

## EXHIBIT VII

BEFORE FEDERAL INCOME TAX

OIL COMPANY

Baruch-Foster 7

CASE NO. 9104

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 \* OIL AND GAS LEASE ECONOMIC ANALYSIS \*  
 \* \* \* \* BEFORE FEDERAL INCOME TAX \* \* \* \*

Baruch Foster  
 Hardship Case

Little Jewel No. 1  
 South Carlsbad Morrow  
 Eddy, NM  
 Baruch Foster

AS OF January 1, 1987

| YEAR    | ---GROSS PRODUCTION--- |           | ---NET PRODUCTION--- |           | OIL  | GAS  | NET OPER           | SEV+ADV  | NET OPER | TOTAL     | CASH FLOW | DISC CASH |
|---------|------------------------|-----------|----------------------|-----------|------|------|--------------------|----------|----------|-----------|-----------|-----------|
| END     | OIL, MMBL              | GAS, MMCF | OIL, MMBL            | GAS, MMCF | \$/B | \$/M | REVENUE            | +WPT TAX | EXPENSE  | INVT(M\$) | M\$       | FLOW@ 10% |
|         |                        |           |                      |           |      |      | INITIAL INVESTMENT |          |          | 0.000     | 0.000     | 0.000     |
| 2 87    | 0.000                  | 110.82    | 0.000                | 77.57     | 0.00 | 1.30 | 100.84             | 15.126   | 42.000   | 0.000     | 43.716    | 39.741    |
| 2 88    | 0.000                  | 95.30     | 0.000                | 66.71     | 0.00 | 1.30 | 86.72              | 13.009   | 44.520   | 0.000     | 29.195    | 24.128    |
| 2 89    | 0.000                  | 81.96     | 0.000                | 57.37     | 0.00 | 1.30 | 74.58              | 11.187   | 47.191   | 0.000     | 16.204    | 12.174    |
| 2 90    | 0.000                  | 70.48     | 0.000                | 49.34     | 0.00 | 1.36 | 67.35              | 10.102   | 50.023   | 0.000     | 7.223     | 4.934     |
| 2 91    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 92    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 93    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 94    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 95    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 96    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 97    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 98    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 99    | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 100   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 101   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 102   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 103   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 104   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 105   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| 2 106   | 0.000                  | 0.00      | 0.000                | 0.00      | 0.00 | 0.00 | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| SUBTOTL | 0.000                  | 358.56    | 0.000                | 250.99    |      |      | 329.50             | 49.425   | 183.734  | 0.000     | 96.338    | 80.978    |
| AFTER   | 0.000                  | 0.00      | 0.000                | 0.00      |      |      | 0.00               | 0.000    | 0.000    | 0.000     | 0.000     | 0.000     |
| TOTAL   | 0.000                  | 358.56    | 0.000                | 250.99    | 0.00 | 1.31 | 329.50             | 49.425   | 183.734  | 0.000     | 96.338    | 80.978    |

INITIAL WORKING INTEREST 100.000000 %  
 INITIAL NET GAS INTEREST 70.000000 %  
 INITIAL NET OIL INTEREST 0.000000 %

NET PRESENT VALUE AT 10 % 80.978 M\$  
 15 % 74.874 M\$  
 20 % 69.565 M\$  
 25 % 64.913 M\$  
 30 % 60.807 M\$

FINAL WORKING INTEREST 100.000000 %  
 FINAL NET GAS INTEREST 70.000000 %  
 FINAL NET OIL INTEREST 0.000000 %

TOTAL GAS REVENUE 329.497 M\$  
 TOTAL OIL REVENUE 0.000 M\$

Baruch Foster  
Hardship Case

Little Jewel No. 1  
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Eddy, NM  
Baruch Foster

AS OF January 1, 1987

|      |        |          |                  |       |             |
|------|--------|----------|------------------|-------|-------------|
| LIFE | YR END | FIRST YR | MONTHS IN YR ONE | DSCNT | WORKING INT |
| 20   | 12     | 87       | 12               | 2     | 100.0000000 |

|         |    |    |    |    |
|---------|----|----|----|----|
| PRIMARY | %  | %  | %  | %  |
| 10      | 15 | 20 | 25 | 30 |

|                |                  |               |
|----------------|------------------|---------------|
| TANGIBLE INVST | INTANGIBLE INVST | SALVAGE VALUE |
| 0.00           | 0.00             | 0.00          |

|     |       |       |      |           |
|-----|-------|-------|------|-----------|
| GAS | PRICE | PROD. | TAX  | NI        |
| 1   | 2     | 3     | 15.0 | 70.000000 |

|     |       |       |     |          |
|-----|-------|-------|-----|----------|
| OIL | PRICE | PROD. | TAX | NI       |
| 0   | 0     | 0     | 0.0 | 0.000000 |

|           |           |            |                |
|-----------|-----------|------------|----------------|
| TYPE OPEX | TYPE OPEX | ESCALATION | ECONOMIC LIMIT |
| 2         | 2         |            | 1              |

|        |                |                   |
|--------|----------------|-------------------|
| REVRSN | RISKED RESULTS | WINDFALL CATEGORY |
| 0      | 0              | 0                 |

OPEX ESCALATION 6 %  
MONTHLY OPERATING EXP 3.5 M\$

GAS PRICE 1.300 ESCALATION 5 % MAXIMUM 5.000 FLAT FOR 3 YRS

INITIAL GAS RATE 10000 MCF/MONTH  
DECLINE RATE YEAR TO BEGIN  
14 % 0

YEARLY GAS PRODUCTION - MMCF

|          |          |          |          |          |          |          |          |
|----------|----------|----------|----------|----------|----------|----------|----------|
| 110.8153 | 95.30117 | 81.959   | 70.48473 | 60.61688 | 52.13052 | 44.83225 | 38.55573 |
| 33.15793 | 28.51582 | 24.52361 | 21.0903  | 18.13766 | 15.59839 | 13.41462 | 11.53657 |
| 9.921449 | 8.532447 | 7.337905 | 6.310598 |          |          |          |          |

YEAR END DISCOUNTING