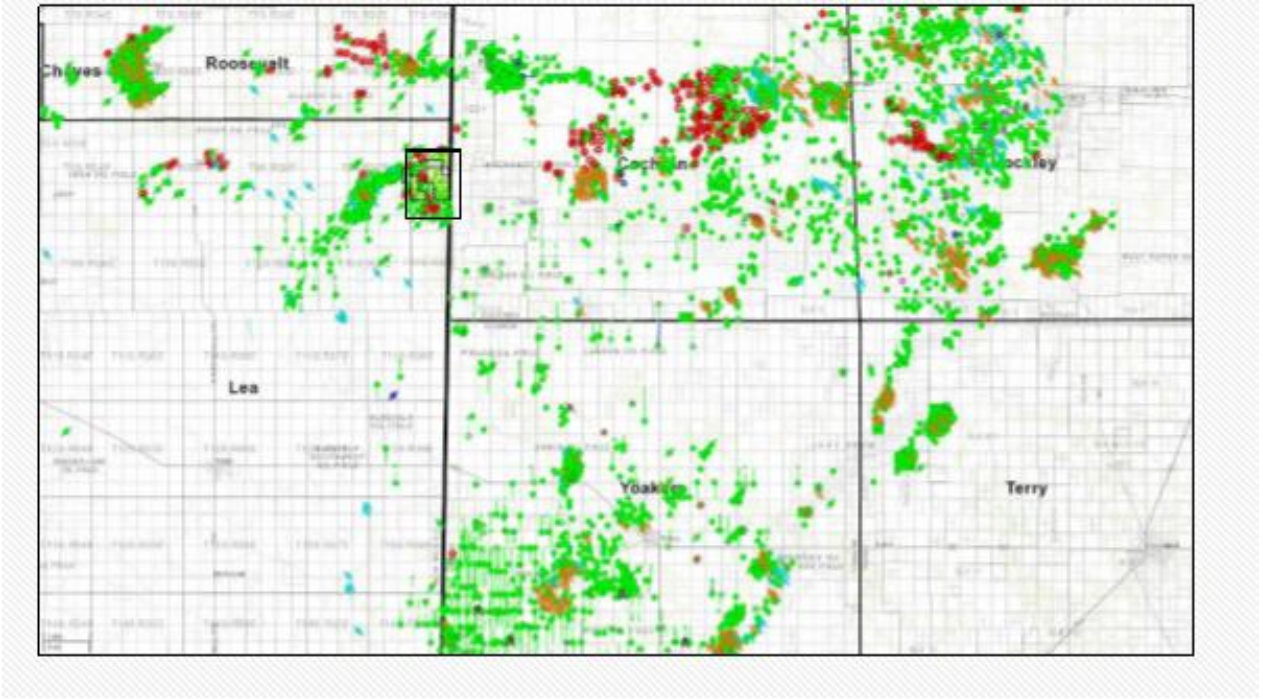
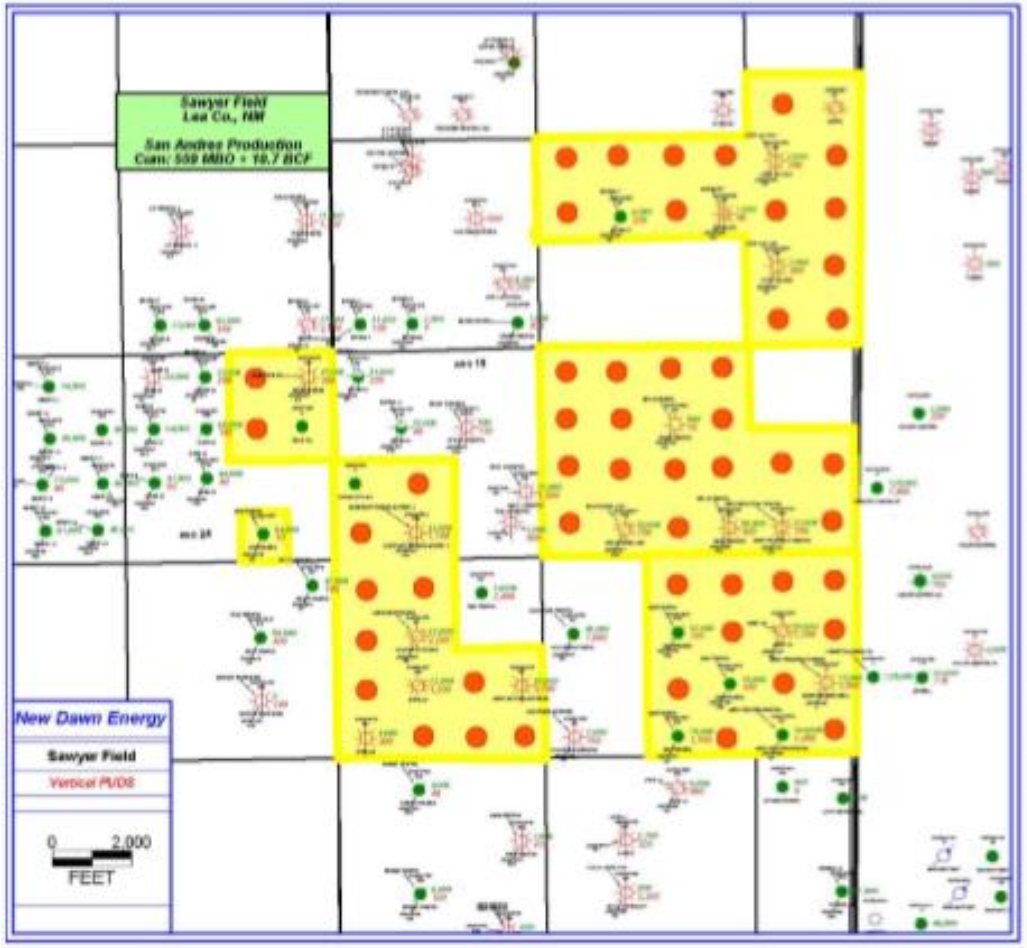


