

INCLINATION REPORT

OPERATOR: Terra Resources, Inc.
ADDRESS: Suite 500-West, 10 Besta Drive
Midland, Texas 79705
LOCATION:

WELL NAME: Morgan No. 1
LOCATION: Section 26, T-13-S, R-34-E
COUNTY/STATE: Lea County, New Mexico

RECORD OF INCLINATION

MEASURED DEPTH (feet)	COURSE LENGTH	ANGLE OF INCLINATION (Degrees)	DISPLACEMENT PER HUNDRED FEET (Sine of Angle X100)	COURSE DISPLACEMENT (feet)	ACCUMULATIVE DISPLACEMENT (feet)
222	222	0.50	0.88	1.94	1.94
400	178	0.25	0.44	0.78	2.72
857	457	1.00	1.75	8.00	10.72
1326	469	0.75	1.31	6.16	16.87
1791	465	0.50	0.88	4.07	20.94
2238	447	0.50	0.88	3.91	24.85
2691	453	0.50	0.88	3.96	28.82
3202	511	0.50	0.88	4.47	33.29
3702	500	1.50	2.63	13.13	46.41
4261	559	0.50	0.88	4.89	51.31
4751	490	1.00	1.75	8.58	59.88
5212	461	0.75	1.31	6.05	65.93
5736	574	0.50	0.88	5.02	70.95
6156	370	0.50	0.88	3.24	74.19
6656	500	0.75	1.31	6.56	80.75
7139	483	0.75	1.31	6.34	87.09
7578	439	0.25	0.44	1.92	89.01
8060	482	0.50	0.88	4.22	93.23
8575	515	1.25	2.19	11.27	104.50
9100	525	0.75	1.31	6.89	111.39
9593	493	1.00	1.75	8.63	120.02
10159	566	1.25	2.19	12.38	132.40
10491	332	1.00	1.75	5.81	138.21
10600	109	0.50	0.88	0.95	139.16

Accumulative total displacement at well bore at total depth of 10,600' feet = 139.16' feet.
Inclination measurements were made in Tubing Casing Open Hole X Drill Pipe.
At NO time was the subject well intentionally deviated from the vertical in any manner whatsoever.

INCLINATION DATA CERTIFICATION

I declare that I am authorized to make this certification, that I have personal knowledge of the inclination data and facts placed on this form and that such data and facts are true, correct, and complete to the best of my knowledge.

SEAL

M. D. Mosley
Signature of Authorized Representative

M. D. Mosley, Vice President, Drilling Operations
Name of Person and Title

TOT DRILLING CORPORATION
Name of Company

Telephone: (915) 367-7361 or (915) 563-1948

Subscribed and sworn before me this
28th Day of March, 1988.

Charles Q. Knight
Notary Public for the State of Texas
My commission expires 06/10/89