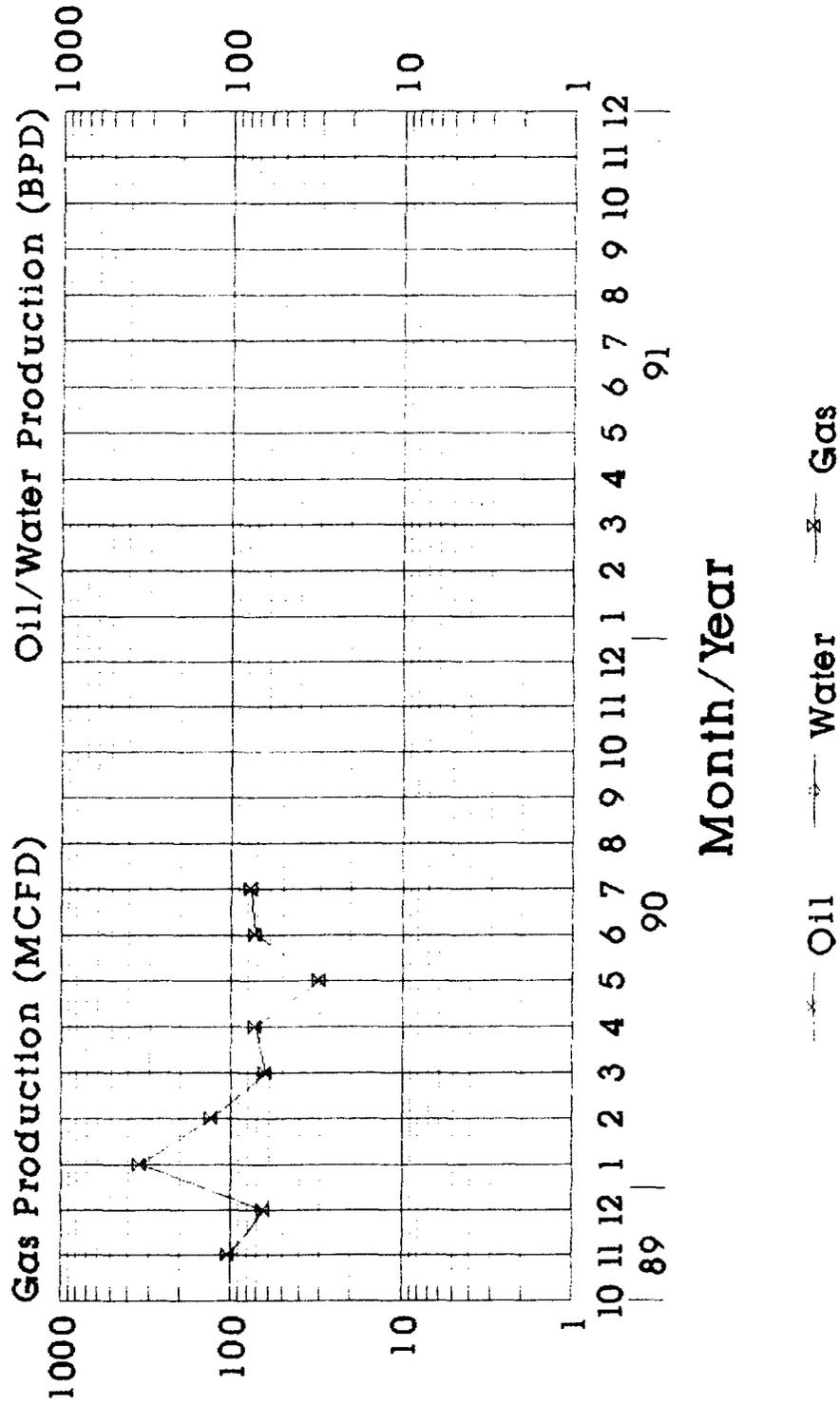


RINCON UNIT #241

RIO ARRIBA COUNTY, NEW MEXICO



Production based on actual days on

LEASE TOTAL

0 1 0

RINCON UNIT 241 P.A.

