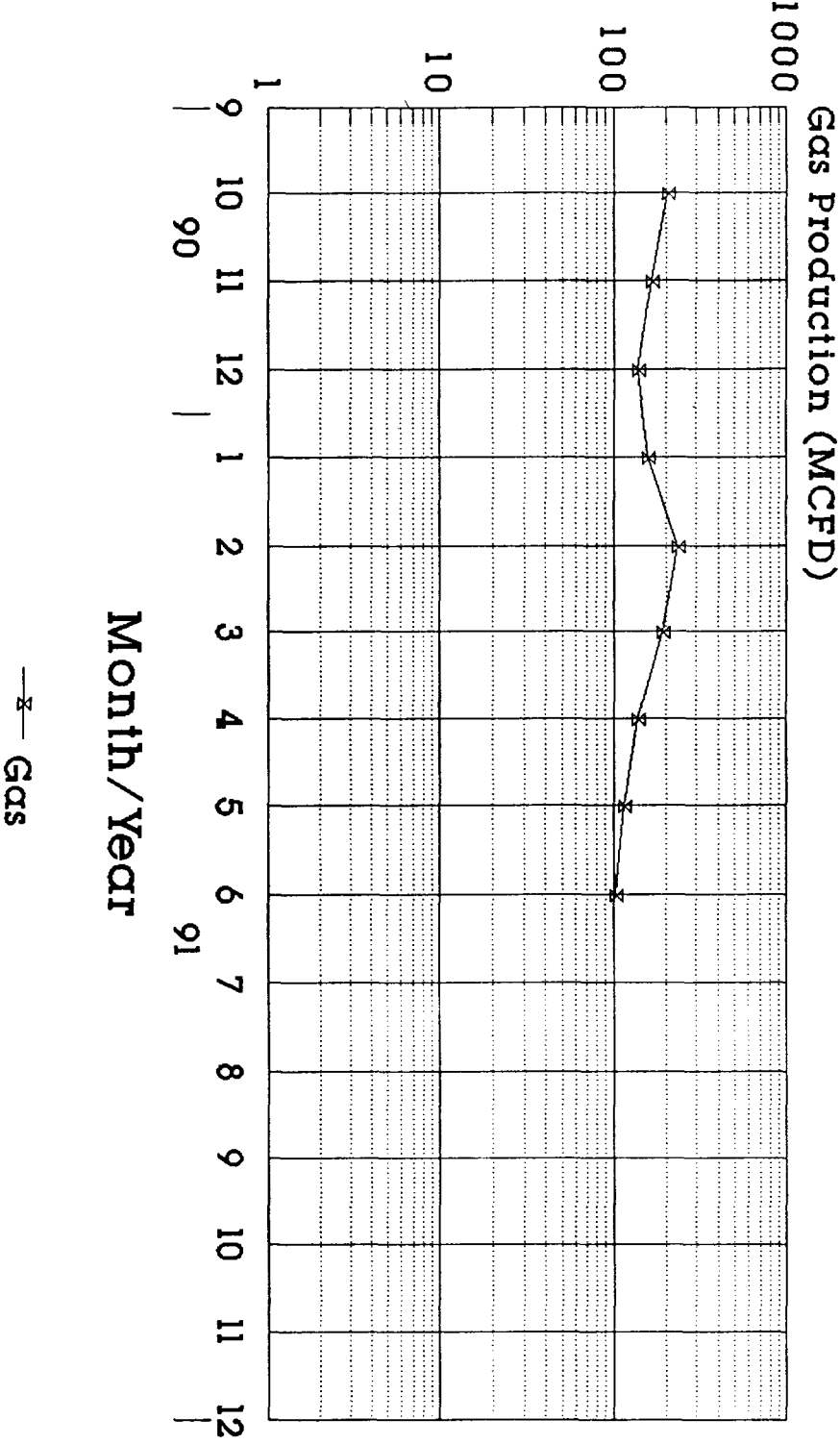


RINCON UNIT #274

RIO ARRIBA COUNTY, NEW MEXICO



Production based on actual days on

UNOCAL North American Oil & Gas Division
Economic Report Summary

REGION: Southwestern DISTRICT: Farmington CNTYSTATE: New Mexico

PROJECT NAME: RINCON U. #274 - FT TAXCR LOCATION:

