

# **OIL & GAS PROPERTY OWNERSHIP GUIDE**



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# OIL & GAS REHAB PRODUCTION OUTLINE FOREWORD

## Maintaining High Income Goals while Reducing Taxes & Debt

### Significant benefits for 1LessTax Income Rehab-rework-redevelopment properties

Rehabilitated - reworked - updated - redeveloped & modernized current lower producing Oil & Gas Wells for efficient income & accelerated gain properties

**1LessTax** model strong points reduce owner risk and management.

Pay No Tax - most significant tax deduction (100%,75%- 90% first year) in USA- most all income classes

Can be effective for substantial deduction for ordinary or any type income.

Comprehensive management with active participation tax advantages §469

Your tax advisor to confirm your individual tax status; Invite your CPA. CPA\ inquiries invited.

Properties can have CPA and/or Operator experienced Management in place

Improvement production income goal 15%-25% simple annual increase = Asset Appreciation

Three to four-year exit goal (less for advanced projects) for projects; receive asset appreciation profit; can sell-replace as wish or be a long-term hold asset.

\$100K minimum field real estate rehab projects can be available; please inquire.

\$250k minimum - Income Rehab & Hold Project \$780 - Ask for more detail for rehab project goals

\$500k minimum - Current field rehab project \$6M; Hold for three-four years then divest\

Generally, will have less than 10 qualified and familiar owners vested in one real estate field project

Other field projects to \$50M+ with significant ownership required for most properties

Consistent production harvest flow current ongoing production, 24/7, 365 days a year

Income projects with 15%+ depletion allowance or potential principal reduction tax advantage

Financial & Production Reports; Monthly income, production and rehab report

Individual Retirement Account (IRA)/Roth IRA and Family Office qualified - Increase Family wealth

Shorter term ownership (three-four year or more owner goal) - integrate Estate & Financial Plans

Increase returns - reduce current and future income taxes while in rehab-redevelopment hold-ownership.

Tax deferral - defer or eliminate capital gain and recapture of depreciation tax;

Internal Revenue Service Codes (IRC) §1031, §1033, §179 & §453M, §469 qualified

Pay No Tax - can replace a 1031 exchange without IRS time limit, debt or \$ limits; gain-recapture significance

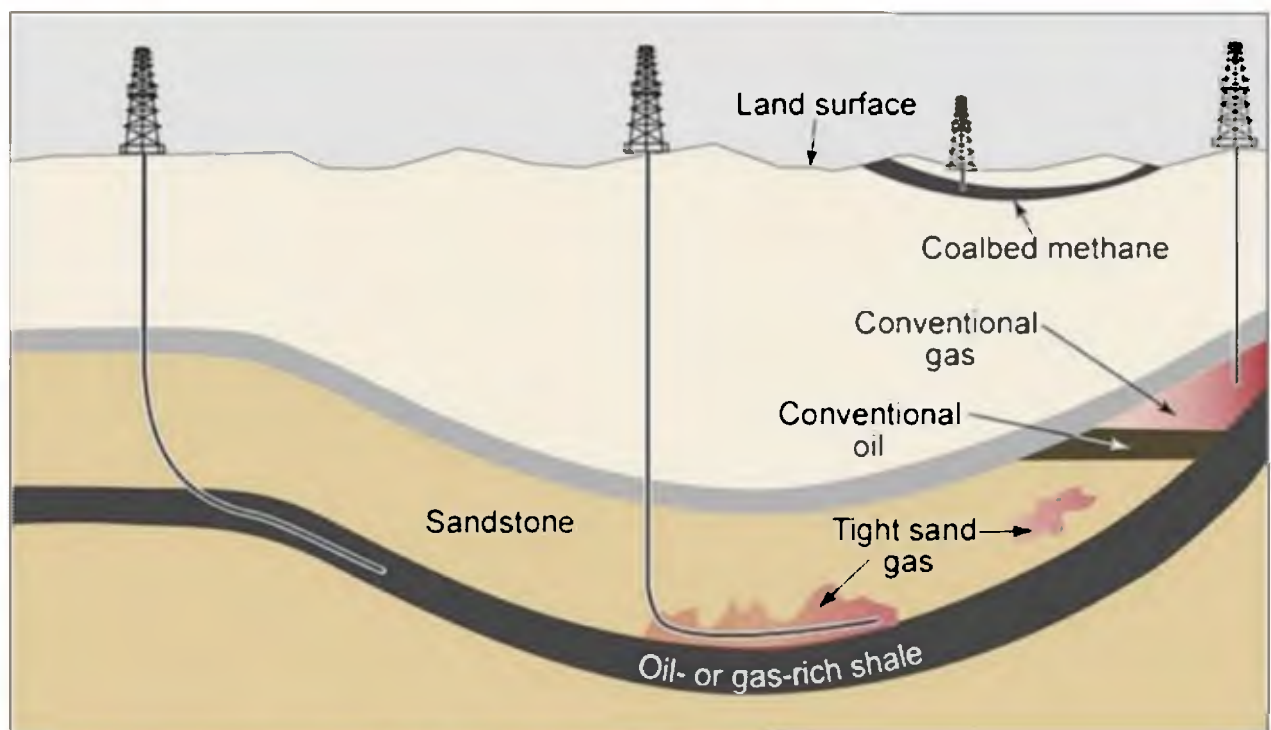
Pay No Tax - can roll replacement gain into a 1031 exchange or replace with new rehab-rework project

Can be effective for substantial deduction for ordinary or any type income.

What is Increasing Current Production? Redevelopment of previous operating or operating wells have modernized efficient and cost reduction methods.

## What is Driving the Oil Revolution

### Technology – Conventional vs Unconventional Drilling Targets



Sources: U.S. Energy Information Administration and U.S. Geological Survey

Real Estate owner and CPA determine entity advantage, LLC, joint venture (JV) or other.



## Oil & Gas Ownership Types

### Fee minerals (surface and mineral ownership may be severed)

- Typically never expire
- Economic return primarily in form of (i) upfront lease bonus and (ii) royalty payments
- Grants the exclusive right to explore and develop minerals (oil and gas) on the property

### Royalty interests (stem from fee mineral ownership)

- Non-cost bearing (other than severance, in some cases other costs)
- Typically 12.5% to 25.0% of all oil and gas produced (8/8ths)

### Working interests (bears all cost of drilling and operations)

- a/k/a leasehold interest – the lease/interest expires when production ceases
- Primary asset base of oil and gas (E&P) companies
- Can be an "operated" working interest or "non-operated" working interest

### Overriding royalty interests

- Carved out of the working interest and thus expire when lease expires
- Often given by working interest owner, the E&P, to award staff (geologists, landman) and others
- Non-cost bearing

## Upstream Asset Valuation



### Key Metrics

- Oil and gas mix
  - Production and reserve figures are often cited in terms of "barrels of oil equivalent" or "boe" which combines oil and gas statistics into a single measure, generally based on the energy content. As oil has been more valuable in recent years, oil-focused production is more valuable.
- Reserve life
  - The R/P ratio (Reserves/Production) measures the time it would take to fully produce proved reserves at current production levels.
- Percent Developed
  - The amount of proved reserves that have been developed (PDP or PDNP).

