FORM SC 13E3

Schedule filed to report going private transactions(Issuer Self-Tender Offer)

Filing Date: **2003-02-05**
SEC Accession No. 0001035704-03-000078

SUBJECT COMPANY

INLAND RESOURCES INC

CIK:**717754**| IRS No.: **911307042** | State of Incorp.:**WA** | Fiscal Year End: **1231**
Type: **SC 13E3** | Act: **34** | File No.: **005-44316** | Film No.: **03541263**
SIC: **1311** Crude petroleum & natural gas

Mailing Address
410 17TH STREET
SUITE 700
DENVER CO 80202

Business Address
410 17TH ST STE 700
DENVER CO 80202
3038930102

FILED BY

INLAND RESOURCES INC

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13E-3

Transaction Statement
under Section 13(e) of the Securities Exchange Act of 1934
and Rule 13e-3 thereunder

Inland Resources Inc.

(Name of Issuer)

Inland Resources Inc.

Inland Holdings, LLC
Hampton Investments LLC
SOLVation, Inc.
(Name of Persons Filing Statement)

Common Stock, Par Value $.001 per share
(Title of Class of Securities)

457469-20-3
(CUSIP Number of Class of Securities)

Marc MacAluso
Chief Executive Officer
Inland Resources Inc.
410 17th Street, Suite 700
Denver, CO 8020
(303) 893-0102

Inland Holdings, LLC
Attention: Arthur R. Carlson
and Thomas F. Mehlberg
865 S. Figueroa Street, Suite 1800
Los Angeles, CA 90017
(213) 244-0053

Hampton Investments LLC
c/o SOLVation, Inc.
Attention: General Counsel
885 Third Avenue, 34th Floor
New York, NY 10022
Tel: (212) 888-5500

SOLVation, Inc.
Attention: General Counsel
885 Third Avenue, 34th Floor
New York, NY 10022
Tel: (212) 888-5500

(Name, Address, and Telephone Numbers of Person Authorized

to Receive Notices and Communications on Behalf of Persons Filing Statement)

with a copy to:

Ronald L. Brown, Esq.
Andrews & Kurth L.L.P.
1717 Main Street
Suite 3700
Dallas, TX 75201

David A. Lamb, Esq.
Milbank, Tweed, Hadley
& McCloy LLP
601 S. Figueroa Street, Suite 3000
Los Angeles, CA 90017

James L. Rice III, Esq.
Akin Gump Strauss Hauer & Feld LLP
711 Louisiana, Suite 1900
Houston, TX 77002

This statement is filed in connection with (check the appropriate box):

☐ a. The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C, or Rule 13e-3(c) under the Securities Exchange Act of 1934.
☐ b. The filing of a registration statement under the Securities Act of 1933.
☐ c. A tender offer.
☑ d. None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies ☐

CALCULATION OF FILING FEE

Transaction valuation: $282,000(1)	Amount of filing fee: $25.94(1)

(1) Such fee is based upon $92 per $1,000,000 of the purchase price of the securities proposed to be purchased, pursuant to Section 13(e)(3) of the 1934 Act.

☐ Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: $

Filing Party:
Form or Registration No.:
Date Filed:

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INTRODUCTION

This Rule 13e-3 transaction statement on Schedule 13E-3 (this "Statement") is being filed by Inland Resources Inc., a Washington corporation (the "Company"), Inland Holdings, LLC, a California limited liability company ("TCW"), SOLVation Inc., a Delaware corporation ("SOLVation") and Hampton Investments LLC, a Delaware limited liability company ("Hampton" and together with SOLVation, the "Smith Parties"), and relates to (i) the Company' s issuance to TCW of 22,053,000 shares of Common Stock and 911,588 shares of Series F Preferred Stock, par value $.001 per share (the "Series F Preferred Stock") plus 383 shares of Series F Preferred Stock for each day after November 30, 2002 until the Closing in exchange for the cancellation of Subordinated Note No. R-001 dated August 2, 2002, issued to TCW in the aggregate principal amount of $98,968,964 (the "TCW Subordinated Note") and all accrued but unpaid interest thereon, (ii) the Company' s issuance to SOLVation of 68,854 shares of Series F Preferred Stock plus 27 shares of Series F Preferred Stock for each day after November 30, 2002 until the Closing in exchange for the cancellation of Junior Subordinated Note No. R-30001 dated August 2, 2002, issued to SOLVation in the aggregate principal amount of $5,000,000 (the "SOLVation Subordinated Note" and together with the TCW Subordinated Note, the "Notes") and all accrued but unpaid interest thereon, (iii) the contribution by TCW and the Smith Parties of all shares of Common Stock and Series F Preferred Stock held by each (the "TCW and Smith Shares") following consummation of the foregoing exchange transactions (collectively, the "Exchange") to Inland Resources Inc., a newly formed Delaware corporation ("Newco") in consideration of the issuance by Newco of 10,000 shares of its common stock, par value $.001 per share, which represent all of the issued and outstanding capital stock of Newco, and (iv) the short-form merger of the Company with and into Newco, with Newco as the survivor (the "Merger"), pursuant to which the TCW and Smith Shares held by Newco will be cancelled and all remaining shares of the Company' s Common Stock other than the TCW and Smith Shares will be exchanged for the merger consideration of $1.00 per share in cash.

Item 1. ***Summary Term Sheet.***

The information set forth under the caption "Summary of the Transactions" in the Transaction Statement attached hereto as Exhibit (a) (the "Transaction Statement") is hereby incorporated by reference.

Item 2. ***Subject Company Information.***

(a) The Company' s full name, address and telephone number for its principal executive offices are:

Inland Resources Inc.

410 17th Street, Suite 700
Denver, CO 80202
(303) 893-0102

(b) The exact title of the class of equity security that is the subject of this filing is the Company' s Common Stock, $.001 par value. As of December 31, 2002, the Company had 2,897,732 shares of Common Stock outstanding.

(c) The information set forth under the caption "Market for Registrant' s Common Stock and Related Shareholder Matters − Price Range of Common Stock" in the Transaction Statement is incorporated herein by reference.

(d) The information set forth under the caption "Market for Registrant' s Common Stock and Related Shareholder Matters − Dividend Policy" in the Transaction Statement is incorporated herein by reference.

(e) Not Applicable

(f) Not Applicable.

Item 3. ***Identity and Background of Filing Persons.***

(a)

1.	Inland Resources Inc. (subject company) 410 17th Street, Suite 700 Denver, CO 80202 (303) 893-0102
2.	Inland Holdings, LLC (affiliate of subject company through ownership of 9.2% of outstanding common stock of subject company and right to participate on Board of Directors) c/o The TCW Group, Inc. 865 S. Figueroa Street, Suite 1800 Los Angeles, CA 90017 (213) 244-0053
3.	SOLVation, Inc. (affiliate of subject company through affiliation with Hampton) 885 Third Avenue, 34th Floor New York, NY 10022 (212) 888-5500
4.	Hampton Investments LLC c/o SOLVation, Inc. (affiliate of subject company through ownership of 71.7% of outstanding common stock of subject company) 885 Third Avenue, 34th Floor New York, NY 10022 (212) 888-5500
5.	Trust Company of the West, as Sub-Custodian c/o The TCW Group, Inc. 865 South Figueroa Street, Suite 1800 Los Angeles, California 90017 (213) 244-0053
6.	TCW Portfolio No. 1555 DR V Sub-Custody Partnership, L.P. c/o The TCW Group, Inc. 865 South Figueroa Street, Suite 1800 Los Angeles, California 90017 (213) 244-0053
7.	TCW Royalty Company c/o The TCW Group, Inc. 865 South Figueroa Street, Suite 1800 Los Angeles, California 90017 (213) 244-0053
8.	TCW Asset Management Company c/o The TCW Group, Inc.

865 South Figueroa Street, Suite 1800
Los Angeles, California 90017
(213) 244-0053

Trust Company of the West, as Sub-Custodian ("TCW as Sub-Custodian") and TCW Portfolio No. 1555 DR V Sub-Custody Partnership, L.P. ("Portfolio") are the members of TCW. TCW as Sub-Custodian and Portfolio have discretionary authority and control over all of the assets of TCW pursuant to the

Operating Agreement of TCW, including the power to vote and dispose of the Company' s capital stock held by TCW.

In addition, TCW Royalty Company ("TCW Royalty"), as the managing general partner of Portfolio, has discretionary authority and control, together with TCW as Sub-Custodian, of TCW, including the power to vote and dispose of the Company' s capital stock held in the name of the TCW.

TCW Asset Management Company ("TAMCO"), as the parent corporation of TCW Royalty and as the investment manager, also has the power, together with TCW as Sub-Custodian, to vote and dispose of the shares of the Company' s capital stock held by TCW.

Each of TCW as Sub-Custodian, Portfolio, TCW Royalty and TAMCO, as a parent corporation or partnership or as a managing partner or member of TCW, may be deemed to control TCW. Each of TAMCO and Trust Company of the West (other than in its capacity as TCW as Sub-Custodian) disclaims beneficial ownership of the Company' s capital stock (or capital stock equivalents) and the filing of this statement shall not be construed as an admission that such entities and individuals are the beneficial owners of any securities covered by this statement.

(b)

Entity	State of Organization	Principal Business
Inland Resources Inc.	Washington	Oil and gas exploration and development
Inland Holdings, LLC	California	Investments
SOLVation, Inc.	Delaware	Investments
Hampton Investments LLC	Delaware	Investments
Trust Company of the West	California	Investments
TCW Portfolio No. 1555 DR V Sub-Custody Partnership, L.P.	California	Investments
TCW Royalty Company	California	Investments
TCW Asset Management Company	California	Investments

During the past five years, none of these entities has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

(c)(1) and (2) The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Transaction Statement is incorporated herein by reference. Set forth below are the name, address and the present principal occupation or employment of each executive officer and director of the Company and each executive officer and director of any corporation or other person ultimately in control of the Company:

Marc MacAluso. Mr. MacAluso was appointed as Chief Executive Officer and Chief Operating Officer of the Company on February 1, 2001, and has served as a director since October 14, 1999. He was Senior Vice President of TAMCO, where he was involved in all aspects of mezzanine financing for TCW' s Energy Group, from August 1994 through January 2001. The Company' s address is 410 17th Street, Suite 700, Denver, CO 80202.

Bill I. Pennington. Mr. Pennington has served as Chief Financial Officer of the Company since September 21, 1994 and as President since November 16, 2000. He also served as Chief Executive Officer of the Company from September 23, 1999 until February 1, 2001 and as Vice President from March 22, 1996 until September 23, 1999. He was appointed as a director of the Company on September 23, 1999. The Company' s address is 410 17th Street, Suite 700, Denver, CO 80202.

Arthur J. Pasmas. Mr. Pasmas was appointed as a director and Chairman of the Board of the Company in August 2001. He was also a director of the Company from 1994 until September 1999, and was Co-Chief Executive Officer of the Company from November 1998 until September 1999. Mr. Pasmas has served as Vice President of Smith Management or affiliated entities since 1984. He currently manages oil and gas investments as Vice President of Smith Management. The address of Smith Management LLC is 885 Third Avenue, 34th Floor, New York, New York 10022.

Bruce M. Schnelwar. Mr. Schnelwar has served as a director of the Company since March 2001. He also was a director of the Company from February 1998 until September 1999. He has served as Executive Vice President and Chief Financial Officer of Smith Management or affiliated entities (including each of the Smith Group Parties, as defined below) since 1994. Mr. Schnelwar is a member of the Board of Directors of each of Pengo Industries, Inc, SDR Group Holdings, Inc. and SOLVation. The address for Smith Management LLC is 885 Third Avenue, 34th Floor, New York, New York 10022.

Dewey M. Stringer III. Mr. Stringer has served as a director of the Company since August 2001. He has been President of Petro-Guard Co., Inc., a private oil and gas exploration company, since July 1987. The principal address for Petro-Guard Co., Inc. is 5858 Westheimer, Suite 400, Houston, Texas 77057.

The executive officers and directors of TAMCO and their respective material positions and offices are listed below. The principal business address for each executive officer and director is 865 South Figueroa Street, Suite 1800, Los Angeles, California, 90017.