BUDGET CATEGORY: EFFECTIVE DATE: FEB 0

BUDGET PRIORITY: PROPOSED BY :

IDENTIFICATION				PROFIT INDICES			PRESENT WORTH PROFILE		
					BTAX	ATAX			
FIELD	:	BASIN FRUITLAND COAL		PROFIT TO INV (P/I):	----	----	DISCOUNT	BTAX	ATAX
LSE/BLOCK	:			UNDISCOUNTED	-0.42	0.35	RATE (%)	(M\$)	(M\$)
FORMATION	:	FRUITLAND COAL		DISC @ 10.0%	-0.63	-0.02	-----	-----	-----
TOTAL DEPTH:				DISC @ 15.0%	-0.69	-0.13	0.0	-127.	109.
OPERATOR	:	Unocal		INV EFF RATIO (IER):			5.0	-168.	39.
AFE #	:			UNDISCOUNTED	-0.42	0.44	10.0	-193.	-7.
LIFE (YRS)	:	31.9		DISC @ 10.0%	-0.63	-0.03	15.0	-208.	-39.
				DISC @ 15.0%	-0.69	-0.16	20.0	-219.	-62.
							25.0	-226.	-80.
WI		ORI	GRI	DATE					
100.00000		80.99870	80.99870	JUL 1990	PAYOUT (YEARS)	*	6.3		
					RATE OF RETURN (%)	-1000.0	9.1	DISCOUNT DATE : JUL 1990	
				DISCOUNT METHOD: EFFECTIVE MON					

GLOBAL FILE: \$UNOCAL1
EVALUATION #29 IN PROJECT FILE "P.A. " 09/25/91 11:28:49
10 IDENT "30 25 U091205
20 DATES JUL 1990 JUL 1990 OCT 1990
30 NAME "RINCON U. #274 - FT TAXCR "
40 FIELD "BASIN FRUITLAND COAL "
50 CNTYSTATE "NEW MEXICO "
60 FORMATION "FRUITLAND COAL "
70 OPERATOR "UNOCAL "
80 ECONOMICS ELIM
90 OWNERSHIP 1. 0.809987
120 COMMENT "PROD DECLINE BASED ON AVG WELL CASE "
130 COMMENT "FIRST 9 MONTHS = ACTUAL PROD. "
140 GPROD P MON 6.288 4.949 4.245 4.835 5.826 5.912 2.752 3.569 3.063
150 GPROD * EXP * * * 60. 3.
160 GPROD * EXP * * * 28. 14.
170 GPROD * EXP * * * 10. 25.
180 GPROD * EXP * * * 7. 36.
190 GPROD * EXP * * * 5.
210 TAN I MON 92100. 0. 0. 0.
220 INTAN I MON 214900. 0.
230 COMMENT "FIRST 9 MONTHS = ACTUAL GAS PRICES "
240 PRGAS P MON 1.27 1.61 1.66 1.45 0.95 0.75 0.74 0.73 0.76
260 PRGAS * CON 1.2
290 FACTOR 1.18 PRGAS
310 LOETOT P CON 300.
320 AVALPS * CON 3.5
*** START OF INSERT FILE C1-TAX
10 COMMENT "ASSUMES CONSTANT TAX CREDIT "
20 COMMENT "\$.84 1990, \$.92 1991-2003 "
30 TEMP1 * CON 0.
40 CADD TEMP1 GPROD
50 FACTOR 1000. TEMP1
60 FACTOR 1.18 TEMP1
70 TEMP5 JAN 1990 CON 0.84
80 TEMP5 JAN 1991 CON 0.92
90 TEMP5 JAN 2003 CON 0.
100 CADD TEMP2 TEMP1
110 CFACTOR TEMP5 TEMP2
120 FACTOR 0.809987 TEMP2
130 CADD TAXCR TEMP2
140 FACTOR 0.001 TEMP2
*** END OF INSERT FILE