UPSIDE

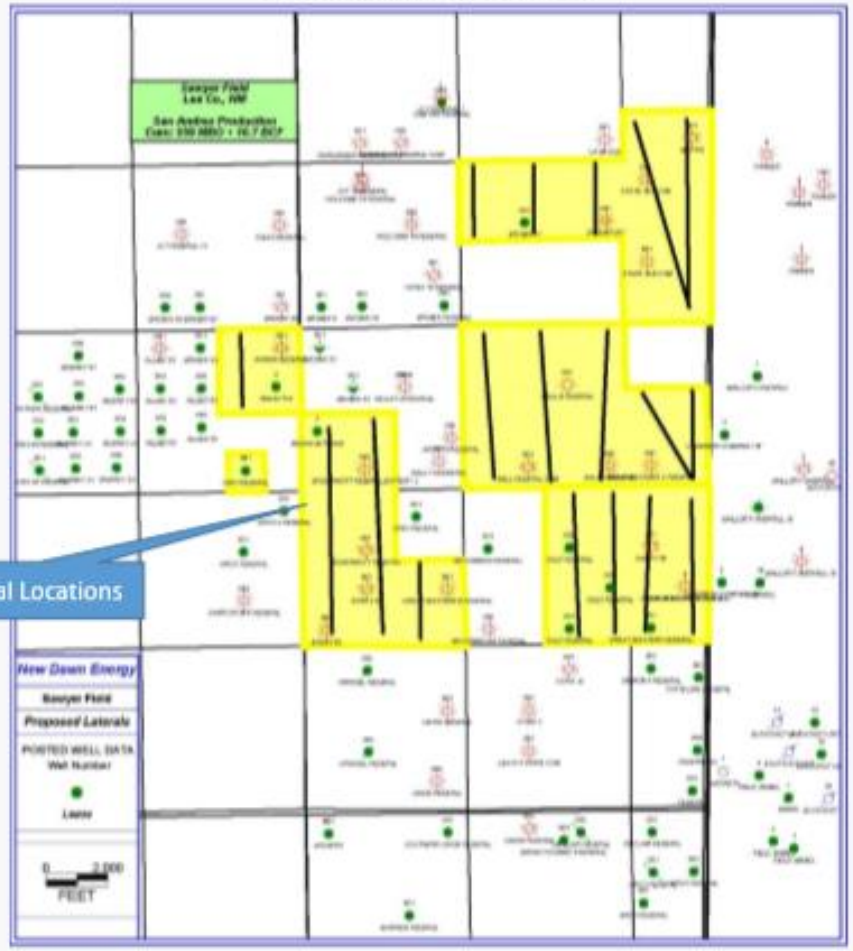
- 1--- Develop infill drilling locations on lease
- 2 --- Re-acidizing
- 3 --- Frac-Job
- 4 --- Diminish the paraffin

