



**Petroleum Consultants, Inc.**

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521709  
Bog, Fri & Com  
Claims  
92P/9W &  
92P/10E

April 25, 1980

F.C.D. Oil Corporation  
R.R. 5, Box 12A  
Enid, Oklahoma 73701

Attention: Mr. David H. Donaldson

Re: Appraisal of 3 offsets to  
F.C.D. Oil Corporation's  
Gulledge No. 1 (1979B Pro-  
gram) Sections 16 & 17-  
T24N-R6W, Garfield County,  
Oklahoma  
Ref. No. 480-6

Gentlemen:

At your request, we have completed the subject study and our report is submitted herewith.

As a result of the study and subject to the conditions described herein, we estimate potential and risk-adjusted gross reserves and future cashflow for the prospective locations as indicated on the attached Exhibit No. 1

However, it should be recognized that this is an estimate and only an estimate, based on my opinions, experience, and judgment after studying the logs and production performance of wells offsetting the subject prospects. My experience includes the evaluation of over 1000 wells within the Sooner Trend during the past four years as a petroleum consultant.

A cashflow projection is included for the potential primary and secondary (waterflood) reserves of a successful well. Additional details are contained in the body of the report.

A system of Reserve classification is used by Haack Petroleum Consultants, Inc. as a means of expressing our opinions as to the degree of risk associated with such reserves. "Risk" as used here refers to risk of inaccuracies due to insufficient information. This may be due to the early state of development drilling, too little production history, uncertainties of a political or human nature over which we have no control, etc.

**HAACK Petroleum Consultants, Inc.**

F.C.D. Oil Corporation

April 25, 1980

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The Reserve Classification System is described in detail following this letter.

The accuracy of any reserve estimate, especially when based on volumetric analysis or by analogy with offset wells prior to production testing, is a function of the quality of available data, and of engineering interpretation and judgment. While these reserve estimates are believed reasonable, they should be accepted with the understanding that reservoir performance, or consideration of more complete and/or more accurate data received subsequent to the date of the estimate may justify a revision, either upward or downward.

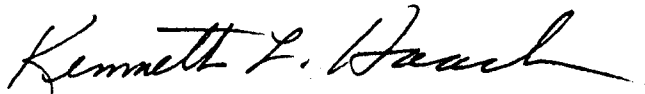
Haack Petroleum Consultants, Inc. cannot, and does not, guarantee the accuracy or correctness of its interpretations or analyses, and we shall not, except in the case of gross or willful negligence on our part, be liable or responsible for any loss, costs, damages or expenses incurred or sustained by anyone from any opinions expressed, or any interpretations or analyses made by us.

If there are any questions or if you need additional data about the study, please advise.

Thank you for this opportunity to be of service.

Respectfully submitted,

HAACK PETROLEUM CONSULTANTS, INC.



Kenneth L. Haack

Copy No. 5 of 6 copies.

KLH:agp

HAACK Petroleum Consultants, Inc.

EXHIBIT NO. 1

PROSPECT:

Doyle No. 1, SW-NE Sec. 16-T24N-R6W

<u>Reserve Type</u>	<u>Risk Factor</u>	<u>Gross Reserves</u>		<u>Cashlfow, *M\$</u>	
		<u>MBBL</u>	<u>MMCF</u>	<u>Undisc.</u>	<u>Disc.@ 10%</u>
Potential, if successful					
Proved, Undeveloped	--	117	300	4416.3	3149.5
Probable	--	94	0	6208.1	1577.4
Total, Potential Reserves, All Reserve Types	--	211	300	10,624.4	4726.9
Risk-Adjusted					
Proved, Undeveloped	.75	87.8	225	3312.2	2362.1
Probable	.50	47.0	0	3104.0	788.7
Total, Risk-Adjusted Reserves, All Reserve Types	--	134.8	225	6416.2	3150.8

PROSPECT:

Voth No. 1, NW-SE Sec. 16-T24N-R6W

Potential, if successful					
Proved, Undeveloped	--	117	300	4416.3	3149.5
Probable	--	94	0	6208.1	1577.4
Total, Potential Reserves, All Reserve Types	--	211	300	10,624.4	4726.9
Risk-Adjusted					
Proved, Undeveloped	.6	70.2	180	2649.8	1889.7
Probable	.4	37.6	0	2483.2	631.0
Total, Risk-Adjusted Reserves, All Reserve Types	--	107.8	180	5133.0	2520.7

**HAACK Petroleum Consultants, Inc.**Exhibit No. 1 continuedPROSPECT:

Thesman No. 1, SE-NE Sec. 17-T24N-R6W

Potential, if

successful

Probable

--

117

300

4416.3

3149.5

Possible

--

94

0

6208.1

1577.4

Total, Potential

Reserves, All Reserve

Types

--

211

300

10,624.4

4726.9

Risk-Adjusted

Probable

.4

46.8

120

1766.5

1259.8

Possible

.267

25.1

0

1657.5

421.2

Total, Risk-

Adjusted Reserves,

All Reserve Types --

71.9

120

3424.0

1681.0

\*Cashflow to net revenue interest of 80% -- does not reflect drilling, completion, and equipment costs nor any carried interests earned by the general partner.

## CLASSIFICATION OF RESERVES

This appraisal and report use the Definition of Proved Reserves as set forth in Regulation S-K issued December, 1977 by the Securities and Exchange Commission (unless stated otherwise in the Discussion Section on selected properties). A copy of pertinent parts of the SEC Regulation S-K are reproduced below.

### REGULATION S-K

#### S.E.C. DEFINITION OF PROVED RESERVES

Estimates of future recoverable oil and gas shall be limited to proved developed and proved undeveloped future net recoverable reserves. For purposes of this instruction, "proved reserves" are defined to be those estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs based upon prices and costs existing at the time the estimate is made.

Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation tests.

For classification purposes, results from drill-stem and/or wire-line tests may be considered as conclusive formation tests, but results based solely on core analyses, and/or electric or other log interpretations are not considered to be conclusive formation tests.

The area of an oil or gas reservoir considered proved includes: (1) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any; and (2) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir. It is not necessary that production, gathering or transportation facilities be in place or operative. However, it should be reasonably certain that such facilities will be installed in the future.

Depending upon their status of development, proved reserves shall be subdivided into the following classifications:

(a) **Proved Developed Reserves.** These are proved reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. This classification shall include:

(i) **Proved Developed Producing Reserves.** These are proved developed reserves which are expected to be produced from existing completion interval(s) now open for production in existing wells; and

(ii) **Proved Developed Non-Producing Reserves.** These are proved developed reserves which exist behind the casing of existing wells, or at minor depths below the present bottom of such wells, which are expected to be produced through these wells in the predictable future, where the cost of making such oil and gas available for production should be relatively small compared to the cost of a new well.

Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "Proved Developed Reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

(b) **Proved Undeveloped Reserves.** These are proved reserves which are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units, which are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation.

Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir. If warranted, however, a narrative discussion can be provided to point out those areas where future drilling or other operations may develop oil and gas production which at the time of filing is considered too uncertain to be expressed as numerical estimates for proved reserves.

The following additional classes of Reserves may also be assigned where they are justified.

#### Probable Reserves

Reserves assigned under this classification are those which are supported by favorable engineering and geological data, but which are subject to a greater degree of risk which prevents classification as Proved Reserves.

#### Possible Reserves

These include speculative reserves where risk is relatively high. Usually, reserves to be included herein are those which depend on some favorable development or event which is not predictable with good accuracy.

DISCUSSION

APPRAISAL OF  
F.C.D. OIL CORPORATION'S  
3 OFFSETS TO GULLEDGE NO. 1  
Section 16 & 17-T24N-R6W  
Garfield County, Oklahoma

Purpose of Study

The study was made to provide an estimate of recoverable reserves and to predict future producing rates and net income for the subject prospects.