Robert A. Day, Director, Chairman of the Board & Chief Executive Officer
Thomas E. Larkin, Jr., Director & Vice Chairman of the Board
Marc I. Stern, Director, President & Vice Chairman of the Board
Alvin R. Albe, Jr., Director, Executive Vice President & Chief Marketing Officer
Robert D. Beyer, Director, Executive Vice President & Chief Investment Officer
William C. Sonneborn, Director, Executive Vice President & Chief Operating Officer
Mark W. Gibello, Director & Executive Vice President
Michael E. Cahill, Director, Managing Director, General Counsel & Secretary
Christopher J. Ainley, Director
Mark L. Attanasio, Director
Philip A. Barach, Director
Javier W. Baz, Director
Glen E. Bickerstaff, Director
Arthur R. Carlson, Director
Jean-Marc Chapus, Director
Penelope D. Foley, Director
Douglas S. Foreman, Director
Nicola F. Galluccio, Director
Jeffrey E. Gundlach, Director
Raymond F. Henze, III, Director
Stephen McDonald, Director
Nathan B. Sandler, Director
Komal S. Sri-Kumar, Director

JWA Investments IV LLC, a Delaware limited liability company (“JWA Investments”) is the Managing Member of Hampton and John W. Adams is the sole member of JWA Investments. Because JWA Investments may be deemed to control Hampton, and because each of SDR Group Holdings, Inc., a New York corporation (“SDR”), Pengo Industries, Inc., a Texas corporation (“Pengo Industries”, together with JWA Investments, SDR and SOLVation, the “Smith Group Parties”) and Pengo Capital LLC, a Delaware limited liability company (“Pengo Capital”) may be deemed to control SOLVation in each case within the meaning of Rule 13e-3, information with respect to the executive

officers and directors of such persons is provided below. Pengo Capital does not have officers or directors. John W. Adams is the Managing Member of Pengo Capital LLC. The principal business of Pengo Capital and each of the Smith Group Parties is investments.

John W. Adams. Mr. Adams has served as President of Smith Management LLC, a private investment firm ("Smith Management") or affiliated entities (including each of the Smith Group Parties) since January, 1984. Mr. Adams has been the sole Member of JWA Investments since July 18, 2001 and the Managing Member of Pengo Capital since August 31, 1998. Mr. Adams is a member of the Board of Directors of each of Pengo Industries, SDR and SOLVation. The address of Smith Management is 885 Third Avenue, 34th Floor, New York, New York 10022. Mr. Adams has served as Chairman of the Board of Directors of Hawaiian Airlines Inc., 3375 Koapaka Street, Suite G-350, Honolulu, Hawaii 96819, a publicly traded airline, and on such Board' s Executive Committee since 1996. In February 2002, he became a member of the Board of Directors of Sun Healthcare Group, Inc., 101 Sun Avenue, N.E., Albuquerque, New Mexico 87109, a healthcare company, and he also serves as Chairman of its Executive Committee. He was a member of the Board of Directors of Harvard Industries, Inc. from October 1994 until November 1998, and was Chairman of the Board and Chief Executive Officer of Harvard Industries, Inc. from February 1997 until November 1998.

Thomas X. Fritsch. Mr. Fritsch has served as Vice President and General Counsel of Smith Management or affiliated entities (including each of the Smith Group Parties) since January 2002. From October 1997 to January 2002 Mr. Fritsch was an associate at Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019. The address of Smith Management is 885 Third Avenue, 34th Floor, New York, New York 10022.

James B. Healy. Mr. Healy has served as Vice President and Tax Director of Smith Management or affiliated entities (including each of the Smith Group Parties) since September 2000, and from 1995 to September 2000 he served as Tax Director of Paramount Group, Inc., 1633 Broadway, New York, New York. The address of Smith Management is 885 Third Avenue, 34th Floor, New York, New York 10022.

Susan E. O' Donovan. Ms. O' Donovan has served as Vice President and Controller of Smith Management or affiliated entities (including each of the Smith Group Parties) since July 2000. From March 1999 to July 2000 Ms. O' Donovan served as Manager of Financial Reporting of General Electric Capital Services, 260 Long Ridge Road, Stamford, Connecticut, and from 1990 to July 2000 she served as Vice President and Controller of ContiFinancial Corporation, 277 Park Avenue, New York, New York. The address of Smith Management is 885 Third Avenue, 34th Floor, New York, New York 10022.

Jeffrey A. Smith. Mr. Smith has served as Executive Vice President of Smith Management or affiliated entities (including each of the Smith Group Parties) since 1986. Mr. Smith is a member of the Board of Directors of each of Pengo Industries, SDR and SOLVation. The address of Smith Management is 885 Third Avenue, 34th Floor, New York, New York 10022.

(c)(3) and (4) During the past five years, none of the natural persons identified in (c)(1) and (2) above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

(c)(5) All of the natural persons identified in (c)(1) and (2) above are U.S. citizens.

Item 4. ***Terms of the Transaction.***

(a)(1) Not Applicable

(a)(2) The information set forth under the captions "Frequently Asked Questions," "Summary of the Transaction," "Special Factors − Purposes and Reasons for the Exchange of Equity for Outstanding Debt to Affiliated Shareholders and the Short-Form Merger," "Special Factors − Alternatives Considered," "Special Factors − Effects of the Short-Form Merger," and "Special Factors − Federal Income Tax Consequences of the Merger" in the Transaction Statement is incorporated herein by reference.

(c) The information set forth under the captions “Frequently Asked Questions,” “Summary of the Transaction,” “Special Factors − Purposes and Reasons for the Exchange of Equity for Outstanding Debt to

Affiliated Shareholders and the Short-Form Merger," and "Special Factors − Effects of the Short-Form Merger − Effects of the Short-Form Merger on Our Shareholders" in the Transaction Statement is incorporated herein by reference.

(d) The information set forth under the captions "Frequently Asked Questions," "Summary of the Transaction − Step 5: Short-Form Merger − Appraisal Rights," and "Special Factors − Appraisal Rights" is incorporated herein by reference.

(e) None.

(f) None.

Item 5. ***Past Contracts, Transactions, Negotiations and Agreements.***

(a) The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management − Past Agreements and Transactions" in the Transaction Statement is incorporated herein by reference.

(b) The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management − Past Agreements and Transactions" in the Transaction Statement is incorporated herein by reference.

(c) The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management − Past Agreements and Transactions" in the Transaction Statement is incorporated herein by reference.

(e) The information set forth under the captions "Summary of the Transaction − Step 1: Exchange of TCW Sub Note and Smith Junior Sub Note into Common Stock and Series F Preferred Stock − Terms of Series F Preferred Stock" and "Security Ownership of Certain Beneficial Owners and Management − Past Agreements and Transactions" in the Transaction Statement is incorporated herein by reference.

Item 6. ***Purposes of the Transaction and Plans or Proposals.***

(b) The information set forth under the captions "Frequently Asked Questions" and "Special Factors − Effects of the Short-Form Merger" in the Transaction Statement is incorporated herein by reference.

(c)(1)-(8) The information set forth under the captions "Frequently Asked Questions," "Summary of the Transaction − Step 1: Exchange of TCW Sub Note and Smith Junior Sub Note into Common Stock and Series F Preferred Stock," "Summary of the Transaction − Step 2: Modify the Company' s Senior Bank Facility," "Summary of the Transaction − Step 3: Modify the Smith Senior Subordinated Note," "Summary of the Transaction − Step 4: Formation of Newco," Summary of the Transaction − Step 5: Short-Form Merger," "Special Factors − Effects of the Short-Form Merger − Effects of the Short Form Merger on the Company" and "Security Ownership of Certain Beneficial Owners and Management" in the Transaction Statement is incorporated herein by reference.

Item 7. ***Purposes, Alternatives, Reasons and Effects.***

(a) The information set forth under the captions "Frequently Asked Questions" and "Special Factors − Purposes and Reasons for the Exchange of Equity for Outstanding Debt to Affiliated Shareholders and the Short-Form Merger" in the Transaction Statement is incorporated herein by reference.

(b) The information set forth under the caption “Special Factors − Alternatives Considered” in the Transaction Statement is incorporated herein by reference.

(c) The information set forth under the captions “Frequently Asked Questions” and “Special Factors − Purposes and Reasons for the Exchange of Equity for Outstanding Debt to Affiliated Shareholders and the Short-Form Merger” in the Transaction Statement is incorporated herein by reference.

(d) The information set forth under the captions "Frequently Asked Questions," "Special Factors − Effects of the Short-Form Merger − Effects of the Short-Form Merger on the Company," "Special Factors − Effects of the Short-Form Merger − Effects of the Short-Form Merger on our Shareholders − Affiliated Shareholders" and "Special Factors − Effects of the Short-Form Merger − Effects of the Short-Form Merger on our Shareholders − Shareholders Being Cashed Out" in the Transaction Statement is incorporated herein by reference.

Item 8. ***Fairness of the Transaction.***

(a) The information set forth under the caption "Special Factors − Fairness of the Price per Share to the Company' s Unaffiliated Shareholders Being Cashed Out" in the Transaction Statement is incorporated herein by reference.

(b) The information set forth under the caption "Special Factors − Factors Considered in Determining Fairness" in the Transaction Statement is incorporated herein by reference.

(c) The information set forth under the caption "Special Factors − Approvals" in the Transaction Statement is incorporated herein by reference.

(d) The information set forth under the caption "Special Factors − Approvals − Unaffiliated Representative" in the Transaction Statement is incorporated herein by reference.

(e) The information set forth under the caption "Special Factors − Approvals − Approval of Directors" in the Transaction Statement is incorporated herein by reference.

(f) None.

Item 9. ***Reports, Opinions, Appraisals and Negotiations.***

(a)-(c) The information set forth under the caption "Special Factors − Opinion of Financial Advisor − Exchange" in the Transaction Statement is incorporated herein by reference.

Item 10. ***Source and Amounts of Funds or Other Consideration.***

(a) The information set forth under the caption "Special Factors − Effect of the Merger on the Company − Financial Effects of the Merger" in the Transaction Statement is incorporated herein by reference.

(b) None.

(c) The information set forth under the caption "Special Factors − Effect of the Merger on the Company − Financial Effects of the Merger" in the Transaction Statement is incorporated herein by reference.

(d) Not Applicable.

Item 11. ***Interest in Securities of the Subject Company.***

(a) The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Transaction Statement is incorporated herein by reference.

(b) None.

Item 12. ***The Solicitation or Recommendation.***

(d) None of the affiliates, directors or executive officers of the Company currently intends to sell its or his shares of Common Stock for the $1.00 cash consideration except for Bill Pennington, who owns 2,168 shares of Common Stock and Dewey Stringer who owns 1,990 shares of Common Stock. Each of the Company' s directors voted to approve the Exchange and fairness of the Merger.

(e) Except for the vote to approve the Exchange and determine the fairness of the Merger by the Company' s directors and the statements contained in this Statement and the Transaction Statement, the Company is not aware that any of its affiliates, directors or executive officers has made a recommendation either in support or opposed to the Exchange and Merger.

Item 13. ***Financial Statements.***

(a) The information set forth under the caption "Financial Statements" in the Transaction Statement is incorporated herein by reference.

(b) The information set forth under the caption "Pro Forma Financial Statements" in the Transaction Statement is incorporated herein by reference.

Item 14. ***Persons/ Assets, Retained, Employed, Compensated or Used.***

(a)- (b) Not Applicable.

Item 15. ***Additional Information.***

The information set forth in the Transaction Statement and exhibits thereto is incorporated herein by reference.

Item 16. ***Exhibits.***

(a) Transaction Statement.

(b) Not Applicable.

(c) Opinion of First Albany Corporation dated as of January 28, 2003, attached as Exhibit B to the Transaction Statement.

(d)(1) Exchange and Stock Issuance Agreement dated as of January 30, 2003 (the "Exchange Agreement"), by and among Inland Resources Inc., Inland Production Company, Inland Holdings, LLC and SOLVation, Inc., filed as an exhibit to the Company' s Form 8-K dated February 3, 2003 and incorporated herein by reference.

(d)(2) Form of Amendment No. 1 to Employment Agreement by and between Marc MacAluso and Newco, attached as an exhibit to the Exchange Agreement.

(d)(3) Form of Amendment No. 1 to Employment Agreement by and between Bill I. Pennington and Newco, attached as an exhibit to the Exchange Agreement.

(d)(4) Form of Second Amended and Restated Registration Rights Agreement by and among Inland Resources Inc., Inland Holdings, LLC, Hampton Investments LLC and SOLVation, Inc, attached as Exhibit E to the Exchange Agreement.

(d)(5) Form of First Amendment to Senior Subordinated Note Purchase Agreement, attached as an exhibit to the Exchange Agreement.

(d)(6) Form of Development Agreement, attached as an exhibit to the Exchange Agreement.

(d)(7) Investors' Agreement dated as of January 30, 2003 (the "Investors' Agreement"), by and among Newco, Inland Holdings, LLC, Hampton Investments LLC and SOLVation, Inc.

(d)(8) Form of Agreement and Plan of Merger between Inland Resources Inc. and Newco, attached as an exhibit to the Investors' Agreement.

(d)(9) Fourth Amendment to Third Amended and Restated Credit Agreement.

(f) Chapter 23B.13 of The Revised Code of Washington (attached as Exhibit A to the Transaction Statement and incorporated herein by reference).

(g) Not Applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

INLAND RESOURCES INC.

By: /s/ MARC MACALUSO

Marc MacAluso
Chief Executive Officer

SOLVATION, INC.