N MEXICO BH

TYPE 0 SEP 28, 1990 8:27 AM

	GROSS GWG	NET GWG	GWG SOLD	TOTAL INV	GWG INCOME
1989	2,665	2,199	2,199	355,353	5,277
1990	10,965	9,046	9,046		21,711
1991	11,661	9,620	9,620		23,088
1992	10,292	8,491	8,491		20,378
1993	9,425	7,775	7,775		18,661
1994-52	317,592	262,014	262,014		437,680
	=====	=====	=====	=====	=====
TOTAL	362,599	299,144	299,144	355,353	526,795

INVESTMENT PARAMETERS - - -

10/89 :EFFECTIVE DATE

DISC RATE	PRESENT WORTH BEFORE TAX	PRESENT WORTH AFTER TAX	RATE OF RETURN, %	BEFORE TAX	AFTER TAX
10%	-237,912	-158,566	PROFIT / INV (10% DISC)	< -100	-1.5
15%	-260,043	-176,894	PROFIT / INV (15% DISC)	-0.68	-0.45
20%	-273,348	-188,907	INV. EFFICIENCY (@ 10%)	-0.74	-0.51
50%	-299,312	-217,770	INV. EFFICIENCY (@ 15%)	-0.7	-0.6
			PAYOUT, YEARS	101.0	101.0
			INITIAL INVESTMENT		355,353

TYPE 0 SEP 28, 1990 8:27 AM

	GAR	TOTAL EXP	PRODN TAX	CASH-BT	CASH-AT
1989	5,277	1,021	521	-351,097	-278,714
1990	21,711	5,144	2,144	16,567	26,696
1991	23,088	5,280	2,280	17,808	24,315
1992	20,378	5,013	2,013	15,365	20,550
1993	18,661	4,843	1,843	13,818	17,988
1994-52	437,680	231,297	54,298	206,382	140,704
	=====	=====	=====	=====	=====
TOTAL	526,795	252,598	63,100	-81,154	-48,460

SCHEDULE OF LANDS AND WORKING INTEREST OWNERSHIP
IN INITIAL BASIN FRUITLAND COAL PARTICIPATING AREA

RINCON UNIT

TRACT NO. 1 (UNIT TRACT NO. 1)
(Acreage in Unit Tract: 520.00 ac.)

LESSOR: U.S.A.
SERIAL NO.: SF-079052
ACREAGE DESCRIPTION: Township 27 North, Range 6 West
Section 18: SE/4, E/2 SW/4
WORKING INTEREST OWNER(S): Union Oil Company of California - 100%
ACREAGE INCLUDED IN INITIAL PARTICIPATING AREA: 240.00 acres
PERCENTAGE OF FRUITLAND COAL FORMATION PRODUCTION ALLOCATED TO THIS TRACT: 25.02398%

TRACT NO. 2 (UNIT TRACT NO. 17)
(Acreage in Unit Tract: 157.76 ac.)

LESSOR: U.S.A.
SERIAL NO.: SF-079404-A
ACREAGE DESCRIPTION: Township 27 North, Range 6 West
Section 18: Lots 3 & 4
WORKING INTEREST OWNER(S): El Paso Natural Gas Company - 100%
ACREAGE INCLUDED IN INITIAL PARTICIPATING AREA: 79.08
PERCENTAGE OF FRUITLAND COAL FORMATION PRODUCTION ALLOCATED TO THIS TRACT: 8.24540%

TRACT NO. 3 (UNIT TRACT NO. 15)
(Acreage in Unit Tract: 959.40 ac.)

LESSOR: U.S.A.
SERIAL NO.: SF-079366
ACREAGE DESCRIPTION: Township 27 North, Range 6 West
Section 21: SW/4
WORKING INTEREST OWNER(S): Union Oil Company of California-83.33%
El Paso Natural Gas Company -16.67%

ACREAGE INCLUDED IN INITIAL
PARTICIPATING AREA: 160.00

PERCENTAGE OF FRUITLAND
COAL FORMATION PRODUCTION
ALLOCATED TO THIS TRACT: 16.68266%

TRACT NO. 4 (UNIT TRACT NO. 15A)
(Acreage in Unit Tract: 1599.32 ac.)

LESSOR: U.S.A.
SERIAL NO.: SF-079366
ACREAGE DESCRIPTION: Township 27 North, Range 6 West
Section 21: NW/4
WORKING INTEREST OWNER(S): Union Oil Company of California - 100%

ACREAGE INCLUDED IN INITIAL
PARTICIPATING AREA: 160.00

PERCENTAGE OF FRUITLAND
COAL FORMATION PRODUCTION
ALLOCATED TO THIS TRACT: 16.68265%

TRACT NO. 5 (UNIT TRACT NO. 14)
(Acreage in Unit Tract: 840.00 ac.)

