

Industry Terms and Definitions:

A comprehensive list of terms and definitions common used throughout the oil and energy industry. This list can be printed and used for quick reference



Accredited Investor: An Accredited Investor is any investor meeting one of the following conditions:
(1) Any natural person whose individual net worth (or joint net worth with that person's spouse, if applicable) at the time of purchase exceeds \$1,000,000; or
(2) Any natural person who had an individual income in excess of \$200,000 (or \$300,000 with spouse) in each of the two most recent years and who reasonably expects an income in excess of \$200,000 (or \$300,000 with spouse) in the current year.

Acidize: A stimulation treatment in which acid (usually hydrochloric) is used to dissolve carbonate material in a producing zone to open or enlarge the pores and fractures in order to promote the flow of oil or gas to the well bore.

Acreage: Interest in certain acreage of Oil, Gas, & Mineral Leases in the Prospect.

Act: The Securities and Exchange Commission, ("SEC"), Act of 1933, as amended.

Back Pressure: The pressure caused by restricting the natural flow of oil or gas. This may be done at the well-head to reduce the pressure differential between the formation and the well bore.

Barrel of Oil ("BBL"): The standard measure of crude oil volume in the U.S., 42 gallons of oil at 60 degrees F.

BBL: The common description or abbreviation for barrel.

Bit: The instrument on the end of a drill pipe which is rotated to cut, chip and grind to make a hole. There are different types to be used in different formations.

BOPD: The common description or abbreviation for barrels of oil per day.

Bottom Hole Pressure: The formation or reservoir pressure at the bottom of a well. When measured, different rates of flow determine maximum productivity. A reduction in pressure indicates amount of depletion.

Capital Contribution: The total cash contribution which the Participant makes to the Partnership, including assessments. The initial estimated Capital Contribution by a Participant per Unit purchased, or such sum as is proportionally reduced for purchases of fractional interests. The total purchase price for each Unit payable upon acceptance and an estimated second payment if the prospect is completed as a Prospect with potential of producing commercial quantities of natural gas or crude oil.

Capital Costs: Non-deductible expenditures which are recovered through depreciation or depletion. Items such as geological costs, well equipment and lease bonuses paid by lessee.

Casing: The steel pipe which runs the depth of the well to protect the hole from cave ins, unwanted fluids in the well bore and to allow for selected production through perforations. Typically ranging in diameter from 4" to 30".

Casing Point: In a drilling contract, the target depth or the depth at which a target zone is penetrated. At this point, the decision as to whether or not to complete is made.

Cementing: The process of pumping cement down the casing and forcing it up around the bottom of the hole so that it settles and dries between the casing and the well bore. The object is to secure the casing and to prevent entry of unwanted fluids into the well bore. Excess cement inside the casing is drilled out once dried.

Choke: A short, heavy steel pipe with an orifice to restrict the flow of hydrocarbons from the well by controlling the back pressure. It is inserted and operated at the wellhead.

Christmas Tree: The assembly of valves at the wellhead through which the well is produced or tested. Also enables the well to be shut in.

Commercial Well: A well capable of producing profitably.

Completion: The phase of developing a well that occurs after the decision that a potentially economic and commercially productive well has been drilled to target or total depth.

Completion Costs: The estimated costs associated in good faith efforts to equip a well with the potential of producing commercial quantities of natural gas or crude oil. Each investor will pay their prorated share of the completion costs.

Compressor: Mechanical device used to control the pressure and flow of gasses through transmission lines.

Confirmation Well: A well drilled to prove the zone or formation discovered by an exploratory well.

Core: A cylindrical column of rock cut by a special instrument while drilling and used to examine strata at particular depths.

Crude: Oil as it comes directly from the ground, unrefined.

Developmental Prospect: Any oil or natural gas Prospect drilled within a proven area of an oil or natural gas field to the depth of a formation known to be productive.

Development Well: A well drilled within a previously defined reservoir of oil or gas. This drilling involves less risk than exploratory drilling.

Discovery Well: An exploratory well that encounters a previously unrecognized reservoir of oil or gas or defines a secondary zone in an already producing field.

