

Richardson Production Company

Pictured Cliffs and Pictured Cliffs/Fruitland Coal Well Economics

San Juan County, New Mexico

Economic Assumptions

	<u>Pictured Cliffs</u>	<u>Pictured Cliffs/Fruitland Coal</u>
Well Costs	\$194,568	\$222,618
WI, NRI	100%, 87.5%	100%, 87.5%
LOE	\$1,500/Well/Month	\$1,500/Well/Month
Water Disposal Cost	\$1.25/Bbl	\$1.25/Bbl
Gas Gath./Compression	\$0.40/MMbtu	\$0.40/MMbtu
Prod. Tax Rate	9.2%	9.2%
Water Prod. Forecast	65 BWPD Decl. @ 20%/Year	35 BWPD to 200 BWPD in 36 mos.. flat for 12 mos.. then Decl. @ 20%/Year
Gas Prod. Forecast	160 Mcfd Decl. @10%/Year	80 Mcfd to 330 Mcfd in 36 mos.. then Decl. @ 20%/Year
Reserves	450,000 Mcf	645,000 Mcf
Gas Price (1)	2002 - \$2.09 2003 - \$2.56 2004 - \$2.75 Thereafter - \$2.75	2002 - \$2.09 2003 - \$2.56 2004 - \$2.75 Thereafter - \$2.75
Escalations (2)	None	None

(1) - Gas price is based on the 36 month NYMEX price adjusted for basis differential.

- (2) – Operating costs are not escalated. However, the economic evaluations for the PC well show operating costs falling because water production (and thus the water disposal cost) is projected to decline with time. The FC/PC well shows increasing costs that subsequently drop because water production is projected to increase and then drop off with time. The only escalation applied to the gas prices are those reflected in the 36 month NYMEX. However, the NYEMX price at the end of the 36 months is held constant for the remainder of the producing life of the property.

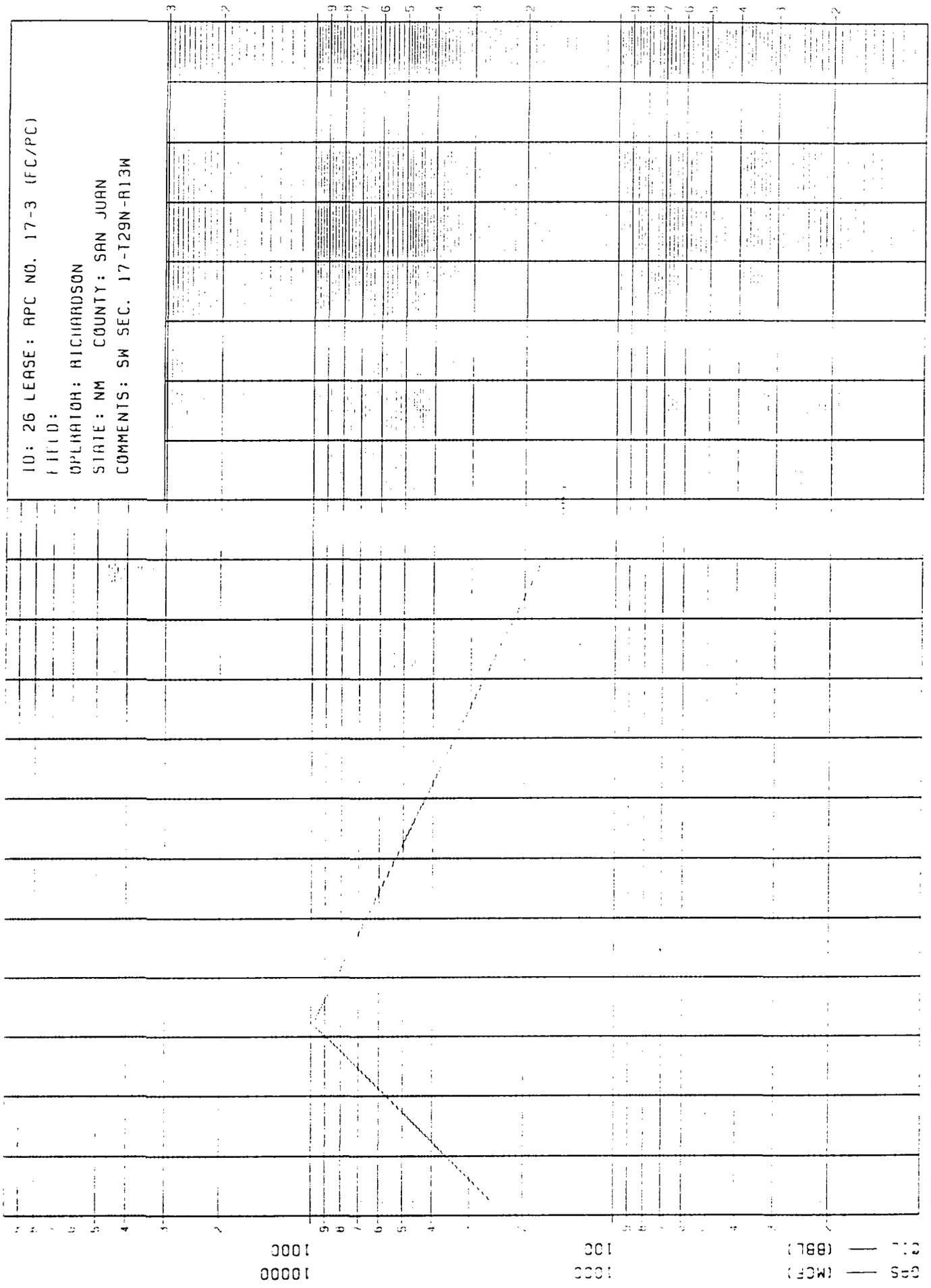
RICHARDSON PRODUCTION COMPANY
 ESTIMATED REMAINING RESERVES AND FUTURE NET INCOME
 36 MO. NYMEX PRICING THEN CONSTANT PRICES, CONSTANT COSTS -- RPC-01/02-LEASE