GLOBAL FILE: \$UNOCAL2

NAME : RINCON U. #274 - FT TAXCR
FIELD : BASIN FRUITLAND COAL
CNTY, STATE: NEW MEXICO
FORMATION : FRUITLAND COAL
OPERATOR : UNOCAL

	GROSS PROD OIL + COND	NET VOLUME OIL + COND	GROSS GAS PRODUCTION	NET GAS VOLUME	NET EQ PROD (RE: BOE)	EFFECTIVE O+C PRICE	NET REV OIL + COND	EFFECTIVE GAS PRICE	NET GAS REVENUE	NET TOTAL REVENUE
	---MBBLS---	---MBBLS---	---MMCF---	---MMCF---	---EMMBLS---	---\$/BBL---	---M\$---	---\$/MCF---	---M\$---	---M\$---
(6MO)1990	0.0	0.0	15.5	12.5	2.1	0.00	0.0	1.75	22.0	22.0
1991	0.0	0.0	41.2	33.4	5.6	0.00	0.0	1.21	40.4	40.4
1992	0.0	0.0	23.0	18.6	3.1	0.00	0.0	1.42	26.3	26.3
1993	0.0	0.0	18.7	15.2	2.5	0.00	0.0	1.42	21.5	21.5
1994	0.0	0.0	16.9	13.7	2.3	0.00	0.0	1.42	19.4	19.4
1995	0.0	0.0	15.4	12.5	2.1	0.00	0.0	1.42	17.7	17.7
1996	0.0	0.0	14.4	11.6	1.9	0.00	0.0	1.42	16.5	16.5
1997	0.0	0.0	13.3	10.8	1.8	0.00	0.0	1.42	15.3	15.3
1998	0.0	0.0	12.5	10.2	1.7	0.00	0.0	1.42	14.4	14.4
1999	0.0	0.0	11.9	9.7	1.6	0.00	0.0	1.42	13.7	13.7
2000	0.0	0.0	11.3	9.2	1.5	0.00	0.0	1.42	13.0	13.0
2001	0.0	0.0	10.8	8.7	1.5	0.00	0.0	1.42	12.3	12.3
2002	0.0	0.0	10.2	8.3	1.4	0.00	0.0	1.42	11.7	11.7
2003	0.0	0.0	9.7	7.9	1.3	0.00	0.0	1.42	11.1	11.1
2004	0.0	0.0	9.2	7.5	1.2	0.00	0.0	1.42	10.6	10.6
SUB TOTAL	0.0	0.0	234.1	189.6	31.6	0.00	0.0	1.40	265.8	265.8
REMAINDER	0.0	0.0	103.5	83.8	14.0	0.00	0.0	1.42	118.7	118.7
TOT 31.9 YR	0.0	0.0	337.6	273.4	45.6	0.00	0.0	1.41	384.5	384.5

	NET LOE (FIX + VAR)	NET WORKOVR EXP	NET TOTAL DIRECT EXP	NET TOTAL TAXES	NET ADMIN EXPENSE	NET TOTAL INVESTMENT	BTAX CASHFLOW	INCOME TAXES PAID	ATAX CASHFLOW	CUM ATAX CASHFLOW
	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
(6MO)1990	0.9	0.0	0.9	2.8	0.3	307.0	-289.0	-69.0	-220.0	-220.0
1991	3.6	0.0	3.6	6.6	1.1	0.0	29.1	-38.6	67.7	-152.3
1992	3.6	0.0	3.6	3.9	1.1	0.0	17.8	-24.5	42.2	-110.1
1993	3.6	0.0	3.6	3.2	1.1	0.0	13.7	-20.6	34.2	-75.8
1994	3.6	0.0	3.6	2.8	1.1	0.0	11.8	-18.4	30.2	-45.6
1995	3.6	0.0	3.6	2.6	1.1	0.0	10.4	-16.4	26.8	-18.8
1996	3.6	0.0	3.6	2.4	1.1	0.0	9.4	-12.2	21.5	2.7
1997	3.6	0.0	3.6	2.2	1.1	0.0	8.4	-10.1	18.5	21.2
1998	3.6	0.0	3.6	2.1	1.1	0.0	7.6	-8.1	15.7	37.0
1999	3.6	0.0	3.6	2.0	1.1	0.0	7.0	-7.8	14.8	51.8
2000	3.6	0.0	3.6	1.9	1.1	0.0	6.4	-7.5	13.9	65.7
2001	3.6	0.0	3.6	1.8	1.1	0.0	5.8	-7.2	13.1	78.8
2002	3.6	0.0	3.6	1.7	1.1	0.0	5.3	-7.0	12.3	91.1
2003	3.6	0.0	3.6	1.6	1.1	0.0	4.8	-1.8	3.0	94.0
2004	3.6	0.0	3.6	1.6	1.1	0.0	4.3	1.6	2.7	96.7
SUB TOTAL	51.3	0.0	51.3	39.3	15.4	307.0	-147.2	-243.9	96.7	96.7
REMAINDER	62.7	0.0	62.7	17.4	18.9	0.0	19.7	7.5	12.2	109.0
TOT 31.9 YR	114.0	0.0	114.0	56.7	34.3	307.0	-127.5	-236.4	109.0	109.0