Scope of Study

The scope of our study was limited to the estimation of gross reserves, production rate forecasts, and cashflow forecasts based on cost and price assumptions provided by F.C.D. Oil Corporation. The cashflow estimates are based on 100% working interest less royalties, overriding royalties, production taxes, an assumed 30% Federal excise tax, and operating expenses. We have not considered interests earned by the general partner, risk of mechanical failures requiring major additional investments, or state and Federal income taxes. Reserves used in the estimated cashflow projection were risk adjusted, i.e., the potential reserves were multiplied by the chance of success of each well. Drilling, completion, and equipping costs were not considered for purposes of this study.

Source and Quality of Information

All information relative to the interests appraised and location and description of wells was provided by F.C.D. Oil Corporation. All furnished data was examined during the course of the study and reviewed to determine if it was reasonable and consistent. If reasonable and consistent, the data was accepted as true and correct and was used for this study.

Data relative to offsetting wells or oil and gas production from an area of interest, etc., was obtained from our files and from commercial sources.

Oil Price Assumptions

Oil prices were based on the March 1980 posted price for uncontrolled 40° API Oklahoma Sweet crude of \$39.00/BBL less an assumed excise (windfall profits) tax of 30%. The excise tax was applied to the difference between the posted price and the \$16.55/BBL base price proposed by Congress. A deduction was made for the 7% Oklahoma production tax. Thus, the effective crude price for March 1980 after windfall tax was calculated to be \$33.12. This price was escalated monthly at an annual rate of 10%. Oil production from the subject prospects is expected to be 37° to 42° API Sweet crude.

**HAACK Petroleum Consultants, Inc.**

Gulledge No. 1 Offsets  
Section 16 and 17 T-24N-R6W  
Sooner Trend Field  
Garfield County, Oklahoma

These three (3) prospects are offsets to the recently completed F.C.D.-Gulledge No. 1, located in the SE-NW Section 16-T24N-R6W, Garfield County, Oklahoma. The subject prospects are as follows:

<u>Name</u>		<u>Location</u>
Doyle	No. 1	SW-NE Section 16-T24N-R6W
Voth	No. 1	NW-SE Section 16-T24N-R6W
Thesman	No. 1	SE-NE Section 17-T24N-R6W

The Gulledge No. 1 was completed for 241 BO and 350 MCFPD on a 12/64 inch choke with flowing tubing pressure of 930 psig from the Misener-Hunton at 6430 feet. The Gulledge No. 1 has 26 feet of pay with average porosity of 10.7% and water saturation of 32%. Primary reserves of 117,000 BBLs and 300 MMCF were assigned to the Gulledge No. 1 based on 40 acre drainage and a 25% recovery factor. An additional 94,000 BBLs of waterflood reserves per 40 acres is possible if the field proves large enough for waterflood development.

Since an isopach map of the Misener-Hunton would be speculative at this time, none has been included in this report. However, it is thought the Misener sand trends northwest to southeast along a north-south structural nose depicted in the structure map of the top of Mississippi (Map No. 2). The well located in the SW-SW Section 17 has over 30 feet of very shaly Misener sand. It is thought clean Misener sand could lie to the north of that well.

Potential reserves of the subject prospects are considered to be equal to that of the Gulledge No. 1. A risk factor, i.e., chance of success, was assigned to each of the prospective locations based on an estimate of the chance of hitting a well comparable to the Gulledge No. 1. These risk factors were 0.75, 0.60, and 0.40 for primary reserves and 0.50, 0.40, and 0.267 for secondary reserves, respectively.

## HAACK Petroleum Consultants, Inc.

### DISCUSSION continued

#### Gas Price Assumptions

A gas price of \$2.80/MCF was assumed. CRA will be the gas purchaser and will pay the NGPA Section 102 price of \$2.428/MMBtu. A Btu content was assumed to be 1150 MMBtu/MCF.

#### Operating Expense Assumptions

Initial operating expenses were assumed to be \$800/well/month for flowing wells and \$1200/well/month for pumping wells. These figures were escalated 10% annually.

#### Salvage Values

Estimates were made of the recoverable casing and values were assigned for equipment of the type and amount to be used on the subject wells, less salvage costs. Income from salvage is shown as a negative investment in the cashflow stream in the year of abandonment.