By: /s/ THOMAS X. FRITSCH

Thomas X. Fritsch
Vice President

HAMPTON INVESTMENTS LLC

By: JWA INVESTMENTS IV, LLC
its Managing Member

By: /s/ THOMAS X. FRITSCH

Thomas X. Fritsch
Vice President

INLAND HOLDINGS, LLC

By: TRUST COMPANY OF THE WEST,
a California trust company, as Sub-Custodian for Mellon Bank for the benefit of Account No. CPFF 873-3032, Member

By: /s/ ARTHUR R. CARLSON

Arthur R. Carlson
Managing Director

By: /s/ THOMAS F. MEHLBERG

Thomas F. Mehlberg
Managing Director

By: TCW PORTFOLIO NO. 1555 DR V
Sub-Custody Partnership, L.P.,
a California limited partnership, Member

By: TCW Royalty Company, a California
Company, Managing General Partner

By: /s/ THOMAS F. MEHLBERG

Thomas F. Mehlberg
Vice President

INDEX TO EXHIBITS

Exhibit Number		Description
(a)	–	Transaction Statement.
(b)	–	Not Applicable.
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(d)(9)	–	Fourth Amendment to Third Amended and Restated Credit Agreement.
(f)	–	Chapter 23B.13 of The Revised Code of Washington (attached as Exhibit A to the Transaction Statement and incorporated herein by reference).
(g)	–	Not Applicable.

INLAND RESOURCES INC.

410 17th Street, Suite 700
Denver, Colorado 80202
(303) 893-0102

TRANSACTION STATEMENT

Pursuant to Rule 13e-3 of the Securities Exchange Act of 1934

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

This transaction statement ("Transaction Statement") is being furnished by Inland Resources Inc. (the "Company" or "Inland"), Inland Holdings, LLC, an entity managed by an affiliate of Trust Company of the West ("TCW"), and SOLVation, Inc. ("SOLVation") and Hampton Investments, LLC ("Hampton" and together with SOLVation, the "Smith Parties"), to the holders of common stock of Inland in connection with the financial restructuring of Inland. The restructuring will involve the exchange of debt securities held by TCW and SOLVation in an aggregate amount of more than $120 million for Inland equity securities (the "Exchange"), the rescheduling and cure of defaults on Inland' s remaining debt, and a merger transaction in which Inland shareholders not affiliated with TCW or the Smith Parties will be "cashed out" of their Inland common stock ownership at a price of $1.00 per share. See "Summary of the Transactions."

Inland' s Board of Directors unanimously approved the Exchange and Inland, TCW and the Smith Parties determined that the $1.00 per share cash consideration to be paid to "cash out" shareholders not affiliated with TCW or the Smith Parties is fair. The Board includes one member who is neither an officer of the Company nor affiliated with either TCW or the Smith Parties. The Exchange will cause the Company' s shareholders' equity to increase from a negative $40.9 million to a positive $77 million, on a pro forma basis as of September 30, 2002, and result in a savings in interest expense of more than $12 million annually. See "Pro Forma Financial Statements."

The Exchange is being made on the basis of $1.00 per common share equivalent, which is greater than the closing price as of January 31, 2003, and approximately the average market value of the Company' s common stock on the Over-the-Counter Bulletin Board ("OTCBB") over the past 90 days. First Albany Corporation ("First Albany"), financial advisor to the Board, has rendered its opinion to the Board that the Exchange is fair to the Company' s unaffiliated shareholders from a financial point of view. First Albany was not asked to and did not render any opinion as to the fairness of the $1.00 per share valuation to the Company' s unaffiliated shareholders or as to any aspect of the Merger. See "Special Factors − Opinion of Financial Advisor − Exchange." As a result of the Exchange, the Company will issue approximately 120 million shares of common stock (either initially, or upon conversion of Series F Preferred Stock, a newly-authorized series of preferred stock that will be created to enable the Company to complete the Exchange due to insufficiently authorized shares of common stock) and thereupon TCW and the Smith Parties will own more than 99% of the Company' s outstanding common stock. Immediately following the Exchange, TCW and the Smith Parties will contribute their Inland shares to a newly formed Delaware corporation ("Newco") and then cause Inland to merge with and into Newco in a "short-form" merger under the laws of Delaware and Washington (the "Merger"). The Merger will not require any vote or approval or other action by any of the Company, its shareholders or the Board of Directors. In the Merger, Inland will cease to exist, and all former outstanding shares and options to acquire shares of Inland will be cancelled. Holders of Inland shares other than Newco and shareholders who perfect their statutory dissenters' rights will be entitled to receive a payment of $1.00 in cash for each Inland share cancelled in the Merger. Holders of options to acquire shares will not receive any consideration for their cancelled options. Following effectiveness of the Merger, Inland will terminate its reporting obligations to the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "1934 Act"), and its stock will no longer be quoted on the OTCBB.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE TRANSACTIONS, PASSED UPON THE MERITS OR FAIRNESS OF THESE TRANSACTIONS, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS TRANSACTION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Transaction Statement is dated February 12, 2003, and is first being mailed to

our shareholders on or about February 12, 2003. The Exchange and the Merger will become effective approximately 20 days after the mailing of this Transaction Statement.

SUMMARY OF THE TRANSACTIONS

As a result of significant cumulative losses from operations and financings that occurred in the past three years, the Company is in a difficult financial condition. As of September 30, 2002, the Company had a deficit in shareholders' equity of $40.9 million, an accumulated deficit of $80.7 million reflecting cumulative losses from operations in that amount, and total indebtedness of $208 million, all of which was in default due to its failure to comply with financial covenants required by the Company' s senior bank credit agreement and subordinated debt agreements. In an attempt to address its financial problems, the Company devoted much of 2001 attempting to find a merger partner or a person to acquire the Company or its assets, but none of these efforts was successful. During 2002, the Company' s financial condition and results of operations continued to deteriorate, and to avoid bankruptcy the Company sought to restructure its debt through a comprehensive agreement with its lenders and principal shareholders. Those efforts culminated in agreements reached on January 30, 2003 to enter into the following transactions:

STEP 1: EXCHANGE OF SUBORDINATED NOTES FOR COMMON STOCK AND SERIES F PREFERRED STOCK

Exchange:	In the Exchange, TCW will exchange a subordinated note in the principal amount of $98,968,964, plus all accrued and unpaid interest thereon, for 22,053,000 shares of the Company' s common stock and 911,588 shares of the Company' s Series F Preferred Stock plus 338 such shares for each day from and after November 30, 2002 until the closing. SOLVation will exchange its junior subordinated note in the principal amount of $5,000,000, plus all accrued and unpaid interest thereon, for 68,854 shares of the Company' s Series F Preferred Stock plus 27 such shares for each day from and after November 30, 2002 until the closing.

Terms of Series F Preferred Stock:

Securities:	20,000,000 shares of the Company' s Class A Preferred Stock are authorized. 1,100,000 shares of the Company' s Class A Preferred Stock will be designated Series F Preferred Stock, and the Company contemplates issuing approximately 1,000,000 shares of Series F Preferred Stock, in the aggregate, pursuant to the Exchange.
Voting Rights:	Votes with the common stock on an "as converted" basis and separately as a class to approve certain major decisions that could alter the rights of the holders.
Liquidation Preference:	In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series F Preferred Stock are entitled to receive, in preference to the holders of the common stock but only after payment in full of all senior indebtedness, a per share amount equal to $100, as adjusted for any stock dividends, combinations or splits with respect to such share.
Automatic Conversion:	Each share of Series F Preferred Stock will be automatically converted into 100 shares of the Company' s common stock when a sufficient number of shares of common stock have been authorized.
Effect of Merger:	The Series F Preferred Stock will be cancelled in the Merger along with all other Inland securities.
Exchange Agreement:	The Exchange will be made pursuant to an Exchange and Stock Issuance Agreement (the "Exchange Agreement") among TCW, SOLVation and the Company, dated as of January 30, 2003.

STEP 2: MODIFICATION OF THE COMPANY' S SENIOR BANK CREDIT FACILITY

The Company' s senior bank lenders have agreed to the modifications outlined below, subject in part to the closing of the Exchange:

The banks will consent to all transactions contemplated by the Exchange Agreement.

The banks will extend the Company' s borrowing base of $83.5 million through July 31, 2003 and provide an additional credit commitment of $5 million for letters of credit to support commodity pricing hedging and secure certain EPA bonding obligations.

The banks will extend the date on which the revolving facility converts to a term loan to September 30, 2004 and permit the term loan to be paid in installments with a final maturity date of December 31, 2008, if the Company obtains a capital contribution of $15 million of equity, debt or other property approved by the banks by December 31, 2003.

The bank will modify certain financial covenants.

The banks will grant a 10-day notice and grace period with respect to violations of certain covenants (before acceleration can commence) not including defaults in the payment of obligations to the banks. All existing defaults will be waived.

The Company will agree to hedge specified percentages of its net oil and gas production by specified dates.

STEP 3: MODIFICATION OF THE SMITH SENIOR SUBORDINATED NOTE

The terms of the Senior Subordinated Note Purchase Agreement dated as of August 2, 2001 (regarding the senior subordinated note held by SOLVation in the principal amount of $5,000,000) will be amended to extend the maturity date to be six months after the senior banks' maturity date (or earlier repayment in full) but no later than July 1, 2009; provided that if the Company enters into any additional borrowings during the term period of the bank credit facility, the senior subordinated note must be repaid in full, and to amend and conform affirmative and negative covenants to the senior bank credit agreement.

STEP 4: GOING PRIVATE TRANSACTION

Formation of Newco:

TCW and the Smith Parties will form a new Delaware corporation named Inland Resources Inc. ("Newco"). Immediately following completion of Steps 1, 2 and 3 above, TCW will contribute to Newco all of TCW' s holdings of the Company' s common stock and Series F Preferred Stock in exchange for 92.5% of the common stock of Newco, and each of the Smith Parties will contribute to Newco all of their holdings in the Company' s common stock and Series F Preferred Stock in exchange for an aggregate of 7.5% of the common stock of Newco. Newco will then own 99.8% of the Company' s common stock and common stock equivalents.

Short-Form Merger:	Upon the closing of the Exchange, the Company will be merged with and into Newco, with Newco surviving as a Delaware corporation. No action is required by Inland' s shareholders or Board of Directors under the relevant provisions of Washington and Delaware law with respect to a merger of a subsidiary owned more than 90% by its parent corporation. All outstanding shares and options to purchase shares of the Company will be cancelled in the Merger, and shareholders of the Company other than Newco and unaffiliated shareholders who exercise their statutory dissenters' rights will receive $1.00 per share in cash in payment of their cancelled shares.
Appraisal Rights:	Shareholders of Inland have the right to dissent from the Merger and have a court appraise the value of their shares. Shareholders electing this remedy must comply with the procedures of Section 23B.13 of the Washington Business Corporation Act, a copy of which is attached as **Exhibit A**. Shareholders electing to exercise their right of appraisal will not receive the $1.00 per share paid to all other public shareholders, but will instead receive the appraised value, which may be more or less than $1.00 per share. See "Special Factors − Appraisal Rights," and **Exhibit A**.
Effect of the Merger:	The Merger will result in the Company terminating its status as a reporting company under the 1934 Act and its stock ceasing to be traded on the OTCBB. Its successor, Newco, will be a private company owned by three shareholders. Newco will assume all obligations of the Company as a result of the Merger.
Management Options:	Marc MacAluso and Bill I. Pennington, executive officers of the Company, will each receive an amendment to their Employment Agreements with the Company, which will survive and be assumed by Newco. Such agreements will provide that Mr. MacAluso and Mr. Pennington will receive new, fully vested options to purchase 4% and 3%, respectively, of the common stock of Newco for an exercise price based upon the $1.00 per share amount paid to unaffiliated shareholders of the Company and the outstanding number of shares of common stock and common stock equivalents of the Company immediately prior to the Merger. Similar options were contained in their employment agreements with the Company.

FREQUENTLY ASKED QUESTIONS

Q: WHAT TRANSACTIONS ARE CURRENTLY CONTEMPLATED BY THE COMPANY, TCW AND THE SMITH PARTIES?

A: Pursuant to the Exchange Agreement, the Company will issue shares of its newly designated Series F Preferred Stock and common stock to SOLVation and TCW in exchange for the cancellation of subordinated notes issued by the Company to SOLVation and TCW in the aggregate principal amount of $103,968,964 plus all accrued interest thereon (the "Exchange"). TCW and the Smith Parties will immediately thereafter contribute all of their shares of Inland common stock and preferred stock of the Company to Newco in exchange for shares of Newco common stock.

Newco will then consummate a short-form merger under Delaware and Washington law, with Newco surviving the merger (the "Merger"). In the Merger, all outstanding shares of the Company' s common

stock, other than the shares held by Newco and shares held by holders electing to exercise dissenters' rights, will be exchanged for $1.00 per share in cash, and all shares and options to purchase shares will then be cancelled.

Q: WHAT ARE THE PURPOSES OF AND REASONS FOR THE EXCHANGE AND MERGER?

A: See "Special Factors − Purposes and Reasons for the Exchange of Equity for Outstanding Debt to Affiliated Shareholders and the Merger."

Q: WHAT VOTE OF THE SHAREHOLDERS IS REQUIRED TO APPROVE THE TRANSACTIONS?