NAME : RINCON U. #274 - FT TAXCR
FIELD : BASIN FRUITLAND COAL
CNTY, STATE: NEW MEXICO
FORMATION : FRUITLAND COAL
OPERATOR : UNOCAL

	GROSS TOTAL INVESTMENT	TOTAL GROSS OPER EXP	NUMBER GROSS WELLS	NET NGL VOLUME	EFFECTIVE NGL PRICE	NET NGL REVENUE	NET SULPHUR	NET PLANT OPER EXP	NET TRANS +TREAT+COMP	NET ABAND & SALVAGE
	-----M\$-----	-----M\$-----	-----	-----MBBLS-----	-----\$/BBL-----	-----M\$-----	-----M-TONS-----	-----M\$-----	-----M\$-----	-----M\$-----
(6MO)1990	307.0	0.9	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1991	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1992	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1993	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1994	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1995	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1996	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1997	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1998	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
1999	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
2000	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
2001	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
2002	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
2003	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
2004	0.0	3.6	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
SUB TOTAL	307.0	51.3	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
REMAINDER	0.0	62.7	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
TOT 31.9 YR	307.0	114.0	1.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0

	NET LEASEHOLD	NET DRY HOLE	NET DRILLING	NET COMPLETION	NET FACILITIES	NET PLATFORM	NET PIPELINE	TAX DEPREC	TAX DEPLETION	IDC AMORT
	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----	-----M\$-----
(6MO)1990	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.2	0.0	3.2
1991	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.6	0.0	12.9
1992	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.1	0.0	12.9
1993	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.5	0.0	12.9
1994	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.2	0.0	12.9
1995	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.2	0.0	9.7
1996	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.2	0.0	0.0
1997	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.1	0.0	0.0
1998	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1999	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2001	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2002	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2003	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2004	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SUB TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	92.1	0.0	64.5
REMAINDER	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOT 31.9 YR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	92.1	0.0	64.5

NAME : RINCON U. #274 - FT TAXCR
FIELD : BASIN FRUITLAND COAL
CNTY, STATE: NEW MEXICO
FORMATION : FRUITLAND COAL
OPERATOR : UNOCAL

	TEMP #1	TEMP #2	TEMP #5	TEMP #6	NET CREDITS INPUT
	-----M\$-----				
(6MO)1990	18268.8	12.4	0.840	0.000	12.4
1991	48598.5	36.2	0.920	0.000	36.2
1992	27099.7	20.2	0.920	0.000	20.2
1993	22120.2	16.5	0.920	0.000	16.5
1994	19908.2	14.8	0.920	0.000	14.8
1995	18209.1	13.6	0.920	0.000	13.6
1996	16934.5	12.6	0.920	0.000	12.6
1997	15749.0	11.7	0.920	0.000	11.7
1998	14801.6	11.0	0.920	0.000	11.0
1999	14061.6	10.5	0.920	0.000	10.5
2000	13358.5	10.0	0.920	0.000	10.0
2001	12690.6	9.5	0.920	0.000	9.5
2002	12056.0	9.0	0.920	0.000	9.0
2003	11453.2	0.0	0.000	0.000	0.0
2004	10880.6	0.0	0.000	0.000	0.0
SUB TOTAL	276190.0	188.0	0.917	0.000	188.0
REMAINDER	122120.2	0.0	0.000	0.000	0.0
TOT 31.9 YR	398310.3	188.0	0.917	0.000	188.0

