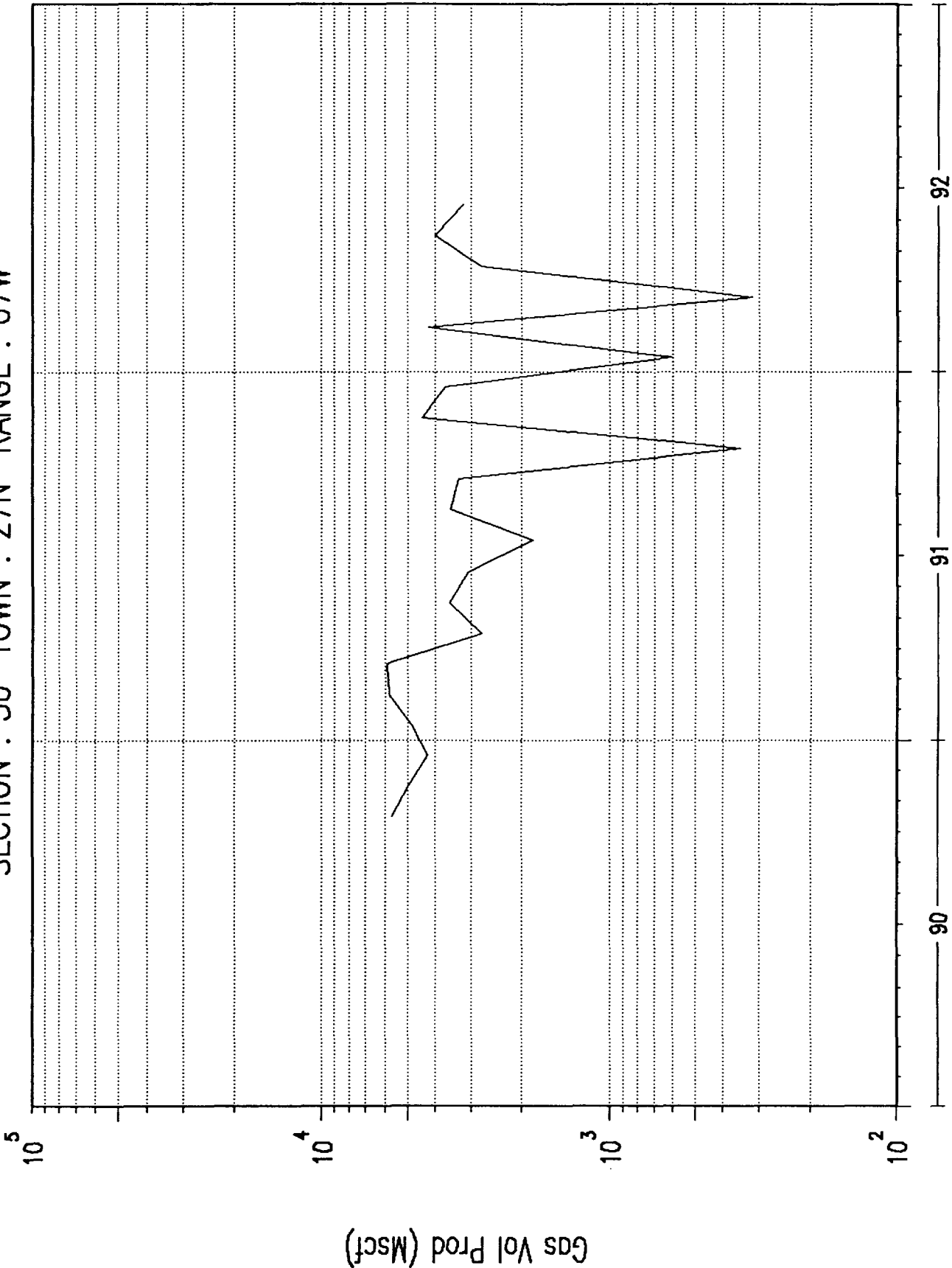


WELL: RINCON UNIT 274:FC
COUNTY : RIO ARRIBA STATE : NM
SECTION : 36 TOWN : 27N RANGE : 07W



RINCON UNIT
PAYING WELL DETERMINATION
PARTICIPATING AREA APPLICATION
FRUITLAND COAL
WELL # 274

DATE : 08/18/92
TIME : 10:39:16
DBS FILE : RESMGMT
SETUP FILE : FEDERAL
SEQ NUMBER : 674

INPUT DATA								CALCULATED DATA				
ITEM	SCHEDULING RATES			SCHEDULE UNTIL		PROCEDURE		ULTIMATE	LAST	EFF. DECL	INIT. RATE	FINAL RATE
401 START	10/90											
406 GAS	5954.40	X	M/M	08/95	AD	H/3.904	71.19	193.605	7/95	71.19	5954.	2625.
411 "	2624.80	250.00	M/M	X	YRS	EXP	5.00	749.415	6/41	5.00	2625.	249.
416 PRI/GAS	1.14	1.14	\$/M	TO	LIFE	FLAT	.00		6/41		1.140	1.140
421 DPC/T	250.00	250.00	\$/M	TO	LIFE	FLAT	.00		6/41		250.000	250.000
426 NET/WI	87.50	87.50	%	TO	LIFE	FLAT	.00		6/41		.875	.875
436 NET/NIC	87.50	87.50	%	TO	LIFE	FLAT	.00		6/41		.875	.875
446 NET/NIG	87.50	87.50	%	TO	LIFE	FLAT	.00		6/41		.875	.875
501 STX/OIL	3.75	3.75	%	TO	LIFE	PC	0		9/90		.037	.037
502 STX/GAS	3.94	3.94	%	TO	LIFE	PC	.00		9/90		.039	.039
503 ATX	5.46	5.46	%	TO	LIFE	PC	.00		9/90		.055	.055

INVESTMENT	TANGIBLES & INTANGIBLES		TIME		PROCEDURE	TOTAL T&I	MONTH	RISK INV.	TOT. T&I&R	ESC. T&I&R
801 COMPL	206.07	.00	M\$N	10/90	AD	206.070	10/90	.	206.0	206.0

RESERVE PARAMETERS		ITEM		ITEM	
201 LOSS	NO				
203 CUMD, MB	.00	CUMG, MMF	.00	CUML, MB	

PROJECT ASSUMPTIONS

BASE DATE : 10/90 P.W. DATE : 10/90 REPORT DATE : 10/90
QUALIFIERS - PROD : OWNER : OTHER :

RINCON UNIT
PAYING WELL DETERMINATION
PARTICIPATING AREA APPLICATION
FRUITLAND COAL
WELL # 274

DATE : 08/18/92
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RESERVES AND ECONOMICS

AS OF DATE: 10/90

-END-	GROSS OIL	GROSS GAS	OIL TO NET	GAS TO NET	--GROSS PRICES--		REVENUE TO NET	OPER NET	TOTAL NET	NET INCOME	CUMULATIVE CUM	DISC