LESSOR: U.S.A.
SERIAL NO.: SF-079365
ACREAGE DESCRIPTION: Township 27 North, Range 6 West
Section 23: S/2
WORKING INTEREST OWNER(S): Union Oil Company of California-83.33%
El Paso Natural Gas Company -16.67%

ACREAGE INCLUDED IN INITIAL
PARTICIPATING AREA: 320.00

PERCENTAGE OF FRUITLAND
COAL FORMATION PRODUCTION
ALLOCATED TO THIS TRACT: 33.36531%

**SUMMARY OF LANDS INCLUDED IN THE
INITIAL BASIN FRUITLAND COAL PARTICIPATING AREA**

RINCON UNIT

<u>LEASE</u>	<u>UNIT TRACT NO.</u>	<u>ACREAGE</u>	<u>PERCENTAGE</u>
U.S.A. SF-079052	1	240.00	25.02398
U.S.A. SF-079404-A	17	79.08	8.24540
U.S.A. SF-079366	15	160.00	16.68266
U.S.A. SF-079366	15A	160.00	16.68265
U.S.A. SF-079365	14	320.00	33.36531
		959.08	100.00000%

**SUMMARY OF WORKING INTEREST OWNERSHIP
IN THE INITIAL BASIN FRUITLAND COAL PARTICIPATING AREA**

<u>WORKING INTEREST OWNER</u>	<u>WORKING INTEREST PERCENTAGE</u>
Unior Oil Company of California	83.41327%
El Paso Natural Gas Company	16.58673%

STATE OF NEW MEXICO

COUNTY OF SAN JUAN

APPLICANT'S STATEMENT AND AFFIDAVIT

BEFORE ME, the undersigned authority on this day personally appeared Paul West, District Production Manager, known to me to be the person whose name is subscribed to this instrument, who, having been by me first duly sworn, upon oath states as follows:

- 1) That this Statement and Affidavit is made concerning this application for an initial Basin Fruitland Coal Gas participating area in the Rincon Unit, in the W/2 Section 22, T27N-R6W, comprising 315.96 acres.
- 2) That to the best of his information, knowledge and belief, the information supplied is true.
- 3) That notice of this application has been mailed or delivered to the Rincon Unit working interest owners in accordance with the unit agreement and the unit operating agreement.
- 4) That he certifies that the information and data contained in the application are true and correct and that all copies of records or summaries of such records relied upon in the application are true, correct and authentic copies of documents on file in the offices of Union Oil Company of California (Unocal).
- 5) That he is of lawful age, that he is a responsible official of Unocal, that he is duly authorized to make this Statement and Affidavit on behalf of Unocal, that he has knowledge of the facts contained herein, that this Statement and Affidavit is true and correct, and that he adopts the allegations herein as his sworn statement.

SUBSCRIBED AND SWORN TO before me, this undersigned authority, on this day of November 21, 1990.

Linda K. Liese
Notary Public in and for
San Juan County, New Mexico

My Commission Expires:

6/2/94

APPLICATION FOR DISQUALIFICATION OF ACREAGE TO THE BASIN
FRUITLAND COAL GAS PARTICIPATING AREA - RINCON UNIT - RIO
ARRIBA COUNTY, NEW MEXICO

Gail Keller
Bureau of Land Management - Minerals Division
1235 La Plata Highway
Farmington, New Mexico 87401

Union Oil Company of California, as unit operator of the
Rincon Unit, respectfully submits for your approval the
following described lands to be disqualified from the Basin
Fruitland Coal Gas participating area in the Rincon Unit, to
wit:

TOWNSHIP 27 NORTH, RANGE 6 WEST, N.M.P.M.

Section 27: West/2

Containing 316.31 acres, more or less

In support of this application, and in addition to the
geologic and engineering reports, the following are
attached:

- 1) Structure Top - Basin Fruitland Coal Gas Formation
- 2) Basin Fruitland Coal Gas Formation Gross Isopach
- 3) Stratigraphic Well Log Cross-Section
- 4) Rincon Unit #243 Fruitland Coal Gas Production Decline
Curve
- 5) Rincon Unit #243 Fruitland Coal Gas Economics
- 6) Schedule of Lands and Working Interest Ownership in the
Initial Basin Fruitland Coal Gas Participating Area
(Participation Allocation Formula)
- 7) Applicant's Statement and Affidavit

This application is predicated on nine months of actual
production history from the Rincon Unit #243 well which
first delivered on November 13, 1989.