APPLICATION TO EXPAND THE BASIN FRUITLAND COAL GAS PARTICIPATING AREA
- RINCON UNIT - RIO ARriba COUNTY, NEW MEXICO

Duane Spencer
Chief of Reservoir Management
Bureau of Land Management - Minerals Division
1235 La Plata Highway
Farmington, New Mexico 87401

Union Oil Company of California, as unit operator of the Rincon Unit, respectfully submits for your approval the following described lands to constitute expansion to the participating area for the Basin Fruitland Coal Gas producing formation, to wit:

TOWNSHIP 27 NORTH, RANGE 7 WEST, N.M.P.M.

Section 26:

Containing 640 acres, more or less


In support of this application, and in addition to the geologic and engineering reports, the following are attached:

- 1) Structure Top - Basin Fruitland Coal Gas Formation
- 2) Basin Fruitland Coal Gas Formation Gross Isopach
- 3) Type Log
- 4) Land Map - Rincon Unit
- 5) Rincon Unit #286 Fruitland Coal Gas Production Decline Curve
- 6) Rincon Unit #286 Fruitland Coal Gas Economics
- 7) Schedule of Lands and Working Interest Ownership in the expansion to the Basin Fruitland Coal Gas Participating Area (Participation Allocation Formula)
- 8) Applicant's Statement and Affidavit

This application is predicated on nine^{months} of actual production history from the Rincon Unit #286 well which first delivered on October 18, 1990.

Applicant respectfully requests your approval of the hereinabove selection of lands to constitute the expansion to the Basin Fruitland Coal Gas Formation participating area, to be effective October 1, 1990.

Dated this 27th day of September, 1991.



Bill Hering
District Petroleum Engineer
Union Oil Company of California

Well Summary

Well Name: Rincon Unit #286
Location: 1375'FSL, 790'FWL, Sec 26, T27N, R7W
Elevation: 6705' GL
Total Depth: 3126'
Lease Number: SF-080385
Pool/Formation: Basin Fruitland Coal Gas
Spud Date: 8-14-90
Completion Date: 8-31-90
1st Delivery Date: 10-18-90
Perf'd Interval: 2977-2989, 3017-3024, 3049-3066.

Geologic Summary

The Fruitland Formation was deposited in a coastal plain environment landward of the Pictured Cliffs strandline. It consists of shales, siltstones, sandstones and coal. The coals were deposited in low-lying areas such as lagoons, swamps and bayous behind the barrier islands, bars, and beaches of the Pictured Cliffs sandstone. The coal is best developed in the basal Fruitland, and extends aurally over the entire basin with the exception of a small region on the eastern margin. Net coal varies from 20 to 80 feet thick with the thickest sections being in the north-central part of the basin. The Rincon Unit coals range in thickness from 30 to 70 feet and in some areas of the unit are split into an upper and a basal coal zone. The coal itself is considered High Volatile C Bituminous in rank. Regional dip is 1 to 2 degrees to the northeast, and structure does not appear to be a factor in natural gas entrapment anywhere in the area of the unit.

Engineering Summary

The Rincon Unit #286 was drilled and completed by Union Oil Company of California as a Basin Fruitland Coal Gas producer in 1990. Surface pipe measuring 8-5/8" was set at 355 feet and cemented with 300 sacks to surface. Production casing measuring 4-1/2" was then set at 3121 feet and cemented in two stages to surface with 625 sacks cement. After drilling out to PBTD of 3118' the upper and lower coal zones were perforated from 2977'-3066' with 4 shots per foot and fracture stimulated with 240,000# 20/40 sand, 892,815 SCF N₂ and 25,200 gallons cross-linked gel water. The recorded initial potential and 24 hour shut-in pressure were 594 MCFD and 370 psi, respectively. The well was first delivered to the El Paso Natural Gas pipeline system on October 18, 1990. The current deliverability for the well against a 150# line pressure is 94 MCFD.