UPSIDE-1 DEVELOP INFILL DRILLING

51Vertical PUDs



18 Lateral Locations

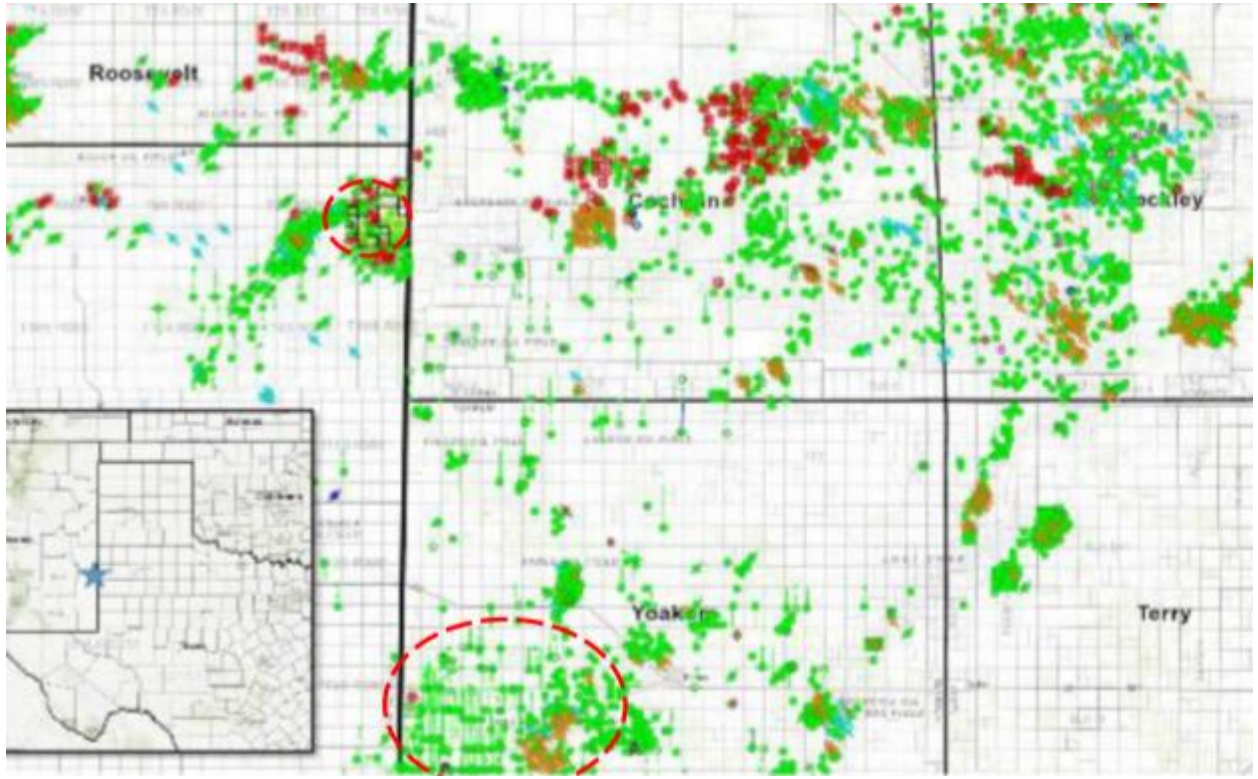


UPSIDE-1 DEVELOP INFILL DRILLING

Vertical

The San Andres formation was deposited on a broad carbonate shelf resulting in deposition of laterally continuous subtidal carbonates.