Applicant respectfully requests your approval of the
hereinabove selection of lands to be disqualified from the
Basin Fruitland Coal Gas Formation participating area,
effective November 1, 1989.

Dated this 29th day of September, 1990.



Paul West
District Production Manager
Union Oil Company of California

Well Summary

Well Name: Rincon Unit #243
Location: 1850'FSL, 1850'FWL, Sec 27, T27N, R6W
Elevation: 6577' GL
Total Depth: 3263'
Lease Number: SF-079367A
Pool/Formation: Basin Fruitland Coal Gas
Spud Date: 8-20-89
Completion Date: 9-21-89
1st Delivery Date: 11-13-89
Perf'd Interval: 3080-3086, 3091-3107, 3116-3132, 3137-3149

Geologic Summary

The Fruitland Formation was deposited in a coastal plain environment landward of the Pictured Cliffs strandline. It consists of shales, siltstones, sandstones, and coals. The coals were deposited in low-lying areas such as lagoons, swamps and bayous behind the barrier islands, bars, and beaches of the Pictured Cliffs sandstone. The coal is best developed in the basal Fruitland, and extends aeriually over the entire San Juan Basin with the exception of a small region on the eastern margin. Net coal varies from 20 to 80 feet thick with the thickest sections being in the north-central portion of the basin. The Rincon Unit Fruitland Coal ranges in thickness from 30 feet to 70 feet, and are considered High Volatile C Bituminous in rank. Regional dip in the Rincon Unit is 1 to 2 degrees to the northeast and structure does not appear to play a part in the accumulation of natural gas in the area of the unit.

Engineering Summary

The Rincon Unit #243 was drilled and completed by Union Oil Company of California as a Basin Fruitland Coal Gas producer in 1989. Surface pipe measuring 9-5/8" was set at 228 feet and cemented with 175 sacks to surface. Production casing measuring 5-1/2" was then set at 3263 feet and cemented in two stages with 680 sacks cement. After drilling out to PBTD of 3252, the coal zone was perforated from 3080 to 3149 (gross interval) with 4 shots per foot and fracture stimulated with 12,600# 100 mesh, 277,000# 20/40 sand, and 66,000 gallons cross-linked gel water. The recorded initial potential and 24 hour shut-in pressure were 114 MCFD / 8 BWPD; and 27 psi, respectively. The well was first delivered to the El Paso Natural Gas pipeline system on November, 13 1989. The current deliverability for the well against a 150# line pressure is 30 MCFD.

Volumetrics calculated on the below-listed parameters yields a recoverable gas volume of 0.73 Bcf.

Net Pay: 60 ft
Drainage area: 160 acres
Gas Content: 218 SCF/ton
Tonnage Factor: 2024 tons/acre-feet (from density log)
Recovery Factor: 18 %