# Upstream Asset Valuation



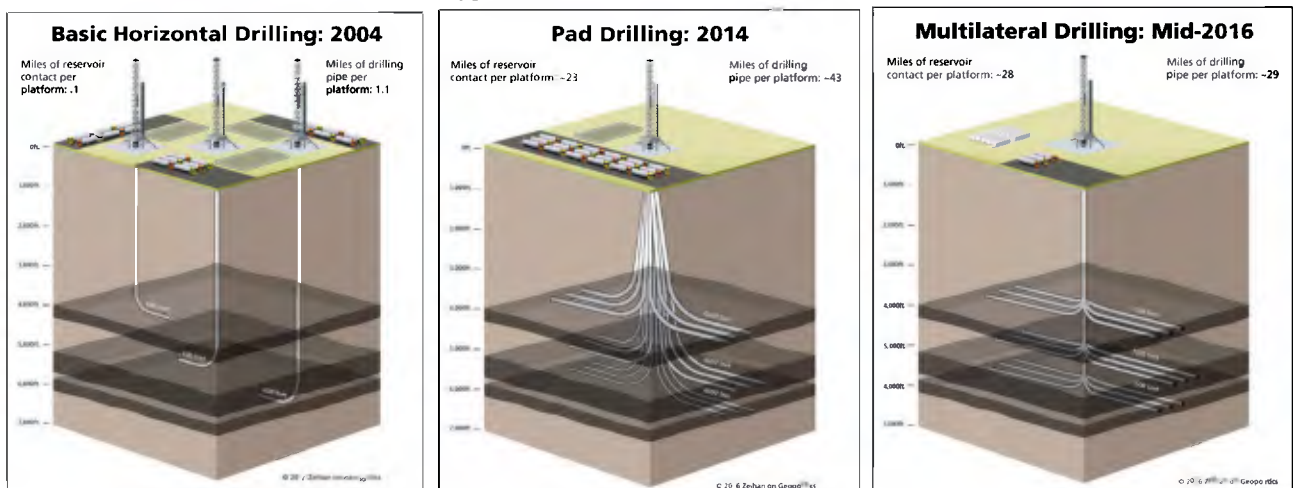
## Discounted Cash Flow

- Most commonly cited value from reserve reports is PV-10 (present value using discount rate of 10%).
- PV-10 values do not capture the risk attributes of different reserve categories or different plays.
- As a risk-averse investor, which of the two following opportunities would you prefer?

Well A	Reserve Category	Drilling Costs	PV-10		
			Low Oil Prices	Base Case	High Oil Prices
Well A	PDP	\$ 0	\$ 500,000	\$ 1,000,000	\$ 1,500,000
Well B	PUD	3,000,000	(1,000,000)	1,000,000	3,000,000

- Typically, market participants either apply direct haircuts to PV-10 values or use different discount rates for different reserve categories (e.g., PV-8 for PDP and PV-25 for PUD)

Continued updated technology allows efficient advanced modern retrieval methods.



Please NOTE: Project entry purchase can close anytime with maximum participants, members and/or joint venture associates. New projects appear hopefully timely for owner goals.

## OIL PRICES 2006-2018

Year	Average	Low	High	
2006	\$59.05	\$52.70 Oct	\$67.99 Jul	Bernanke becomes Fed chair.
2007	\$67.19	\$49.57 Jan	\$85.53 Nov	Banking crisis
2008	\$92.57	\$35.59 Dec	\$127.77 Jul	Financial crisis
2009	\$59.04	\$36.84 Jan	\$74.40 Nov	Great Recession
2010	\$75.83	\$73.73 Feb	\$85.59 Dec	
2011	\$102.58	\$87.61 Jan	\$107.98 May	
2012	\$101.09	\$92.18 Jun	\$108.54 Apr	Iran threatened Straits of Hormuz.
2013	\$98.12	\$90.36 Nov	\$104.16 Aug	
2014	\$89.63	\$57.36 Dec	\$100.26 Jun	The dollar rose 15%. U.S. shale oil increased.
2015	\$46.34	\$33.16 Dec	\$58.89 Jun	
2016	\$38.17	\$26.66 Feb	\$46.72 Dec	Dollar fell. OPEC cut oil supply to keep prices stable.
2017	\$48.73	\$43.93 Jun	\$54.38 Dec	
2018	\$50.59	\$47.50 Dec	\$67.25 Oct	

If price of oil stays same at property for improvement purchase one has the gain in production to cause gain in divesture price.

If price of oil increases from property for improvement purchase one has the gain in production and price to cause gain in divesture price.

Price generally moves 15%-40% during a year.

Price timeliness can influence a 15%-40% gain in divesture price.

Goal is to increase oil production 300% to 600%.

A gain is expected regardless of price.

Timely CPA monthly financial reports plus activity reports are preferred.

Quarterly, semi-annual and annual reports expected.

Your personal CPA is the primary accounting adviser.

## **INTRODUCTION**

### **Why should I invest in Oil & Gas?**

When you invest in Oil & Gas, you are investing in a commodity that usually has consistent high demand worldwide. Oil is used for practically everything including gasoline, home heating, and plastics.

The key to making the highest profits possible when investing is not always how you invest, but what you invest in, and whom you invest with.

#### **Oil & Gas Stocks**

Investing into stocks in large oil companies has its merits as they show a history of yearly returns. The income you receive in dividends is passive and is a net of the gross profits as these large companies have enormous overheads and salaries among other expenses that are paid before you realize your dividend. You also will not enjoy the tax advantages that the IRS allows oil companies since you are a shareholder and not a direct participant in the drilling the Oil & Gas wells.

#### **Oil Commodities is a Risky Proposition**

The main reason why commodities are a risky proposition is that they trade on futures markets which offer a high degree of leverage. A commodity trader normally only has to post 5 to 15 percent of the contract value in futures margin value to control an investment in the total contract value.

For example, if the price of crude oil is trading at \$82 a barrel and crude oil futures contract is for 1,000 barrels, the total value of the futures contract is \$82,000. A trader might only have to post about \$5,100 to control \$82,000 worth of crude oil. For every \$1 that crude oil moves, that trader could potentially earn or lose \$1,000 per contract held.

Crude oil can move more than \$2 during a trading day. \$2 higher or lower equates to a 40% move when compared to the margin necessary to trade the crude oil futures contract. Therefore, the risk of commodity futures is what attracts some, and keeps others far away. Leverage can be dangerous in the hands of an undisciplined trader. Leverage is the main reason so many new commodity traders lose money. Small traders who are new to the market tend to lose money quickly.



## **Oil & Gas Limited Partnerships**

Oil & Gas Limited Partnerships are in many cases sold by Promoters. There is a discussion about Promoters in Section One of this booklet. These Partnerships can be more costly than if you dealt directly with a good Operator. These Partnerships have also added the option of using “Crowdfunding” because of the advent of the internet.

The returns made by investors are passive income and there are no tax advantages like the ones found in direct ownership in the Oil & Gas wells that produce the revenue. These tax benefits are substantial to the investors as 100% of the amount you invest is tax deductible and 15% of your revenue is not taxable under the Oil Depletion Allowance.

## **Oil & Gas Direct Participation Programs**

Savvy Oil & Gas investors invest in the “source” of the business. These investors are also known as “Up-Stream” investors. Some of the wealthiest and most successful investors invest directly in the drilling, re-completion, reentering, and re-working of Oil & Gas wells. Their formula is simple. They find a solid reputable Oil & Gas Operator (not Promoter) that has a track record with a success rate of 70% or more.

Below shows why this formula works:

An Operator drills 10 wells and 7 are successful. The average Return on Investment (ROI) is 5 to 1 on each well. Each well costs an average of \$370,000.00 to drill and complete.

10 wells drilled at \$370,000.00 each equals \$3,700,000.00.

3 wells are dry holes, and 7 wells are successful at a 5 to 1 ROI.

\$370,000.00 per well X 5(the ROI) equals \$1,850,000.00 in revenue per well.

\$1,850,000.00 X 7 wells equal \$12,950,000.00 in oil revenue.

\$12,950,000.00 less \$3,700,000.00 (cost to drill 10 wells) equals \$9,250,000.00.

We now have a net profit of \$9,250,000.00 plus any unused funds invested for completing the 3 dry holes (unless the wells are on a turnkey basis). Another way to look at it is that one successful well will pay for the drilling of 3-4 other wells.

**A local oil tycoon with Jones Brothers Co. in Albany TX and 65 years of experience once said. "If it isn't working move on to the next one. It will end up paying you back tenfold." ~ AV Jones**

In addition 100% of your investment is TAX DEDUCTIBLE. Direct Participation in drilling Oil & Gas wells has tremendous advantages. The key is investing with a good Operator and investing in several wells. Although dry holes are a disappointment, do not be discouraged by them. Move on to drill the next one.

