FUTURE PLAN OF DEVELOPMENT (cont')

PROVED DEVELOPED Non Producing-QUEEN/GRAYBURG 1

All except two of the existing wells have behind pipe **Proved Developed Non Producing** reserve opportunities. These **nine** wells have opportunities primarily in the **Queen five and Queen six** zones. These zones have exhibited economical production in offset wells adjacent to the west boundary of the subject lease. The subject wells have similar reservoir development, and structurally on strike. Average recovery from these completions is estimated to be **14,000 bbls of oil and 8400 mcf.** It is estimated that these recompletions will **cost $49,725 each.** Analogous performance was found to the west in the East Millman Unit's operated by SDX Resources, and S&J Operating. And to the south on the "NM" State lease operated by Marbob. Average ultimate recovery from the Queen on the East Millman Units is estimated to be 93,000 bbls of oil per well (56,000 bbls primary and 37,000 bbls secondary). Average ultimate recovery from the Queen in the "NM" State lease is estimated to be 52,000 bbls of oil per well (primary only). See Table "B" for a summary of this information.

TABLE "B"

Summary of **"PROVED"** Developed Non Producing Reserves (Queen/Grayburg 1)

#	Start Date	Ref	Curr Zone	Behind Pipe Zones (Comments)	Cost to Recmplt	Forecasted Recoverable Reserves Oil/Gas
2	1-1-96	12	G2-G4	Q5-Q6 (1942'-2054')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
3	1-10-96	13	G2-G4	Q6-G1 (2018'-2105')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
4	1-20-96	14	G2-G4	Q6-G1 (2054'-2128')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
5	2-1-96	15	Q6-G3	Q6 (1978'-2006')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
6	2-10-96	16	G2-G4	Q6-G1 (2054'-2122')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
7	2-20-96	17	Q6-G3	Q5-Q6 (1968'-2022')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
8	3-1-96	18	G2-G9	Q6 (2050'-2078')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
9			G2-G5	none		
11	3-10-96	19	G2-G5	Q6 (2062'-2115')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
12			Q6-G4	none		
13	3-20-96	20	G2-G5	Q6 (2086'-2182')	$ 49,725	14,000 bbls oil, 8,400 mcf gas
					$ 447,525	126,000 oil, 75,600 gas

