



For Immediate Release

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Cholla Petroleum has begun drilling at PK

July 27, 2007 - Cholla Petroleum, Inc. began drilling at their first site on Brazos River Authority property at Possum Kingdom Lake on July 30. The oil and gas company had cleared sites over the past several months in preparation of bringing in the heavy equipment necessary for drilling. The Mockingbird 6 site located at the south end of Upper Burma Road was the first site to begin drilling.

The BRA urges lessees and visitors at Possum Kingdom Lake to take care when driving near each of these locations. Much of the equipment being brought to the PK area for drilling is on over-sized load trucks. Many PK roads are narrow and will not allow a vehicle to pass these equipment vehicles.

Once Mockingbird 6 is underway, drilling platforms will be erected at each of the established locations. According to Cholla, heavy drilling will take approximately 14 days at each site. During this time, noise and vibrations from drilling will be at their worst. After the drilling is complete, the company will install pumps to begin removing the natural gas from under the original Brazos River bed.

The drilling comes as part of a lease agreement for the recovery of minerals between the General Land Office (GLO) and Cholla Petroleum, Inc. (Cholla). The Brazos River Authority (BRA) has agreed to allow a number of drilling sites to be located on unencumbered BRA property.

As the designated public land management agency of the State of Texas, the GLO has the express authority to contract for the recovery of the minerals underlying state lands. At Possum Kingdom Lake, these rights are located underneath the original riverbed that is now part of the lake. Since the BRA does not own the right to the minerals beneath the original riverbed, we cannot prohibit access to their recovery.

Unlike drilling rigs located in the Gulf of Mexico, drilling platforms cannot be placed on a water supply lake. To access the minerals from the original riverbed, Cholla must use a process called directional or "slant" drilling from locations on BRA property near the lake.

To ensure proper protections for lessees and the lake, it was important that the BRA define an access agreement with Cholla. Not doing so would have resulted in Cholla's pursuing condemnation

proceedings, which could have left BRA without the ability to secure any protections. The BRA has negotiated a number of safeguards for Cholla's access to our property, including indemnity for property damage, protection of sensitive habitats and wildlife, erosion control, road upkeep, and minimal interference with lessees' quiet enjoyment of their property.

About the Brazos River Authority

The Brazos River Authority, with headquarters in Waco, is the oldest river authority in Texas. Created by the Texas Legislature in 1929, the Authority's 42,000 square-mile territory includes all or part of 70 counties; extending from the Texas-New Mexico border west of Lubbock to the Gulf of Mexico near Freeport.

The Authority built, owns, and operates three reservoirs (Lakes Possum Kingdom, Granbury, and Limestone). In addition to these water supply reservoirs, the Authority contracts with the Corps of Engineers for the water supply storage space at eight federal multi-purpose flood control and water conservation reservoirs (Lakes Whitney, Belton, Proctor, Somerville, Stillhouse Hollow, Granger, Georgetown and Aquilla).

The Brazos River Authority owns and operates a regional wastewater system for the cities of Temple-Belton. The Authority also operates wastewater treatment plants for the cities of Georgetown, Dime Box, Clute-Richwood and Sugar Land. Through an alliance with the Lower Colorado River Authority, the Brazos River Authority operates wastewater treatment plants at Brushy Creek Regional Wastewater System in Round Rock, the city of Hutto and the city of Liberty Hill.

The Authority owns and operates water treatment systems at Lake Granbury (which supplies potable water to wholesale customers in Hood and Johnson Counties), and the City of Taylor. The Authority also operates a potable water treatment plant for the City of Dime Box. A water treatment plant for the City of Leander is operated by the Brazos River Authority through an alliance with the Lower Colorado River Authority.

The Authority also engages in water quality monitoring activities throughout the Brazos River basin. As a member of the Texas Clean River Program, the Authority samples and tests water from 157 locations throughout the basin on either a monthly or quarterly basis.

For further information on the Brazos River Authority, please contact Judi Pierce, Public Information Officer at 254-761-3103.