We hope this booklet serves you well. The information contained herein has been gathered by our staff for the purpose of informing investors about the types of investments, potential tax advantages, types of people to invest with, and technical information about the industry. We always encourage investors to seek as much professional advice as possible.

This booklet is divided into four sections.



# SECTION ONE

## **OIL & GAS PROPERTY OWNERSHIP GUIDE**



## **Various ways you can invest in Oil & Gas**

You can approach Oil & Gas investing in a number of different ways. For example, you can consider the industry as a collection of companies providing products or services to consumers. You can also approach the industry as a commodity, and seek to profit from changes in the prices of crude oil, gasoline, diesel, and other products. There are also several other investments described below and on the next page.

### **1. Mutual Funds or ETFs**

You can buy shares in a number of Oil & Gas focused mutual funds or ETFs. These help you gain substantial exposure to the commodity without taking direct risk in commodity spot prices and without tying up too much of your fortune to the prospects of any one company.

### **2. Large Cap Stock or ADRs**

There are two methods to gain exposure to the Oil & Gas markets, both via publicly traded companies such as Exxon-Mobile, Chevron, etc. Each of these companies engages in oil exploration, and you can buy a direct exposure to them simply by buying shares (stock) or ADR's (American Depositary Receipts) through their broker.

### **3. Futures Contracts**

You can purchase derivatives such as oil and gasoline futures contracts. These can be risky, since futures contracts can and do frequently expire without any worth.

### **4. Small or Micro-cap Stock and Limited Partnerships**

If you want to take a more direct equity position in a smaller company or project, you may consider making a play further down the oil and gas industry "food chain" into a small or micro-cap stock, or even a limited partnership that focuses on Oil & Gas. This is a more specialized field of investing, and if the business is not publicly traded, you will typically need to engage the services of a broker who specializes in this industry for access to these kinds of businesses. If you have a significant amount that you can invest, you can deal with the company's management directly for a private placement opportunity.

## 5. Direct Participation as a Working Interest owner in Oil & Gas wells

Direct Participation Oil & Gas investments usually involve having you purchase a Working Interest in the Oil & Gas wells to be drilled, re-completed, reentered, or reworked. It could also be a combination of any of these. When buying into a program like this several things need to be considered. A very important consideration is “Are you investing with an Operator that drills and operates, or a Promoter”? The difference is significant.

- 1) **Oil & Gas Operators:** An Operator is the direct source as they evaluate the oil lease property using Geologists and other professionals, buy the lease, drill the well(s), and then handle the day to day operations of the well(s). They also pay all operating expenses each month from the revenue of the Oil & Gas sold; create itemized statements for you, and mail statements and revenue checks to you on a monthly basis. Operating expenses normally include the pumper bill, the operator bill, the electric bill, and any maintenance or repairs that need to be done on the property or the well(s).
- 2) **Oil & Gas Promoters:** A Promoter buys a project from an Operator and resells it to you via a joint venture or partnership. Promoters usually have several sales people on staff that calls you to sell “units” in these projects. Promoters have overhead that they must pay such as sales commissions which can be anywhere from 10% to 20%, office rent, other employees, sales leads, and they usually mark the project up in order to profit from the sale of the project to you. All in all, Promoters may add 40% to 100% to the original price they paid to the Operator and keep some of the Working Interest on the well(s) for themselves. It is best to find a solid, reputable Operator to invest with, as you always pay more and get less dealing with Promoters.

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# **Types of Direct Participation Oil & Gas Investments**

## **DRILLING NEW EXPLORATION WELLS.**

These are also referred to as "wildcats". These are wells that are drilled in unproven areas and have a high degree of risk as many result in being a dry hole. These types of ventures can have substantial returns when successful.

## **DRILLING DEVELOPMENT WELLS.**

Oil & Gas wells that are drilled in the close proximity of an existing producing well are considered developmental wells. The drilling of a well where the operator is attempting to determine in which direction the oil formation is going is considered a "step-out" well. In the Moderate Risk category there are also "Infield" or "infill" wells that are drilled in between two or more oil wells.

## **REENTERING OLD WELLS.**

This type of investment could yield a large return on investment with some risk because the Operator can look at the original drilling data which shows if there are hydrocarbons at specific depths of the existing well (bore-hole). There are however risks that a previous Operator that drilled the well may have left the bore-hole in bad condition or left pipe or water at the bottom of the bore-hole. This can cause serious complications or damage to the well.

## **REWORKING EXISTING WELLS.**

The returns and risks of this type of investment vary from project to project. A successful re-completion or re-working of a well into another shallower pay zone largely depends on the accuracy of the wells' records and condition of the well and equipment. These older wells can have maintenance issues that can be very costly.

## **PURCHASING EXISTING PRODUCTION.**

This type of investment carries the lowest risk at a very high cost and a slower return. This is where you are buying into Oil & Gas wells that are already producing. Consult with a certified petroleum engineer on this type of investment before buying an interest in it to confirm the remaining life of the production.

These wells may also require ongoing maintenance and repairs which can be costly.

## **Structure of Oil & Gas Direct Participation Programs**

A common question that is asked is “How are these Direct Participation Programs structured?”. The answer is not complex. Operators know their areas of operation very well. The area of operation is the geographical area they work in which is usually a 100-150 mile radius of their home base.

Operators also have Geologists, Landman, and other professionals that evaluate Oil & Gas leases in this area and then make recommendations on whether the Operator should drill on these leases. If the Operator decides to acquire and drill a lease, the Landman negotiates the purchase of the mineral rights on the lease with the land owner. The land owner always retains an Overriding Royalty Interest on all oil or gas produced. This royalty is usually 20% - 25% of the gross oil and/or gas that is produced. Once this is finished, the Operator structures the drilling project to present to the investors by determining the total costs involved (drilling, geology, lease, pump-jack, holding tanks, etc.)

The structure is as follows:

- 1) If the land owner retains a 25% Overriding Royalty, the Net Revenue Interest (NRI) on the entire lease is 75%. 100% Working Interest is based on the 75% NRI.
- 2) The Operator will offer you a Working Interest (WI) percentage of the NRI.
- 3) Most Operators will offer you 70%-75% of the WI for the funds needed to drill and complete the well(s). The 25%-30% WI retained by the Operator is referred to as a “Carried Working Interest”.

- 4) The Operator will structure the drilling program one of two ways:
  - a) The investors invest the drilling funds first, and if the Operator feels the well is commercially viable, the Operator will notify the investors that they need to send in the completion funds. Sometimes the amount you actually invest can be uncertain. The completion funds are known as a “cash call”.
  - b) The Operator will structure the drilling and completion of the well(s) on a turnkey basis. This means that you invest the entire amount up-front and that the drilling and completion is at a fixed price. Most turnkey deals are on developmental or infill wells where there are proven reserves where the Operator is confident that oil and/or gas will be encountered.
- 5) If you are investing high six figures or more, you may want to hire a certified geologist to check out the Operator and Geological Data.

## **Oil & Gas Investment Advantages**

1. **Diversification.** Oil & Gas investments have historically provided a useful diversifier against the overall economy. When gas prices rise, economies tend to slow. This could cause your stocks and funds to stumble. Having an interest directly in oil wells can offset this because when gas prices rise, oil prices rise, resulting in returns on oil wells being higher.
2. **Profit Potential.** Investments in the smaller companies and Oil & Gas Direct Participation Programs can occasionally pay off big. A single well, can pay dividends for many years and in many cases decades.
3. **Tax Advantages.** There are some tax advantages to Oil & Gas investing. For instance, the IRS allows companies to deduct for oil depletion. If you buy shares in a publicly traded stock, this benefit will be largely invisible to you, since publicly traded stocks are C-corporations and don't pass their gains and losses to the shareholder tax returns. However, if you buy a Working Interest in a Direct Participation Program that allows you the tax deductions; this could be a very important consideration.



## More about Tax Advantages



Oil & Gas investors receive a variety of tax benefits. The government gives tax advantages to Oil & Gas investors because domestic energy production keeps industries moving and life going forward, making it a big national priority. Depending on what type of well you invest in, the risks can be low or high, but the risks are present, and to invest in Oil & Gas, the buy-in is high. This is one reason the government incentivizes it.