Economics

Completion Cost: \$382,247

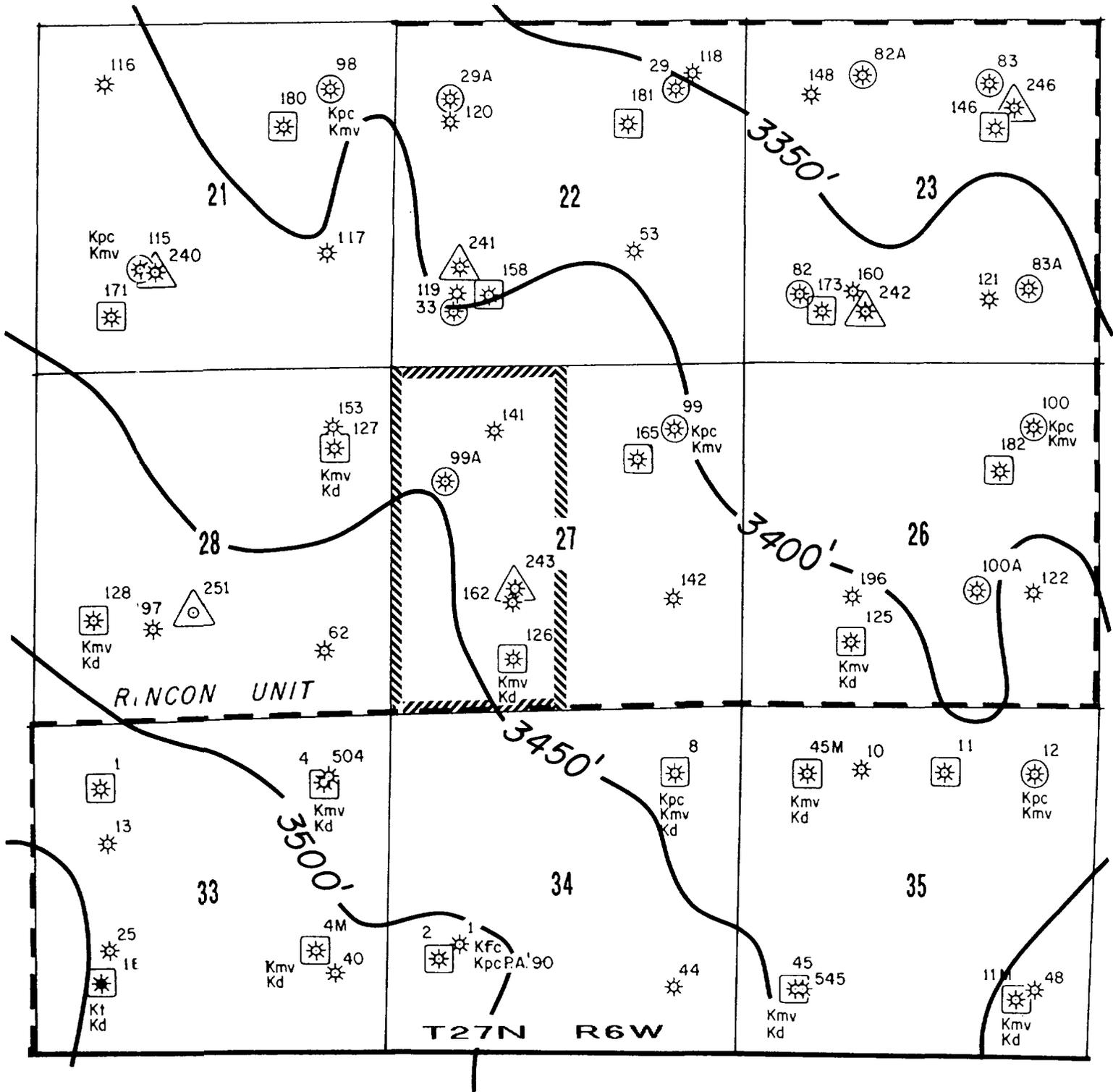
Royalty Burden: 17.50%

Gas Price: \$2.40/MCF with tax credit, 1.50/MCF after yr 2000

Operating Cost: \$250/month

Production Rate: Maximum - 227 MCFD, Current - 30 MCFD, No
associated water production

Economics based on the above are attached. Given the investment cost to complete this well will not payout during the life of the wellbore.