Typical vertical wells recover an average of 34 MBO. Complete infill drilling on 20-acre spacing and capture an estimated 1,734 MBO of reserves through 51 new drills.

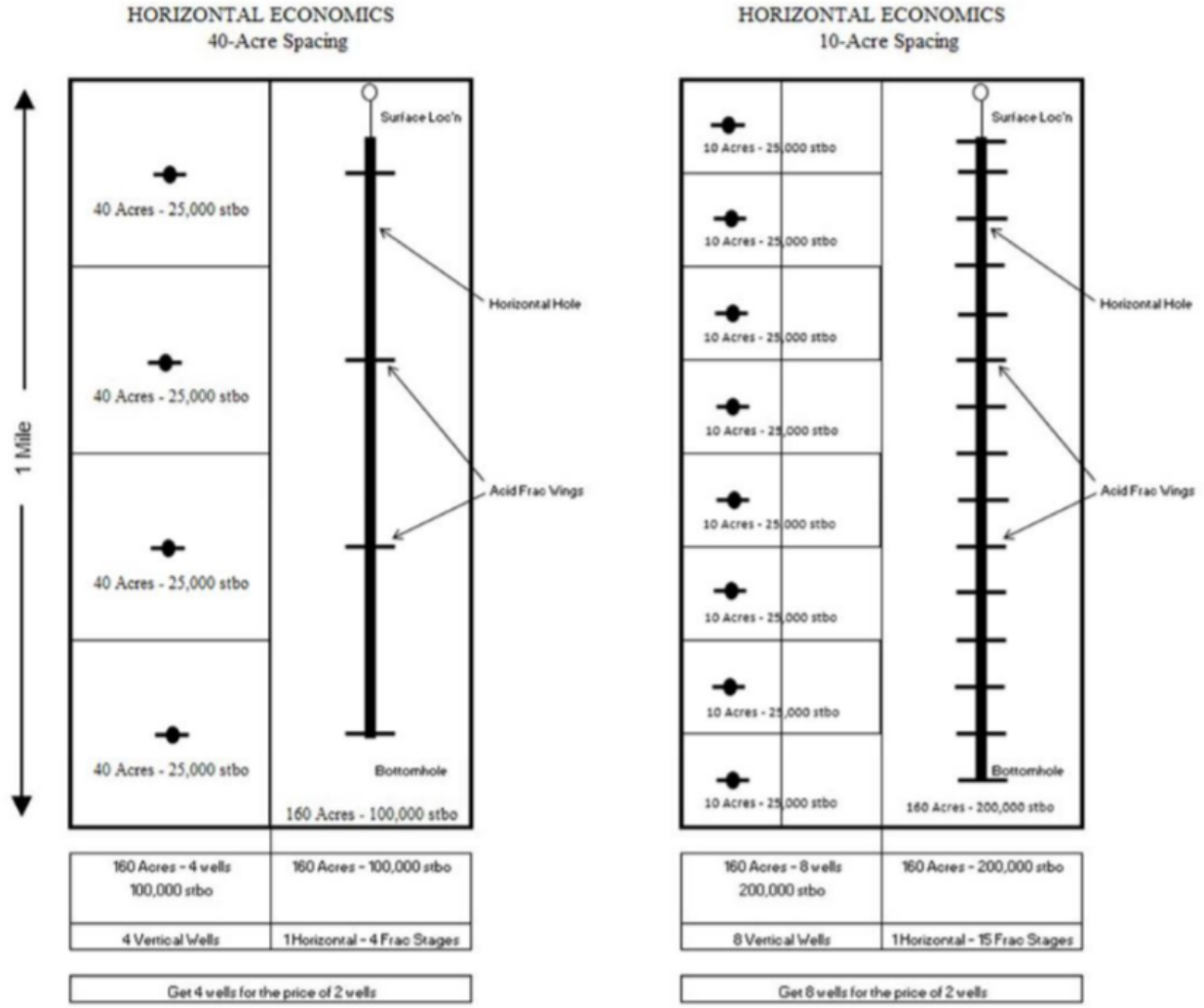


Horizontal

The best analogy for development of the San Andres is located to the southeast of the Sawyer Field in Yoakum County shown in the map.