#### Methods Used for Reserve Estimates and Rate Forecasts

These prospects are all located in an 800 square mile area on the northeast flank of the Anadarko Basin known as the Sooner Trend. Oil was discovered in the Mississippi Lime in this four county area (Garfield, Logan, Kingfisher, and Major) during the early 1960's. Viola, Hunton, Red Fork, Skinner, Prue, Oswego, Big Lime, Cleveland, and Layton also produce in various fields within the Sooner Trend. Typical exploration procedure in the Sooner Trend is to drill wells through the Hunton which requires only 300 to 400 feet of additional depth below that required for a Mississippi producer. Although often a wildcat venture, the costs of the additional drilling through the Hunton are very minor compared to the potential return, if successful. Hunton reserves of 200,000 BBL or 2 BCF are not uncommon when Hunton porosity is found. This same philosophy is now being applied to the Viola and Simpson. The Viola and Simpson are about 100 feet and 300 feet, respectively, below the Hunton. Several excellent Viola and Simpson wells have recently been discovered in the Sooner Trend.

A detailed description of the prospect follows:



AS OF MAY 1, 1980

Table No. 1  
HAACK PETROLEUM CONSULTANTS, INC.

LEASE NAME: GULLEDGE #1 (SE-NW 16-24N-6W)  
FIELD NAME: SOONER TREND  
FORMATION: MISENER

EVALUATION: SEC. 1 S IN DP: SILER. DP  
OPERATOR : FCB OIL CORP.  
CNTY, STATE: GARFIELD CO., OKLA.

INTERESTS AND DATE FIRST EFFECTIVE IDENTITY: 004-01  
COST LIQUID GAS DATE  
1.0000000 .8000000 .8000000 5/1/80

PROVED, DEVELOPED - PRODUCING RESERVES TO FLOW @ 150 BOPD  
VOL. CALC. BASED ON 40 ACRES, 26 FEET OF PAY, POROSITY = 11  
WTR. SAT. = 34%, FORM. VOL. FACTOR = 1.25, PRIM. REC. = 25%

PRESENT WORTH M\$  
15.00 2787.953  
18.00 2616.172  
20.00 2515.524  
25.00 2301.152  
30.00 2126.715

WELL COUNT	API	BASE	TRANS.	PROD.	ADVAL	... P R I C E S ...			CF/BBL	G R O S S	R E S E R V E S	% GROSS
						BEGIN	ENDING	LIFE WT				
1	1.00		0.0%	7.1%	0.0%	33.19	100.00	45.85	2564.	0.000	117.000	100.00%
			0.0%	7.1%	0.0%	2.82	16.67	4.55		0.000	300.000	100.00%

Y E A R	GROSS OIL PRODUCTION MMBLS	GROSS COND PRODUCTION MMBLS	GROSS GAS PRODUCTION MMCF	NET OIL PRODUCTION MMBLS	NET COND PRODUCTION MMBLS	NET GAS PRODUCTION MMCF	NET OIL PRICE \$/BBL	CONDENSATE PRICE \$/BBL	NET GAS PRICE \$/MCF	GROSS WELL COUNT
1980 (8MO)	35.155	0.000	53.496	28.124	0.000	42.796	34.118	0.000	2.902	1.000
1981	28.791	0.000	61.097	23.033	0.000	48.878	36.731	0.000	3.134	1.000
1982	14.248	0.000	41.565	11.399	0.000	33.252	40.509	0.000	3.450	1.000
1983	9.737	0.000	29.780	6.990	0.000	23.824	44.624	0.000	3.797	1.000
1984	5.997	0.000	22.195	4.798	0.000	17.756	49.134	0.000	4.190	1.000
1985	4.415	0.000	17.063	3.532	0.000	13.651	54.098	0.000	4.600	1.000
1986	3.410	0.000	13.452	2.728	0.000	10.761	59.534	0.000	5.062	1.000
1987	2.727	0.000	10.827	2.181	0.000	8.661	65.523	0.000	5.571	1.000
1988	2.257	0.000	8.867	1.791	0.000	7.093	72.111	0.000	6.131	1.000
1989	1.878	0.000	7.370	1.502	0.000	5.896	79.358	0.000	6.747	1.000
1990	1.601	0.000	6.204	1.281	0.000	4.963	87.331	0.000	7.424	1.000
1991	1.385	0.000	5.281	1.108	0.000	4.225	96.066	0.000	8.170	1.000
1992	1.212	0.000	4.540	0.969	0.000	3.632	100.000	0.000	8.991	1.000
1993	1.071	0.000	3.936	0.856	0.000	3.149	100.000	0.000	9.893	1.000
1994	0.954	0.000	3.439	0.763	0.000	2.752	100.000	0.000	10.887	1.000
SUB TOTAL	113.819	0.000	289.112	91.056	0.000	231.289	44.335	0.000	4.197	1.000
REMAINDER	3.181	0.000	10.888	2.544	0.000	8.711	100.000	0.000	13.895	1.000
TOT 19.0 YR	117.000	0.000	300.000	93.600	0.000	240.000	45.848	0.000	4.549	1.000