A: None. Approval of the Company' s shareholders is not required to effect either the Exchange or the Merger under any applicable law or regulation or any provision of the Company' s charter documents.

Q: WHAT ALTERNATIVES TO THE TRANSACTIONS DID THE BOARD CONSIDER?

A: See "Special Factors − Alternatives Considered."

Q: WHAT WILL BE THE EFFECTS OF THE MERGER?

A: The corporate existence of Inland Resources Inc., a Washington corporation, will cease. Upon the transfer of the shares of Inland held by TCW and the Smith Parties to Newco and the subsequent consummation of the Merger, by operation of law all of the property and liabilities of Inland will become property and liabilities of Newco. Newco at that point will be privately held (by TCW and the Smith Parties) and will not be subject to the reporting requirements of the 1934 Act.

Q: IS THE MERGER FAIR TO THE COMPANY' S UNAFFILIATED SHAREHOLDERS?

A: Inland, TCW and the Smith Parties believe that the transactions are fair to, and in the best interests of, Inland' s unaffiliated shareholders, who will be cashed out in the Merger. The Board of Directors does not oppose the Merger.

Q: DO I HAVE APPRAISAL RIGHTS IN CONNECTION WITH THE MERGER?

A: Yes. You are entitled to appraisal rights under the Washington Business Corporation Act if you follow the procedures described therein. See "Special Factors − Appraisal Rights" and Exhibit A.

Q: WHEN WILL THE MERGER BE EFFECTIVE?

A: The Merger will become effective upon filing of the Articles of Merger with the Secretaries of State of Delaware and Washington, which is expected to occur within approximately 20 days after the mailing of this Transaction Statement.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. You will receive a letter of transmittal and detailed instructions explaining the procedure for turning in your stock certificates and how to receive the cash payment.

Q: WHOM CAN I CALL WITH QUESTIONS?

A: If you have any questions about any of the transactions described in this Transaction Statement, please call Bill Pennington at (303) 893-0102.

SPECIAL FACTORS

Purposes and Reasons for the Exchange of Equity for Outstanding Debt to Affiliated Shareholders and the Merger.

The primary purpose of the stock issuances to TCW and SOLVation pursuant to the Exchange Agreement is to restructure approximately $117.9 million of debt owed to TCW and the SOLVation into non-interest bearing equity, resulting in an improvement in the Company' s shareholders' equity as of September 30, 2002 on a pro forma basis from a negative $40.9 million to a positive $77 million, and saving more than $12 million annually in interest expense. In connection with such restructuring, the Company will also amend its senior bank credit facility and remaining debt facility to, among other things, cure all defaults existing at February 3, 2003, and reschedule the payments required to be made. The banks have agreed to amend the Company' s credit agreement to take effect upon the closing of the Exchange. The Company has been in default on all such debt since April 1, 2002, and as a result, it has received an opinion from its auditors on its 2001 financial statements that is qualified as to the Company' s ability to continue as a going concern.

The purpose of the Merger is to enable the Company to terminate the registration of its common stock under Section 12(g) of the 1934 Act and to eliminate public ownership of its shares. The Board of Directors holds the view that the Company and its shareholders currently derive no material benefit from continued registration under the 1934 Act, and that any such benefits would even be less as a result of the Exchange and resulting reduction in the percentage of outstanding common stock held by the public shareholders.

The Company has maintained its registered status in the past in order to provide a trading market for its shareholders; however, its shareholders have not made significant use of that trading market. The Company had approximately 507 shareholders of record as of December 31, 2002, of which 456 shareholders each owned fewer than 100 shares and 336 holders each owned 10 or fewer shares. Because the average daily volume of trading from January 1, 2002 through December 31, 2002 was approximately 450 shares (eliminating duplicative trades), the Company believes there has not been a material change in the ownership of its shares during such time. As of December 31, 2002, approximately 90% of outstanding common shares were held by TCW and Hampton. As a result, there is a limited and illiquid market for the common stock, and the Board of Directors believes there is little likelihood that a more active market will develop in the foreseeable future. Even if its financial performance were to improve, the Board believes that at this time there is little public demand for the common stock of small public oil and gas companies with a history of operating losses and low stock values.

As a result of the limited trading market and high level of debt, the Company is not in a position to use its public company status to raise capital through sales of securities in a public offering or to acquire other business entities or properties using stock as consideration. The ability to expand has been limited within the past two years, and future expansion plans are limited, due to the inability to raise capital. The Board of Directors has determined that the Company needs to present a healthier balance sheet and reduce interest expense and general and administrative expenses so it can focus on managing a successful business and plan with more certainty for its future.

The Company' s status as a public company has not only failed to materially benefit its shareholders, but also, in the Board' s view, places a significant financial burden on the Company. Because there are more than 300 shareholders of record and the common stock is registered under Section 12(g) of the 1934 Act, the Company is required to comply with the disclosure and reporting requirements of the 1934 Act. The cost of complying with these requirements is substantial, representing an estimated annual cost of approximately $150,000. The Company also incurs printing, postage, data entry, stock transfer and other administrative expenses related to servicing shareholders who are record holders of a relatively small numbers of shares. These cost savings are estimates, and the actual savings to be realized may be higher or lower than anticipated. In addition to the direct costs incurred, management and employees are required to devote their time and energy to completing the periodic reports required of publicly traded companies under the 1934 Act. In going private through the Merger, the Company will eliminate many of these direct and indirect costs. Thus, in addition to the approximately $150,000 in direct annual savings the Company expects to realize following the

Merger, management and employees will be able to focus more of their time and effort on the operation of the business.

As a result of recent corporate governance scandals and the legislative and litigation environment resulting from those scandals, the costs of being a public company in general, and the costs of remaining a public company in particular, are expected to increase dramatically in the near future. For example, directors and officers insurance premiums have increased and may increase again upon renewal of the policy in November 2003. Moreover, new legislation, such as the recently enacted Sarbanes-Oxley Act of 2002, will have the effect of increasing the burdens and potential liabilities of being a public reporting company. This and other proposed legislation will likely increase audit fees, legal fees and other costs of compliance, and by increasing potential liability of officers and directors, will likely result in further increases in insurance premiums and difficulty in attracting qualified independent persons to serve on the Board. In light of the Company' s current size and resources, the Board does not believe that such costs are justified. Therefore, the Board believes that it is in the Company' s best interests to eliminate the administrative and financial burden associated with being and remaining a public company. The direct and indirect expenses incurred in being publicly traded are one of the most significant expenses that can be eliminated without negatively affecting operations.

Finally, the low market price of the common stock has made stock options unattractive, and the use of stock options has not been an effective method of attracting or retaining high-quality employees. The Company adopted stock option plans in the past with the goal of providing incentives to its employees by giving them the opportunity to participate as shareholders in the growth of the Company. The exercise or strike price of the stock options issued to employees is "under water", i.e., greater than the current market price, and thus employees have not taken advantage of these stock options. By becoming a private company, the Company hopes to focus employees' attention on fundamental positive aspects, while removing the negative impression of being an under performing public company, and in doing so attract and retain more high quality employees.

The conditions described above have prevailed for at least the last two years. With the issuance of more than 120 million equivalent shares of common stock in the Exchange, resulting in the public shareholders owning approximately 0.2% of the Company' s common stock, the conditions will be even more pronounced.

In view of the fact that going private presents the best opportunity to reduce operating costs without adversely affecting underlying business opportunities, and in light of the relatively minor benefit the Board of Directors believes the shareholders have received as a result of its public company status, the Board of Directors believes the Merger will provide a more efficient means of using the Company' s capital to benefit the continuing shareholders. On January 28, 2003 the Board of Directors approved the amendment to the Articles of Incorporation to designate the rights, preferences and privileges of the Series F Preferred Stock, and the issuance of common stock and Series F Preferred Stock to TCW and SOLVation pursuant to the terms and conditions of the Exchange Agreement, recognizing that these actions would lead to the going private merger transaction.

Alternatives Considered

Inland began reviewing options for its financial future as early as 2001. Over the past two years, the Company has considered the following alternatives to the Exchange and the Merger.

Sale. In November 2001, Inland retained Lehman Brothers Inc. and Petroleum Place Energy Advisors to represent it in connection with seeking a merger with or sale to a third party. Information about the Company was sent to more than 80 prospective merger partners or buyers who signed nondisclosure agreements. Following extensive reviews by many, not one prospective buyer made an offer to merge with or acquire the Company. Management believes that the primary reason for this lack of interest was due to its substantial debt and negative shareholders' equity.

Restructure and Remain Public. In December 2002, the Company agreed in principle with TCW and SOLVation to restructure their indebtedness into equity in order to place the Company on a sounder financial

footing. The parties considered the possibility of consummating the Exchange, but not taking the final step of taking the Company private. The parties concluded that the expense of maintaining a public float of common stock equal to approximately 0.2% of the total common shares outstanding was not cost justifiable.

Going Private Transactions. The Company' s Board of Directors considered the means by which to take the Company private once it decided it to be in the Company' s best interest.

Tender Offer. A cash tender offer to the public shareholders was considered because it would give the public holders the choice between retaining their shares and participating in the Company' s future or selling their shares for cash at the tender offer price. However, such a transaction was not pursued because there were no assurances it would result in there being fewer than 300 shareholders, which would be necessary to eliminate the requirement that the Company continue to file reports under the 1934 Act, and even if 1934 Act reporting requirements were terminated, the Company would still have an obligation to conduct audits and make reports to its shareholders at an expense which was believed to be unjustified.

Reverse Split. The Board considered a reverse split of the common stock in which all but the largest holders of common stock would be eliminated. The reverse split would enable the largest shareholders to keep their investment while allowing the Company to terminate its 1934 Act reporting requirements. However, the transaction would have required a meeting of the Company' s shareholders, which could not be held until mid-2003 and would have required completion of the year-end 2002 audit and preparation of the 1934 Act annual report for 2002 on Form 10-K. The Board of Directors did not believe that this expense was justified. Moreover, the delay would have required further forbearance from the Company' s banks, which was not assured.

Reason for Selected Structure

The Board, TCW and the Smith Parties concluded that the preferred method for the Company to go private after implementation of the Exchange would be the Merger. The Exchange enables the Company to substantially improve its financial condition and cure the defaults with the Company' s lenders that have lead to the qualification of its financial statements on the basis of the Company' s ability to continue as a going concern. The effect of the Exchange is to render immaterial the overall number of shares of stock in the hands of the public shareholders in relation to total shares outstanding and virtually eliminate the value of a public trading market when measured against the expense and other burdens of doing so. Once the Exchange has occurred, the Board believes that the fastest and most cost efficient way to "cash out" the unaffiliated shareholders at a fair price is the Merger.

Effects of the Merger

Upon the consummation of the Merger of the Company with and into Newco, with Newco as the surviving corporation, the separate corporate existence of the Company will cease. At the effective time of the Merger, all shareholders of the Company other than Newco and shareholders who exercise their dissenters' rights will receive the right to a cash payment equal to $1.00 per share for each share of Inland common stock owned by them.

Prior to the Merger, the Company had approximately 507 shareholders of record. Immediately following the cashing out of the shareholders other than Newco in the Merger, Newco will have only three shareholders, entitling the Company to terminate the registration of its common stock under Section 12(g) of the 1934 Act by filing a Form 15 with the SEC. Newco, as successor to the Company by merger, will not have obligations as a public reporting company under the 1934 Act.

Effects of the Merger on the Company. The Board of Directors considered the following effects that the Merger will have on the Company:

Reduction in the Number of Shareholders of Record and the Number of Outstanding Shares. The short-form merger will reduce the number of shareholders of record from approximately 507 to 3. Approximately 282,000 shares will be exchanged for cash in the Merger for aggregate Merger consideration of approximately $282,000. All of the outstanding shares of Company capital stock will

be eliminated in the Merger, and Newco will succeed to all of the property and liabilities of the Company as a result.

Change in Book Value. The price to be paid to unaffiliated shareholders of common stock will be $1.00 per share in cash, and the number of shares of common stock expected to be cashed out is estimated to be approximately 282,000. The total expenditures and expenses of completing the Exchange and the Merger is expected to be approximately $782,000. At September 30, 2002 aggregate shareholders' deficit in the Company was approximately ($40.9 million), or ($14.11) per share. The Company expects that the negative book value per share of common stock will be changed from approximately ($14.11) per share as of September 30, 2002, on a historical basis to approximately $0.63 per share on a pro forma basis. However, it is important to note that book value is an accounting methodology based on the historical cost of Inland' s assets, and therefore does not necessarily reflect current value. See "Pro Forma Financial Statements."

Termination of Registration. Inland' s common stock is currently registered under the 1934 Act and traded on the OTCBB, which is a regulated quotation service that displays real time quotes, last sales price and trading volume in over-the-counter equity securities. Upon the completion of the Merger, Newco will terminate registration of the common stock under the 1934 Act, and the Company' s common stock will no longer be quoted on the OTCBB.