UPSIDE-1 DEVELOP INFILL DRILLING

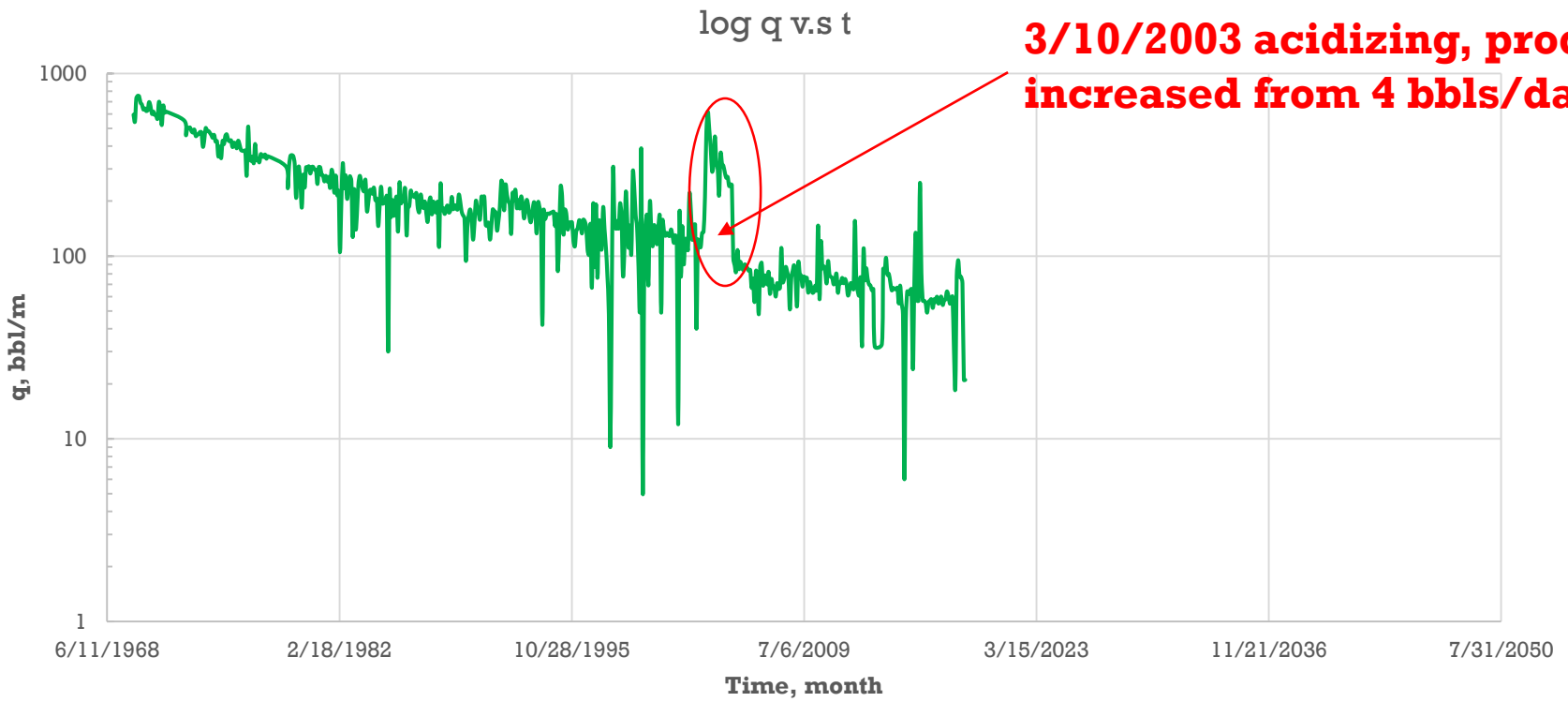
- Typical vertical wells produced only 25,000 barrels per well, which are marginally economic. However, linking numerous of these wells with a horizontal wellbore, along with multi-stage fractures improves the economics considerably and produces reserves closer to 200,000 barrels per well as shown on the diagram right.
- The Sawyer Field has a higher cumulative production than is found in Yoakum County, 35,000 BO vs 25,000 BO. In addition, Sawyer Field is developed on 40 and 160 acre spacing, and not fully developed, while it is common in the area for these San Andres fields to be developed on 20-acre spacing, and even more recently on 10-acre spacing or less. Theoretically, the recovery of the horizontal wells should be higher in Sawyer than what is observed in Yoakum County.