The various tax advantages you experience after investing include:

- 100% deduction for the year intangible drilling costs was incurred. These costs include grease, labor, chemicals, drilling the well, and other intangible costs.
- 100% of tangible drilling costs, which must be depreciated over seven years.
- 100% of all net losses, which are considered active income that are incurred in concurrence with the Operator could be offset against other income like interest, wages, and capital gains.
- 15% of all gross income from Oil & Gas wells is not taxed.
- 100% of all excess intangible drilling costs that have been exempted as a preference item on an alternative minimum tax return.

- 100% of all lease costs, which have to be capitalized and deducted over the course of the lease via the depletion allowance.
- Tax Credits: Congress has enacted several tax credits in relation to oil or natural gas production. The enhanced oil recovery credit is applied to certain project costs incurred to enhance a well's oil or natural gas production. This credit is up to 15% of the costs incurred to enhance production. The non-conventional source fuel credit provides for a \$3 per barrel of oil equivalent credit for production from the so called qualified fuels. Qualified fuels include oil shale, tight formation gas, and certain synthetic fuels produced from coal.

When you file your tax return, be prepared to win big with the tax breaks. You should find a qualified accountant who knows how to take the correct Oil & Gas investing deductions.

Investing in direct ownership of Oil & Gas wells offers significant tax benefits. In order for you to take deductions for tangible and intangible costs, you must participate directly in the wells. The purchase of Working Interest in Oil & Gas wells qualifies as a "direct investment". Usually 70% to 80% of the amount you invested should be deductible in the first year.

The remaining portion that you invested is amortized over the next seven years. You could save thousands of dollars in taxes by investing in Oil & Gas Working Interests. The Operator always suggests consulting with a tax advisor regarding the tax benefits for your specific situation.

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## **Can I invest money from my IRA into O&G Direct Participation Programs?**

### **ABOUT IRA'S**

#### **IRA – INDIVIDUAL RETIREMENT ACCOUNT**

IRA's allow you to contribute a portion of your income into your retirement account. The amount you contribute is not taxed until you withdraw it later.

For 2019, your total contributions to all of your traditional and Roth IRAs cannot be more than:

- \$6,000 (\$7,000 if you're age 50 or older), or
- Your taxable compensation for the year, if your compensation was less than this dollar limit.

#### **ROTH IRA'S**

A Roth IRA is an IRA that, except as explained below, is subject to the rules that apply to a traditional IRA.

- You cannot deduct contributions to a Roth IRA.
- If you satisfy the requirements, qualified distributions are tax-free.
- You can make contributions to your Roth IRA after you reach age 70 ½.
- You can leave amounts in your Roth IRA as long as you live.
- The account or annuity must be designated as a Roth IRA when it is set up.
- The same combined contribution limit applies to all of your Roth and traditional IRAs.

## SIMPLE OR SEPIRA'S

Your Employer may offer IRA plans (Simple IRA or SEPIRA) where the Employer will match the employees IRA contribution up to a certain amount determined by the Employer.

The amount an employee contributes from their salary to a SIMPLE IRA cannot exceed \$13,000 in 2019.

If an employee participates in any other employer plan during the year and has elective salary reductions under those plans, the total amount of the salary reduction contributions that an employee can make to all the plans he or she participates in is limited to \$19,000 in 2019

**NOTE: Most IRA's have the custodian of the IRA that directs what investments are made with the money in the IRA. Private Placements or Direct Ownership in Oil & Gas wells may not qualify.**

**You can however set up a Self-Directed IRA which allows you to decide where and in what your IRA money is invested in. These investments usually include Private Placements and Direct Oil & Gas Participation Programs.**

## SELF-DIRECTED IRA'S

Understanding a Self-Directed IRA (SDIRA):

A self-directed IRA is a type of traditional or Roth IRA. A SDIRA is used to save for retirement and is structured to facilitate withdrawals at a specified age. Self-directed IRAs differ from traditional and Roth IRAs only by the assets they hold. Designed for do it yourself investors they allow the owner to invest in a much broader array of securities than with a traditional or Roth IRA.

A SDIRA is managed by the plan owner and can function as a very broad investment portfolio. Its portfolio options are much broader than basic eligible securities for traditional and Roth IRAs offered by brokerage firms. As such, it requires greater initiative and due diligence by the plan owner.

Investors seeking a SDIRA will not find them at traditional brokerage firms who also serve as the custodian for basic investment holdings. Because of the broader and more complex diversification of SDIRAs, investors seeking them must typically look to companies that specialize in them. These companies are willing to

serve as the custodian for the SDIRA investment assets. Some SDIRA companies still impose constraints on the holdings of the fund so it is important to ensure that the account allows the preferred mix of assets the investor is seeking.

Self-Directed IRA's can invest in Oil & Gas Direct Participation Programs and other Private Placements. The oil revenue from the wells oil production will be deposited into the SIDRA and with successful Oil & Gas wells; it will increase your SDIRA's worth substantially enhancing your way of life when you retire.

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## **YOU WILL ENJOY YOUR RETIREMENT, AS LONG AS YOU PLAN FOR IT!**



**DISCLAIMER: Successful Oil Investing does not give tax advice. We encourage investors to seek tax advice from a tax professional.**

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## **Lastly, when looking into investing in Oil & Gas:**



### **How do you get paid in Direct Participation Programs?**

Below is what you can expect with regard to monthly Oil & Gas revenue payments with a successful well.

As soon as a well is put into production, the Operator will begin selling the oil and/or gas to a local buyer. When the oil storage tanks are near full, the Operator will notify the company that buys the oil and they will send a tanker truck to the well to pump out the oil and meter it. Each time they pick oil up from the tank(s), the Operator receives a “run ticket” showing the date and amount of oil picked up. At the end of each month, the buyer begins the process of preparing the payment to the Operator for the oil picked up that month.

The Operator will usually receive the buyer’s payment on the 20<sup>th</sup> of the next month (e.g. Oil & Gas picked up by the buyer in January is paid for on the 20<sup>th</sup> of February). Once the Operator receives the payment and Buyer’s statement, the Operator reconciles it against the run tickets to make certain it is correct. The Operator then inputs the number of barrels of oil sold, and the oil revenue into a program on the computer called “Wolfepack” which is used by most Operators. The Operator also inputs the expenses which normally are the operator fee, pumper fee, electric bill, and any other expense such as water disposal or the Operator repairs (if any).

The Oil & Gas software will then calculate each working interest owner’s portion of the revenue and expenses and print out the itemized statements for each WI owner. These statements along with checks are then mailed to you.

Any gas produced is sold to a local buyer and is transported via pipeline. The gas revenue will be included in the statement you receive.

To recap, the Operator will receive the payment from the buyer on the 20th of one month for the oil & gas produced and sold to the Buyer in the previous month. The Operator then prepares the statements and checks and mails them resulting in a 30 lag on your first check.



## **Standard Agreements used for you by Operators**

Operators will usually provide you with a Purchase Agreement or Subscription Agreement/Application once you decide to buy in to the program or project. Once the well(s) are completed and online, the Operator will provide an Operating Agreement.

**We hope this information is helpful.**

**We always encourage investors to seek other professional advice.**

## **SECTION TWO**

# **OIL & GAS PROPERTY OWNERSHIP GUIDE**



## **RISK FACTORS**



## **RISK FACTORS FOR DIRECT PARTICIPATION PROGRAMS**

Oil & Gas exploration and development activities are inherently dangerous and involve significant risks of losses and liabilities to third parties. In addition to encountering these risks, Investors will encounter other significant risks peculiar to ownership of Working Interest's. Investment in Working Interests is suitable only for those persons who fully understand and can afford to bear such risks and who have no need for liquidity from such investments, i.e. Accredited Investors. Prospective Investors are urged to analyze the risk factors discussed below as well as other risks factors attendant to investments in Working Interests and to consult with their own legal, tax, and financial advisors concerning these matters prior to purchasing Working Interests. Investors are also encouraged to ask questions of the Operator.