Drilling: The phase of developing a well that occurs at the point of reaching target or total depth.

Dry Hole: A drilled well which fails to find oil or gas, or a completed well which fails to produce.

Exploration and General Partnership Agreement: The Agreement executed by all Participants and the Managing General Partner in connection with the prospect.

Exploratory Well: A well drilled with a high degree of risk to: A) search for a new reservoir of oil or gas, also known as a Wildcat, B) extend the parameters of an existing field known as a Step Out, C) to prove another zone within an already producing field.

Farm Out Agreement: An agreement between operators whereby the owner of a lease assigns the lease or a portion to the other operator. The owner may choose to retain an interest in the assigned acreage.

Fault: A fracture in the earth's crust coupled by a shifting or dropping of one side with respect to the other.

Field: Loosely defined as a single reservoir of oil or gas in an area overlying separate pools. The terms field, reservoir and pool are synonymous when only one reservoir is involved.

Fluorescence: The optical property of some minerals and petroleum to glow under ultraviolet light; evidence of fluorescence indicates the presence of petroleum.

Flowing Well: A well which produces without mechanical aid such as a pumping unit but has a natural flow of hydrocarbons from the formation to the wellhead.

Formation: Sedimentary rock beds of the same geological age, distinct in character and existing over a fairly large area.

Fracturing: The application of hydraulic pressure to the target formation in order to enlarge and/or create fractures to promote the flow of gas or oil to the well bore. A frac job can use sand, chemicals or gel along with the water. Recovering the material used is essential for maximum production capability.

Gas Cap: A pocket of natural gas lying above the point of gas/oil contact.

Gas Gathering System: Pipeline which collects gas from wells in a field and transports it to connection points, called gates, with a gas pipeline plant.

Gas Injection: A method of secondary recovery whereby gas is injected into wells under pressure to force oil out through producing wells.

Hook Up: To make a pipeline connection to a well, tank or pump for production of natural gas or oil.

Intangible Drilling Costs ("IDC's"): Intangible Drilling Costs are all of the costs incurred in drilling the Initial Wells which are to be paid by the Partnership, and which may be deducted for federal income tax purposes pursuant to the exercise of the option provided under Section 263(c) of the Code.

Initial Potential ("IP"): The first tested production of a well. Usually determined under test, this figure does not necessarily represent the capacity of the well.

Initial Well or (the "Prospect"): The drilling, testing, completing, acreage acquisition, and equipping of the initial Prospect on the Acreage, and any permitted substitutions or additions thereto.

Landowner Royalty: A share in the gross production by the owner without bearing any costs of production.

Lease: Legal document giving one party rights to drill for and produce natural gas and/or oil on another party's property. Also refers to the property described in the document. Legal, Accounting, and Printing Costs: The costs associated with the organization of the Partnership, including legal fees, accounting fees, printing costs, and miscellaneous costs associated with the organization of the Partnership.

Location: A Well site.

Log: The process of lowering various instruments into a well to gather and record information as to porosity, permeability, types and amounts of liquids, etc. Performed after drilling to help determine whether or not to attempt a completion. Also refers to the hard copy record of information found.

Management Fee: The fee payable monthly to the Managing General Partner for managing the affairs of the Partnership. If the prospect is deemed not to be a commercially productive, no Management Fee will be paid.

MCF: The common description or abbreviation for a thousand cubic feet of natural gas.

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Marginal Well: A well capable of producing oil or gas in only limited quantities, just above economic limits.

Memorandum: The confidential Private Placement Memorandum related to the capital raised to purchase Partnership interest in the Prospect.

Natural Producer: When no mechanical device such as a pumping unit is used in producing oil. Can also refer to production from a well that has not been fractured and/or has not had production tubing run.

Net Revenue Interest ("NRI"): Net Revenue Interest is the percentage of production to which a Working Interest owner is entitled after royalties.

Offset: A location or well whose lease boundary is adjacent to that of another well. An offset can be direct or diagonal.

Open Flow: The maximum flow rate of a well without restrictions.