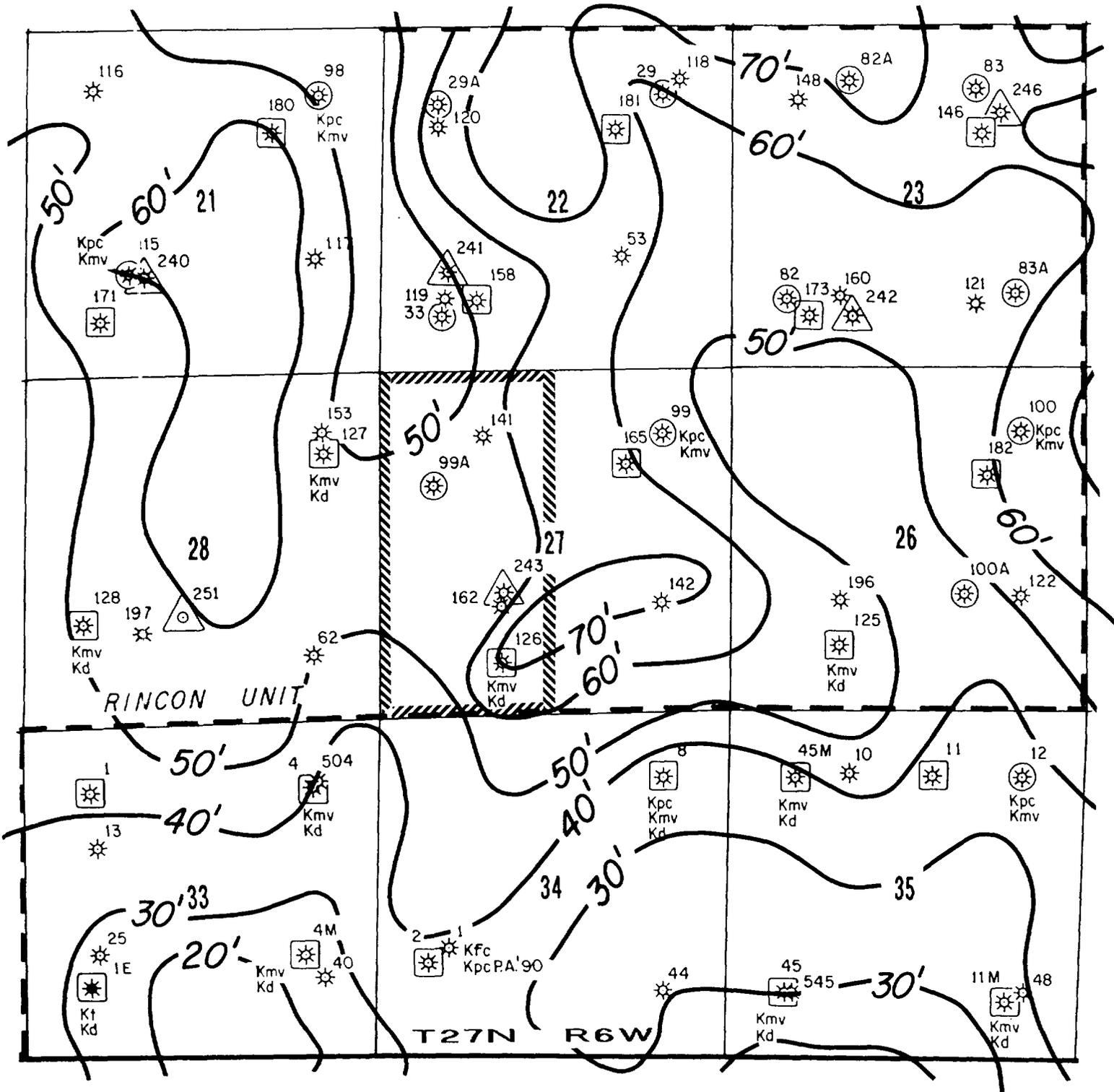
PRODUCING INTERVAL

Kfm *	FARM NGTON	Kfm	
Kk *	KIRT AND	Kk	
△	FRUITLAND	Kf	
*	PICT RED CLIFFS	Kpc	
⊕	CHAI RA	Kc	
⊗	LA VINTANA	Klv	
⊙	MES-VERDE	Kmv	{ Kch CLIFFHOUSE Km MENELEE Kpl POINT LOOKOUT
⊠	GALL JP	Kgl	
⊛	DAK TA	Kd	

UNOCAL 76
 NORTH AMERICAN OIL & GAS DIVISION
 SOUTHWESTERN REGION

RINCON UNIT
 RIO ARRIBA COUNTY, NEW MEXICO
STRUCTURE
 BASE OF FRUITLAND COAL
 RINCON UNIT # 243
 W $\frac{1}{2}$ SEC. 27 T27N R6W

INTERP BY D. V. H.	SCALE 2 $\frac{1}{2}$ " = 1 Mi. C. 50'
DRAFT BY	DATE 9-26-90 FILE NO. 14114



PRODUCING INTERVAL

Kfm *	FARMINGTON	Kfm	
Kk *	KIRTLAND	Kk	
△	FRUITLAND	Kf	
☆	PICTURED CLIFFS	Kpc	
⊙	CHACRA	Kc	
⊗	LA VENTANA	Klv	
⊛	MESAVERDE	Kmv	{ Kch CLIFFHOUSE Km MENEFEE Kpl POINT LOOKOUT
◇	GALLUP	Kgl	
⊠	DAKOTA	Kd	

UNOCAL

NORTH AMERICAN OIL & GAS DIVISION
SOUTHWESTERN REGION

RINCON UNIT

RIO ARRIBA COUNTY, NEW MEXICO

ISOPACH

FRUITLAND COAL

RINCON UNIT # 243

W¹/₂ SEC. 27 T27N R6W

INTERP BY D. V. H.	SCALE 2 1/2" = 1 Mi.	CI 10'
DRAFT BY	DATE 9-26-90	PRJ NO. (A) 114