

2019 Amended Capex Objectives

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- Objectives:
 - Cash flow neutrality by year-end 2019
 - Modest year-over-year production growth
 - Manage debt
- Reduced capex from preliminary \$154 MM to amended \$ 152 MM
- Maintain one rig in H2'19. Drill a total of 32 new horizontal San Andres wells versus 50 in 2019
- Identified 40+ existing wells to improve efficiencies and production with upgrades in existing infrastructure

Objectives in Lowering Capex

- Focus on highly accretive workover projects increases certainty of achieving cash-flow neutrality by year-end 2019
- Workovers include ESP size optimization, numerous rod conversions, cleanouts and re-stimulations
 - Potential for rates of return exceeding 100%
 - Economic payout in less than one year
 - Rod conversions:
 - Approximately 50% long-term reduction in LOE reduces lifting costs/bbl
 - Increased EUR due to reduced LOE extends economic life of the well
 - Major reduction in future pulling costs up to 80% per occurrence
- Improved Infrastructure
 - Reduces LOE associated with water disposal
 - Provides capacity for future water disposal