SDX RESOURCES - CONOCO 7
SUMMARY OF QUEEN BEHIND PIPE
EDDY COUNTY, NEW MEXICO
WI=100%, NRI=73.91875%

DATE: 08/10/95
TIME: 10:41:58
FILE: CON7
GET#: 0

RESERVES AND ECONOMICS

INCREMENTAL LOE=$150/WELL/MONTH
DISPOSAL COST OF $0.15/BBL

AS OF MARCH 20, 1996

VICTOR J. SIRGO
OIL & GAS ENGINEERING

-END- MO-YR	GROSS PRODUCTION OIL, MBBL	GROSS PRODUCTION GAS, MMCF	NET PRODUCTION OIL, MBBL	NET PRODUCTION GAS, MMCF	PRICES OIL $/B	PRICES GAS $/M	OPERATIONS, M$ NET OPER REVENUES	OPERATIONS, M$ SEV+ADV TAXES	OPERATIONS, M$ NET OPER EXPENSES	CAPITAL COSTS, M$	CASH FLOW BTAX, M$	10.00 PCT CUM. DISC BTAX, M$
12-96	15.673	9.403	11.587	6.950	17.00	1.35	206.363	14.675	9.624	447.525	-265.461	-273.013
12-97	12.378	7.429	9.150	5.491	17.00	1.70	164.885	11.733	10.800	.000	142.352	-148.266
12-98	9.404	5.640	6.951	4.169	17.00	1.70	125.255	8.911	10.800	.000	105.544	-64.185
12-99	7.581	4.549	5.604	3.363	17.00	1.70	100.984	7.186	10.800	.000	82.998	-4.079
12- 0	6.349	3.810	4.692	2.818	17.00	1.70	84.554	6.018	10.800	.000	67.736	40.514
12- 1	5.463	3.277	4.038	2.422	17.00	1.70	72.765	5.176	10.800	.000	56.789	74.501
12- 2	4.790	2.874	3.540	2.125	17.00	1.70	63.794	4.541	10.800	.000	48.453	100.863
12- 3	4.267	2.561	3.154	1.892	17.00	1.70	56.835	4.044	10.800	.000	41.991	121.632
12- 4	3.845	2.308	2.842	1.704	17.00	1.70	51.213	3.643	10.800	.000	36.770	138.167
12- 5	3.499	2.100	2.587	1.552	17.00	1.70	46.618	3.318	10.800	.000	32.500	151.452
12- 6	3.213	1.927	2.374	1.424	17.00	1.70	42.780	3.043	10.800	.000	28.937	162.204
12- 7	2.965	1.777	2.191	1.314	17.00	1.70	39.481	2.812	10.800	.000	25.869	170.944
12- 8	2.756	1.654	2.037	1.223	17.00	1.70	36.710	2.611	10.800	.000	23.299	178.099
12- 9	2.573	1.545	1.902	1.142	17.00	1.70	34.276	2.436	10.800	.000	21.040	183.973
12-10	2.413	1.445	1.784	1.067	17.00	1.70	32.143	2.285	10.800	.000	19.058	188.811
12-11	2.271	1.366	1.679	1.010	17.00	1.70	30.257	2.150	10.800	.000	17.307	192.805
12-12	2.145	1.286	1.586	.952	17.00	1.70	28.580	2.034	10.800	.000	15.746	196.107
12-13	2.034	1.221	1.503	.905	17.00	1.70	27.091	1.926	10.800	.000	14.365	198.846
12-14	1.932	1.159	1.428	.856	17.00	1.70	25.735	1.829	10.800	.000	13.106	201.117
12-15	1.840	1.106	1.362	.818	17.00	1.70	24.546	1.749	10.800	.000	11.997	203.006
S TOT	97.391	58.437	71.991	43.197	17.00	1.64	1294.865	92.120	214.824	447.525	540.396	203.006
REM.	33.159	19.892	24.506	14.704	17.00	1.70	441.614	31.419	316.546	.000	93.649	211.693
TOTAL	130.550	78.329	96.497	57.901	17.00	1.66	1736.479	123.539	531.370	447.525	634.045	211.693

CUM.	.000	.000
ULT.	130.550	78.329

NET OIL REVENUES (M$)	1640.449
NET GAS REVENUES (M$)	96.030
TOTAL REVENUES (M$)	1736.479

BTAX RATE OF RETURN (PCT)	25.74
BTAX PAYOUT YEARS	3.04
BTAX PAYOUT YEARS (DISC)	3.92
BTAX NET INCOME/INVEST	2.42
BTAX NET INCOME/INVEST (DISC)	1.47

PROJECT LIFE (YEARS)	50.052
DISCOUNT RATE (PCT)	10.000
GROSS OIL WELLS	9.000
GROSS GAS WELLS	.000
GROSS WELLS	9.000

PRESENT WORTH PROFILE

DISC RATE	PW OF NET BTAX, M$	DISC RATE	PW OF NET BTAX, M$
.0	634.045	30.0	-31.816
2.0	501.175	35.0	-61.775
5.0	360.208	40.0	-86.474
8.0	262.080	45.0	-107.235
10.0	211.693	50.0	-124.982
12.0	169.740	60.0	-153.797
15.0	118.352	70.0	-176.282
18.0	76.987	80.0	-194.411
20.0	53.546	90.0	-209.375
25.0	5.507	100.0	-221.967

13

Date: 08/10/95
Time: 13:44:17

PRODUCTION HISTORY (FORECAST)