Volumetrics calculated on the below-listed parameters yields a recoverable gas volume of 0.39 Bcf.

Net Pay: 46 ft
Drainage area: 160 acres
Gas Content: 170 SCF/ton
Tonnage Factor: 1833 tons/acre-feet (from density log)
Recovery Factor: 17%

Economics

Completion Cost: \$258,000
Royalty Burden: 19.00%
Gas Price: \$1.20/MMBTU
Operating Cost: \$300/month
Tax Credit: \$0.84/MMBTU 1990, \$0.92/MMBTU 1991-2003.
Production Rate: Maximum - 240 MCFD, Current - 78 MCFD,
No associated water production

Economics based on the above are attached. Given the investment cost to complete this well payout should occur in 5.9 years. Compared with net total revenue this Basin Fruitland Coal Gas well produces in economic quantities above operating costs.

STATE OF NEW MEXICO

COUNTY OF SAN JUAN

APPLICANT'S STATEMENT AND AFFIDAVIT

BEFORE ME, the undersigned authority on this day personally appeared Bill Hering, District Petroleum Engineer, known to me to be the person whose name is subscribed to this instrument, who, having been by me first duly sworn, upon oath states as follows:

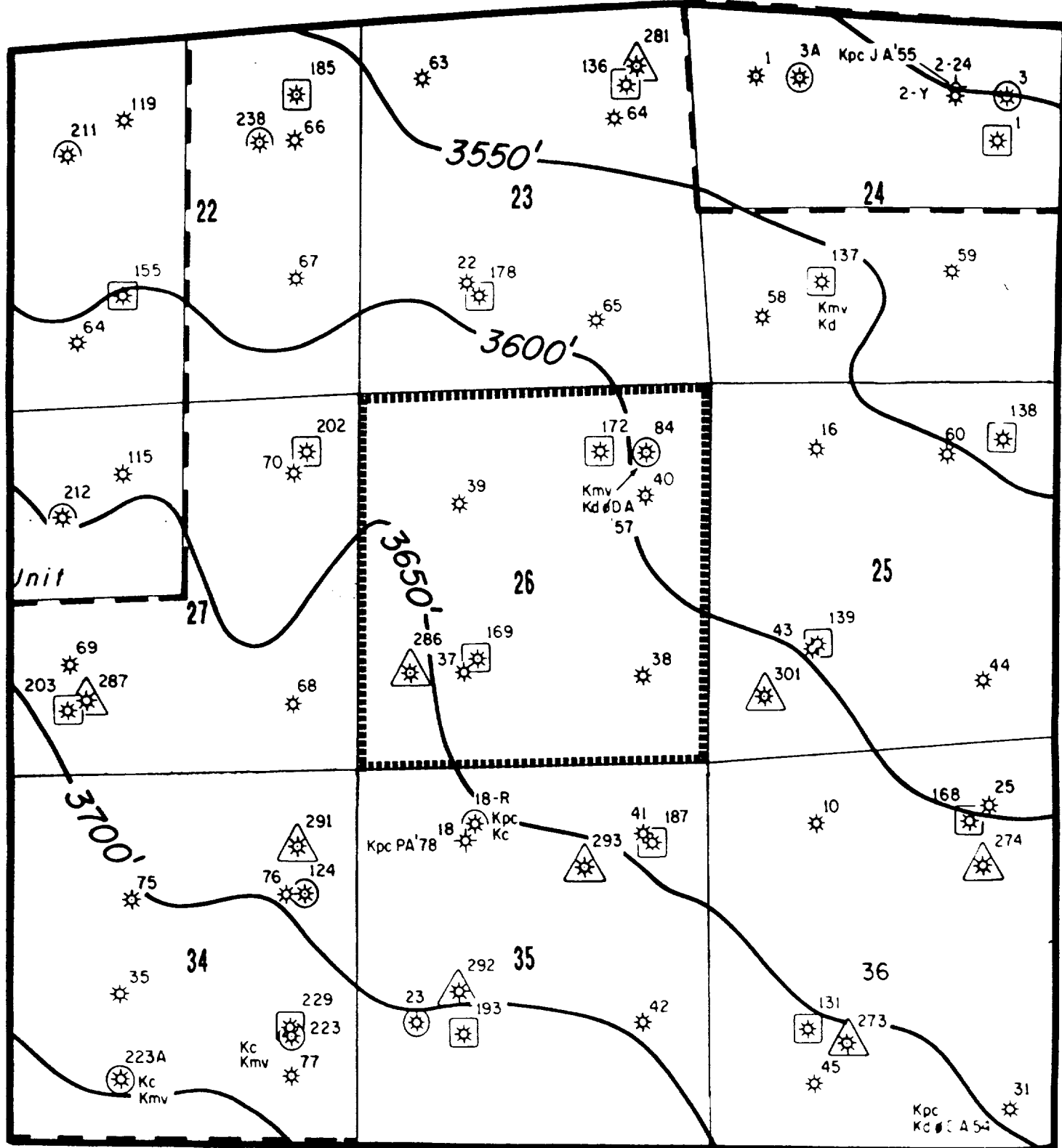
- 1) That this Statement and Affidavit is made concerning this application for expansion to the Basin Fruitland Coal Gas participating area in the Rincon Unit, in Section 26, T27N-R7W, comprising 640 acres.
- 2) That to the best of his information, knowledge and belief, the information supplied is true.
- 3) That notice of this application has been mailed or delivered to the Rincon Unit working interest owners in accordance with the unit agreement and the unit operating agreement.
- 4) That he certifies that the information and data contained in the application are true and correct and that all copies of records or summaries of such records relied upon in the application are true, correct and authentic copies of documents on file in the offices of Union Oil Company of California.
- 5) That he is of lawful age, that he is a responsible official of Union, that he is duly authorized to make this Statement and Affidavit on behalf of Union, that he has knowledge of the facts contained herein, that this Statement and Affidavit is true and correct, and that he adopts the allegations herein as his sworn statement.

