SINCLAIR OIL & GAS COMPANY

OIL RESERVE AND ECONOMIC DATA
VACUUM, NORTH (DEVONIAN) POOL, LEA COUNTY, NEW MEXICO

I. Data used in calculating oil reserves for an average well:
1. Average effective porosity, 3.07% (from the core analysis on Sinclair's State Lea 403, Well No. 5.)
2. Average connate water saturation, 40% (estimated from the core analysis on Sinclair's State Lea 403, Well No. 5.)
3. Formation volume factor, 1.24 barrels of reservoir oil per barrel of stock tank oil (from the reservoir fluid sample from Sinclair's State Lea 403, Well No. 4.)
4. Average net effective pay thickness, 37 feet (Average perforated interval of seven wells.)
5. Estimated recovery efficiency, 50% of original oil in place (water drive).

II. Recoverable Oil Reserve:
1. Oil in place, 115 barrels per acre-foot.
2. Recoverable reserve, 57.5 barrels per acre-foot.
3. Recoverable reserve, 2,130 barrels per acre.
4. 40 acre oil recovery, 85,000 barrels.
5. 80 acre oil recovery, 170,000 barrels.

III. Economics of 40 and 80 acre spacing:
1. Gross sale price per barrel of oil, $3.01

	40 acres	80 acres
2. Gross value of recoverable reserve	$256,000	$512,000
3. Charges against well:		
Royalty (1/8)	$32,000	$64,000
Direct Taxes (6%)	$15,370	$30,740
Operating costs (Avg. for life, 40¢ per bbl.)	$34,000	$68,000
Cost of drilling & equipping a well	$242,000	$242,000
Total Costs	$323,370	$404,740
Net profit or loss to operator	-$67,370	$107,260