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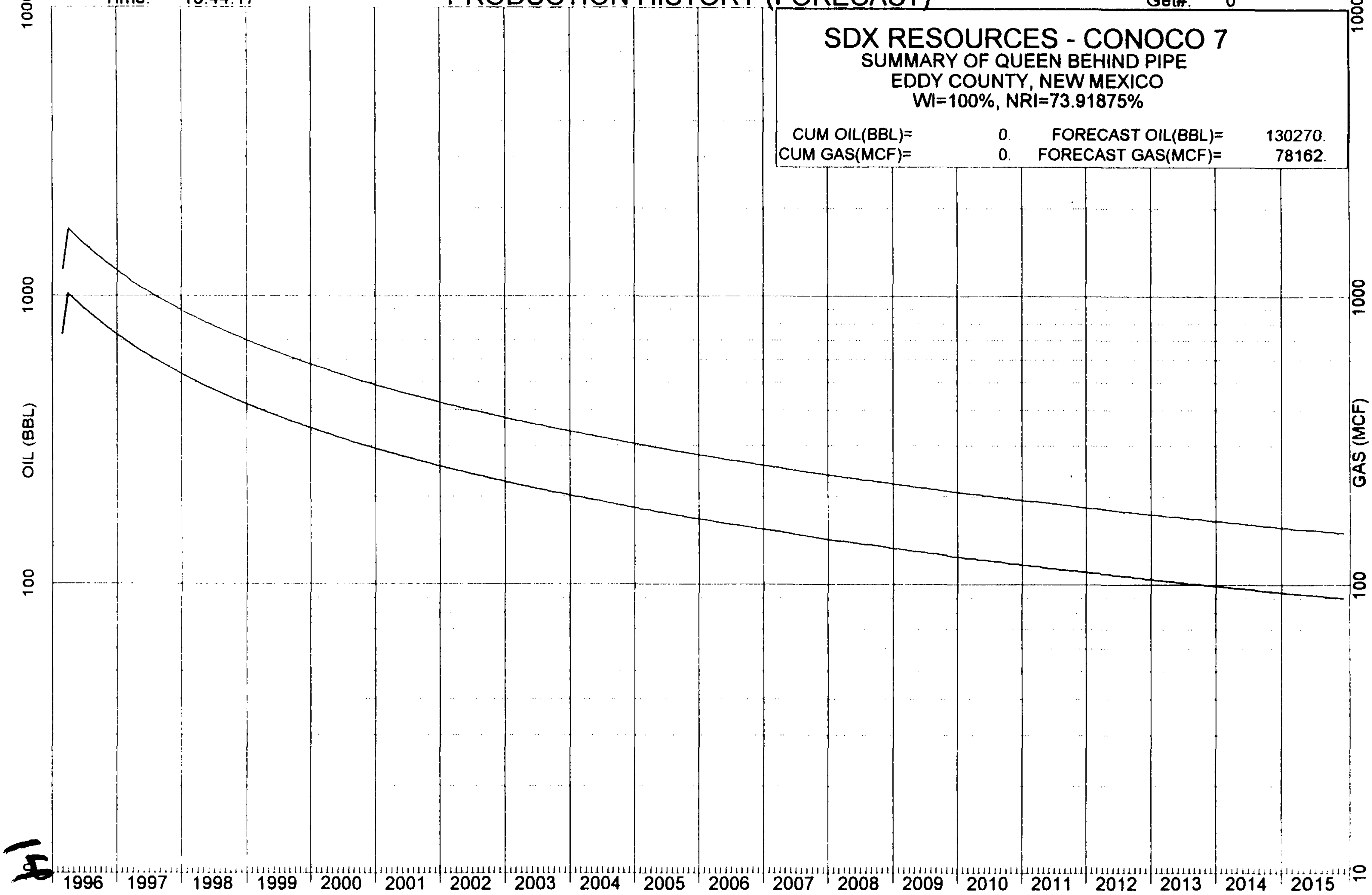
Get#: 0



PROVED UNDEVELOPED INFILL LOCATIONS-PRIMARY RESERVES-QUEEN/GRAYBURG

There is also the opportunity to drill **twelve** infill **Proved Undeveloped Locations** in the **Queen five through Grayburg five zones.** These zones have exhibited exceptionally good recoveries from the existing 40 acre wells on the subject lease. Average recovery from the **new 20 acre wells** drilled on this lease is estimated to be **56,000 bbls of oil and 34,000 mcf per well.** It is estimated to drill and complete these new wells **will cost $179,500 per well.** Analogous performance was found to the west in the East Millman Unit's operated by SDX Resources, and S&J Operating. Average ultimate recovery from the Queen/Grayburg in the East Millman Unit's is estimated to be 72,000 bbls of oil primary. See Table "C" for a summary of this information.

TABLE "C"

Summary of "**PROVED**" Undeveloped Reserves (Primary) "New Wells" 20 acre

Well	Start Date	Ref	Zones	Location	Cost to Drill & Complete	Forecasted Recoverable Reserves Oil/Gas
14	1-1-96	21	Q5-G5	1310' FNL & 1330'FWL	$ 210,500	56,000 oil , 34,000 gas
15	1-10-96	22	Q5-G5	2620' FNL & 1330' FWL	$ 179,500	56,000 oil , 34,000 gas
16	1-20-96	23	Q5-G5	1310' FSL & 1330' FWL	$ 179,500	56,000 oil , 34,000 gas
17	2-1-96	24	Q5-G5	1330' FSL & 2620' FEL	$ 179,500	56,000 oil , 34,000 gas
18	2-10-96	25	Q5-G5	2620' FNL & 2620' FEL	$ 179,500	56,000 oil , 34,000 gas
19	2-20-96	26	Q5-G5	990' FSL & 2390' FEL	$ 179,500	56,000 oil , 34,000 gas
20	3-1-96	27	Q5-G5	1330' FEL & 2630" FNL	$ 179,500	56,000 oil , 34,000 gas
21	3-10-96	28	Q5-G5	1310' FNL & 1310' FEL	$ 179,500	56,000 oil , 34,000 gas
22	3-20-96	29	Q5-G5	330' FSL & 990' FWL	$ 179,500	56,000 oil , 34,000 gas
23	4-1-96	30	Q5-G5	330' FSL & 1980' FWL	$ 179,500	56,000 oil , 34,000 gas
24	4-10-96	31	Q5-G5	1330' FWL & 1330' FEL	$ 179,500	56,000 oil , 34,000 gas
25	4-20-96	32	Q5-G5	1650' FEL & 330' FSL	$ 179,500	56,000 oil , 34,000 gas
TTL					$ 2,185,000	672,000 oil, 408,000 gas