There is no assurance that the proposed activities in a well or wells will be successful or even if they are, that it will be in sufficient quantities of oil and/or gas to enable Investors to recoup a part or all of their investments.

Drilling or developing activities may be curtailed or delayed as a result of delivery delays, weather, and shortages of drilling rigs, equipment, materials, and supplies. There is no assurance that delays or shortages will not be encountered in any given project.

Prospective Investors must recognize that many of the Working Interests offered by Operators have neither been, nor will they be, registered under the Securities Act of 1933, as amended, or any states' securities laws. Therefore, in many cases no regulatory authority has reviewed the terms of an offering Investors are contemplating and thus Investors do not necessarily have any of the protection(s) afforded by applicable Federal and State securities laws.

There is no market for the Working Interests and none is likely to develop; accordingly in many cases, Investors should not expect to be able to readily liquidate his/her/its investment in a case of emergency.

Most Operators expect to own and acquire other oil, gas, and mineral prospect and interests in various Oil & Gas leases and may contemplate developing these leases for the Operators own account and/or jointly with others. Investors will not be entitled to these other interests unless the Operator offers Investors Working Interests in these other leases. The Operator will devote only so much of its time to the activities of the Investors project as in the Operators judgment is reasonably required.

It should be noted by Prospective Investors that significant risks exist that could prevent an Oil & Gas operator from successfully completing a particular well even though the test results would unquestionably compel a prudent Operator to attempt to complete the well. The physical acts of completing and equipping a well for the production of hydrocarbons, and the treatment and stimulation of subsurface geologic formations are complex, and often require techniques at the frontiers of applicable science and technology. The mere fact that the Operator may call for a completion attempt after analyzing the results of drilling and testing the project well, should not be construed as a representation that the well will be a commercial success.

There is no guarantee the prices received for any oil or gas in the future or at the time of completion will render the well(s) commercial. Furthermore, there is no guarantee the state or federal government will not institute further price controls or regulations on the wells.



## **SECTION THREE**

### **OIL & GAS PROPERTY OWNERSHIP GUIDE**

#### **Glossary**

The following pages contain terminology used in the Oil & Gas industry. This Glossary will be helpful to you in understanding verbiage used in

Oil & Gas offerings, or updates on drilling activity from the Operator.

## GLOSSARY OF OIL & GAS TERMS

<b>Abandon</b>	(1) The proper plugging and abandoning of a well in compliance with all applicable regulations, and the cleaning up of the wellsite to the satisfaction of any governmental body having jurisdiction with respect thereto and to the reasonable satisfaction of the operator.(2) To cease efforts to find or produce from a well or field.(3) To plug a well completion and salvage material and equipment.
<b>Abatement</b>	(1) The act or process of reducing the intensity of pollution.(2) The use of some method of abating pollution.
<b>American Petroleum Institute (API)</b>	The American Petroleum Institute is the primary trade association representing the oil and natural gas industry in the United States.
<b>Annulus</b>	The space between: (1) The casing and the wall of the borehole.(2) Two strings of casing.(3) Tubing and casing.
<b>API</b>	American Petroleum Institute
<b>Api County Code</b>	An indicator developed by the American Petroleum Institute (API) to identify areas such as counties and other subdivision areas identified within state boundaries. Defined by API Bulletin D12A, as amended. This code becomes a part of the API Well Number.
<b>Api State Code</b>	The indicator assigned to a state, as defined in API Bulletin D12A, as amended. This code is a part of the API Well Number (The Api State Code for Colorado is 05).
<b>Api Well Number</b>	A well identifier assigned as defined in API (American Petroleum Institute) Bulletin D12A, as amended. The API Well Numbers are assigned by the appropriate state or federal regulatory agency.

<b>Appraisal Well</b>	A well drilled as part of an appraisal drilling program which is carried out to determine the physical extent, reserves and likely production rate of a field.
<b>Associated Gas</b>	A well drilled as part of an appraisal drilling program which is carried out to determine the physical extent, reserves and likely production rate of a field.
<b>Barrel</b>	A unit of volume measurement used for petroleum and its products (7.3 barrels = 1 ton: 6.29 barrels = 1 cubic meter).
<b>bbl</b>	One barrel of oil; 1 barrel = 35 Imperial gallons (approx.), or 159 liters (approx.); 7.5 barrels = 1 ton (approx.); 6.29 barrels = 1 cubic meter.
<b>bcf</b>	Billion cubic feet; 1 bcf = 0.83 million tons of oil equivalent.
<b>bcm</b>	Billion cubic meters (1 cubic meter = 35.31 cubic feet).
<b>Block</b>	An acreage sub-division measuring approximately 10 x 20 kms, forming part of a quadrant. e.g. Block 9/13 is the 13th block in Quadrant 9.
<b>blow-down</b>	Condensate and gas is produced simultaneously from the outset of production.
<b>Blow-out</b>	When well pressure exceeds the ability of the wellhead valves to control it. Oil and gas "blow wild" at the surface.
<b>Blow-out preventers (BOPs)</b>	Are high pressure wellhead valves, designed to shut off the uncontrolled flow of hydrocarbons.
<b>BOP</b>	See blow-out preventers
<b>Borehole</b>	The hole as drilled by the drill bit.
<b>Bradenhead</b>	A casinghead.
<b>Bradenhead Test</b>	A casing head in an oil well having a stuffing box packed (as with rubber) to make a gastight connection

<b>Casing</b>	Pipe cemented in the well to seal off formation fluids or keep the hole from caving in.
<b>Casing string</b>	The steel tubing that lines a well after it has been drilled. It is formed from sections of steel tube screwed together.
<b>Central estimate</b>	A range of exploration drilling scenarios from which the following activity levels, based on recent historical experience, are adopted as the central estimates.
<b>Christmas tree</b>	The assembly of fittings and valves on the top of the casing which control the production rate of oil.
<b>COGCC</b>	Colorado Oil and Gas Conservation Commission
<b>COGIS</b>	Colorado Oil and Gas Information Systems
<b>Commercial field</b>	An oil and/or gas field judged to be capable of producing enough net income to make it worth developing.
<b>Completion</b>	The installation of permanent wellhead equipment for the production of oil and gas.
<b>Condensate</b>	Hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons.
<b>Coring</b>	Taking rock samples from a well by means of a special tool -- a "core barrel".
<b>Crane barge</b>	A large barge, capable of lifting heavy equipment onto offshore platforms. Also known as a "derrick barge".
<b>Crude Oil</b>	Liquid petroleum as it comes out of the ground as distinguished from refined oils manufactured out of it.
<b>Cubic foot</b>	A standard unit used to measure quantity of gas (at atmospheric pressure); 1 cubic foot = 0.0283 cubic meters.
<b>Cuttings</b>	Rock chips cut from the formation by the drill bit, and brought to the surface with the mud. Used by geologists to obtain formation data.

<b>Deepen</b>	To increase the distance below a specified reference datum.
<b>Derrick</b>	The tower-like structure that houses most of the drilling controls.
<b>Development phase</b>	The phase in which a proven oil or gas field is brought into production by drilling production (development) wells.
<b>Drill</b>	(1)To bore a hole, Also see Drilling(2)An implement with cutting edges used to bore holes.
<b>Drilling</b>	The using of a rig and crew for the drilling, suspension, completion, production testing, capping, plugging and abandoning, deepening, plugging back, sidetracking, re-drilling or reconditioning of a well (except routine cleanout and pump or rod pulling operations) or the converting of a well to a source, injection, observation, or producing well, and including stratigraphic tests. Also includes any related environmental studies. Associated costs include completion costs but do not include equipping costs.
<b>Drilling rig</b>	A drilling unit that is not permanently fixed to the seabed, e.g. a drillship, a semi-submersible or a jack-up unit. Also means the derrick and its associated machinery.
<b>Dry Gas</b>	Natural gas composed mainly of methane with only minor amounts of ethane, propane and butane and little or no heavier hydrocarbons in the gasoline range.
<b>Dry hole</b>	A well which has proved to be non-productive.
<b>E&amp;A</b>	Abbreviation for exploration and appraisal.
<b>E&amp;P</b>	Abbreviation for exploration and production.
<b>Enhanced oil recovery</b>	A process whereby oil is recovered other than by the natural pressure in a reservoir.
<b>Exploration drilling</b>	Drilling carried out to determine whether hydrocarbons are present in a particular area or structure.