MO-YR	PRODUCTION	PRODUCTION	INTEREST	INTEREST	OIL	GAS	INTEREST	EXPENSES	INVESTMENT	BEFORE FIT	NET INCOME	NET INCOME
----	---MB---	---MMF---	---MB---	---MMF---	---\$/B---	---\$/M---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
9-91	.000	53.846	.000	47.115	.00	1.140	51.595	5.442	206.070	-159.917	-159.917	-161.584
9-92	.000	41.711	.000	36.497	.00	1.140	39.967	4.807	.000	35.160	-124.758	-130.356
9-93	.000	36.946	.000	32.328	.00	1.140	35.402	4.558	.000	30.844	-93.914	-105.077
9-94	.000	34.053	.000	29.796	.00	1.140	32.630	4.407	.000	28.223	-65.691	-83.728
9-95	.000	32.027	.000	28.023	.00	1.140	30.688	4.301	.000	26.387	-39.304	-65.303
9-96	.000	30.442	.000	26.637	.00	1.140	29.170	4.218	.000	24.952	-14.351	-49.220
9-97	.000	28.921	.000	25.306	.00	1.140	27.712	4.138	.000	23.574	9.223	-35.192
9-98	.000	27.476	.000	24.041	.00	1.140	26.327	4.062	.000	22.265	31.487	-22.962
9-99	.000	26.103	.000	22.840	.00	1.140	25.012	3.991	.000	21.021	52.508	-12.303
9-00	.000	24.798	.000	21.698	.00	1.140	23.762	3.922	.000	19.839	72.348	-3.015
9-01	.000	23.559	.000	20.614	.00	1.140	22.574	3.858	.000	18.717	91.064	5.073
9-02	.000	22.382	.000	19.584	.00	1.140	21.446	3.796	.000	17.650	108.714	12.114
9-03	.000	21.263	.000	18.605	.00	1.140	20.374	3.737	.000	16.637	125.351	18.241
9-04	.000	20.201	.000	17.675	.00	1.140	19.356	3.682	.000	15.674	141.025	23.570
9-05	.000	19.191	.000	16.792	.00	1.140	18.389	3.629	.000	14.760	155.785	28.202
S TOT	.000	442.917	.000	387.553	.00	1.140	424.403	62.547	206.070	155.785	155.785	28.202
AFTER	.000	263.559	.000	230.614	.00	1.140	252.542	79.414	.000	173.128	328.913	57.093
TOTAL	.000	706.476	.000	618.167	.00	1.140	676.945	141.961	206.070	328.913	328.913	57.093