SDX RESOURCES - CONOCO 7
DRILL 12 NEW 20 ACRE WELLS
EDDY CO, NM, QUEEN/GRAYBUR
WI=100%, NRI=73.91875%

DATE: 08/10/95
TIME: 09:49:47
FILE: CON7
GET#: 0

RESERVES AND ECONOMICS

INCREMENTAL LOE=$600/WELL/MONTH
DISPOSAL COST OF $0.15/BBL

AS OF APRIL 20, 1996

VICTOR J. SIRGO
OIL & GAS ENGINEERING

-END-	---GROSS PRODUCTION---		----NET PRODUCTION----		--PRICES---		--------OPERATIONS, M$--------					10.00 PCT
MO-YR	OIL, MBBL	GAS, MMCF	OIL, MBBL	GAS, MMCF	OIL $/B	GAS $/M	NET OPER REVENUES	SEV+ADV TAXES	NET OPER EXPENSES	CAPITAL COSTS, M$	CASH FLOW BTAX, M$	CUM. DISC BTAX, M$
12-96	93.147	47.663	68.853	35.231	17.00	1.35	1218.062	87.648	73.388	2185.000	-1127.974	-1170.005
12-97	70.145	39.737	51.851	29.375	17.00	1.70	931.406	66.940	86.400	.000	778.066	-485.285
12-98	50.229	30.085	37.130	22.238	17.00	1.70	669.015	48.099	86.400	.000	534.516	-57.698
12-99	39.136	24.204	28.931	17.892	17.00	1.70	522.245	37.556	86.400	.000	398.289	231.934
12- 0	32.054	20.247	23.695	14.967	17.00	1.70	428.261	30.800	86.400	.000	311.061	437.564
12- 1	27.142	17.399	20.063	12.862	17.00	1.70	362.938	26.105	86.400	.000	250.433	588.063
12- 2	23.533	15.251	17.396	11.272	17.00	1.70	314.897	22.652	86.400	.000	205.845	700.519
12- 3	20.764	13.576	15.348	10.034	17.00	1.70	277.975	19.995	86.400	.000	171.580	785.735
12- 4	18.582	12.228	13.735	9.038	17.00	1.70	248.860	17.903	86.400	.000	144.557	851.001
12- 5	16.811	11.126	12.425	8.223	17.00	1.70	225.203	16.204	86.400	.000	122.599	901.323
12- 6	15.346	10.203	11.345	7.542	17.00	1.70	205.687	14.799	86.400	.000	104.488	940.312
12- 7	14.116	9.423	10.434	6.966	17.00	1.70	189.220	13.616	86.400	.000	89.204	970.570
12- 8	13.072	8.752	9.663	6.469	17.00	1.70	175.269	12.609	86.400	.000	76.260	994.087
12- 9	12.164	8.171	8.990	6.040	17.00	1.70	163.098	11.734	86.400	.000	64.964	1012.298
12-10	11.377	7.661	8.410	5.663	17.00	1.70	152.597	10.979	86.400	.000	55.218	1026.369
12-11	10.688	7.208	7.900	5.329	17.00	1.70	143.361	10.316	86.400	.000	46.645	1037.177
12-12	10.071	6.813	7.443	5.036	17.00	1.70	135.094	9.720	86.400	.000	38.974	1045.386
12-13	9.528	6.453	7.042	4.770	17.00	1.70	127.825	9.198	86.400	.000	32.227	1051.556
12-14	9.035	6.128	6.679	4.530	17.00	1.70	121.245	8.723	86.400	.000	26.122	1056.104
12-15	8.594	5.836	6.354	4.313	17.00	1.70	115.351	8.300	86.400	.000	20.651	1059.371
S TOT	505.534	308.164	373.687	227.790	17.00	1.65	6727.609	483.896	1714.988	2185.000	2343.725	1059.371
REM.	156.350	107.288	115.571	79.304	17.00	1.70	2099.548	151.082	2605.012	.000	-656.546	1046.417
TOTAL	661.884	415.452	489.258	307.094	17.00	1.66	8827.157	634.978	4320.000	2185.000	1687.179	1046.417

