

**Basic Evaluation Methodologies
Deep Lease and Deep Lease Extension,
San Juan Basin
San Juan County, New Mexico
Based on Estimates as of January 1, 2002**

Scope and Objective of Study

- 1-Estimate the proved, probable and possible gas reserves in the Fruitland Coal and Pictured Cliffs
- 2-Estimate original gas in place in the Fruitland Coal and Pictured Cliffs
- 2-Determine level of saturation of Fruitland coal
- 3-Asses commerciality of drilling program

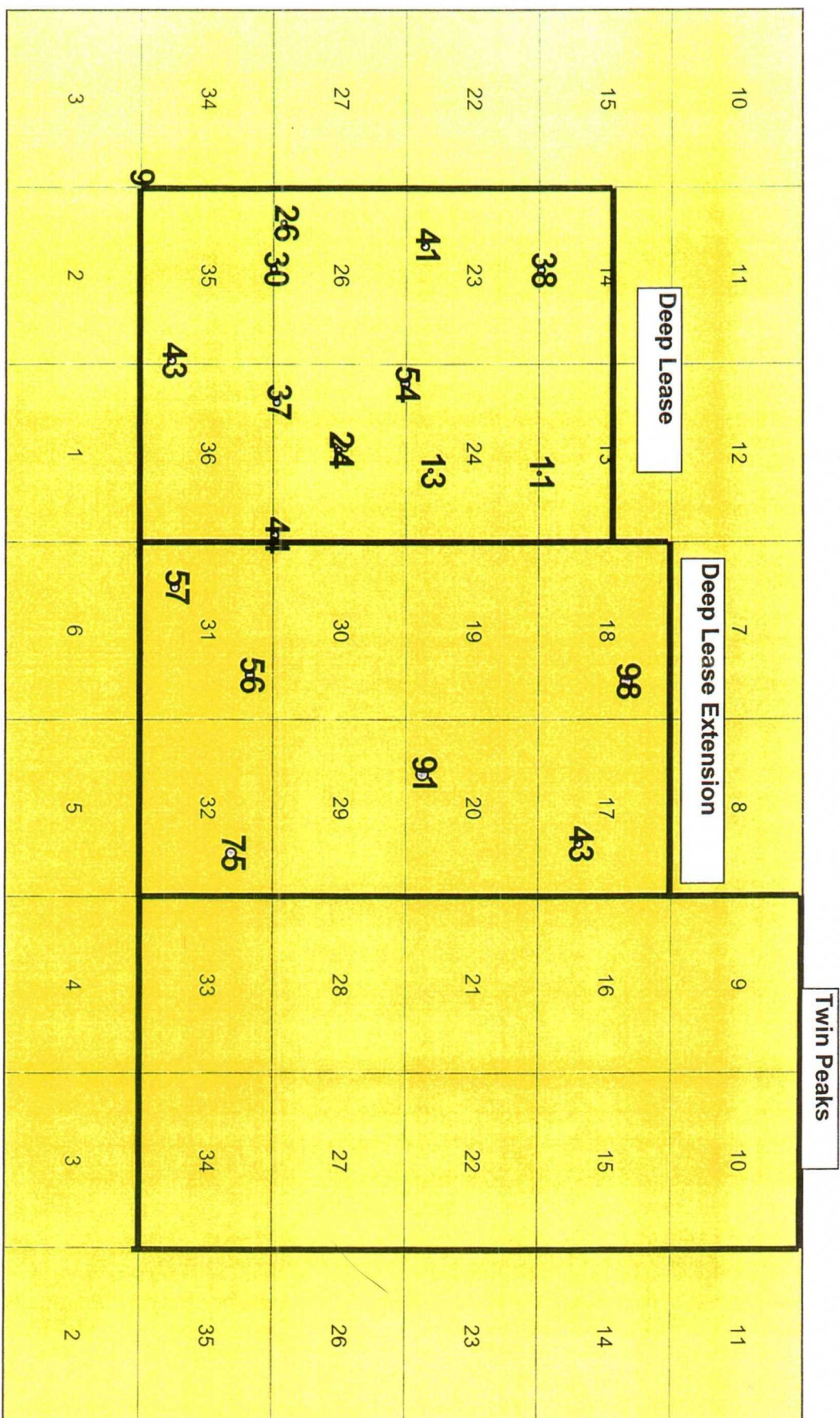
Fruitland Coal Analysis Process

- 1-Prepare geologic maps of major S8 and S9 coals including structure and isopachs
- 2-NSAI interpreted logs for 176 wells in area for tops and net pays; cutoff of approximately 1.7 g/cc used.
- 3-Obtained results of 42 core sample tests acquired by BHP in S8 and S9 coals
- 4-Ash content, moisture content and specific gravity estimated for each 160 acre tract based on core sample results
- 5-Estimated bulk coal volume for each 160 acre tract
- 6-Obtain results of 18 desorption tests run by BHP on core well samples
- 7-Based on this information, estimate gas content across Deep Lease and Deep Lease Extension
- 8-Using available isotherm data, estimated degree of undersaturation of coal
- 9-Estimate pressures in each 160 acre tract
- 10-Estimate original gas in place for each 160 acre tract
- 11-Determine theoretical gas reserves to 10 psi abandonment pressure
- 12-Project proved developed producing reserves based on decline curve extrapolation
- 13-Assign proved, probable and possible undeveloped reserves for undrilled offsets based on SPE/WPC definitions