<b>Exploration phase</b>	The phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys followed up where appropriate by exploratory drilling.
<b>Exploration well</b>	A well drilled in an unproven area. Also known as a "wildcat well".
<b>Farm in</b>	When a company acquires an interest in a block by taking over all or part of the financial commitment for drilling an exploration well.
<b>Field</b>	A geographical area under which an oil or gas reservoir lies.
<b>Fishing</b>	Retrieving objects from the borehole, such as a broken drillstring, or tools.
<b>Formation pressure</b>	The pressure at the bottom of a well when it is shut in at the wellhead.
<b>Formation water</b>	Salt water underlying gas and oil in the formation.
<b>Fracturing</b>	A method of breaking down a formation by pumping fluid at very high pressures. The objective is to increase production rates from a reservoir.
<b>G</b>	Gas.
<b>G/C</b>	Gas Condensate.
<b>Gas field</b>	A field containing natural gas but no oil.
<b>Gas injection</b>	The process whereby separated associated gas is pumped back into a reservoir for conservation purposes or to maintain the reservoir pressure.
<b>Gas/oil ratio</b>	The volume of gas at atmospheric pressure produced per unit of oil produced.
<b>Geographic Information Systems(GIS)</b>	A computer system capable of assembling, storing, manipulating, and displaying geographically referenced information.
<b>GIS</b>	See: Geographic Information Systems



<b>Hydrocarbon</b>	A compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate.
<b>Idle Producing</b>	
<b>Injection well</b>	A well used for pumping water or gas into the reservoir.
<b>Jacket</b>	The lower section, or "legs", of an offshore platform.
<b>Kick</b>	A well is said to "kick" if the formation pressure exceeds the pressure exerted by the mud column.
<b>Lay barge</b>	A barge that is specially equipped to lay submarine pipelines.
<b>Liquefied natural gas (LNG)</b>	Oilfield or naturally occurring gas, chiefly methane, liquefied for transportation.
<b>Liquefied petroleum gas (LPG)</b>	Light hydrocarbon material, gaseous at atmospheric temperature and pressure, held in the liquid state by pressure to facilitate storage, transport and handling. Commercial liquefied gas consists essentially of either propane or butane, or mixtures thereof.
<b>mboe</b>	Million Barrels Oil Equivalent.
<b>Mechanical Integrity Test</b>	The act of setting a packer or retrievable bridge plug above the perforations in a wellbore and applying pressure to the annulus in order to ensure soundness of the casing.
<b>Metric ton</b>	Equivalent to 1000 kilos, 2204.61 lbs.; 7.5 barrels.
<b>MIT</b>	Mechanical Integrity Test
<b>mmcf</b>	Millions of cubic feet per day (of gas).
<b>Moonpool</b>	An aperture in the center of a drillship or semi-submersible drilling rig, through which drilling and diving operations can be conducted.
<b>MOU/MOA</b>	MEMORANDUMS OF UNDERSTANDING

<b>Mud</b>	A mixture of base substance and additives used to lubricate the drill bit and to counteract the natural pressure of the formation.
<b>Natural gas</b>	Gas, occurring naturally, and often found in association with crude petroleum.
<b>Natural Gas Policy Act Of 1978</b>	Enacted on November 9, 1978 and became effective December 1, 1978. The Act has been amended, and it replaced or amended the Natural Gas Act. Refer to 15USC 3301-3432.
<b>NGLs</b>	Natural gas liquids. Liquid hydrocarbons found in association with natural gas.
<b>Ngpa</b>	SEE: Natural Gas Policy Act of 1978.
<b>O</b>	Oil.
<b>O&amp;G</b>	Oil and Gas.
<b>Oil</b>	A mixture of liquid hydrocarbons of different molecular weights.
<b>Oil field</b>	A geographic area under which an oil reservoir lies.
<b>Oil in place</b>	An estimated measure of the total amount of oil contained in a reservoir, and, as such, a higher figure than the estimated recoverable reserves of oil.
<b>Operator</b>	The company that has legal authority to drill wells and undertake the production of hydrocarbons that are found. The Operator is often part of a consortium and acts on behalf of this consortium.
<b>Payzone</b>	Rock in which oil and gas are found in exploitable quantities.
<b>Permeability</b>	The property of a formation which quantifies the flow of a fluid through the pore spaces and into the wellbore.
<b>Petroleum</b>	A generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products.
<b>Platform</b>	An offshore structure that is permanently fixed to the

	seabed.
<b>Porosity</b>	The percentage of void in a porous rock compared to the solid formation.
<b>Possible reserves</b>	Those reserves which at present cannot be regarded as 'probable' but are estimated to have a significant but less than 50% chance of being technically and economically producible.
<b>Primary recovery</b>	Recovery of oil or gas from a reservoir purely by using the natural pressure in the reservoir to force the oil or gas out.
<b>Probable reserves</b>	Those reserves which are not yet proven but which are estimated to have a better than 50% chance of being technically and economically producible.
<b>Proven field</b>	An oil and/or gas field whose physical extent and estimated reserves have been determined.
<b>Proven reserves</b>	Those reserves which on the available evidence are virtually certain to be technically and economically producible (i.e. having a better than 90% chance of being produced).
<b>Recomplete</b>	An operation involving any of the following: (1) Deepening from one zone to another zone.(2) Completing well in an additional zone.(3) Plugging back from one zone to another zone.(4) Sidetracking to purposely change the location of the bottom of the well, but not including sidetracking for the sole purpose of bypassing obstructions in the borehole.(5) Conversion of a service well to an oil or gas well in a different zone.(6) Conversion of an oil or gas well to a service well in a different zone.
<b>Recoverable reserves</b>	That proportion of the oil and/gas in a reservoir that can be removed using currently available techniques.
<b>Recovery factor</b>	That proportion of the oil and/gas in a reservoir that can be removed using currently available techniques.
<b>Reenter</b>	To enter a previously abandoned well.

<b>Reservoir</b>	The underground formation where oil and gas has accumulated. It consists of a porous rock to hold the oil or gas, and a cap rock that prevents its escape.
<b>Riser (drilling)</b>	A pipe between a seabed BOP and a floating drilling rig.
<b>Riser (production)</b>	The section of pipework that joins a seabed wellhead to the Christmas tree.
<b>Roughneck</b>	Drill crew members who work on the derrick floor, screwing together the sections of drillpipe when running or pulling a drillstring.
<b>Roustabout</b>	Drill crew members who handle the loading and unloading of equipment and assist in general operations around the rig.
<b>Royalty payment</b>	The cash or kind paid to the owner of mineral rights.
<b>Secondary recovery</b>	Recovery of oil or gas from a reservoir by artificially maintaining or enhancing the reservoir pressure by injecting gas, water or other substances into the reservoir rock.
<b>Shut In Well</b>	A well which is capable of producing but is not presently producing. Reasons for a well being shut in may be lack of equipment, market or other.
<b>Shutdown</b>	A production hiatus during which the platform ceases to produce while essential maintenance work is undertaken.
<b>SI/TA</b>	Shut In /Temporarily Abandoned
<b>Sidetrack</b>	A wellbore segment extending from a wellbore intersection along a wellbore path to a different wellbore bottomhole from any previously existing wellbore bottomholes.
<b>Sidetracking</b>	The well activity of drilling a new wellbore segment from a wellbore intersection to a new wellbore bottomhole or target.
<b>Spud-in</b>	The operation of drilling the first part of a new well.