Financial Effects of the Merger. The Company estimates it will be required to pay approximately $282,000 for the shares of common stock to be exchanged for cash in the Merger. Additionally, the Company estimates that professional fees and other expenses related to the transaction will total approximately $500,000 for the following: $400,000 for legal fees; $50,000 for accounting fees; $6,000 for printing costs; and $40,000 for other fees. The source of such payments will be the Company' s working capital. The Company does not expect that the payment of cash to shareholders receiving cash in the Merger or the payment of expenses will have any material adverse effect on its capital, liquidity, operations or cash flow. As discussed above in "Special Factors − Purposes of and Reasons for the Exchange of Equity for Outstanding Debt to Affiliated Shareholders and the Merger," the Company anticipates saving approximately $150,000 annually in direct costs and an indeterminable amount in indirect savings resulting from the reduction in the time that must be devoted by our employees to preparing public reports and filings, complying with SEC rules and regulations applicable to public companies and responding to shareholder inquiries.

Financial Effects of the Exchange. The Exchange will result in an improvement of shareholders' equity as of September 30, 2002 on a pro forma basis from a ($40.9 million) deficit (($14.11) per share) to $77 million positive shareholders' equity ($0.63 per share). Results of operations will be improved by more than $12 million per year due to the elimination of interest expense. See "Pro Forma Financial Information."

Conditions to Closing of the Exchange and the Merger. Closing of the Exchange and the Merger is subject to a number of conditions that must be satisfied by Inland, including among others that all representations and warranties in the Exchange Agreement remain accurate, that Inland has performed all obligations required by the Exchange Agreement, that no order or law is in effect prohibiting the Exchange or the Merger and that no lawsuit is pending claiming damages resulting from the Exchange or the Merger, that all regulatory and third-party consents and approvals have been obtained, that a Fairness Opinion rendered by First Albany with respect to the Exchange has been delivered to the Board of Directors, that the SOLVation senior subordinated note be amended, that the Employment Agreements with Messrs. MacAluso and Pennington be amended, and that the defaults with the senior bank and other remaining lender be cured and amendments approved.

Alternatives. If Inland is unable to consummate the Exchange, it has no alternative financing plans in place or under review. If the Agreement is terminated and the Exchange transaction does not close, management and the Board believe that it is likely that the Company will be forced to seek bankruptcy protection, and there would be very little likelihood that shareholders would receive any payment or other consideration for their shares in any reorganization, if in fact, the Company could be reorganized

and not liquidated (in which case shareholders would most likely receive nothing). The Company believes that it will be able to satisfy all conditions within its control and has no reason to believe that all other conditions will not be timely satisfied, thus permitting the transactions to be closed as agreed.

Effects of the Merger on our Shareholders. The Board reviewed the effects of the Merger on the shareholders. In doing so, the Board considered the effects on the affiliated shareholders (TCW and the Smith Parties) and the unaffiliated shareholders who will be cashed out in the Merger.

Affiliated Shareholders. As a result of the Exchange, the percentage of beneficial ownership of common stock and common stock equivalents held by affiliated shareholders as a group will increase from approximately 90.3% to approximately 99.8%. After the Merger, the common stock will not be registered under the 1934 Act. Executive officers, directors and other affiliates will no longer be subject to any of the reporting requirements of the 1934 Act, such as the reporting of ownership of Inland shares under Section 13 or the requirement under Section 16 to disgorge to the Company certain "short swing" profits from the purchase and sale of Inland shares. Affiliates will also be deprived of the ability to dispose of their shares of common stock under Rule 144 under the Securities Act of 1933. Former Inland directors and officers who continue as directors or officers of Newco will be subject to the fiduciary and other obligations imposed on corporate directors and officers by Delaware, versus Washington law.

Unaffiliated Shareholders Being Cashed Out. Shareholders being cashed out will receive $1.00 per share and will no longer be shareholders of the Company, nor will they own any shares of Newco. Such shareholders will no longer be entitled to vote as a shareholder or share in the Company' s assets, earnings or profits with respect to such cashed-out shares. Any stock options not exercised prior to the Merger will lapse and terminate.

Fairness of the Price per Share to Unaffiliated Shareholders Being Cashed Out.

Because of their respective beneficial ownership of Inland, each of TCW and the Smith Parties may be deemed to be "affiliates" of Inland within the meaning of Rule 13e-3 under the Exchange Act. TCW disclaims status as an "affiliate" and its filing of the Schedule 13E-3 as a reporting person shall not be construed as an admission by TCW that it is an "affiliate" of Inland. Accordingly, each of TCW and the Smith Parties are expressing their belief as to fairness of the Merger to Inland' s unaffiliated shareholders (i.e., the public shareholders).

The Board of Directors consulted with representatives of TCW and the Smith Parties to discuss the fairness of the Exchange and the Merger. Each of the Company, TCW and each of the Smith Parties believes that the Merger and the cash payment of $1.00 per share that the unaffiliated shareholders are entitled to receive are fair.

Factors Considered in Determining Fairness.

Fairness of the Price Per Share. In analyzing the fairness of the transaction and the price to be paid for shares of the common stock, the Board of Directors, TCW and the Smith Parties considered the following documentation and information:

- the $1.00 per share exchange value used in the Exchange
- annual financial statements for each of the past three years up to and including 2001;
- quarterly unaudited financial statements for the three fiscal quarters ended September 30, 2002;
- market information on the recent price activity and trading volume of the common stock;
- pro forma financial effects of the Merger and resulting cash-out of the unaffiliated shareholders;
- tax effects of the receipt of the cash payments on the shareholders;

- current defaults under the senior bank credit facility and subordinated notes;

- the inability to raise additional capital to invest in the business;

- the need to enhance liquidity to support additional commodity price hedging; and

- the inability to interest another party to merge with or acquire the Company or its assets.

The Board of Directors has based its belief that the Exchange and Merger are fair to the shareholders on the following factors, all of which were given approximately equal weight:

The Cash Price Exceeds Liquidation Value. As of September 30, 2002, Inland had total assets of $176 million and liabilities of $217 million, and a deficit in shareholders' equity of $40.9 million, with the result that the net book value of the common stock was negative ($14.11) per share. After the Exchange, the net book value per equivalent share of common stock will increase to $0.63 per share. Accordingly, any liquidation of the Company prior to the Exchange would return nothing to the common shareholders, and giving effect to the Exchange, a liquidation would return an amount less than the $1.00 to be paid to shareholders who are cashed out. The Board considered the probable ranges of fair market value (as opposed to book value) of Inland's oil and gas properties, and determined that it would be unlikely that the shareholders would obtain anything upon liquidation.

The Likely Alternative to Consummation of the Exchange is Bankruptcy. The Company is in default under its senior bank credit facility and the agreements governing its outstanding subordinated notes. Absent a comprehensive financial restructuring, it is probable that the banks will accelerate the indebtedness held by them and commence the exercise of collection remedies, including foreclosure on the Company's oil and gas properties, which would likely force the Company to seek bankruptcy protection. Management and the Board of Directors see no realistic alternative to bankruptcy in the event that a comprehensive financial restructuring such as the Exchange is not accomplished. In a bankruptcy proceeding, there would be very little likelihood that shareholders would receive any payment or other consideration for their shares in any reorganization, if in fact the Company could be reorganized and not liquidated (in which case the shareholders would be assured of receiving nothing). TCW and SOLVation, who will be surrendering in the Exchange an aggregate of more than $120 million of Company debt securities for equity securities, have elected to proceed with the Exchange with the understanding that a subsequent going private transaction in which non-affiliated shareholders would receive a cash payment of $1.00 per share is supported by all of the members of the Board of Directors not affiliated with TCW and the Smith Parties, and that such members believe that the $1.00 per share payment amount is fair, notwithstanding that formal approval of the Board would not be required as a condition to consummation of such transaction.

The Offer Price is Consistent with Current Market Prices. The closing bid price for Inland's common stock as reported on the OTCBB on February 3, 2003 (the day prior to filing of this Transaction Statement) was $0.92. Since September 30, 2002, the closing bid price for the common stock has been in the range of $0.90 to $1.30. The Board of Directors considered current market price to be consistent with the Company's opportunities and risks on a going concern basis, although the Board believes such price could be substantially lower if a restructuring of debt is not achieved and the Company's creditors commence actions to pursue collection of their debt.

Fairness Opinion. In addition to the foregoing factors, the Board of Directors based its belief that the Exchange is fair to the unaffiliated shareholders of the Company on a fairness opinion rendered by First Albany. See "Opinion of Financial Advisor − Exchange" below.

Each of the Board of Directors, TCW and each of the Smith Parties made its own determination as to the fairness of the amount of consideration to be paid to public shareholders in the Merger. First Albany was not engaged to render an opinion as to the fairness of the $1.00 per share valuation to the Company's unaffiliated shareholders or as to any aspect of the Merger. The decision to proceed with the Merger was made several weeks after the agreement in principle was reached to conduct the Exchange. The Board of Directors, TCW and the Smith Parties jointly determined that the additional time and expense of a second fairness opinion, which would have been significantly more expensive than the fairness opinion on the Exchange, could not be justified. The Board of Directors, TCW and the Smith Parties believe that the price used to determine the value of the common stock for purposes of the Exchange would apply equally to the consideration paid to public shareholders in the Merger. This belief is based upon the fact that the parties could not determine any

justification for a difference in the valuation of the Merger consideration from the per share amount upon which the Exchange was based, or from the price range at which the common stock has traded on the OTCBB in the recent past. Also, the ultimate decision whether to proceed with the Merger and the amount of consideration to be paid to Shareholders is subject to the Shareholders' rights of appraisal.

Opinion of Financial Advisor − Exchange

First Albany has acted as the financial advisor to the Board of Directors with respect to rendering an opinion as to the fairness of the Exchange to the unaffiliated shareholders of the Company from a financial point of view. First Albany is a nationally-recognized investment banking firm that is regularly engaged to render fairness opinions in connection with mergers and acquisitions, tax matters, corporate planning, and other purposes. The Board of Directors retained First Albany on the recommendation of management and on the basis of its experience in rendering opinions and its cost structure and experience in smaller transactions such as the Exchange.

Other than prior services rendered by First Albany in connection with the debt restructuring of the Company in August 2001, there has been no material relationship during the past two years among the Company, its affiliates, directors or executive officers and First Albany, its affiliates or unaffiliated representatives. First Albany received a fee in the amount of $75,000 plus reimbursement of expenses in connection with the fairness opinion, which fee is not contingent upon the consummation of the Exchange. There are no other current arrangements to compensate First Albany, its affiliates or unaffiliated representatives for any services rendered to Inland, its affiliates, directors or executive officers. No limitations were imposed by the Board of Directors upon First Albany with respect to the investigation made or the procedures followed by First Albany in rendering its opinion as of January 28, 2003, except to the extent set forth below.

First Albany delivered its oral opinion to the Board of Directors on January 28, 2003 as to the fairness of the Exchange to the unaffiliated shareholders of the Company. First Albany' s opinion is that, as of January 28, 2003 and based upon and subject to the factors and assumptions set forth therein, the Exchange is fair, from a financial point of view, to the unaffiliated shareholders of the Company. Such oral opinion was followed by delivery of the written fairness opinion.

FIRST ALBANY' S OPINION, WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND SCOPE AND LIMITATIONS OF THE REVIEW UNDERTAKEN AND THE PROCEDURES FOLLOWED BY FIRST ALBANY, IS ATTACHED HERETO AS EXHIBIT B AND IS INCORPORATED HEREIN BY REFERENCE. INLAND SHAREHOLDERS ARE URGED TO READ THIS OPINION CAREFULLY AND IN ITS ENTIRETY FOR ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITS OF THE REVIEW BY FIRST ALBANY. THE SUMMARY OF THE OPINION AS SET FORTH IN THIS TRANSACTION STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION.

First Albany' s opinion is directed only to the fairness, from a financial point of view, of the Exchange to the unaffiliated holders of Inland common stock, and it does not address the determination of the $1.00 per share valuation established by the Board of Directors, TCW and the Smith Parties, or any other aspect of the fairness of the Merger or the underlying business decision of Inland to effect the transaction or constitute a recommendation to any Inland shareholder as to whether to accept the Merger consideration or exercise its statutory appraisal rights discussed below. First Albany has not been asked to consider, and First Albany' s opinion does not address, the relative merits of the Exchange as compared to any alternative business strategy that may exist for the Company. The Company' s management advised First Albany, and First Albany assumed for purpose of its opinion, that no other viable recapitalization transactions are available to the Company. First Albany expressed no opinion, nor should one be implied, as to the current fair market value of the common stock of the Company.

The Board of Directors requested that First Albany make an oral presentation to the Board of Directors with respect to the fairness of the Exchange, from a financial point of view, to the unaffiliated shareholders of the Company. The presentation was given on January 28, 2003.

In the presentation, First Albany explained that its opinion was limited to an examination of the fairness of the Exchange from a financial point of view to the Company' s unaffiliated shareholders and that its opinion was not an opinion on the solvency of the Company, was not an appraisal or valuation of the Company or its common stock, and was not an opinion as to any aspect of the Merger including without limitation the amount of consideration for cancellation of stock held by unaffiliated shareholders..