SUBSCRIBED AND SWORN TO before me, this undersigned authority, on this day of Sept. 27, 1991.










Jordan K. Liss
Notary Public in and for
San Juan County, New Mexico


My Commission Expires:

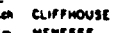
6/12/94




PRODUCING INTERVAL

	FARMINGTON	EFm	
	KIRTLAND	EL	
	FRUITLAND	KF	
	PICTURED CLIFFS	Kpc	
	CHACRA	Kc	
	LA VENTANA	Kiv	
	MESAVERDE	Kmv	
	GALLUP	Kgl	
	DAKOTA	Kd	



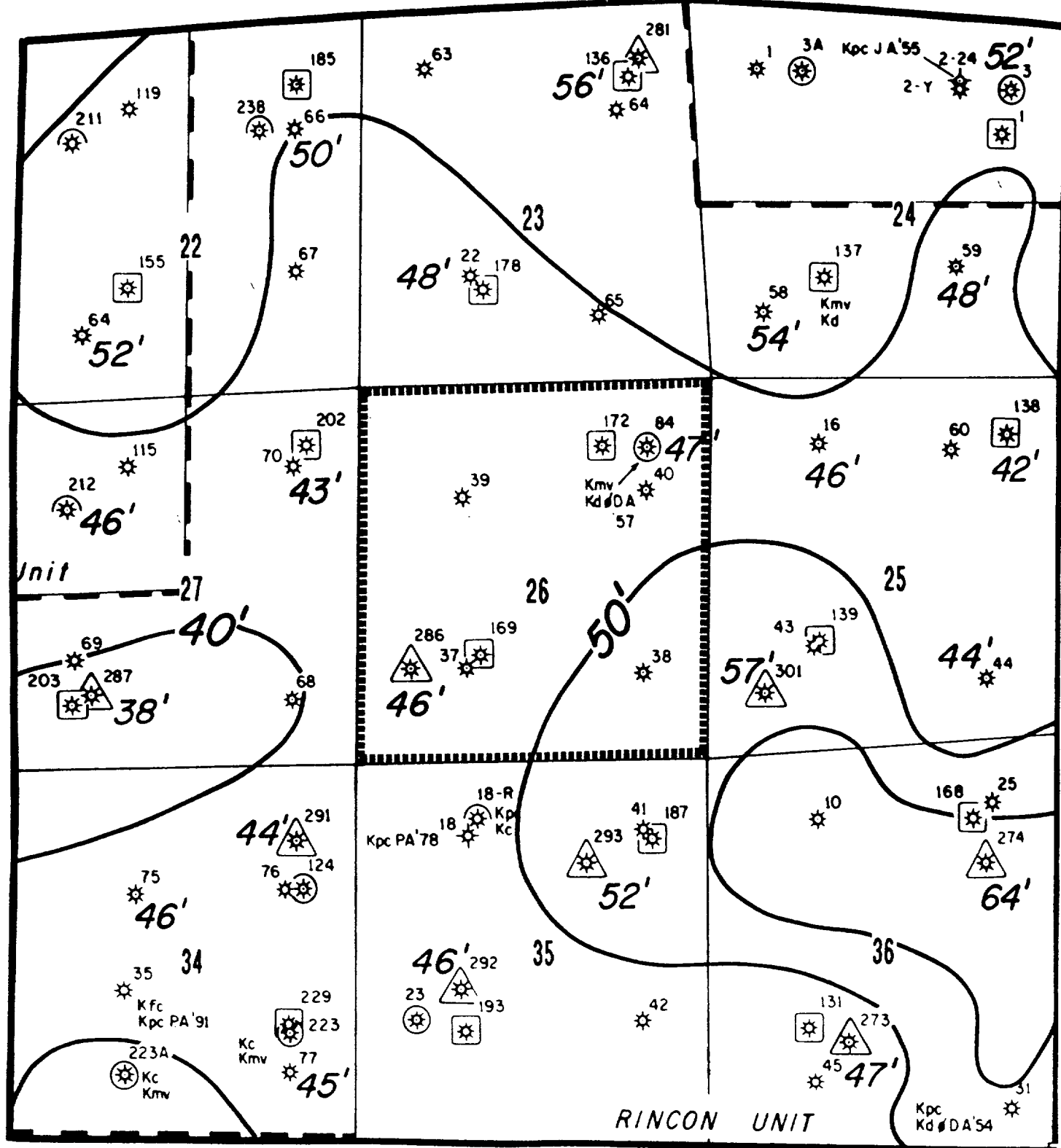


UNOCAL 
NORTH AMERICAN OIL & GAS DIVISION
SOUTHWESTERN REGION

RINCON UNIT
RIO ARriba COUNTY, NEW MEXICO
STRUCTURE
BASE OF FRUITLAND COAL

RINCON UNIT # 286
S $\frac{1}{2}$ SEC. 26 -T27N R7W

INTERP BY DV.H SCALE 2 1/2" = 1 Mi. CI 50'
DRAFT BY DATE 9-26-90 FILE NO. (A) 86



PRODUCING INTERVAL

●	FARMINGTON	Kfm	
●	FRUITLAND	Kf	
○	FRUITLAND	Kf	
○	PICTURED CLIFFS	Kpc	
○	CHACRA	Kc	
○	LA VENTANA	Kiv	
○	WESAVERDE	Kmv	<div> <div>Kch</div> <div>Km</div> <div>Kgl</div> </div> <div> <div>CLIFFHOUSE</div> <div>MENEFEE</div> <div>POINT LOOKOUT</div> </div>
○	GALLUP	Kgl	<div> <div>K1</div> <div>K2</div> </div> <div> <div>TOCITO</div> <div>GREENHORN</div> </div>
○	DAKOTA	Kd	

UNOCAL 76

NORTH AMERICAN OIL & GAS DIVISION
SOUTHWESTERN REGION

RINCON UNIT

RIO ARriba COUNTY, NEW MEXICO

ISOPACH

FRUITLAND COAL

RINCON UNIT # 286

S 1/2 SEC. 26 -T27N R7W

INTERP BY D.V.H. SCALE 2 1/2" = 1 Mi. 1" = 10'
DRAFT BY DATE 9-26-90 FILE NO. (A) 84