<b>Surface Location</b>	The location of a well or facility/measurement point.
<b>Surface Reclamation</b>	A restoration of the surface as for productivity or usefulness.
<b>Suspended well</b>	A well that has been capped off temporarily.
<b>tcf</b>	Trillion Cubic Feet (of gas).
<b>Temporarily Abandoned</b>	The act of isolating the completed interval or intervals within a wellbore from the surface by means of a cement retainer, cast iron bridge plug, cement plug, tubing and packer with tubing plug, or any combination thereof.
<b>Toolpusher</b>	Second-in-command of a drilling crew under the drilling superintendent. Responsible for the day-to-day running of the rig and for ensuring that all the necessary equipment is available.
<b>Topsides</b>	The superstructure of a platform.
<b>UIC</b>	Underground Injection Control
<b>Underground Injection Control</b>	A program required in each state by a provision of the Safe Drinking Water Act (SDWA) for the regulation of Injection Wells, including a permit system. An applicant must demonstrate that the well has no reasonable chance of adversely affecting the quality of an underground source of drinking water before a permit is issued.
<b>Well log</b>	A record of geological formation penetrated during drilling, including technical details of the operation.
<b>Wildcat well</b>	A well drilled in an unproven area. Also known as an "exploration well". [The term comes from exploration wells in West Texas in the 1920s. Wildcats were abundant in the locality, and those unlucky enough to be shot were hung from oil derricks.]
<b>Workover</b>	Remedial work to the equipment within a well, the well pipework, or relating to attempts to increase the rate of flow.

## **SECTION FOUR**

### **OIL & GAS PROPERTY OWNERSHIP GUIDE**

#### **ENHANCED OIL RECOVERY (EOR)**

The following section discusses Enhanced Oil Recovery or EOR. Once the wells you invest in become older, the Operator may recommend that EOR be initiated on these wells. EOR can increase Oil & Gas production, recover more hydrocarbons from the wells formation (pay-zone), and extend the life of the well. EOR is being used worldwide by both independent Oil & Gas Operators and major oil companies.

## **THINGS TO CONSIDER AND DO PRIOR TO ANY EOR OPERATION ON WELLS**

When considering any EOR or Secondary Oil Recovery Operation, what must be taken into account are the strengths and weaknesses of the oil reservoir. Questions such as what type of formation material does the oil reservoir contain (sand, lime, or other), the depth of the productive oil formation, the permeability of the rock, the rock's porosity, the oil / water saturations, and estimates of past and future oil production must be considered.

Once these and other questions have been answered, the actual oil property work schedule is planned. Without this critical planning, actual well re-works in the field may take too long and/or go over budget. Additionally, the well formation and equipment earmarked for re-working, needs to be made ready to handle the increased volumes of fluid to be produced as a result of the Secondary Recovery and EOR Operations. This includes possible upgrading of the surface gauges, fittings, and fluid level shots.

When it comes to the initiation of an effective Secondary Recovery or EOR Recovery Operation, shooting fluid levels on each well is a must. Without the knowledge we get from the fluid level shots, we are only guessing as to what is going on inside of the well and how to increase the property's oil production.

Fluid level shots give us the information needed on bottom hole pressures, fluid entry rates, fluid buildup times, pump-off rates, and how much bottom hole pressure needs to be built up to replace the reservoirs primary drive mechanism with a secondary water/gas or combination (WAG) drive. This natural depletion of the reservoirs original primary drive energy is the main reason most oil reservoirs lose the high volumes of oil recovery that was realized when the wells were originally drilled. These recovery Operations must be done in order to bring the wells back to, or even exceed the wells original oil production.

Prior to pulling the wells, an initial treatment procedure is used to clean out the wells and formation. The wells are then re-worked or re-completed with additional formation clean-out and swabbing. Now a second fluid level shot is performed to

compare to the fluid level shot performed prior to the clean-out and work-over or re-completion of the well.

Now that the well is back in operation, with clean well bores, adequate fluid entry, and clean fluid void of sediments, all that we need to do is begin the injection of hot Nitrogen into each well to raise the bottom-hole pressure to displace the oil from the pay zone.

One thing that must be kept in mind is that if we do not have adequate surface pumping equipment, the amount of oil that the well can produce will not be realized. Larger pump-jacks and down-hole pumps may be needed.

Once EOR has been initiated, “re-charging” of the oil reservoir may be needed with occasional hot Nitrogen injection.

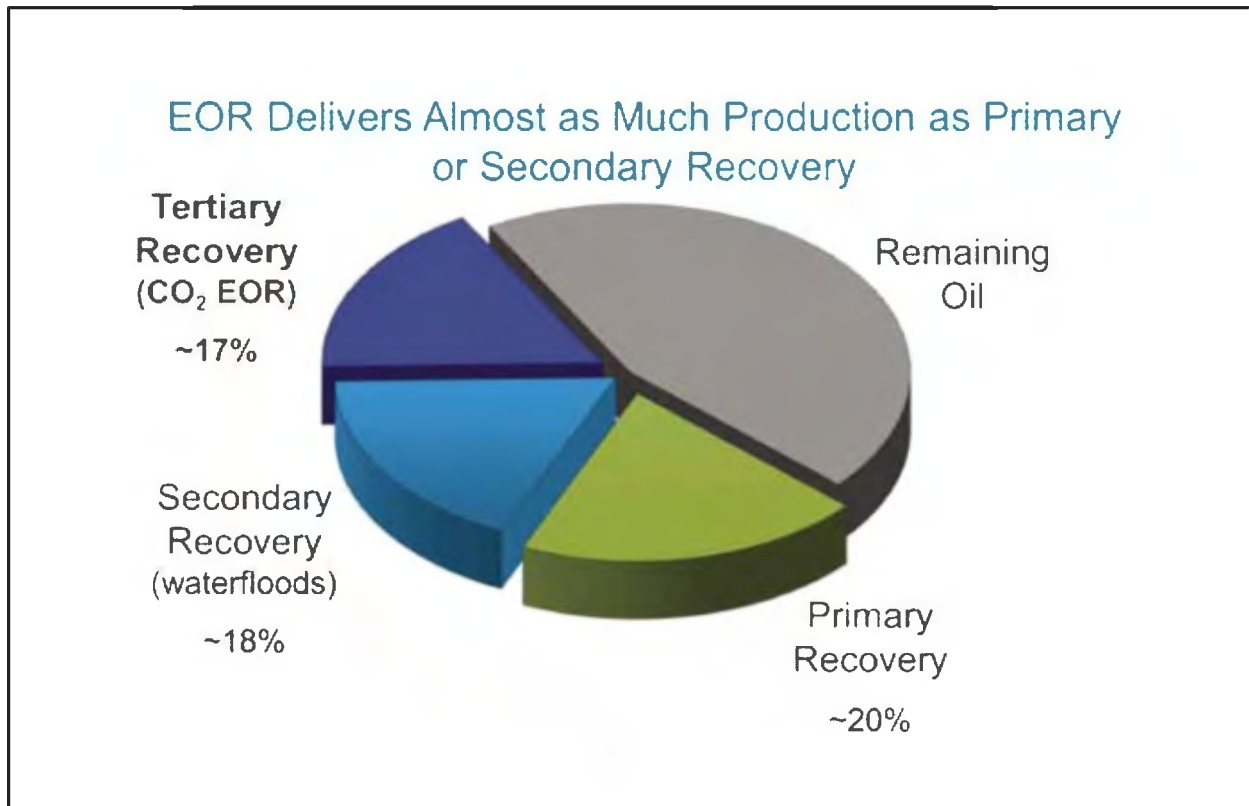




## EOR (ENHANCED OIL RECOVERY)

Oil production is separated into three phases: primary, secondary and tertiary, which is also known as Enhanced Oil Recovery (EOR). Primary oil recovery is limited to hydrocarbons that naturally rise to the surface, or those that use artificial lift devices, such as pump jacks. Secondary recovery employs water and gas injection, displacing the oil and driving it to the surface. According to the US Department of Energy, utilizing these two methods of production can leave up to 75% of the oil in the well.

The way to further increase oil production is through the tertiary recovery method or EOR. Although more expensive to employ on a field, EOR can increase production from a well to up to 75% recovery.