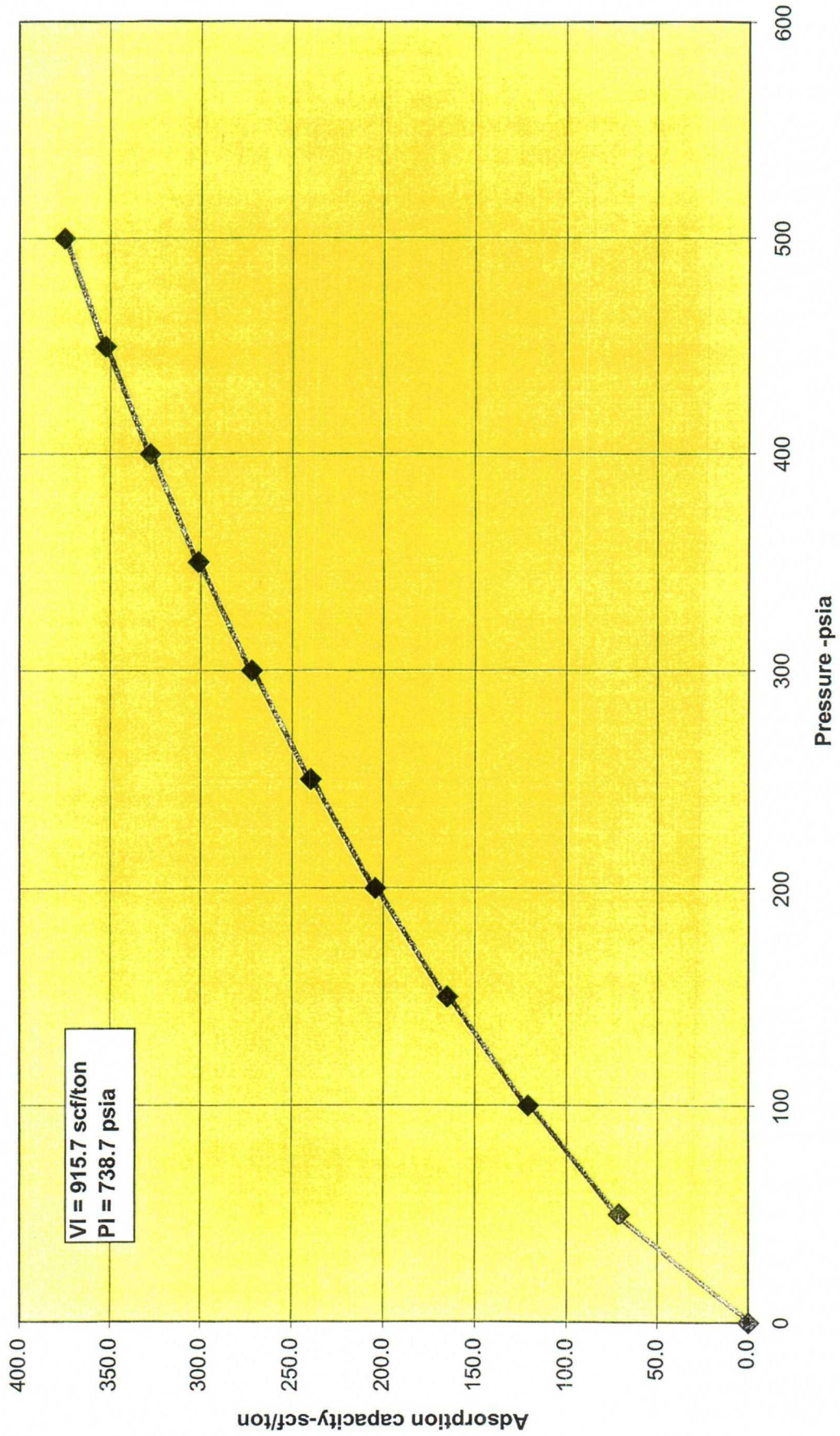
Pictured Cliffs (PC) Analysis Process

- 1-Prepare geologic maps of major PC including structure and isopachs
- 2-Estimate current pressures in each 160 acre tract
- 3-Estimate current gas in place for each 160 acre tract
- 4-Determine theoretical gas reserves to 25 psi abandonment pressure
- 5-Project proved developed producing reserves based on decline curve extrapolation
