

## MALLON OIL COMPANY

DATE: 08/29/97

TIME: 11:36:51

AS OF JUL 1, 1997

\*\*\* SUMMARY \*\*\*

STRAWN EXAMPLE ECONOMICS  
QUAIL RIDGE AREA

PW 5.0% -308.504 BTAX  
 PW 15.0% -522.921 BTAX  
 PW 20.0% -587.748 BTAX  
 PW 25.0% -636.735 BTAX  
 PW 30.0% -674.748 BTAX

| WI (%)      | BEGINNING    | ENDING      | AVERAGE      | WELL COUNT   |              | BEG-PRICES   | END-PRICE:   | AVG-PRICES   | GROSS RESERVES |              |
|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| ORI (%)     | 100.0000     | 100.0000    | 100.0000     | GROSS        | NET          | OIL 18.75    | 18.75        | 18.75        | CUMULATIVE     | REMAINING    |
| GRI (%)     | 80.0000      | 80.0000     | 80.0000      | 0            | 1.0          | GAS 1.90     | 1.90         | 1.90         | 0.000          | 81.375       |
|             | 80.0000      | 80.0000     | 80.0000      | G            | 0.0          |              |              |              | 0.000          | 146.475      |
|             | NUMBER       | GROSS PROD  | GROSS GAS    | WORKING      | REVENUE      | NET OIL      | NET GAS      | EFFECTIVE    | EFFECTIVE      | NET TOTAL    |
|             | GROSS WELLS  | OIL + COND  | PRODUCTION   | INTEREST     | INTEREST     | VOLUME       | VOLUME       | O+C PRICE    | GAS PRICE      | REVENUE      |
|             | 30)-----     | 5)MBBLS--   | 7)MMCF---    | 34)-%-----   | 35)-%-----   | 14)MBBLS--   | 20)MMCF---   | 31)\$/BBL--  | 32)\$/MCF--    | 60)-M\$----  |
| ( 6MO)1997  | 1.0          | 5.580       | 10.044       | 100.00000    | 80.00000     | 4.464        | 8.035        | 18.75        | 1.90           | 98.963       |
| 1998        | 1.0          | 10.145      | 18.260       | 100.00000    | 80.00000     | 8.116        | 14.608       | 18.75        | 1.90           | 179.923      |
| 1999        | 1.0          | 8.927       | 16.069       | 100.00000    | 80.00001     | 7.142        | 12.855       | 18.75        | 1.90           | 158.332      |
| 2000        | 1.0          | 7.856       | 14.141       | 100.00000    | 80.00000     | 6.285        | 11.313       | 18.75        | 1.90           | 139.332      |
| 2001        | 1.0          | 6.913       | 12.444       | 100.00000    | 80.00001     | 5.531        | 9.955        | 18.75        | 1.90           | 122.613      |
| 2002        | 1.0          | 6.084       | 10.951       | 100.00000    | 80.00000     | 4.867        | 8.760        | 18.75        | 1.90           | 107.899      |
| 2003        | 1.0          | 5.354       | 9.636        | 100.00000    | 80.00000     | 4.283        | 7.709        | 18.75        | 1.90           | 94.951       |
| 2004        | 1.0          | 4.711       | 8.480        | 100.00000    | 80.00000     | 3.769        | 6.784        | 18.75        | 1.90           | 83.557       |
| 2005        | 1.0          | 4.146       | 7.462        | 100.00000    | 80.00000     | 3.317        | 5.970        | 18.75        | 1.90           | 73.530       |
| 2006        | 1.0          | 3.648       | 6.567        | 100.00000    | 80.00001     | 2.919        | 5.254        | 18.75        | 1.90           | 64.706       |
| 2007        | 1.0          | 3.211       | 5.779        | 100.00000    | 80.00000     | 2.568        | 4.623        | 18.75        | 1.90           | 56.942       |
| 2008        | 1.0          | 2.825       | 5.085        | 100.00000    | 80.00000     | 2.260        | 4.068        | 18.75        | 1.90           | 50.109       |
| 2009        | 1.0          | 2.486       | 4.475        | 100.00000    | 80.00000     | 1.989        | 3.580        | 18.75        | 1.90           | 44.096       |
| 2010        | 1.0          | 2.188       | 3.938        | 100.00000    | 80.00001     | 1.750        | 3.151        | 18.75        | 1.90           | 38.804       |
| 2011        | 1.0          | 1.925       | 3.466        | 100.00000    | 80.00001     | 1.540        | 2.772        | 18.75        | 1.90           | 34.148       |
