

EXHIBIT D: GEOLOGICAL DISCUSSION OF TARGET FORMATION

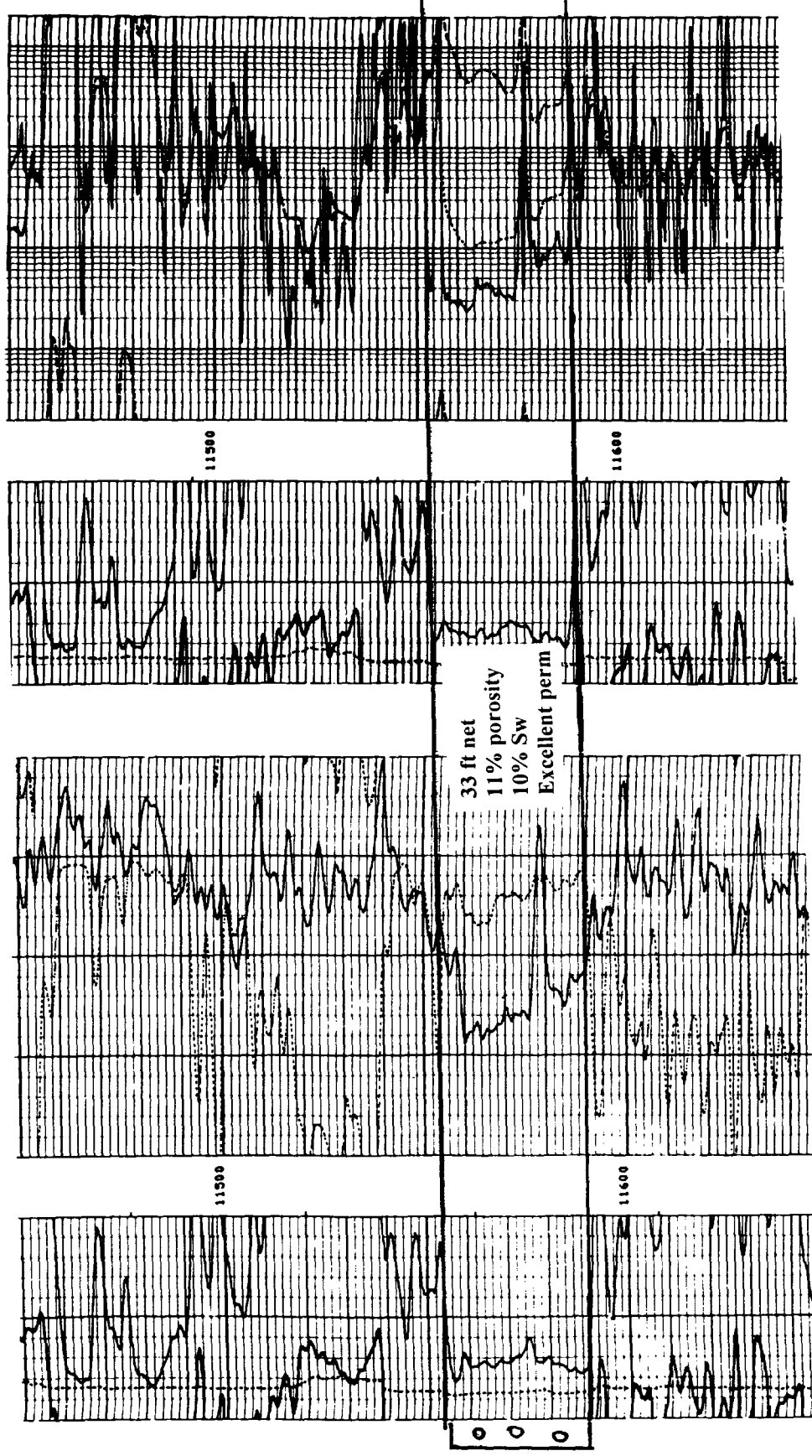
The OXY Esperanza #1 is located 1 ½ miles south of existing Morrow, Atoka, Strawn and Upper Penn production in the commingled White City (Penn) Field of Eddy County, New Mexico. As shown on the structure map, the majority of White City (Penn) production occurs up thrown on the NW-SE trending White City fault. The proposed location is an attempt to establish a producing trend on the downthrown side of the fault.

Within the area shown on the attached 25-square mile map, ten wells have penetrated the Morrow. Only one of the ten, the Spenergy Delta Fed #1 (sec 7, 25S 26E) has produced almost 2 BCF of gas from the Morrow formation in the Chosa Draw (Morrow) Gas Pool. In the Morrow portion of the White City (Penn) Gas Pool, two wells have produced fair volumes, 464 MMCF from the Texaco White City 31 #1 (in sec 31, 24S 26E) and 338 MMCF from the Murchison White City Fed #1 (in sec 10, 25S 26E). One has produced poor volumes, 25 MM from the Ringer Fed #2 (in sec 4, 25S, 26E). This well also produced 1313 MMCF from the Atoka. The remaining six wells on the downthrown side were dry holes. In contrast, all but one of the thirteen wells on the upthrown side of the fault in the map area has produced excellent volumes of gas. The historical data suggests a 4 in 10 chance of making a Penn completion that will pay out the cost of drilling.

The risks on the downthrown side of the fault are reservoir development and compartmentalization. There does not appear to be a risk of water. All of the dry holes failed due to poor reservoir development. The Murchison Ringer Fed #2 (sec 4, 25S 26E) was uneconomic in the Morrow due to reservoir compartmentalization. The attached log indicates 33 feet of pay with 11% porosity, 10% Sw and excellent permeability in this well. The well was completed with a high initial rate (CAOF 8400), but only produced 25 MMCF, indicating a limited reservoir. The presence of reservoir compartmentalization requires an extended production period to be identified.

In summary, the OXY Esperanza is an attempt to confirm Morrow gas production on the risky downside of the White City fault. Even if excellent reservoir is encountered, an extended production period is required to identify the presence or absence of a limited reservoir.

Murchison Ringer Fed Com #2
1650 FNL & 2310 FEL
Section 4, 25S 26E
White City (Penn), Eddy County, NM



The Morrow was completed in 1978 from 11555-89 for a CAOF of 8400 MCFD. The well produced 25,660 MCF from the Morrow prior to plugging back to the Atoka in 1980. The excellent Morrow reservoir development, high initial rate and poor cumulative recovery indicates a great risk for reservoir compartmentalization, and subsequent limited reserves.