# Water-Flood

## Definition - What does Water-flood mean?

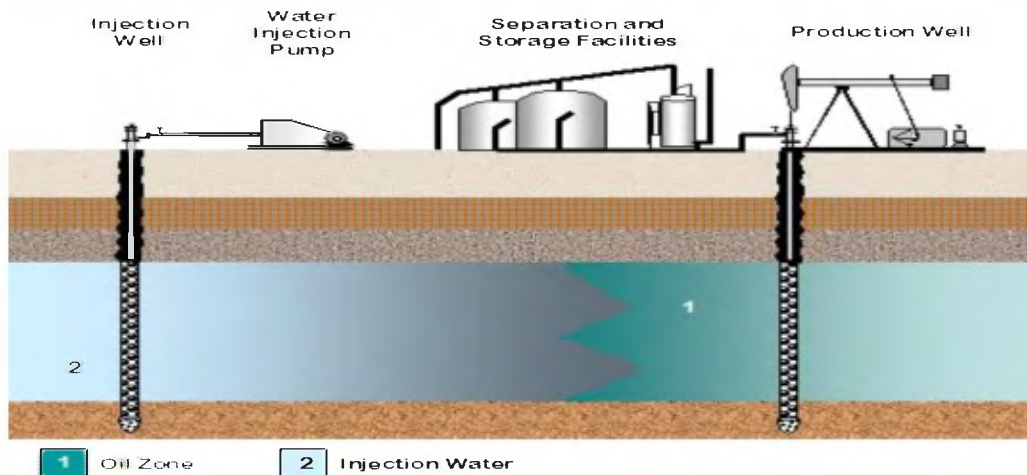
Water flood, also known as water flooding or water injection, is a technique of increasing the production of crude oil from an oil well. In this method, water is injected into the reservoir through an injection well which is drilled parallel to the primary producing well. This method of enhancing the production of oil by using water is known as secondary recovery.

## Petropedia explains Water-flooding:

Over time the pressure in an oil reservoir slowly and steadily decreases and as a result the production rate decreases. Water flooding or water injection is one of the techniques used by E&P organizations to enhance the production of the reservoir. To use this technique, an injection well is drilled parallel to the primary producing well through which water is injected forcefully into the reservoir in the direction of the producing well.

The benefits of injecting water in the reservoir are:

- It supports the reservoir pressure, also known as voidage replacement.
- As oil is lighter than water hence it floats on top of the water. Thus, water helps in displacing oil from its location in the reservoir and pushes it toward the producing well. With this technique, oil recovery factor can be increased and well production rate can be maintained for a longer period.



# **CO2 RECOVERY PROCESS**

**What Is the Enhanced Oil Recovery Process?** After primary and secondary (water flooding) phases of production, 65% or more of the original oil in place may remain in the rock. EOR processes change the physical characteristics of the oil to enable greater production. The CO2 EOR process is primarily a function of how CO2 interacts with oil which is determined by the property of miscibility, when multiple liquids can mix together completely becoming one homogenous liquid.

For example, water and vinegar are completely miscible. By contrast, water and oil are immiscible; they do not combine at any proportion. CO2 at a supercritical pressure and temperature is completely miscible with oil; it will combine completely. An analogous example of how this process works in oil production could be a frying pan coated in grease. When the pan is rinsed with water, some of the oil remains because oil and water are immiscible.

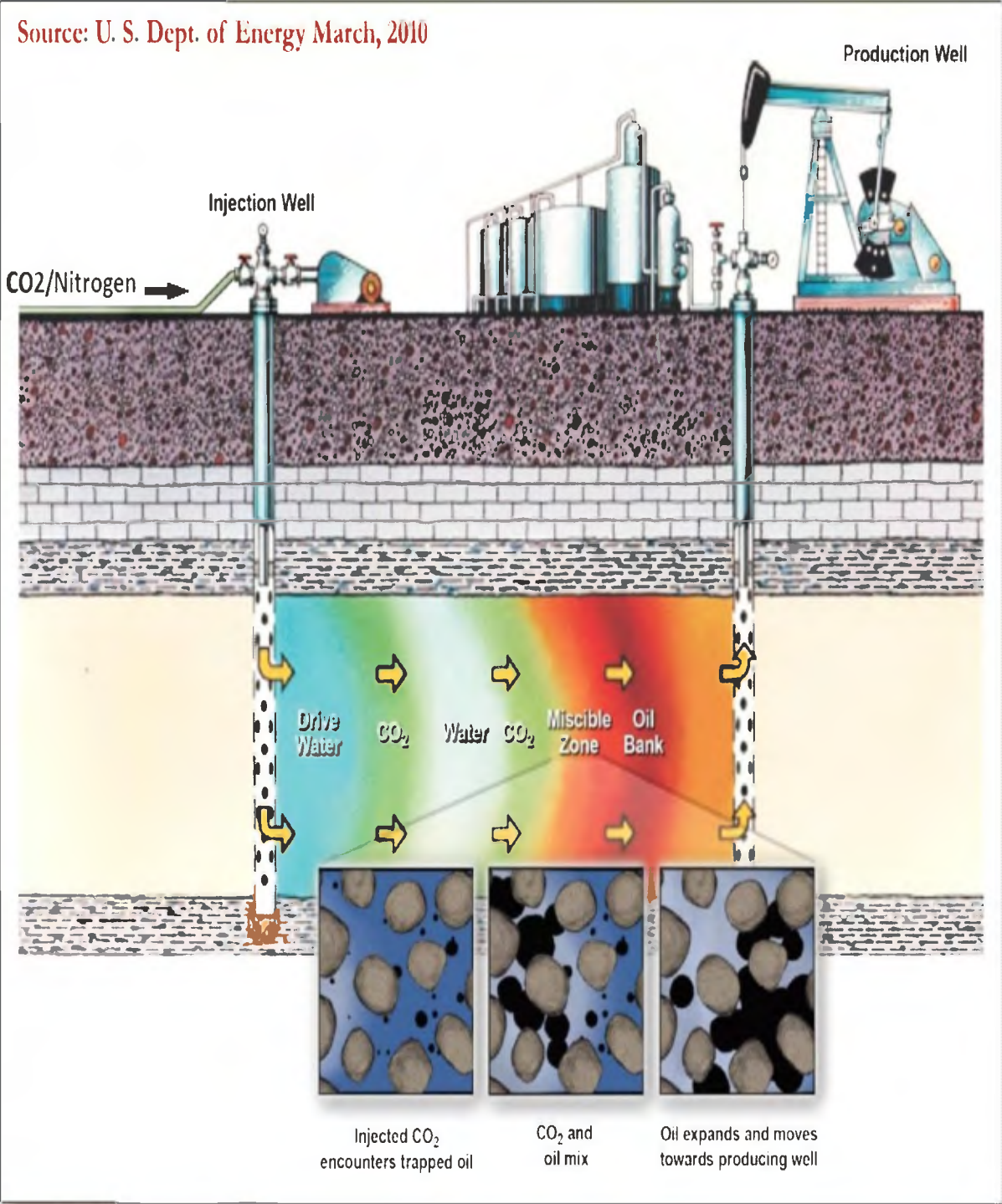
If a solvent, such as dish soap, is applied to the pan, the solvent combines with the grease and the grease is more completely removed from the pan. In CO2 EOR, the CO2 combines with the oil and helps move it through the rock pore spaces, enabling greater recovery of the oil in place.

One of the first CO2 EOR projects was initiated in 1972 in the Kelly-Snyder oil field in Texas.<sup>3</sup> After the CO2 EOR process was successfully demonstrated, the investment necessary to develop and transport large volumes of CO2 to the oil fields could be put in place.

**The next page has a diagram illustrating how CO2 injection works.**

# CO2 or Nitrogen Injection

Source: U. S. Dept. of Energy March, 2010



# **OIL & GAS PROPERTY OWNERSHIP GUIDE**

Thank you for reviewing the information contained in this booklet. We hope this will be helpful to you in the future. The Oil & Gas industry is an exciting business to be in. A diverse Oil & Gas portfolio can be very beneficial in the long-run. Owning direct interests in Oil & Gas wells cuts out the middlemen, their overhead costs, and allows you to take all of the tax advantages available in our industry.



**Kenneth B. Wheeler Jr.**