First Albany' s presentation included a comparison of the Company before and after the Exchange. In its presentation, First Albany noted to the Board of Directors the following information:

The current price of the common stock was approximately $1.10 per share in the OTCBB and that the price had fallen since the Company announced it was in default to its lenders.

The shares of common stock trade on a limited basis with average daily volume of approximately 1,100 shares over the past 52 weeks.

The unaffiliated shareholders of the Company comprise only about 9.7% of the ownership of the Company.

The Company' s financial condition has been in decline during the past year, with increasing debt, declining revenues and profits, and declining capital expenditures. At December 31, 2002, total debt was $211 million, which is approximately 12.9 times EBITDA.

All debt of the Company was in default due to failure to comply with the Company' s secured lenders' financial covenants, and the Company' s auditors have issued a going concern opinion.

Management of the Company indicated that all alternatives to the Exchange have been explored by management, including a sale of the Company and the refinancing of the Company' s bank debt. None of these were successful, and management of the Company indicated that the Company will face bankruptcy if the Exchange is not consummated. In a bankruptcy, management indicated that the value of the unaffiliated shareholders' common stock would be zero.

The Exchange reduces total debt of the Company to approximately $91 million and, according to management, cures outstanding defaults with the Company' s secured lenders. The Exchange also reduces the percentage of the Company held by the unaffiliated shareholders from 9.7% to 0.2%.

Management of the Company has provided projected financial statements for the five fiscal years ending December 31, 2007 (the "Projections"). The Projections were prepared on a pro forma basis to reflect the Exchange. The Exchange enables the Company to improve profitability and reduce debt over the projected five-year period.

The following is a summary of the significant financial analyses performed by First Albany in connection with its fairness opinion:

HISTORICAL STOCK PERFORMANCE. First Albany reviewed trading prices for the shares of common stock of the Company. As mentioned above, this review indicated that the current price of the common stock was approximately $1.10 per share in the OTCBB, which price had fallen since the Company announced it was in default to its lenders, and that the common stock is thinly traded.

SELECTED COMPARABLE PUBLIC COMPANY ANALYSIS. Using publicly available information, First Albany compared selected historical and projected financial, operating and stock market performance data of the Company to the corresponding data of certain publicly traded companies that First Albany deemed to be relevant to the Company.

DISCOUNTED CASH FLOW ANALYSIS. First Albany analyzed the Company based on an unleveraged discounted cash flow analysis of the Projections, which were internally prepared by management of the Company. The discounted cash flow analysis determined the discounted present value of the unleveraged after-tax cash flows generated over the five-year period and then added a terminal value based upon ranges of revenue and EBITDA multiples. The unleveraged after-tax cash flows and terminal value were discounted using a range of discount rates that First Albany deemed appropriate.

First Albany concluded as a result of the above information and analyses that the unaffiliated shareholders of the Company would retain a percentage (albeit a significantly reduced percentage) of the Company with a value, for the most part, of greater than zero as a result of the Exchange, as compared to a "status quo" value of zero as the result of a bankruptcy (based on management' s indications, as noted above).

The summary of First Albany' s opinion set forth above does not purport to be a complete description of the data or analyses presented by First Albany. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant quantitative methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. Accordingly, First Albany believes that its analysis must be considered as a whole and that considering any portion of such analysis and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the opinion. In its analyses, First Albany made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Company. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein. Accordingly, such estimates are inherently subject to substantial uncertainty and neither the Company nor First Albany assume responsibility for the accuracy of such analyses and estimates. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses may actually be sold.

With respect to the Projections and the estimates of future production, commodity prices, revenue, operating costs and capital investment for the Company, each as prepared by the Company, upon the advice of the Company, First Albany assumed that such Projections and estimates have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company' s management as to the future performance of the Company, and that the Company will perform substantially in accordance with such Projections and estimates. The Company' s management also advised First Albany, and First Albany assumed for purposes of its opinion, the projections and estimates prepared without the pro-forma effects of the Exchange were not meaningful as the Company may not be able to continue as a going concern without effecting the Exchange.

In connection with rendering its opinion, First Albany reviewed and analyzed certain information relating to the Company, including: certain publicly available business and financial information relating to the Company, certain internal financial statements and related information of the Company prepared by the management of the Company and other financial and operating information concerning the business and operations of the Company provided to First Albany by the management of the Company including, but not limited to, pro-forma financial and operating budgets, analyses, forecasts, and certain estimates of proved and non-proved reserves and production, commodity prices, revenues, operating costs and capital investments for the Company prepared by the Company. First Albany also discussed with members of the senior management of the Company the past and current business operations, financial condition and future prospects of the Company, as well as other matters believed to be relevant to its analysis. Further, First Albany considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that First Albany deemed relevant to its analysis. First Albany' s opinion is based on market, economic and other conditions and circumstances involving the Company and its industry as they existed on the date of its opinion and which, by necessity, can only be evaluated by First Albany on the date thereof. First Albany assumed no responsibility to update or revise its opinion based upon events or circumstances occurring after the date thereof.

In conducting its review and arriving at its opinion, First Albany relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or discussed with First Albany by the Company or otherwise publicly available, and assumed that there were no material changes in the Company' s business operations, financial condition or prospects since the respective dates of such information. First Albany did not independently verify this information, nor did First Albany have such information independently verified. First Albany did not conduct a physical inspection of any of the assets, properties or

facilities of the Company, nor did First Albany make or obtain any independent evaluation or appraisals of any such assets, properties or facilities.

First Albany further assumed with the Company' s consent that the Exchange will be consummated in accordance with the terms described in the Exchange Agreement provided to First Albany, without material amendments, modifications to or waivers thereto.

As a customary part of its business, First Albany may from time to time effect transactions for its own account or for the account of its customers, and hold positions (long or short) in securities of, or options on, securities of the Company.

Approvals

Approval of the Company or its Shareholders Not Required for the Merger. This Transaction Statement is being sent to the shareholders pursuant to the requirements of Rule 13e-3 of the 1934 Act, which prescribes certain disclosures that must be made to shareholders of an issuer involved in a going private transaction, such as the Merger. This document is not a proxy statement, and the Company is not soliciting, and will not be soliciting, any proxy from the shareholders, and they are requested not to send any proxy. The shareholders will not receive any additional information with respect to the Merger until after it is consummated, at which time they will receive a letter of transmittal with instructions concerning how to exchange shares for the cash payment to which they would be entitled or, if they elect, how to exercise their statutory appraisal (dissenters') rights, discussed below. See "Appraisal Rights". Upon the issuance of the common stock and Series F Preferred Stock to TCW and SOLVation in the Exchange, TCW and the Smith Parties will collectively own 99.8% of the outstanding capital stock of the Company. Immediately after the issuance of Inland stock to TCW and SOLVation in the Exchange, TCW and each of the Smith Parties will each contribute all of their shares of Inland capital stock to Newco, to be wholly owned by them, resulting in the ownership by Newco of 99.8% of the Company' s outstanding capital stock. Under Section 253 of the Delaware General Corporation Law, a parent corporation may merge with and into another corporation if it owns at least 90% of such other corporation' s capital stock. A short-form merger under Section 253 requires only the approval of the parent corporation' s Board of Directors. Thus, the Merger does not require the approval of the Company' s Board of Directors or its shareholders.

Unaffiliated Representative. The directors who are not employees of the Company have not retained an unaffiliated representative to act solely on behalf of unaffiliated shareholders for purposes of negotiating the terms of the Rule 13e-3 transaction or preparing a report concerning the fairness of the transaction.

Approval of Directors. The Company' s director who is not an employee of the Company or affiliated with TCW or the Smith Parties has approved the issuance of the Company' s stock to TCW and the SOLVation in the Exchange and determined that the Merger is fair to the shareholders.

Payment for Certificates

After the effective date of the Merger, Newco will mail to each shareholder of record on the effective date a letter of transmittal asking shareholders to return their share certificates for cancellation. Upon receipt thereof, checks for $1.00 per cancelled share will be mailed to shareholders. The Company' s transfer agent, Computer Share, will act as the paying agent for sending and receiving letters of transmittal and mailing checks for the Merger consideration.

Deregistration

Concurrently with the closing of the Merger, Newco will make a filing with the SEC to eliminate the Company' s ongoing reporting obligations, and will make any necessary filing with the OTCBB to discontinue quotation for trading in the Company' s common stock. Following the Merger there will be no public market for Newco common stock.

Federal Income Tax Consequences of the Merger

A summary of the federal income tax consequences of the Merger is set forth below. The discussion is based on present federal income tax law. The discussion is not, and should not be relied on as, a comprehensive analysis of the tax issues arising from or relating to the Merger. The Company does not purport

to deal with all aspects of federal income taxation that may be relevant to a particular shareholder in light of such shareholder' s personal investment circumstances or to certain types of shareholders subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code") (including, without limitation, financial institutions, broker-dealers, regulated investment companies, life insurance companies, tax-exempt organizations, foreign corporations and non-resident aliens). Accordingly, shareholders are urged to consult their personal tax advisors for an analysis of the effect of the Merger on their own tax situations, including consequences under applicable state, local or foreign tax laws.

The receipt of cash for cancelled shares will be deemed a sale of the cancelled share for income tax purposes. The difference between the amount of cash received for the cancelled share and the shareholder' s tax basis in such share will be the gain or loss to be recognized. The gain or loss will generally be a capital gain or loss, with the nature being short term if owned less than one year and long term if owned for a year or more.

Appraisal Rights

Upon consummation of the Merger, shareholders of Inland whose shares are cancelled in the Merger will have appraisal rights under the Washington Business Corporation Act ("WBCA"). Such rights give each shareholder the right to dissent and/or demand appraisal and payment in cash of the fair value of their shares. The following discussion of the provisions of Section 23B.13 of the WBCA ("Section 23B.13") is not intended to be a complete restatement of these provisions and is qualified in its entirety by reference to the text of Section 23B.13, which is reproduced in full as **Exhibit A** to this Transaction Statement.

A shareholder entitled to dissent under Section 23B.13 may not challenge the Merger unless the Merger fails to comply with the procedural requirements imposed by the WBCA, Sections 25.10.900 through 25.10.955 of the Revised Code of Washington, Inland' s Articles of Incorporation, or Bylaws, or is fraudulent to the shareholder or Inland. Such shareholder' s appraisal rights will terminate if the Merger is abandoned or rescinded, if a court permanently enjoins or sets aside the Merger, or if the shareholder' s demand for payment is withdrawn with the written consent of Inland.

Within 10 days after the effective date of the Merger, Inland must deliver to all shareholders entitled to assert appraisal rights a notice (the "Notice") that the Merger has been consummated and must (i) state where the payment demand must be sent and where and when certificates must be deposited; (ii) supply a form for demanding a payment that includes the date (the "Record Date") of the first announcement to the news media or to shareholders of the terms of the proposed Merger and requires that the person asserting dissenter' s rights certify whether or not the person acquired beneficial ownership of the shares before that date; (iii) set a date by which Inland must receive the payment demand, which date may not be fewer than 30 nor more than 60 days after the date the Notice is delivered; and (iv) be accompanied by a copy of Section 23B.13.

A shareholder who is sent the Notice and desires to exercise dissenter' s rights (a "Dissenting Shareholder") must demand payment, certify whether such shareholder acquired beneficial ownership of the shares before the Record Date and deposit such shareholder' s certificates, all in accordance with the terms of the Notice. A shareholder who demands payments and deposits the shareholder' s share certificates in accordance with the Notice retains all other rights of a shareholder until the Merger is effected. However, a shareholder who does not demand payment or deposit the shareholder' s share certificates where required, each by the date set in the Notice, is not entitled to payment for the shares under Section 23B.13.

Except as otherwise provided by the WBCA, within 30 days of the later of the effective date of the Merger or the date the payment demand is received, Inland must pay each Dissenting Shareholder who complied with Section 23B.13 the amount that Inland estimates to be the fair value of the shareholder' s shares, plus accrued interest. The payment must be accompanied by Inland' s financial statements, an explanation of how Inland estimated the fair value of the shares, an explanation of how the interest was calculated, a statement of the Dissenting Shareholder' s right to payment under Section 23B.13.280 of the WBCA and a copy of Section 23B.13.

A Dissenting Shareholder who is dissatisfied with Inland' s payment may deliver a notice (the "Dissenting Shareholder' s Notice") to Inland informing Inland of such Dissenting Shareholder' s own estimate of the fair value of the shares and amount of interest due and demand payment of the Dissenting Shareholder' s estimate, less any payment already received from Inland, if (i) the Dissenting Shareholder believes that the amount paid by Inland is less than the fair value of the Dissenting Shareholder' s estimate or that the interest due is incorrectly calculated; (ii) Inland fails to make payment for the shares within 60 days after the date set for demanding payment; or (iii) Inland does not effect the Merger and does not return the deposited certificates within 60 days after the date set for demanding payment. A Dissenting Shareholder waives his, her or its rights under Section 23B.13.280 unless he, she or it delivers the Dissenting Shareholder' s Notice within 30 days after Inland makes or offers payment for such Dissenting Shareholder' s shares.

