

# Rare Earth

Exploration



## Castle Prospect

Clay County, Texas





# Executive Summary

## Castle Prospect

**Program:** Three wells to be drilled on a 300 acre lease with a 75% NRI.

**Location:** Clay County, TX (3.75 miles northwest of Shannon, TX.)

**Leasehold:** 300 acres total, (80 acres in SW 1/4 of section 2622, abstract 481; 80 acres in NW 1/4 of section 2635, abstract 494; 40 acres in the SE corner of section 2621, abstract 480; 100 acres in East 1/2 of section 2636, abstract 495).

**Well Type:** Developmental offsets for oil production.

**Total Cost:** \$560,000 Turnkey (Total project cost for lease acquisition; drill, test and complete 3 wells in the Gunsite Lime; drill and complete 1 saltwater disposal well in the Gunsite Lime; acquire a tank battery consisting of (4) 210 barrel oil storage tanks and one 300 barrel water tank).

**Unit Cost:** \$56,000 Turnkey (Participant's total investment for 1 unit of ownership in the project).

W/I Per Unit: 10%

NRI Per Unit: 7.5%









# Business

Jobs, real  
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The Dallas Morning News

Section D

Saturday, December 8, 2018

U.S. GEOLOGICAL SURVEY

## Permian Basin holds vast reserves

46 billion barrels of oil,  
280 trillion cubic feet  
of gas can be tapped

FROM WIRE REPORTS

Some of the largest energy companies in the U.S. have already invested billions of dollars on claims up and down the Texas-New Mexico state line, tapping one of the nation's richest and most prolific oil and natural gas regions.

Now the stakes just got higher, as the U.S. Geological Survey released a new assessment Thursday that shows portions of the Permian Basin could hold even more promise.

With the potential to double the nation's onshore oil and gas resources, the agency estimates more than 46 billion barrels of oil and some 280 trillion cubic feet of gas are within two formations on the

UPDATE

### OPEC output

**FRIDAY'S ACTION:** Major oil producers agreed to cut global oil production by 1.2 million barrels a day to reduce oversupply.

**MARKET'S REACTION:** Oil prices rose sharply after the news emerged, then eased. West Texas intermediate crude, the U.S. standard, ended the day up about 2 percent.

**PRESIDENTIAL PRES-SURE:** The cut is unlikely to be greeted warmly by President Donald Trump, who has been pressuring the cartel publicly to maintain production.

*The Associated Press,  
The New York Times*

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Zinc  
wk/rk

53/3  
3/1

18/2  
-3.9

66  
-20

+7.8  
+7

-45

0/5  
5/4

1/1

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# Permian output up despite lower prices

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southwestern side of the basin. That's the largest continuous oil and gas resource potential ever assessed.

While agency geologists caution that more study would be needed to determine the profitability of going after the resources, industry groups and top officials within the Trump administration are encouraged and say the assessment underscores the activity that's already happening in the basin.

"Before this assessment came down, I was bullish on oil and gas production in the United States," Interior Secretary Ryan Zinke said in a statement. "Now, I know for a fact that American energy dominance is within our grasp as a nation."

The announcement comes as OPEC countries voted Friday to cut oil production beginning next year as a way to force crude oil prices higher despite political pressure from President Donald Trump. The group of oil-producing nations was looking to rein in supply as prices had fallen about 25 percent because major producers, including the U.S., have been pumping at high rates.

Producers throughout the Permian were closely watching Friday's developments.

Volatility in crude prices

prompted some oil explorers to lay down rigs this week. Working oil rigs fell by 10 to 877, according to data released Friday by oilfield-services provider Baker Hughes. The number of rigs operating in the Permian Basin dropped by 4, marking the biggest drop since June.

"The price of oil is dominating the headlines in our industry, with a level of volatility that has brought increased uncertainty and decreased visibility," said Patrick Schorn, executive vice president for wells at Schlumberger Ltd., the world's biggest oilfield services provider. "Presenting any reliable outlook for our business is like walking a tightrope."

Still, crude producers in the U.S. are pumping a record 11.7 million barrels a day, according to the Energy Information Administration.

Stephen Robertson, executive vice president of the Texas-based Permian Basin Petroleum Association, said the signs for the basin's potential have been there for a long time.

"The fact is that Reeves County, which is in the heart of that play, is running more rigs than any other county in the nation and has been doing that for quite a while," he said. "The people out here know that it's there and it really is that improvement of the technologies and the increased ef-

ficiencies allowing people the ability to actually be able to access it and produce it."

Still, a main factor is price.

"If the price drops to a point where it's not economical, then it doesn't matter if it's there. It's not going to be produced," Robertson said.

New Mexico's share of the Permian Basin has helped to drive production in the state to record levels in 2017. This year is expected to be another banner year as industry officials say the state is on pace to surpass 200 million barrels.

The flurry of activity in southeastern New Mexico has put pressure on everything from housing and schools to highway infrastructure. Concerns also have been raised by state Land Commissioner Aubrey Dunn about the environmental impacts as state and federal regulators have had a difficult time keeping up with the pace of development across the region.

The boom also has resulted in a significant budget surplus that will give incoming Governor-elect Michelle Lujan Grisham and the Democrat-led Legislature more options as they hash out spending priorities for everything from education and public safety to infrastructure.

*This report includes information from Bloomberg News, Susan Montoya Bryan, The Associated Press*