	OIL	GAS		P.W. %	P.W., M\$
	-----	-----		-----	-----
GROSS WELLS	.0	1.0	LIFE, YRS.	5.00	124.416
GROSS ULT., MB & MMF	.000	706.476	DISCOUNT %	10.00	33.042
GROSS CUM., MB & MMF	.000	.000	UNDISCOUNTED PAYOUT, YRS.	15.00	-16.704
GROSS RES., MB & MMF	.000	706.476	DISCOUNTED PAYOUT, YRS.	20.00	-47.664
NET RES., MB & MMF	.000	618.167	UNDISCOUNTED NET/INVEST.	25.00	-68.757
NET REVENUE, M\$.000	704.710	DISCOUNTED NET/INVEST.	30.00	-84.066
INITIAL PRICE, \$.000	1.140	RATE-OF-RETURN, PCT.	40.00	-104.859
INITIAL N.I., PCT.	00.000	87.500	INITIAL W.I., PCT.	60.00	-127.934
				80.00	-140.607
				100.00	-148.710

Unocal North American
Oil & Gas Division
Unocal Corporation
3300 North Butler Avenue
Suite 200
Farmington, New Mexico 87401
Telephone (505) 326-7600
Fax: (505) 326-6145



September 8, 1992

Farmington District

RECEIVED

SEP 2 1992

OIL CONSERVATION DIVISION

Bureau of Land Management
Minerals Division
1235 La Plata Hwy
Farmington, New Mexico 87401
Attn: Duane Spencer
Chief of Reservoir Management

Re: Application for the Initial
Basin Fruitland Coal Gas
Participating Area "B"
Rincon Unit, Rio Arriba County,
New Mexico

Gentlemen:

Enclosed please find two copies of the Application for Approval for the Initial Basin Fruitland Coal Gas Participating Area "B" in the Rincon Unit, Rio Arriba County, New Mexico. Enclosed also are geologic and engineering data in support of this application.

Union Oil Company of California, as operator of the Rincon Unit, respectfully requests your approval of this application.

Very Truly Yours,
Union Oil Company of California
DBA UNOCAL

William L. Irwin
District Petroleum Engineer

xc: Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Oil Conservation Division
New Mexico Department of Energy & Minerals
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

APPLICATION FOR THE INITIAL BASIN FRUITLAND COAL GAS PARTICIPATING
AREA B - 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 the initial participating area B for the Basin Fruitland Coal Gas producing formation:

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

Section 35: West/2

Containing 320 acres, more or less

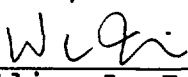
In support of this application, and in addition to the geologic and engineering reports, the following are attached:

- 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 #292 Fruitland Coal Gas Production Decline Curve
- 6) Rincon Unit #292 Fruitland Coal Gas Economics
- 7) Schedule of Lands and Working Interest Ownership in the initial Basin Fruitland Coal Gas Participating Area B (Participation Allocation Formula)
- 8) Applicant's Statement and Affidavit

This application is predicated on nine months of actual production history from the Rincon Unit #292 well which first delivered on September 6, 1990.