UPSIDE-1 DEVELOP INFILL DRILLING

- ➢ SA HZ Well EUR (Yoakum County):
- 8 x Vertical Well EUR (25,000 BO)= 200,000 BO (300,000 BO with current performance due to modern Frac technology)
- ➢ AVG vertical Well EUR in Sawyer Field:35,000 BO
- ➢ Estimated HZ performance: > 300,000 BO
- ➢ 15 New Horizontal well estimate reserves > 4,500,000 BO

2 --- RE-ACIDIZING



3/10/2003 acidizing, production was increased from 4 bbls/day to 20 bbls/day

UPSIDE-3 FRAC-JOB

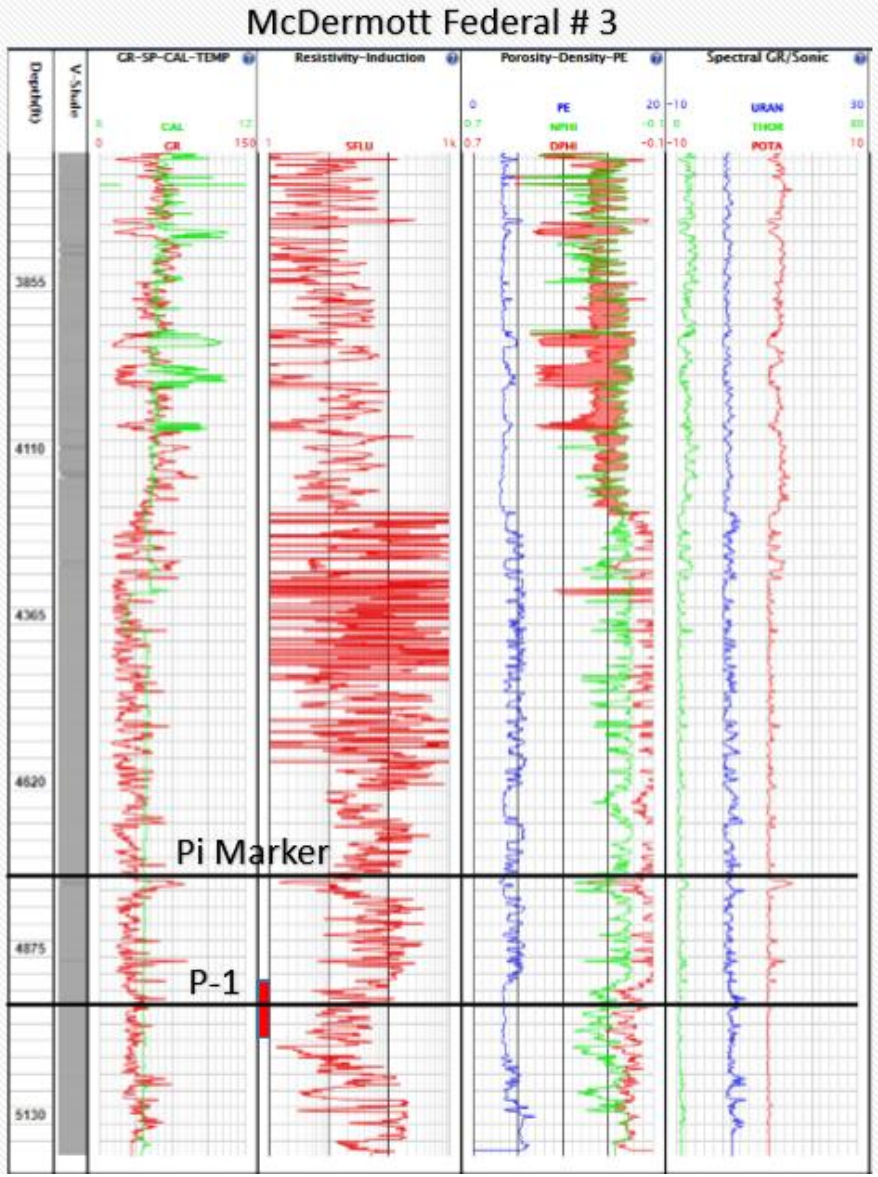


Table 1: Fracture Geometry Summary*

Fracture Half-Length (ft)	204	Propped Half-Length (ft)	193
Total Fracture Height (ft)	77	Total Propped Height (ft)	73
Depth to Fracture Top (ft)	4933	Depth to Propped Fracture Top (ft)	4936
Depth to Fracture Bottom (ft)	5011	Depth to Propped Fracture Bottom (ft)	5009
Equivalent Number of Multiple Fracs	1.0	Max. Fracture Width (in)	0.34
Fracture Slurry Efficiency**	0.27	Avg. Fracture Width (in)	0.23
		Avg. Proppant Concentration (lb/ft²)	0.60

* All values reported are for the entire fracture system at a model time of 39.00 min (end of Stage 7 Main frac flush)
** Value is reported for the end of the last pumping stage (Stage 7, Main frac flush)

Table 2: Fracture Conductivity Summary*

Avg. Conductivity** (mD·ft)	566.4	Avg. Frac Width (Closed on prop) (in)	0.067
Dimensionless Conductivity**	21.63	Ref. Formation Permeability (mD)	0.136
Proppant Damage Factor	0.50	Undamaged Prop Perm at Stress (mD)	199717
Apparent Damage Factor***	0.00	Prop Perm with Prop Damage (mD)	99858
Total Damage Factor	0.50	Prop Perm with Total Damage (mD)	99858