Y E A R	NET TOTAL SALES M\$	TRANS ETC & PROD TAXES M\$	REV AFTER TRANS & TAXES M\$	NET ADVAL & OPR EXPENSE M\$	NET OPR INCOME M\$	NET TOTAL INVESTMENT M\$	FUTURE NET CASHFLOW M\$	CUMULATIVE CASHFLOW M\$	CASHFLOW DISC @ 10% M\$	CUM. CASH DISC @ 10% M\$
1980 (8MO)	1083.718	76.781	1006.936	7.330	999.606	40.000	959.606	959.606	925.354	925.354
1981	999.215	70.794	928.420	16.057	912.363	0.000	912.363	1871.969	813.935	1739.289
1982	576.467	40.843	535.624	17.668	517.956	0.000	517.956	2389.925	417.389	2156.679
1983	402.386	28.509	373.877	19.441	354.436	0.000	354.436	2744.361	258.289	2414.966
1984	309.941	21.959	287.982	21.392	266.590	0.000	266.590	3010.951	175.756	2590.722
1985	253.827	17.984	235.843	23.538	212.305	0.000	212.305	3223.256	126.653	2717.375
1986	216.869	15.365	201.504	25.900	175.603	0.000	175.603	3398.859	94.804	2812.179
1987	191.182	13.545	177.636	28.499	149.137	0.000	149.137	3547.997	72.871	2885.050
1988	172.664	12.233	160.431	31.358	129.072	0.000	129.072	3677.069	57.081	2942.131
1989	158.984	11.264	147.720	34.505	113.215	0.000	113.215	3790.285	45.319	2987.450
1990	148.726	10.537	138.189	37.967	100.222	0.000	100.222	3890.506	36.313	3023.763
1991	140.942	9.986	130.956	41.777	89.180	0.000	89.180	3979.686	29.249	3053.012
1992	129.578	9.181	120.397	43.632	76.765	0.000	76.765	4056.451	22.801	3075.813
1993	116.803	8.276	108.528	43.632	64.896	0.000	64.896	4121.347	17.447	3093.260
1994	106.289	7.531	98.759	43.632	55.127	0.000	55.127	4176.474	13.416	3106.676
SUB TOTAL	5007.590	354.788	4652.803	436.329	4216.474	40.000	4176.474	4176.474	3106.676	3106.676
REMAINDER	375.481	26.603	348.878	189.071	159.807	40.000	159.807	4336.281	18.222	3124.898

Table No. 2

HAACK PETROLEUM CONSULTANTS, INC.

AS OF MAY 1, 1980

LEASE NAME: GULLEDGE (PROBABLE WATERFLOOD)  
 FIELD NAME: SOONER TREND  
 FORMATION: MISENER

EVALUATION: SEC. # 9 IN DB: SILER.DB  
 OPERATOR: FOD OIL CORP.  
 CNTY, STATE: GARFIELD CO., OKLA.