YEAR	WELL CNT	----GROSS PRODUCTION----		----NET PRODUCTION----		----PRICE----		-----SALES INCOME-----		
		BBL OIL	MCF GAS	BBL OIL	MCF GAS	OIL	GAS	OIL \$	GAS \$	TOTAL \$
2002	1	0	30,433	0	26,629	0.00	2.090	0	55,654	55,654
2003	1	0	55,690	0	48,729	0.00	2.560	0	124,746	124,746
2004	1	0	87,990	0	76,991	0.00	2.750	0	211,726	211,726
2005	1	0	108,971	0	95,350	0.00	2.750	0	262,211	262,211
2006	1	0	88,060	0	77,053	0.00	2.750	0	211,895	211,895
2007	1	0	70,448	0	61,642	0.00	2.750	0	169,516	169,516
2008	1	0	56,359	0	49,314	0.00	2.750	0	135,613	135,613
2009	1	0	45,087	0	39,451	0.00	2.750	0	108,490	108,490
2010	1	0	36,069	0	31,561	0.00	2.750	0	86,792	86,792
2011	1	0	28,856	0	25,249	0.00	2.750	0	69,434	69,434
2012	1	0	23,084	0	20,199	0.00	2.750	0	55,547	55,547
2013	1	0	14,230	0	12,451	0.00	2.750	0	34,240	34,240
2014	0	0	0	0	0	0.00	0.000	0	0	0
2015	0	0	0	0	0	0.00	0.000	0	0	0
2016	0	0	0	0	0	0.00	0.000	0	0	0
2017	0	0	0	0	0	0.00	0.000	0	0	0
TOT		0	645,277	0	564,617	0.00	2.702	0	1,525,864	1,525,864

YEAR	-----EXPENSES-----				----NET----	----OTHER----	-----NET CASH FLOW-----			
	TAXES	MKTG	OPER	TOTAL	OPER INCOME	COSTS	ANNUAL	CUMULATIVE	10.00 PCNT	DISCOUNTED
2002	5,120	10,651	30,412	46,184	9,470	222,618 C	-213,148	-213,148	-210,165	-210,165
2003	11,477	19,491	48,353	79,321	45,424	0	45,424	-167,724	39,362	-170,803
2004	19,479	30,797	69,904	120,179	91,547	0	91,547	-76,177	72,166	-98,637
2005	24,123	38,140	92,195	154,459	107,753	0	107,753	31,576	77,743	-20,894
2006	19,494	30,821	88,068	138,383	73,512	0	73,512	105,088	48,196	27,302
2007	15,595	24,657	74,338	114,590	54,926	0	54,926	160,014	32,736	60,038
2008	12,476	19,725	63,070	95,272	40,341	0	40,341	200,355	21,862	81,899
2009	9,981	15,780	54,056	79,818	28,673	0	28,673	229,027	14,130	96,030
2010	7,985	12,624	46,845	67,454	19,338	0	19,338	248,365	8,668	104,698
2011	6,388	10,099	41,076	57,563	11,870	0	11,870	260,236	4,842	109,540
2012	5,110	8,080	36,461	49,651	5,896	0	5,896	266,132	2,192	111,733
2013	3,150	4,980	24,879	33,010	1,230	0	1,230	267,362	423	112,155
2014	0	0	0	0	0	0	0	267,362	0	112,155
2015	0	0	0	0	0	0	0	267,362	0	112,155
2016	0	0	0	0	0	0	0	267,362	0	112,155
2017	0	0	0	0	0	0	0	267,362	0	112,155
TOT	140,379	225,847	669,657	1,035,883	489,980	222,618	267,362	267,362	112,155	112,155

PCNT DSCNT	\$ VALUE	BBL OIL	MCF GAS	EFFECTIVE DATE: FEBRUARY 1, 2002
0.00	267,362	0	645,277	LEASE ID: 26
5.00	178,178	0	0	LEASE NAME: RPC NO. 17-3 (FC/PC)
10.00	112,155	0	0	WELL NAME:
12.00	90,529	0	645,277	STATE: NEW MEXICO
15.00	62,130	0	564,617	COUNTY: SAN JUAN
18.00	37,789	0.000	0.000	FIELD:
20.00	23,456	0.000	0.000	OPERATOR: RICHARDSON
25.00	-6,969	INTERESTS		RES CAT: PROVED UNDEVELOPED NONPRODUCING
30.00	-31,274	YR MO OILINT GASINT WORKINT TANGINT INTANGINT		ECON LIMIT: 1309
35.00	-50,950	2 2 0.875000 0.875000 1.000000 1.000000 1.000000		RESERVOIR: FRUITLAND COAL/PC
40.00	-67,067			
ROR:	23.85	ROI: 1.20		
PAYOUT:	3.58	EROI: 2.20		
SW SEC.	17-T29N-R13W			

ID: 26 LEASE: APC NO. 17-3 (FC/PC)
 FIELD:
 OPERATOR: RICHARDSON
 STATE: NM COUNTY: SAN JUAN
 COMMENTS: SW SEC. 17-T29N-R13W



2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

269 — (MCF)
 100 — (BBL)

10000
 1000