Operating Agreement: The Operating Agreement is the agreement with the Operator and as described in this Memorandum pertaining to operations of the Prospect.

Operating Costs: In respect to any period, all expenses of the Prospect in any period, including, without limitation, the Management Fee and all costs incurred in connection with the operation and maintenance of the Prospect.

Operator: The entity responsible for drilling, completing and/or managing the production of the well.

Organization Costs: All expenses estimated to be incurred by the Managing General Partner in connection with the preparation of the organization of the Partnership.

Overriding Royalty: Payment made over and above usual royalty, free of any cost of production.

Partner or Participant: The persons, firms, corporations, and other entities that have purchased any Unit(s) in the Partnership.

Partnership: The Prospect or Initial Well, a Utah general partnership.

Permeability: The character of the formation rock that determines how easily oil and gas can move through a formation.

Pipeline: Pipeline system designed for the transportation of natural gas.

Pit: A shallow depression scraped in the ground to contain re-circulating drilling fluids.

Plug and Abandon: To fill a well bore with mud, cement etc, according to state regulations in order to permanently abandon the well. A cement cap is left to mark the location. Salvageable equipment is removed from the well before plugging is done.

Plug Back: To seal off the bottom of a well to prevent seepage into the well bore so that a higher zone can be completed and produced.

Porosity: The state of being porous. Volume of pore space as a percentage of total volume of the rock. The ability of rock to hold liquid in its pores.

Producing Well: A well that produces or is capable of producing oil and/or gas.

Pump Jack: A motor driven surface unit used to lift oil out of a well.

Re-Entry: A well, previously drilled and abandoned, which is re-opened to drill deeper and/or to complete a previously untested zone.

Reserves: The volume of oil and/or gas estimated to be economically recoverable over the life of a well or wells.

Reservoir: A single underground accumulation of hydrocarbons that is separate from other zones.

Royalty: Payment made to a property owner on a production basis.

Seismograph: A device which records vibrations from the earth and used in the exploration of oil and gas by recording and analyzing the shock waves produced by explosions detonated underground.

Shut In: To stop a well from producing either by shutting down a pumping unit on an oil well or by closing the valve into the flow line of a gas well.

Step-Out Well: A well drilled beyond the proven parameters of a field in order to extend the producing area.

Stimulation: Techniques used in the completion phase to try to enhance the production of a well. Usually involves chemicals that eat away the rock. Differs from fracturing in that pressure is not used.

Stripper Well: An oil well in the final stages of production. Producing at a rate fewer than 10 barrels of oil per day and thereby entitled to higher prices for its oil.

Subscription: The execution and delivery to Liberty Pioneer Energy Source The Managing General Partner of a properly executed set of the Exploration and General Partnership Agreement and a properly executed Subscription Agreement by a potential participant and the tender by such investor of the required cash payment for the Unit(s) purchased.

Subscription Amount: The total Capital Contribution to be made by the Participant's, payable to the Partnership providing Subscriptions for a certain number of Units are accepted.

Swab: While testing, completing, cleaning up or working over a well, this rubber, cup shaped instrument is run into the well bore to lift liquid such as water, mud and oil out of the well.

Tank Battery: A group of tanks situated in a field so as to gather and hold oil from several wells. Each well has its own access into the tanks.

Tangible Costs ("Tangibles"): In drilling and completing a well, those expenditures made for items that have a salvage value.

Target Depth: The objective zone or depth.

Total Depth: The distance from the surface to the bottom of a well hole. Also refers to reaching the objective zone or depth.

Unit or Units: An investment in the Partnership which shall be used in acquiring the Acreage and the Drilling, Testing and if appropriate, Completion of the Prospect or the initial Well thereon.

Well Bore: The hole created by drilling.

Wildcat: A highly speculative well drilled in unproven territory.

Working Interest: The Interest that provides its owner the right to explore for, and produce oil and natural gas. A working interest, measured as a percentage, is the proportion of the exploration, including drilling, and production costs borne by the Working Interest owner.

Zone: The portion of a formation with sufficient permeability and porosity to form an oil or gas reservoir.