CUM.	.000	.000
ULT.	661.884	415.452

NET OIL REVENUES (M$)	8317.386
NET GAS REVENUES (M$)	509.771
TOTAL REVENUES (M$)	8827.157

BTAX RATE OF RETURN (PCT)	31.36
BTAX PAYOUT YEARS	2.40
BTAX PAYOUT YEARS (DISC)	2.95
BTAX NET INCOME/INVEST	1.77
BTAX NET INCOME/INVEST (DISC)	1.48

PROJECT LIFE (YEARS)	50.052
DISCOUNT RATE (PCT)	10.000
GROSS OIL WELLS	12.000
GROSS GAS WELLS	.000
GROSS WELLS	12.000

---------PRESENT WORTH PROFILE---------

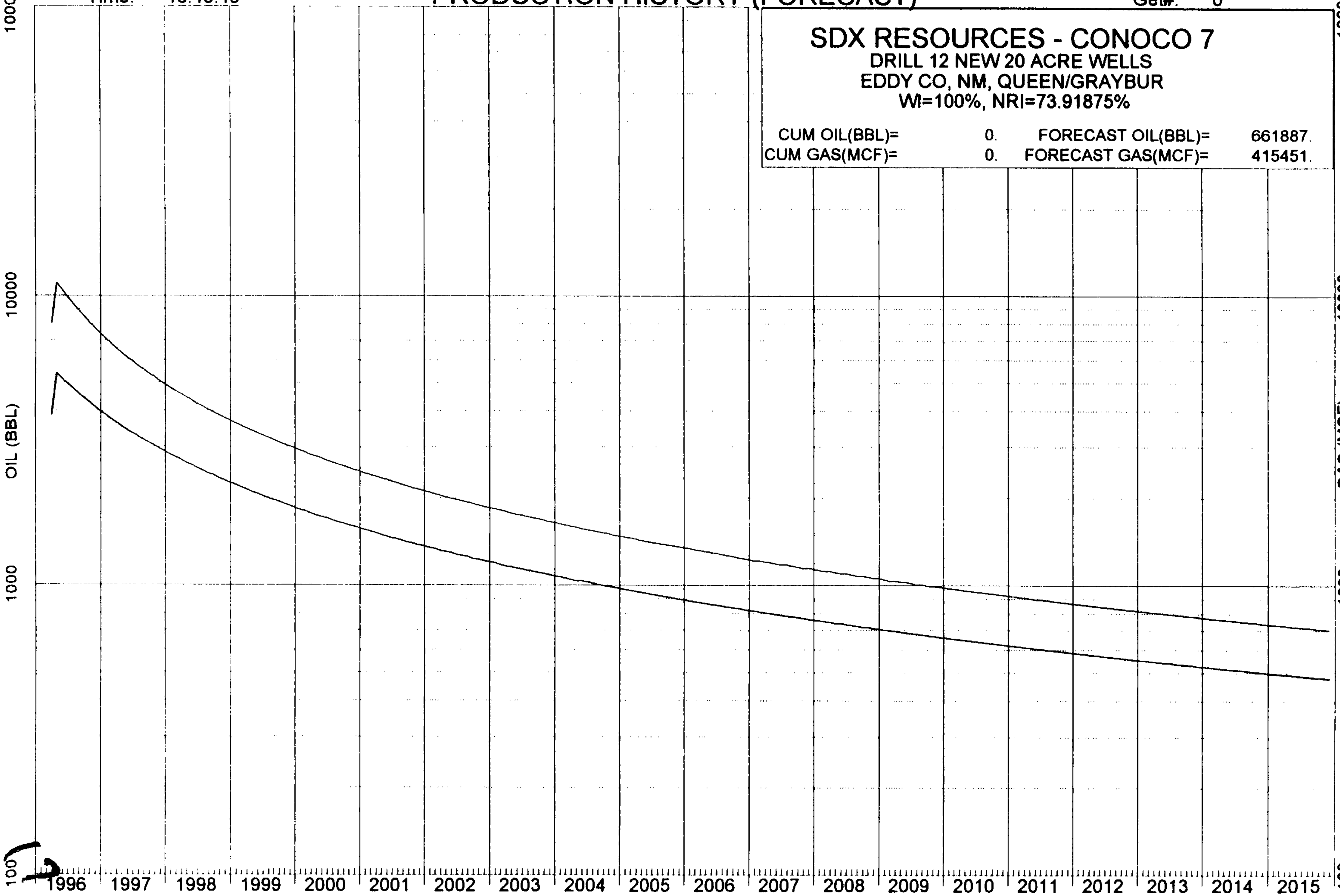
DISC RATE	PW OF NET BTAX, M$	DISC RATE	PW OF NET BTAX, M$
.0	1687.179	30.0	38.160
2.0	1704.301	35.0	-102.232
5.0	1484.720	40.0	-220.091
8.0	1214.724	45.0	-320.651
10.0	1046.417	50.0	-407.639
12.0	893.414	60.0	-551.001
15.0	692.423	70.0	-664.759
18.0	521.278	80.0	-757.582
20.0	421.000	90.0	-834.997
25.0	208.734	100.0	-900.720