If a demand for payment remains unsettled after a Dissenting Shareholder delivers a Dissenting Shareholder' s Notice to Inland, then Inland must commence a proceeding in the superior court of the county where its registered office is located, which currently would be the Superior Court of Spokane County, Washington (the "Court") within 60 days after receipt of the Dissenting Shareholder' s Notice and petition the Court to determine the fair value of the Dissenting Shareholder' s shares and accrued interest. If Inland does not commence the proceeding within the 60-day period, it must pay each Dissenting Shareholder whose demand remains unsettled the amount demanded in the Dissenting Shareholder' s Notice. Inland must make all Dissenting Shareholders, whether or not residents of the state of Washington, whose demand remains unsettled, parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents of Washington may be served by registered or certified mail or by publication as provided by law. Inland may join as a party to the proceeding any shareholder who claims to be a Dissenting Shareholder, but who has not, in Inland' s opinion, complied with the provisions of Section 23B.13; provided, however, if the Court determines that such shareholder has not complied with the provisions thereof, then such shareholder will be dismissed as a party.

The Court' s jurisdiction over the determination of the fair value of the Dissenting Shareholders' shares is plenary and exclusive. The Court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value of the shares. The appraisers have the powers described in the Court' s order appointing them, or in any amendment thereto. Dissenting Shareholders have the same discovery rights as parties in other civil proceedings. Each Dissenting Shareholder made a party to the proceeding is entitled to judgment for the amount, if any, by which the Court finds the fair value of the Dissenting Shareholder' s shares, plus interest, exceeds the amount paid by Inland.

The Court shall determine all costs of any proceeding, including the reasonable compensation and expenses of appraisers appointed by the Court. The Court shall assess such costs against Inland; provided, however, that the Court may assess costs against all or some Dissenting Shareholders, in amounts the Court deems equitable, to the extent the Courts finds the Dissenting Shareholders acted arbitrarily or not in good faith. The Court may also assess the fees and expenses of counsel and experts for the respective parties: (i) against Inland and in favor of the Dissenting Shareholders if the Court finds that Inland did not substantially comply with the requirements of Section 23.B.13. or (ii) against either Inland or a Dissenting Shareholder and in favor of any other party if the Court finds that either Inland or a Dissenting Shareholder, as applicable, acted arbitrarily or not in good faith. If the Court finds that the services of counsel for any Dissenting Shareholder were of substantial benefit to other Dissenting Shareholders similarly situated, and that the fees for those services should not be assessed against Inland, then the Court may award to these counsel reasonable fees to be paid out of the amounts awarded the Dissenting Shareholders who were benefited.

No assurance or representation can be made as to the outcome of the appraisal of fair value as determined by the Court, and shareholders should recognize that an appraisal could result in a determination of a value higher or lower than, or the same as, the value of the cash being offered in the Merger. Moreover, Inland reserves the right to assert, in any appraisal proceeding, that for purposes of Section 23B.13, the fair value of a share of common stock is less than the value of $1.00 paid in the Merger.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of common stock as of January 1, 2003, by each shareholder known to the Company to own beneficially more than five percent of the outstanding common stock, each current director, each executive officer, and all executive officers and directors of the Company as a group, based on information provided to the Company by such persons. Except as otherwise stated, each such person has sole investment and voting power with respect to the shares set forth in the table:

	Ownership of the Company		Ownership of Newco After the Exchange and Merger	
Name and Address of Beneficial Owner	Number of Shares	Percent	Number of Shares	Percent
Hampton Investments LLC(1) 885 Third Avenue, 34th Floor New York, New York 10022	2,318,186	71.7	189	1.89
SOLVation, Inc. 885 Third Avenue 34th Floor New York, New York 10021	–	–	561	5.61
Inland Holdings LLC(2) TCW Asset Management Company 865 S. Figueroa, Suite 1800 Los Angeles, California 90017	297,196	9.2	9,250	92.5
Marc MacAluso(3) 410 17th Street Suite 700 Denver, Colorado 80202	150,000	4.6	430	4.0
Bill I. Pennington(3) 410 17th Street Suite 700 Denver, Colorado 80202	152,168	4.7	323	3.0
Arthur J. Pasmas(4) 5858 Westheimer, Suite 400 Houston, Texas 77057	–	–	–	–
Bruce M. Schnelwar(4) 885 Third Avenue, 34th Floor New York, New York 10022	–	–	–	–
Dewey A. Stringer III 5858 Westheimer, Suite 400 Houston, Texas 77057	1,990	*	–	–
William T. War(3) 410 17th Street Suite 700 Denver, Colorado 80202	25,000	*	–	–
All executive officers and directors as a group (6 persons)(3)	329,158	10.2	753	7.0

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* Less than 1%

(1) JWA Investments IV LLC is the managing member of Hampton Investments LLC and may be deemed to also beneficially own these shares and John W. Adams is the sole member of JWA Investments and may be deemed to beneficially own these shares.

(2) Inland Holdings LLC owns these shares of record and beneficially. The members of Inland Holdings LLC are Trust Company of the West, as Sub-Custodian for Mellon Bank for the benefit of Account

No. CPFF 873-3032, and TCW Portfolio No. 1555 DR V Sub-Custody Partnership, L.P. TCW Asset Management Company has the power to vote and dispose of the shares owned by TCW and may be deemed to beneficially own such shares.

(3) Includes shares issuable under outstanding stock options and warrants granted to Messrs. MacAluso, Pennington and War and all executive officers, directors and appointees as a group for 150,000, 152,167, 25,000 and 329,307 shares, respectively. Mr. MacAluso will have an option to purchase 430 shares, and Mr. Pennington will have an option to purchase 323 shares of Newco for an exercise price based upon the $1.00 per share amount paid to unaffiliated shareholders of the Company and the outstanding number of shares of common stock and common stock equivalents of the Company immediately prior to the Merger.

(4) Each of Messrs. Pasmas and Schnelwar are officers of Smith Management LLC, an affiliate of Hampton, but each of them disclaims beneficial ownership of any of the shares owned by Hampton.

CONTRACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

1999 Exchange Agreement

On September 21, 1999, the Company entered into an Exchange Agreement (the "1999 Exchange Agreement") with TCW and its affiliates. Pursuant to the 1999 Exchange Agreement, TCW agreed to exchange $75 million in principal amount of subordinated indebtedness of the Company plus accrued interest of $5.7 million and warrants to purchase 15,852 shares of common stock for the following securities of Inland: (1) 10,757,747 shares of Series D Preferred Stock, (2) 5,882,901 shares of Series Z Preferred Stock, which automatically converted into 588,291 shares of common stock on December 14, 1999, (3) 1,164,295 shares of common stock; and (4) 100,000 shares of Inland' s Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock"), together with $2.2 million of accumulated dividends thereon, for 121,973 shares of Series E Preferred Stock, and 292,098 shares of common stock (the "1999 Recapitalization"). The Series C Preferred Stock bore dividends at an annual rate of $10 per share, had a liquidation preference of $100 per share and was required to be redeemed at a price of $100 per share not later than January 21, 2008.

March 2001 Transaction

On March 20, 2001, Hampton purchased from TCW the 121,973 shares of Series E Preferred Stock and 292,098 shares of common stock acquired by TCW in the recapitalization. Following closing of the TCW Exchange Agreement and the purchase by Hampton of TCW' s shares, TCW owned 1,752,586 shares of common stock, representing approximately 60.5% of the outstanding shares of common stock as of March 20, 2001 and Hampton owned 292,098 shares of common stock, representing approximately 10.1% of the outstanding shares of common stock as of March 20, 2001. The Company' s Articles of Incorporation, as amended (the "Articles"), provided that the common stock, Series D Preferred Stock and Series E Preferred Stock shall vote together as a single class and not as a separate voting group or class on all matters presented to the shareholders of the Company, except as mandated by law or as expressly set forth in the Articles. The Series D Preferred Stock and the Series E Preferred Stock were entitled to vote with the common stock on the basis of one vote for each 10 shares of Series D Preferred Stock and Series E Preferred Stock.

August 2001 Transaction

On August 2, 2001, the Company closed two subordinated debt transactions totaling $10 million in aggregate with SOLVation, and entered into other restructuring transactions as described below. The first of the two debt transactions with SOLVation was the issuance of a $5 million unsecured senior subordinated note to SOLVation due July 1, 2007. The interest rate is 11% per annum compounded quarterly. The interest payment is payable in arrears in cash subject to the approval from the senior bank group and accumulates if not paid in cash. Accrued interest at September 30, 2002 was $672,000, and the note will continue to accrue interest at the stated rate to maturity, giving effect to the transactions described herein. The Company is not required to make any principal payments prior to the July 1, 2007 maturity date. However, the Company is required to make payments of principal and interest in the same amounts as any principal payment or interest

payments on the TCW subordinated debt (described below). Prior to the July 1, 2007 maturity date, subject to the bank subordination agreement, the Company may prepay the senior subordinated note in whole or in part with no penalty.

The Company also issued a second $5 million unsecured junior subordinated note to Smith. The interest rate is 11% per annum compounded quarterly. The maturity date is the earlier of (i) 120 days after payment in full of the TCW subordinated debt or (ii) March 31, 2010. Interest is payable in arrears in cash subject to the approval from the senior bank group and accumulates if not paid in cash. The Company is not required to make any principal payments prior to the March 31, 2010 maturity date. Prior to the March 31, 2010 maturity date, subject to separate subordination agreements with the Company' s bank lenders and with TCW, the Company may prepay the junior subordinated note in whole or in part with no penalty. A portion of the proceeds from the senior and junior subordinated notes was used to fund a $2 million payment to TCW and other Company working capital needs.

In conjunction with the issuance of the two subordinated notes to SOLVation, the Series D Preferred and Series E Preferred Stock held by TCW were exchanged for an unsecured subordinated note due September 30, 2009 and $2 million in cash from the Company. The note amount was for $98,968,964 that represented the face value plus accrued dividends of the Series D Preferred Stock as of August 2, 2001. The interest rate is 11% per annum compounded quarterly. Interest shall be payable in arrears in cash subject to the approval from the senior bank group and accumulates if not paid in cash. Interest payments will be made quarterly, commencing on the earlier of September 30, 2005 or the end of the first calendar quarter after the senior bank debt has been reduced to $40 million or less, subject to separate subordination agreements with the Company' s bank lenders and with SOLVation, as holder of the Company' s $5 million senior subordinated note. Beginning the earlier of two years prior to the maturity date or the first December 30 after the repayment in full of the senior bank debt, subject to both such agreements, the Company will make equal annual principal payments of one third of the original principal amount of the TCW subordinated note. All unpaid principal or interest is due in full on the September 30, 2009 maturity date. Prior to the September 30, 2009 maturity date, subject to both of the bank and senior subordinated note subordination agreements, the Company may prepay the TCW subordinated note in whole or in part with no penalty. As a result of the 1999 Exchange, the Company retired both the Series D and Series E Preferred Stock. Due to the related party nature of this transaction, the difference between the aggregate subordinated note balance and $2 million cash paid to TCW and the aggregate liquidation value of the Series D and E Preferred Stock plus accrued dividends of $13,083,000 was recorded as an increase to additional paid-in capital.

As part of this restructuring, TCW also sold to Hampton 1,455,390 shares of TCW' s common stock in the Company. Consequently, Hampton now owns approximately 80% of the issued and outstanding shares of the Company. TCW also terminated any existing option rights to the Company' s common stock, and relinquished the right to elect four persons to the Company' s Board of Directors to Hampton. However, TCW has the right to nominate one person to the Company' s Board. Remaining Board members will be nominated by the Company' s shareholders. As long as Hampton or its affiliates own at least a majority of the common stock of the Company, Smith has agreed with TCW that Smith will have the right to appoint at least two members to the Board.

In connection with the August 2001 exchange transaction discussed above, pursuant to an Amended and Restated Registration Rights Agreement (the "Registration Rights Agreement"), dated August 2, 2001, by and among TCW, the Company and Hampton, the Company granted certain demand and piggyback registration rights to Hampton and TCW in respect of common stock held by them. Under the Registration Rights Agreement, Hampton may require the Company to effect three demand registrations and TCW may require the Company to effect one demand registration. Each of TCW and Hampton is entitled to include their shares on any registration statement filed by the Company under the Securities Act of 1933, subject to standard underwriters' kick-out clauses and other conditions. The Company will be responsible for paying the costs and expenses associated with all registration statements, including the fees of one law firm acting as counsel to the holders requesting registration but excluding underwriting discounts and commissions and any other expenses of the party requesting registration.