| SUB TOTAL   | 1.0          | 75.998      | 136.797      | 100.00000    | 80.00000     | 60.799       | 109.437      | 18.75        | 1.90           | 1347.904     |
| REMAINDER   | 1.0          | 5.377       | 9.679        | 100.00000    | 80.00000     | 4.302        | 7.743        | 18.75        | 1.90           | 95.366       |
| TOT 18.3 YR | 1.0          | 81.375      | 146.475      | 100.00000    | 80.00000     | 65.100       | 117.180      | 18.75        | 1.90           | 1443.270     |
|             | NET LOE      | NET SEV     | NET ADVAL    | NET TOTAL    | NET OPER     | NET TOTAL    | BTAX         | CUM BTAX     | BTAX CF        | CUM BTAX CF  |
|             | (FIX + VAR)  | TAXES       | TAXES        | EXP + TAXES  | REVENUE      | INVESTMENT   | CASHFLOW     | CASHFLOW     | DISC 10.00%    | DISC 10.00%  |
|             | 111)-M\$---- | 96)-M\$---- | 102)-M\$---- | 223)-M\$---- | 156)-M\$---- | 143)-M\$---- | 163)-M\$---- | 164)-M\$---- | 165)-M\$----   | 166)-M\$---- |
| ( 6MO)1997  | 9.000        | 7.136       | 2.184        | 18.321       | 80.642       | 1100.000     | -1019.358    | -1019.358    | -1012.838      | -1012.838    |
| 1998        | 18.000       | 12.974      | 3.971        | 34.946       | 144.977      | 0.000        | 144.977      | -874.380     | 131.473        | -881.364     |
| 1999        | 18.000       | 11.418      | 3.495        | 32.912       | 125.420      | 0.000        | 125.420      | -748.960     | 103.400        | -777.964     |
| 2000        | 18.000       | 10.047      | 3.075        | 31.123       | 108.210      | 0.000        | 108.210      | -640.751     | 81.103         | -696.861     |
| 2001        | 18.000       | 8.842       | 2.706        | 29.548       | 93.064       | 0.000        | 93.064       | -547.686     | 63.412         | -633.449     |
| 2002        | 18.000       | 7.781       | 2.382        | 28.162       | 79.737       | 0.000        | 79.737       | -467.950     | 49.393         | -584.056     |
| 2003        | 18.000       | 6.847       | 2.096        | 26.943       | 68.008       | 0.000        | 68.008       | -399.941     | 38.300         | -545.756     |
| 2004        | 18.000       | 6.025       | 1.844        | 25.870       | 57.687       | 0.000        | 57.687       | -342.254     | 29.535         | -516.220     |
| 2005        | 18.000       | 5.302       | 1.623        | 24.925       | 48.605       | 0.000        | 48.605       | -293.649     | 22.624         | -493.596     |
| 2006        | 18.000       | 4.666       | 1.428        | 24.094       | 40.612       | 0.000        | 40.612       | -253.037     | 17.187         | -476.409     |
| 2007        | 18.000       | 4.106       | 1.257        | 23.363       | 33.579       | 0.000        | 33.579       | -219.458     | 12.920         | -463.490     |
| 2008        | 18.000       | 3.613       | 1.106        | 22.719       | 27.389       | 0.000        | 27.389       | -192.069     | 9.581          | -453.908     |
| 2009        | 18.000       | 3.180       | 0.973        | 22.153       | 21.943       | 0.000        | 21.943       | -170.126     | 6.979          | -446.929     |
| 2010        | 18.000       | 2.798       | 0.856        | 21.655       | 17.149       | 0.000        | 17.149       | -152.977     | 4.960          | -441.969     |
| 2011        | 18.000       | 2.462       | 0.754        | 21.216       | 12.932       | 0.000        | 12.932       | -140.045     | 3.401          | -438.568     |
| SUB TOTAL   | 261.000      | 97.199      | 29.750       | 387.950      | 959.955      | 1100.000     | -140.045     | -140.045     | -438.568       | -438.568     |
| REMAINDER   | 67.500       | 6.877       | 2.105        | 76.482       | 18.884       | 0.000        | 18.884       | -121.161     | 4.229          | -434.339     |
| TOT 18.3 YR | 328.500      | 104.076     | 31.855       | 464.431      | 978.839      | 1100.000     | -121.161     | -121.161     | -434.339       | -434.339     |

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