16

Date: 08/10/95
Time: 13:48:45

PRODUCTION HISTORY (FORECAST)

File: CON7
Get#: 0



FUTURE PLAN OF DEVELOPMENT (cont')

PROVED UNDEVELOPED INFILL LOCATIONS-SECONDARY RESERVES-QUEEN/GRAYBURG

After the twelve new infill wells have been drilled the opportunity to recover **additional Proved Undeveloped Reserves** by **recompleting the original 40 acre wells to injection** into the **Queen five through Grayburg five zones.** These secondary reserves are estimated to be an additional 34,000 **bbls of oil and** 20,400 **mcf per new** 20 **acre well.** The cost to recover these reserves is estimated to be $45,000 per new 20 acre well. This cost includes the money necessary to convert the original 40 acre wells to injection as well as build an injection plant and distribution lines. Analogous performance was found to the west in the East Millman Unit's operated by SDX Resources, and S&J Operating. Average ultimate recovery from the Queen/Grayburg in the East Millman Unit's is estimated to be 48,000 bbls of oil secondary. See Table "D" for a summary of this information.

TABLE "D"

Summary of "**PROVED**" Undeveloped Reserves (Secondary) "New Wells"

#	Start Date	Ref	Zones	Location	Cost to Drill & Complete	Forecasted Recoverable Reserves Oil/Gas
14	1-1-97	33	Q5-G5	1310' FNL & 1330' FWL	$ 45,000	34,000 oil, 20,400 gas
15	1-10-97	34	Q5-G5	2620' FNL & 1330' FWL	$ 45,000	34,000 oil, 20,400 gas
16	1-20-97	35	Q5-G5	1310' FSL & 1330' FWL	$ 45,000	34,000 oil, 20,400 gas
17	2-1-97	36	Q5-G5	1330' FSL & 2620' FEL	$ 45,000	34,000 oil, 20,400 gas
18	2-10-97	37	Q5-G5	2620' FNL & 2620' FEL	$ 45,000	34,000 oil, 20,400 gas
19	2-20-97	38	Q5-G5	990' FSL & 2390' FEL	$ 45,000	34,000 oil, 20,400 gas
20	3-1-97	39	Q5-G5	1330' FEL & 2630" FNL	$ 45,000	34,000 oil, 20,400 gas
21	3-10-97	40	Q5-G5	1310' FNL & 1310' FEL	$ 45,000	34,000 oil, 20,400 gas
22	3-20-97	41	Q5-G5	330' FSL & 990' FWL	$ 45,000	34,000 oil, 20,400 gas
23	4-1-97	42	Q5-G5	330' FSL & 1980' FWL	$ 45,000	34,000 oil, 20,400 gas
24	4-10-97	43	Q5-G5	1330' FWL & 1330' FEL	$ 45,000	34,000 oil, 20,400 gas
25	4-20-97	44	Q5-G5	1650' FEL & 330' FSL	$ 45,000	34,000 oil, 20,400 gas
					$540,000	408,000 oil, 244,800 gas