INTERESTS AND DATE FIRST EFFECTIVE - IDENTITY: 004-02

COST LIQUID GAS DATE  
 1.0000000 .8000000 .8000000 1/1/90

PROBABLE WATERFLOOD RESERVES (ASSUME INITIATE WATERFLOOD IN  
 RESERVES EST. TO BE 20% OF ORIG. OIL-IN-PLACE (PRIMARY = 25%  
 ASSUMES FIELD DEVELOPED ON 40 ACRE SPACING

PRESENT WORTH M\$  
 15.00 816.765  
 18.00 553.914  
 20.00 428.587  
 25.00 227.351  
 30.00 121.680

WELL COUNT	API	BASE	TRANS.	PROD.	ADVAL	... P R I C E S ...			CF/BBL	G R O S S	R E S E R V E S		% GROSS
GROSS	NET OR BTU	PRICE	CHARGE	TAXES	TAXES	BEGIN	ENDING	LIFE WT	BL/MCF	CUMULATIVE	REMAINING	ULTIMATE	REMAINING
OIL			0.0%	7.1%	0.0%	92.05	100.00	99.02		0.000	94.000	94.000	100.00%

Y E A R	GROSS OIL PRODUCTION MMBLS	GROSS COND PRODUCTION MMBLS	GROSS GAS PRODUCTION MMCF	NET OIL PRODUCTION MMBLS	NET COND PRODUCTION MMBLS	NET GAS PRODUCTION MMCF	NET OIL PRICE \$/BBL	CONDENSATE PRICE \$/BBL	NET GAS PRICE \$/MCF	GROSS WELL COUNT
1980										
1981										
1982										
1983										
1984										
1985										
1986										
1987										
1988										
1989										
1990	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000
1991	24.000	0.000	0.000	19.200	0.000	0.000	94.169	0.000	0.000	1.000
1992	18.894	0.000	0.000	15.117	0.000	0.000	100.000	0.000	0.000	1.000
1993	12.268	0.000	0.000	9.814	0.000	0.000	100.000	0.000	0.000	1.000
1994	8.607	0.000	0.000	6.885	0.000	0.000	100.000	0.000	0.000	1.000
SUB TOTAL	63.770	0.000	0.000	51.916	0.000	0.000	98.558	0.000	0.000	1.000
REMAINDER	30.230	0.000	0.000	24.184	0.000	0.000	100.000	0.000	0.000	1.000
TOT 15.8 YR	94.000	0.000	0.000	75.200	0.000	0.000	99.022	0.000	0.000	1.000

Y E A R	NET TOTAL SALES M\$	TRANS ETC : PROD TAXES M\$	REV AFTER TRANS & TAXES M\$	NET ADVAL & OPR EXPENSE M\$	NET OPR INCOME M\$	NET TOTAL INVESTMENT M\$	FUTURE NET CASHFLOW M\$	CUMULATIVE CASHFLOW M\$	CASHFLOW DISC @ 10% M\$	CUM. CASH DISC @ 10% M\$
1980										
1981										
1982										
1983										
1984										
1985										
1986										
1987										
1988										
1989										
1990	0.000	0.000	0.000	12.542	-12.542	300.000	-312.542	-312.542	-118.152	-118.152
1991	1846.443	130.820	1715.622	13.801	1701.821	0.000	1701.821	1389.279	557.190	439.019
1992	1511.657	107.101	1404.556	14.414	1390.142	0.000	1390.142	2779.421	413.959	852.978
1993	981.430	69.534	911.895	14.414	897.482	0.000	897.482	3676.903	241.741	1094.719
1994	688.550	48.784	639.766	14.414	625.352	0.000	625.352	4302.255	152.399	1247.118
SUB TOTAL	5028.078	356.239	4671.839	59.554	4602.285	300.000	4302.285	4302.285	1247.136	1247.136
REMAINDER	2418.365	171.341	2247.024	341.155	1905.869	0.000	1905.869	6208.154	710.000	1957.136