- 6-Assign proved, probable and possible undeveloped reserves for undrilled offsets based on SPE/WPC definitions
- 7-Add PC reserves to coal completion wells as behind pipe reserves with minimal additional investment

Deep Lease and Deep Lease Extension Desorption Gas Content SCF/Ton



Deep Lease and Deep Lease Extension Adsorption Isotherm



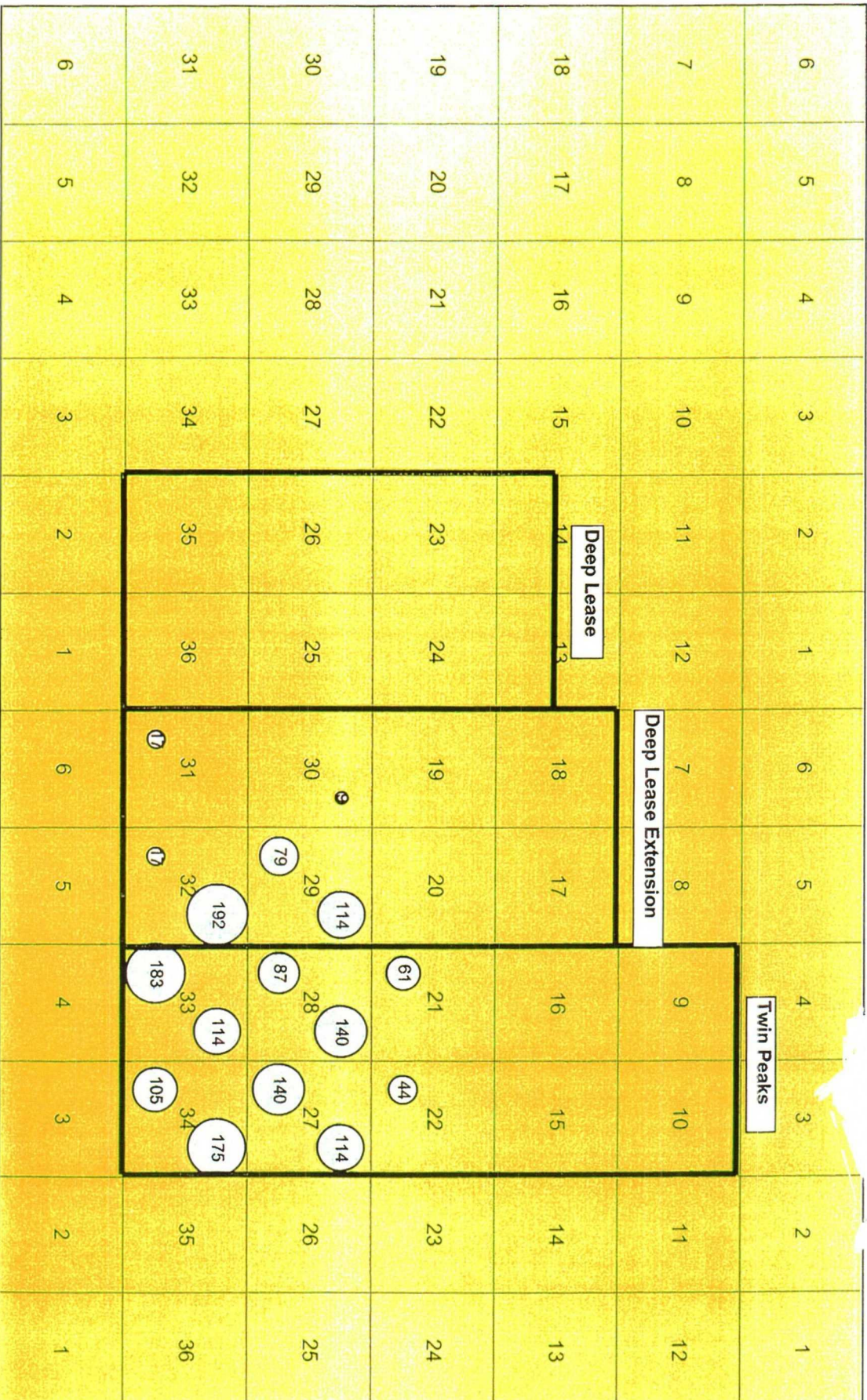
**Deep Lease and Deep Lease Extension
8 Coal Gas Content by Quarter Section
SCF/Ton**

