

New Mexico and Arizona Land Company

Arizona Natural Gas Storage Project

Overview

New Mexico and Arizona Land Company, LLC (“NZ”) owns 1.1 million acres of mineral and fee land primarily in New Mexico and Arizona. NZ is looking to develop the various assets located within these lands. Included in these assets is the Holbrook salt deposit in NE Arizona which is ideally suited and situated for development as a natural gas storage facility.

Holbrook Salt Deposit

Salt Deposit Description

- Permian-aged, bedded salt deposit / basin
 - Covering an area of about 3,500 square miles
 - Maximum salt thickness of 655 ft.
 - Located approximately 1,000 ft. below the surface
 - Well defined with over 200 well penetrations

Location

- Located in Apache and Navajo Counties in east-central Arizona
 - Approximately 150 miles northeast of Phoenix and 100 miles east of Flagstaff
 - Approximately 50 miles south of the Transwestern interstate pipeline and 50 miles east of Transwestern spur line

Existing Storage Facility

- Ferrellgas owns its second largest LPG storage facility in this same salt deposit
 - Built on northern shallow edge of Holbrook Basin where the salt is approximately 200 ft. thick
 - Comprises 12 caverns with total capacity of 2.5 BN barrels
 - Conoco Wingate is main supplier of this facility and has looked into building a pipeline to this storage facility from its Wingate Refinery
 - California refineries use the Ferrellgas facility for summer storage of winter fuel additives
 - No accidents or leakage since onset of operations in 1970

Development Potential

NZ Lands

- NZ owns 80,000 acres of fee land over the Holbrook salt basin
 - Fee land is over the thickest part of the salt deposit
 - NZ has set aside 50,000 acres for a natural gas storage facility
 - NZ leases 10,000 state-owned acres that lay interwoven in the fee lands
 - Access is straightforward and legally vested from various points

Salt Cavern Development

- The Coconino Water Aquifer is a 240 million acre-foot aquifer that extends over all of the NZ land
 - Produces from sandstone formation located 200 - 300 ft. above the salt

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Development Potential (cont'd)

- Test wells have indicated high production capability of both potable water (west portion of NZ land) and brine (east portion of NZ land)
 - Rates of 2,000 - 3,000 gallons per minute
- Several formations below the Holbrook salt have been identified for brine disposal
 - Another potential brine disposal option is via surface evaporation given the desolate geography and dry climate

Pipeline Access

- Transwestern Pipeline
 - Connects San Juan, Rockies and Permian supplies to west and east markets
 - 2,600 miles long and a combined 2 Bcf/d delivery capacity and 2003 delivery throughput of 1.8 Bcf/d
 - Access 50 miles north to mainline or 50 miles west to spur
- El Paso Natural Gas Pipeline
 - Extends from the San Juan, Permian and Anadarko basins to California
 - 10,600 miles long with a capacity of 6.5 Bcf/d
 - Located 125 miles northwest of Holbrook Basin
- New interstate gas transmission pipelines connecting Phoenix, AZ to the San Juan Basin are currently being evaluated
 - Kinder Morgan (Silver Canyon Pipeline)
 - Transwestern (Sun Devil Pipeline)
 - These potential new pipelines could cross NZ land
- Pipeline construction costs are estimated to be low given topography at approximately \$500,000 per mile



Permitting / Other Issues

- State Water Quality, Mining and Oil and Gas approvals are necessary
- Local regulatory authorities have indicated a preference for developing salt gas storage facilities in Holbrook
- Fewer environmental concerns since proposed site is located in desolate area with little vegetation and population

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Background on NZ

New Mexico and Arizona Land Company

- Land traces its beginning to the 19th century transcontinental railroad
- Bob Worsley purchased the rural assets in March 2002
- The originally incorporated name of New Mexico and Arizona Land Company was retained and formed into a limited liability company with separate LLCs to support major asset categories

Robert M. Worsley - Owner and President

- Sole owner and President of New Mexico and Arizona Land Company, LLC
- Founder, CEO and President of SkyMall, Inc. from 1989 to 2003
 - Grew SkyMall to over \$85 million in annual revenue through catalog sales in aircraft seatbacks
 - Raised in excess of \$150 million in the first 11 years of SkyMall's existence
- Prior to SkyMall, he founded Execushare, Inc. which provided time-shared CFOs for smaller companies
- From 1980 to 1985, Mr. Worsley was a CPA/Audit Manager with Price Waterhouse