SDX RESOURCES - CONOCO 7
DRILL NEW 20 ACRE WELLS SECONDARY
EDDY COUNTY, NEW MEXICO
WI=100%, NRI=73.91875%

DATE: 08/10/95
TIME: 14:07:52
FILE: CON7
GET#: 0

RESERVES AND ECONOMICS

INCREMENTAL LOE=$100/WELL/MONTH
DISPOSAL COST OF $0.15/BBL

AS OF APRIL 20, 1997

VICTOR J. SIRGO
OIL & GAS ENGINEERING

-END-	---GROSS PRODUCTION---		----NET PRODUCTION----		--PRICES---		--------OPERATIONS, M$--------					10.00 PCT
MO-YR	OIL, MBBL	GAS, MMCF	OIL, MBBL	GAS, MMCF	OIL $/B	GAS $/M	NET OPER REVENUES	SEV+ADV TAXES	NET OPER EXPENSES	CAPITAL COSTS, M$	CASH FLOW BTAX, M$	CUM. DISC BTAX, M$
12-97	5.008	2.672	3.703	1.975	17.00	1.70	66.310	4.716	12.232	540.000	-490.638	-492.618
12-98	11.177	5.961	8.262	4.406	17.00	1.70	147.943	10.521	14.400	.000	123.022	-384.469
12-99	22.239	11.859	16.439	8.766	17.00	1.70	294.365	20.938	14.400	.000	259.027	-177.453
12- 0	36.654	19.550	27.095	14.452	17.00	1.70	485.183	34.511	14.400	.000	436.272	139.641
12- 1	45.362	24.193	33.532	17.885	17.00	1.70	600.451	42.710	14.400	.000	543.341	498.701
12- 2	43.304	25.159	32.009	18.599	17.00	1.70	575.771	40.966	14.400	.000	520.405	811.449
12- 3	29.676	22.866	21.937	16.902	17.00	1.70	401.664	28.608	14.400	.000	358.656	1007.417
12- 4	21.461	15.669	15.864	11.582	17.00	1.70	289.376	20.603	14.400	.000	254.373	1133.760
12- 5	16.813	11.330	12.426	8.375	17.00	1.70	225.481	16.049	14.400	.000	195.032	1221.819
12- 6	13.818	8.877	10.213	6.560	17.00	1.70	184.775	13.151	14.400	.000	157.224	1286.351
12- 7	11.731	7.297	8.673	5.395	17.00	1.70	156.612	11.146	14.400	.000	131.066	1335.255
12- 8	10.188	6.191	7.529	4.576	17.00	1.70	135.773	9.662	14.400	.000	111.711	1373.146
12- 9	9.001	5.381	6.654	3.979	17.00	1.70	119.884	8.531	14.400	.000	96.953	1403.044
12-10	8.065	4.752	5.961	3.513	17.00	1.70	107.311	7.635	14.400	.000	85.276	1426.948
12-11	7.301	4.258	5.397	3.148	17.00	1.70	97.101	6.908	14.400	.000	75.793	1446.263
12-12	6.671	3.855	4.931	2.850	17.00	1.70	88.673	6.310	14.400	.000	67.963	1462.008
12-13	6.140	3.524	4.539	2.606	17.00	1.70	81.593	5.804	14.400	.000	61.389	1474.937
12-14	5.690	3.243	4.206	2.397	17.00	1.70	75.577	5.375	14.400	.000	55.802	1485.621
12-15	5.297	3.002	3.917	2.219	17.00	1.70	70.362	5.006	14.400	.000	50.956	1494.491
12-16	4.955	2.796	3.663	2.068	17.00	1.70	65.788	4.679	14.400	.000	46.709	1501.882
S TOT	320.551	192.435	236.950	142.253	17.00	1.70	4269.993	303.829	285.832	540.000	3140.332	1501.882
REM.	89.933	50.097	66.476	37.032	17.00	1.70	1193.069	84.875	527.768	.000	580.426	1542.132
TOTAL	410.484	242.532	303.426	179.285	17.00	1.70	5463.062	388.704	813.600	540.000	3720.758	1542.132

CUM.	.000	.000
ULT.	410.484	242.532

NET OIL REVENUES (M$)	5158.242
NET GAS REVENUES (M$)	304.820
TOTAL REVENUES (M$)	5463.062

BTAX RATE OF RETURN (PCT)	49.70
BTAX PAYOUT YEARS	3.00
BTAX PAYOUT YEARS (DISC)	3.31
BTAX NET INCOME/INVEST	7.89
BTAX NET INCOME/INVEST (DISC)	3.86

PROJECT LIFE (YEARS)	56.552
DISCOUNT RATE (PCT)	10.000
GROSS OIL WELLS	12.000
GROSS GAS WELLS	.000
GROSS WELLS	12.000

---------PRESENT WORTH PROFILE---------

DISC RATE	PW OF NET BTAX, M$	DISC RATE	PW OF NET BTAX, M$
.0	3720.758	30.0	382.048
2.0	2998.930	35.0	251.070
5.0	2276.778	40.0	147.466
8.0	1789.558	45.0	64.047
10.0	1542.132	50.0	-4.137
12.0	1337.036	60.0	-107.882
15.0	1087.244	70.0	-181.979
18.0	888.073	80.0	-236.778
20.0	776.371	90.0	-278.439
25.0	551.350	100.0	-310.874

