

The Blanco Mesaverde formation is uneconomic to drill as a stand alone well. To develop these reserves, a dual or commingled completion is required. We estimate an ultimate recovery of approximately 750 MMCF from the Mesaverde horizon, which would otherwise remain undeveloped.

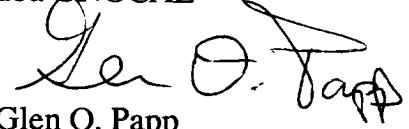
Although the Basin Dakota horizon produced at a rate of 598 MCFD and the Blanco Mesaverde horizon produced at a rate of 764 MCFD during flow tests to atmosphere, the current sales rates at line pressure are 300 MCFD for the Dakota horizon and 40 MCFD for the Mesaverde horizon. Commingling will allow for better lift of condensate production and benefits from compression.

Both zones produce essentially dry gas. Therefore, the respective formation fluids are compatible. Also, no crossflow will occur between the commingled zones.

If you have any questions, please contact Dana Delventhal at (505)326-7600. Thank you for your consideration in this matter.

Sincerely,

Union Oil Company of California
dba UNOCAL

A handwritten signature in black ink, appearing to read "Glen O. Papp", with a stylized flourish at the end.

Glen O. Papp
Field Superintendent

Attachments

GOP/DLD/df