Mittelman 1-15-80 Phyllis S. Hull M. Tiernan 1-15-80 Ada L. Karnes Belama 2-24-82	Buttwood 8-18-80 Inesrich Va Ednie Zaloudek Inc Belama 12-13-81	Buttwood 8-26-80 Enserch Va Ednie Zaloudek Inc Belama 12-13-81	Tex O Co 7-25-79	SW Expl 7-11-78	Belama 8-14-81 Leila - N. H. M. 1981 Belama 1-17-79 Belama 8-15-81	Cleary 9-11-77	Clearly 6-21-79	Anadarko 7-9-79 JIM Beckwith Clearly 9-11-77	Clearly 6-4-79 J. Bowles	J. L. 2-24
Admiral Bell Marg. Bell Clara Smith	Inez Baker	Katharine Eby 5742 Carolyn K. Early	FE Henke JC Steffens et al 8-10-77 8-25-77 7-10 8-70 8-76 76	Robt Schmeck SW Expl 7-7-78	Belama 6-13-81 Henry Rahm	Red Rock 7-18-79 Chris Fixek	James L. Zaloudek Clearly 7-27-79	Clearly 7-27-79 Clearly 8-11-77 \$750'	Helan Thompson J. Bowles 6-22-79	Skm 532 Helen T.
Mack 11-22-80 Anna F. Swartz, et al	Mack 11-22-80 Inez Baker Inez P. Shaughnessy	Mack 11-18-80 Ernest H. Voth John E. Voth John E. Voth Mack 11-13-80	Ernest H. Voth John E. Voth John E. Voth Mack 11-13-80	SW Holmes 1-17-87 5747 Joan Zaloudek M. C. Howell 1-5-83	Belama 6-23-81 Henry Rahm	Red Rock 7-18-79 Chris Fixek	James L. Zaloudek Clearly 7-27-79	Clearly 7-27-79 Clearly 8-11-77 \$750'	Anadarko 7-10-79 J. Bowles 6-22-79	Skm 532 Helen T.
Dyco 7-22-79 Samedan C&K 7-22-79 R.G. Gray AN Janzen	Mack 11-22-80 Elmer 1194 Mer 9337 TP 9236	Mack 11-18-80 John E. Voth Mack 11-13-80	John E. Voth Mack 11-13-80	Joan Markwell	Belama 6-23-81 Henry Rahm	Red Rock 7-18-79 Chris Fixek	James L. Zaloudek Clearly 7-27-79	Clearly 7-27-79 Clearly 8-11-77 \$750'	Anadarko 7-10-79 J. Bowles 6-22-79	Skm 532 Helen T.
Belama 12-12-80 Dale Royner et al	Belama 1-22-82 Ednie Zaloudek Inc	Mack 11-29-80 Joe Coffey Birchall 1-16-81 Birchall 1-16-81	Birchall 10-17-82 F.C.D.	Birchall 11-7-82 Doyle Robbins Birchall 11-7-82 JE Voth	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	J. Bowles 7-9-79 J.E. Johnson Bowles 7-10-79	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80
Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Dyco 7-22-79 Samedan 7-22-79 R.G. Gray	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Arkla 7-9 Cotton 11-8-83 Cotton 11-6-83 A. Teems Henry Teems	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Belama 4-19-80 James L. Zaloudek	Art E. Johnson Bailey Gas 2-10-81	Part 1 4-8-80

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KREMLIN

Not  
included  
in this  
report

**20. STATUTORY RIGHTS OF RESCISSION**

Sections 61 and 62 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

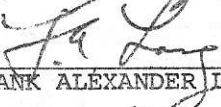
Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.


**21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:**

The foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

February 4, 1981  
\_\_\_\_\_  
(Date)

  
\_\_\_\_\_  
RICHARD WILLIAM HUGHES

  
\_\_\_\_\_  
FRANK ALEXANDER LANG

  
\_\_\_\_\_  
GERALD STANLEY OLSON

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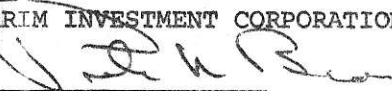
**CERTIFICATE OF THE UNDERWRITER(S):**

To the best of our knowledge, information, and belief, the foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

February 4, 1981  
\_\_\_\_\_  
(Date)

WOLVERTON & COMPANY  
Per: \_\_\_\_\_

  
\_\_\_\_\_

CANARIM INVESTMENT CORPORATION LTD.  
Per:   
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_