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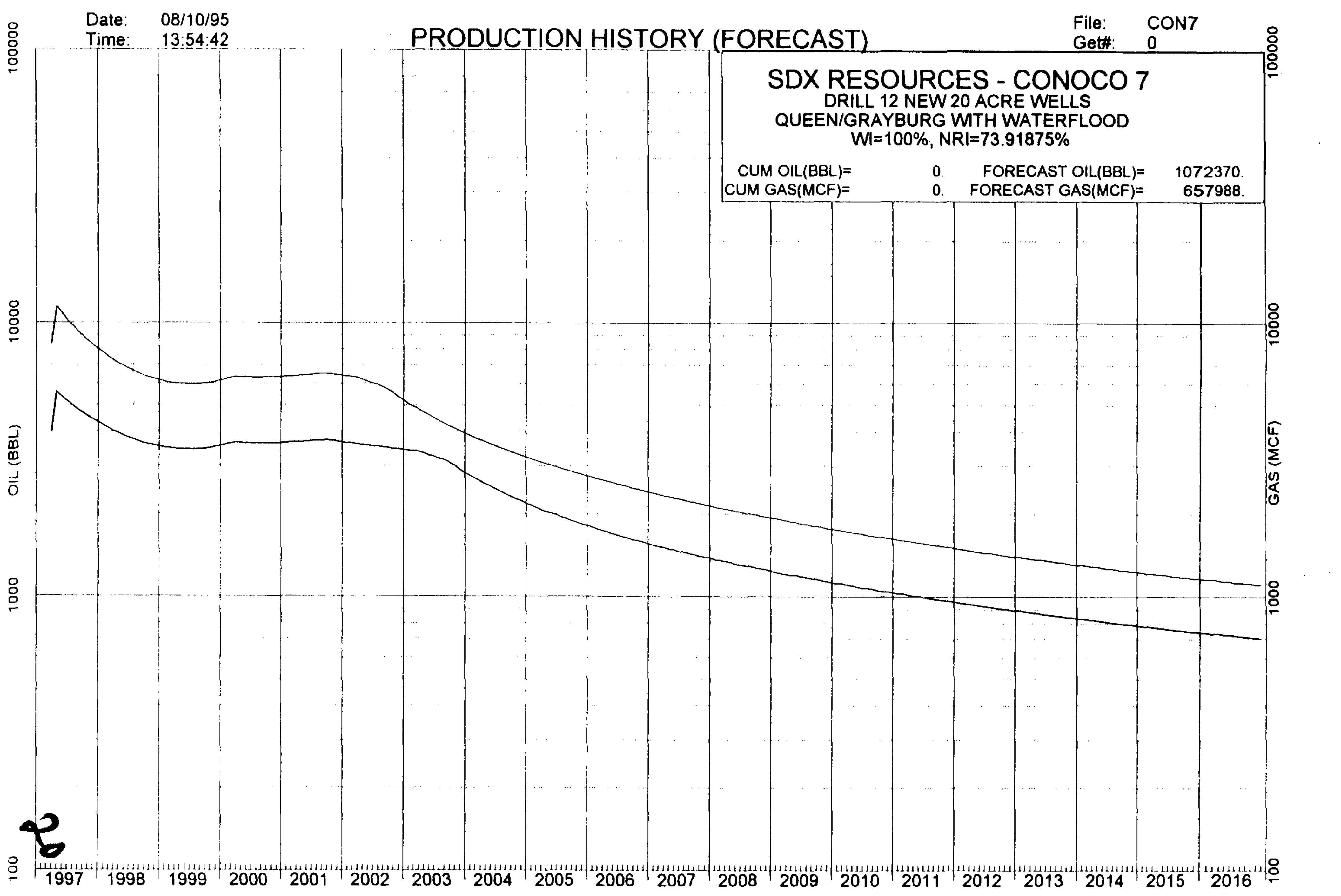
Date: 08/10/95
Time: 13:54:42
PRODUCTION HISTORY (FORECAST)
File: CON7
Get#: 0
SDX RESOURCES - CONOCO 7
DRILL 12 NEW 20 ACRE WELLS
QUEEN/GRAYBURG WITH WATERFLOOD
WI=100%, NRI=73.91875%
CUM OIL(BBL)= 0.
CUM GAS(MCF)= 0.
FORECAST OIL(BBL)= 1072370.
FORECAST GAS(MCF)= 657988.
OIL (BBL)
GAS (MCF)
100000
10000
1000
100
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
20