SCT/101										Twin Peaks										
10	11	12	7		8	9	10	11	12	13										
			Deep Lease Extension																	
			Deep Lease																	
15	36	43	54	60	65	72	79	84	89	95	99	107	104	14						
22	38	47	59	63	71	82	82	85	75	89	94	100	100	23						
															23	24	19	20	21	22
															35	49	59	68	73	77
27	28	41	54	62	69	74	79	82	83	89	92	97	97	26						
															26	25	30	29	28	27
															18	30	44	54	65	69
34	15	24	37	47	58	67	73	75	79	83	89	94	94	35						
															35	36	31	32	33	34
															8	20	32	44	53	65
3	2	1	6	5	4	3	2	1	0	0	0	0	0	0						

**Deep Lease and Deep Lease Extension
8 & 9 Coal Reserves-By Quarter Section
MMCF**

Twin Peaks									
10		11		12		7		8	
						Deep Lease Extension			
15		14		13		Deep Lease			
		4		6		12		16	
22		3		11		17		20	
		23		24		19		20	
		12		21		25		24	
27		2		7		26		20	
		26		25		30		29	
		13		12		25		30	
34		35		36		31		32	
		5		14		22		29	
				12		26		36	
3		2		1		6		5	
						17		25	
						20		34	
						25		36	
						31		32	
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						45		38	
						46		37	
						47		36	
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						68		15	
						69		14	
						70		13	
						71		12	
						72		11	
						73		10	
						74		9	
						75		8	
						76		7	
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						78		5	
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						80		3	
						81		2	
						82		1	
						83		0	
						84		-1	
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						282		-199	
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**Deep Lease and Deep Lease Extension
Pictured Cliffs Volumetric Reserves
MMCF**



**Deep Lease and Deep Lease Extension
8 & 9 Coal & PC Reserves-By Quarter Section
MMCF**

Twin Peaks

10	11	12	7	8	9	10	11
	Deep Lease		Deep Lease Extension		Twin Peaks		
	14	13	18	17	16	15	14
15	14 67	13 126 168	18 168 241 183 270	17 305 322 321 340	16 318 354 335 314	15 353 414 327 360	
22	23 114 128	24 177 200 216 254	19 228 263 254 304	20 313 344 275 349	21 255 299 385 402	22 317 346 411 399	23
27	26 74 121	25 140 200 159	30 232 287 230 259	29 300 410 355 308	28 381 519 460 369	27 393 533 514 398	26
34	35	36 66 141 125	31 200 253 190 226	32 345 558 270 290	33 394 599 505 401	34 434 578 552 399	35
3	2	1	6	5	4	3	2