Applicant respectfully requests your approval of the hereinabove selection of lands to constitute the initial Basin Fruitland Coal Gas Formation Participating Area B, to be effective the date of first sales September 6, 1990 as referenced in the "Agreement for the Development and Operation of the Rincon Unit Area": Article 11, "Participation After Discovery", (Rincon Unit Agreement June 1, 1951).

Dated this 8th day of September, 1992.



William L. Irwin
District Petroleum Engineer
Union Oil Company of California

Well Summary

Well Name: Rincon Unit #292
Location: 2265' FSL, 1555' FWL, Sec 35, T27N, R7W
Elevation: 6586' GL
Total Depth: 2949'
Lease Number: SF-080385
Pool/Formation: Basin Fruitland Coal Gas
Spud Date: 4-22-90
Completion Date: 5-12-90
1st Delivery Date: 9-6-90
Perf'd Interval: 2866-2873, 2880-2895.

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 #292 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 227 feet and cemented with 300 sacks to surface. Production casing measuring 4-1/2" was then set at 2949 feet and cemented in two stages to surface with 720 sacks cement. After drilling out to PBTD of 2944' the lower coal zone was perforated from 2866'- 2895' with 4 shots per foot and fracture stimulated with 206,140# 20/40 sand, 6700# 100 mesh sand and 56,700 gallons cross-linked gel water. The recorded initial potential and 24 hour shut-in pressure were 376 MCFD and 580 psi, respectively. The well was first delivered to the El Paso Natural Gas pipeline system on September 6, 1990. The current deliverability for the well against a 150# line pressure is 119 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: 158 SCF/ton
Tonnage Factor: 1982 tons/acre-feet (from density log)
Recovery Factor: 17%

Economics

Economics are attached. Given the investment cost to complete this well discounted payout should occur in 5.39 years with an 18.47% rate of return. 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 William L. Irwin, 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 the initial Basin Fruitland Coal Gas participating area B in the Rincon Unit, in the W/2 Section 35, T27N-R7W, comprising 320 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. 8th 1992.

Melvin Osborne
Notary Public in and for
San Juan County, New Mexico

My Commission Expires:

1/11/96

9-2-92

SCHEDULE OF LANDS
AND
WORKING INTEREST OWNERSHIP
IN INITIAL BASIN FRUITLAND COAL
PARTICIPATING AREA "B"

RINCON UNIT

Tract No. 1 (Unit Tract No. 19)
(Acreage in Unit Tract: 2645.09 ac.)

LESSOR:	U.S.A.
SERIAL NO.:	SF-080385
ACREAGE DESCRIPTION:	<u>Township 27 North, Range 7 West</u> Section 35: Lots 3,4,5,6,11,12, 13,14 (W/2)
WORKING INTEREST OWNER(S):	Union Oil Company of California - 83.33% Meridian Oil, Inc. - 16.67%
ACREAGE INCLUDED IN INITIAL BASIN FRUITLAND COAL PARTICIPATING AREA "B":	338.04 acres
PERCENTAGE OF FRUITLAND COAL FORMATION PRODUCTION ALLOCATED TO THIS TRACT:	100%

SUMMARY OF LANDS INCLUDED IN
INITIAL FRUITLAND COAL PARTICIPATING AREA "B"

<u>Lease</u>	<u>Unit Tract No.</u>	<u>Acreage</u>	<u>Percentage</u>
U.S.A. SF-080385	19	338.04	100.00%

SUMMARY OF WORKING INTEREST OWNERSHIP
INITIAL BASIN FRUITLAND COAL PARTICIPATING AREA "B"

<u>WORKING INTEREST OWNER</u>	<u>WORKING INTEREST PERCENTAGE</u>
Union Oil Company of California	5.00000%
San Juan-Unocal General Partnership	71.82091%
Wiser Oil Company	2.54378%
H. R. Stasney & Sons Company	1.30259%
Meridian Oil Inc., as Agent	10.59527%
Meridian Oil Inc., Individually	1.55217%
Jones Company, Ltd.	1.30259%
Conoco, Inc.	2.29005%
Amoco Production Company	2.29004%
Beryl B. McMahan	0.65130%
Beryl B. McMahan, Trustee of the Thomas V. McMahan Trust	0.32565%
Beryl B. McMahan, Trustee of the Gwin M. Lewis Trust	0.32565%
TOTAL	100.00000%