Effective Propped Length (ft)	186	Proppant Embedment (in)	0.000

* All values reported are for the entire fracture system. Actual conductivity could be lower if equivalent multiple fractures have been modeled
** Total Damage Factor and Proppant Embedment have been applied
*** Apparent Damage due to non-Darcy and multi-phase flow

Table 3: Fracture Pressure Summary*

Model Net Pressure** (psi)	1552	BH Fracture Closure Stress (psi)	3281
Observed Net Pressure** (psi)	0	Closure Stress Gradient (psi/ft)	0.660
Hydrostatic Head*** (psi)	2159	Avg. Surface Pressure (psi)	3946
Reservoir Pressure (psi)	1600	Max. Surface Pressure (psi)	4246

* Averages and maxima reported for Main Frac stages.
** Values reported for the end of the last pumping stage (Stage 7, Main frac flush)
*** Value reported for clean fluid

Table 4: Operations Summary*

Total Clean Fluid Pumped (bbls)	296.3	Total Proppant Pumped (klbs)	15.0
Total Slurry Pumped (bbls)	312.3	Total Proppant in Fracture (klbs)	14.8
Pad Volume (bbls)	119.0	Avg. Hydraulic Horsepower (hp)	773
Pad Fraction (% of Slurry Vol)**	41.1	Max. Hydraulic Horsepower (hp)	832
Pad Fraction (% of Clean Vol)**	43.5	Avg. Btm. Slurry Rate (bpm)	8.0
Primary Fluid Type	20# B-Frac	Primary Proppant Type	Jordan Sand 20/40
Secondary Fluid Type		Secondary Proppant Type	

4 --- DIMINISH THE PARAFFIN

- There was discover that oil had a high paraffin content , so the last operating company had success with a hot oil process to diminish the paraffin accumulations in the borehole. It was relatively cheap and works well