Farmout Agreement. The Company entered into a Farmout Agreement with an affiliate of Smith effective June 1, 1998. As of December 31, 1998, an affiliate of Smith received 15,222 shares of common stock as payment of proceeds under the Farmout Agreement. Effective November 1, 1998, an Amendment to the Farmout Agreement was executed that suspended future drilling rights under the Farmout Agreement until such time as both the Company, the Smith Parties and the Company' s bank lenders agreed to recommence such rights. In addition, a provision was added that gave the Smith affiliate the option to receive cash rather than common stock if the average stock price was calculated at less than $3.00 per share, such cash to be paid only if the Company' s bank lenders agreed to such payment. The Farmout Agreement was further amended as part of the 1999 Recapitalization to eliminate this option, to provide for cash payments only effective June 1, 1999, and to allow the Company to retain all proceeds under the Farmout Agreement accrued from November 1, 1998 through May 31, 1999. The Farmout Agreement provides that the Smith affiliate will reconvey all drill sites to the Company once the Smith affiliate has recovered from production an amount equal to 100% of its expenditures, including management fees and production taxes, plus an additional sum equal to 18% per annum on such expended sums.

Consulting Agreement. The Company entered into a Consulting Agreement with Arthur J. Pasmas on September 21, 1999 pursuant to which Mr. Pasmas was to receive $200,000 annually for consulting services to be provided to the Company until September 21, 2002. This Consulting Agreement was mutually terminated by the Company and Mr. Pasmas on August 2, 2001 when he was appointed to the Board of the Company. The Company has agreed to pay Mr. Pasmas $200, 000 annually for serving as Chairman of the Board. Mr. Pasmas has been Vice President of Smith Management LLC (or affiliated entities) since 1985.

Compensation of Directors. The members of the Board of Directors of the Company are entitled to reimbursement for their reasonable expenses in connection with their travel to and from, and attendance at, meetings of the Board of Directors or committees thereof. Effective September 23, 1999, members of the Board who are not employees of the Company are paid an annual fee of $25,000 and no additional meeting fees for meetings of the Board or any committee. The Board of Directors may grant discretionary options to directors.

Employment Agreements. Effective February 1, 2001, the Company entered into employment agreements with Mr. MacAluso and Mr. Pennington. Pursuant to their employment agreements, the Company agreed to pay Messrs. MacAluso and Pennington base salaries of $250,000 and annual bonuses of up to $50,000 contingent upon the Company reaching or exceeding certain performance targets to be set by the Board for each year. Their employment agreements have an initial term of three years and automatically are extended for additional one year periods unless either party terminates the agreement prior to the end of the current term. The Company also agreed to grant each of them options to purchase 90,000 shares of the Company' s Common Stock at an exercise price of $1.625 per share and options to purchase 60,000 shares of the Company' s Common Stock at an exercise price of $2.84 per share, with such options vesting ratably over twelve fiscal quarters, with the first one-twelfth vesting on March 1, 2001. However, Mr. Pennington is fully vested in his 150,000 options due to a change of control of the Company. The options for 90,000 shares are also subject to automatic increase upon the issuance of additional shares by the Company in a pro rata amount based on the percentage increase in the number of outstanding shares of the Company. The exercise price for such new options would be the same as the issue price of the new shares issued by the Company. Their employment agreements also entitle them to participate in all employee benefit plans and programs of the Company. Each agreement also provides that if the employee is permanently disabled during the term of the Agreement, he will continue to be employed at 50% of his base salary until the first to occur of his death, expiration of 12 months, or expiration of the employment agreement. Upon termination of employment by the Company without cause or after a subsequent change of control of the Company, any unvested portion of their options immediately vest. Upon termination of employment by the Company or the employee following a change of control of the Company, the Company agrees to pay the employee an amount equal to the greater of $250,000 or the remaining unpaid base salary for the remaining term of the employment agreement and agrees to continue all employee benefits for a period of one year. Additionally, in such event Messrs. MacAluso and Pennington will be entitled to severance payments in accordance with the Company' s severance policy, which provide for a severance payment if the employee is terminated due to a change in control in an amount

determined based on the number of years of employment, ranging from two weeks' base salary for one year' s employment up to six months base salary for employment of five years or more. The Company also agreed to pay various temporary housing, commuting, moving and relocation expenses of Mr. MacAluso in connection with his transfer from Houston, Texas to Denver, Colorado. These expenses were $27,952. In addition, the Company agreed to purchase the equity in Mr. MacAluso' s house in Houston for $141,000 (based on appraised value) and assumed the financial responsibility for its ultimate sale which was completed in April of 2001.

These Employment Agreements will be assumed by Newco in the Merger and will be amended to substitute a new provision dealing with stock options. Existing options will be cancelled, and pursuant to such amendments, each executive will be granted options to purchase common shares of Newco for an exercise price based upon the $1.00 per share amount paid to unaffiliated shareholders of the Company and the outstanding number of shares of common stock and common stock equivalents of the Company immediately prior to the Merger. See "Security Ownership of Certain Beneficial Owners and Management."

Development Agreement. Pursuant to the Exchange Agreement, the Company agreed to enter into a five-year Development Agreement with Smith Energy Partnership, which is the Smith affiliate that is now party to the Farmout Agreement described above ("Smith Energy"), pursuant to which the Company will agree to regulate the cash expenditures attributable to the Smith Energy interests in properties jointly owned with the Company in the Monument Butte Field in Utah such that the projected annual expenditures would not be anticipated to exceed the projected cash flow available to Smith Energy from the properties for the year in question. Any monthly deficit would be advanced by the Company for the benefit of Smith Energy and recovered from future net cash flows otherwise accruing to the Smith Energy interests.

All transactions set forth above have been approved by disinterest members of the Board of Directors of Inland, and are considered to be fair and reasonable to the Company.

MARKET FOR REGISTRANT' S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Price Range of Common Stock

Since July 29, 1999, Inland' s common stock has been traded over-the-counter and quoted from time to time in the OTCBB under the trading symbol "INLN". Prior to July 29, 1999, Inland' s common stock was quoted on the National Association of Securities Dealer' s Automated Quotation System ("NASDAQ") under the symbol "INLN". As of December 31, 2002, there were approximately 507 holders of record of Inland' s common stock. The following table sets forth the range of high and low bid prices as reported by the National Quotation Bureau for the periods indicated after July 29, 1999. The quotations reflect inter-dealer prices without retail markup, markdown or commission, and may not necessarily represent actual transactions. All prices have been adjusted to give retroactive effect to a 1-for-10 reverse split of the common stock effected on December 14, 1999. This adjustment was made by multiplying the actual price by a factor of 10. There can be no assurance that the shares would have traded at such adjusted price had the reverse split occurred prior to the dates reflected below.

	Common Stock Price Range	
	High	**Low**
YEAR ENDED DECEMBER 31, 2001		
First Quarter	$ 1.97	$ 1.03
Second Quarter	1.69	1.25
Third Quarter	1.60	1.30
Fourth Quarter	2.10	1.32

	Common Stock Price Range	
	High	Low
YEAR ENDED DECEMBER 31, 2002		
First Quarter	2.65	1.25
Second Quarter	2.75	1.95
Third Quarter	2.40	1.15
Fourth Quarter	1.35	0.90

Dividend Policy

Inland has not paid cash dividends on Inland' s common stock during the last five years and does not intend to pay cash dividends on common stock in the foreseeable future. The payment of future dividends will be determined by the Board of Directors in light of conditions then existing, including Inland' s earnings, financial condition, capital requirements, restrictions in financing agreements, business conditions and other factors. The Company' s bank credit agreement forbids the payment of dividends by Inland on its common stock.

FINANCIAL STATEMENTS

Inland' s financial statement information is incorporated herein by reference to its Annual Report on Form 10-K for the year ended December 31, 2001, filed with the SEC on April 2, 2002, and as amended and restated on February 3, 2003, and Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed with the SEC on November 14, 2002 and as amended and restated on February 3, 2003. The financial statements as of December 31, 2001 have received an opinion from Inland' s auditors, KPMG LLP that is qualified as to Company' s ability to continue as a going concern due to the Company' s failure to comply with the financial covenants in its loan agreement. Inland has incurred losses in each of the last two fiscal years. Inland common stock had negative book value per share at September 30, 2002. See note 1 to the financial statement to the Form 10K/A and Form 10Q/A regarding the restatement thereof.

The following tables set forth selected historical consolidated financial and operating data for Inland as of and for each of the two fiscal years ended December 31, 2001 and 2000 and the nine months ended September 30, 2002. Also included are the unaudited pro forma condensed financial statements, which adjust the Company' s historical financial statements to illustrate the effect of the Exchange and the amendment to the loan agreements with the Company' s senior lenders.

	Historical: Nine Months ended September 30, 2002 (unaudited)	Year Ended December 31, 2001 (As Restated)	Year Ended December 31, 2000	Pro Forma After Exchange: Nine Months ended September 30, 2002, (unaudited)	Year Ended December 31, 2001 (As Restated)
	(dollars in thousands, except for per share amounts)				
REVENUE AND EXPENSE DATA:					
Oil and gas sales	$ 22,122	$ 31,967	$ 28,497	$ 22,122	$ 31,967
Operating expenses	15,846	20,558	18,158	15,846	20,558
Operating income	6,276	11,409	10,339	6,276	11,409
Net income (loss) before cumulative effect of change in accounting principle	(7,214)	(2,196)	2,144	2,005	2,563
Net income (loss)	(7,214)	(2,151)	1,894	2,005	2,608
Net income (loss) attributable to common stockholders	$ (7,214)	$ (11,877)	$ (16,544)	$ 2,005	$ (7,118)
Basic and diluted net income (loss) per share:					
Continuing operations	$ (2.49)	$ (4.11)	$ (5.62)	$ .02	$ (.06)
Discontinued operations	–	–	(.09)	–	–
Cumulative effect of change in accounting principle	–	.02	–	–	–

Basic and diluted net income (loss) per share	$ (2.49)	$ (4.09)	$ (5.71)	$ .02	$ (.06)
Basic and diluted weighted average common shares	2,898	2,898	2,898	120,845	120,845
Ratio of earnings to fixed charges(1)	n/a	n/a	1.24	1.43	1.34

(1) The ratio of earnings to fixed charges for the historical periods ended September 30, 2002 and December 1, 2001 indicates less than one to one coverage of $7,304 and $2,316, respectively.

	Historical: September 30, 2002	December 31, 2001	December 31, 2000	Pro Forma After Exchange: September 30, 2002
	(Unaudited)	(Restated)		(Unaudited)
	(dollars in thousands, except for per share amounts)			
BALANCE SHEET DATA (AT END OF PERIOD):				
Current assets	$ 7,041	$ 6,904	$ 7,348	$ 6,541
Total assets	175,973	173,376	160,065	175,473
Current liabilities	216,851	203,788	5,532	8,440
Total noncurrent liabilities	–	–	83,500	90,464
Redeemable preferred stock	–	–	91,243	–
Total shareholders' equity (deficit)	(40,878)	(30,412)	(20,210)	76,569
Book value per share	$ (14.11)	$ (10.49)	$ (6.97)	$ .63

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma condensed financial statements adjust the Company' s historical financial statements to illustrate the effect of the Exchange and the amendment to the loan agreements with the Company' s senior lenders. The pro forma adjustments are based on estimates and assumptions explained further in the accompanying notes to unaudited pro forma financial statements. The unaudited pro forma condensed balance sheet as of September 30, 2002 gives effect to the Exchange and the amendments to the loan agreements with the Company' s senior lenders as if they occurred on September 30, 2002. The pro forma condensed statement of operations for the year ended December 31, 2001 and the nine months ended September 30, 2002 give effect to the Exchange and the amendment to the loan agreement with the Company' s senior lenders as if they occurred on January 1, 2001.

The pro forma financial information is not necessarily indicative of the results of operations or the financial position which could have been attained had the Exchange and the amendment to the loan agreement with the Company' s senior lenders been consummated at the foregoing dates or which may be attained in the future. The pro forma financial information should be read in conjunction with the historical financial statements of Inland.

INLAND RESOURCES INC.

UNAUDITED PRO FORMA CONDENSED BALANCE SHEET

September 30, 2002

	Historical (As Restated)	Pro Forma Exchange Adjustments		Pro Forma After Exchange
		(dollars in thousands)		
ASSETS:				
Current assets	$ 7,041	$ (500)	(4)	$ 6,541
Oil and gas properties, net	167,091	–		167,091
Other assets	1,841	–		1,841
Total assets	$ 175,973	$ (500)		$ 175,473
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT):				
Current liabilities	$ 6,502	$ –		$ 6,502
Fair market value of derivative instruments	1,938	–		1,938
Senior Secured debt	83,500	–		83,500
Other secured debt	1,292	–		1,292
Senior subordinated unsecured debt including accrued interest	5,672	–		5,672
Subordinated unsecured debt including accrued interest	112,275	(112,275)	(1)	–
Junior subordinated unsecured debt including accrued interest	5,672	(5,672)	(2)	–
Total Liabilities	216,851	(117,947)		98,904
SHAREHOLDERS' EQUITY (DEFICIT):				
Series F preferred stock	–	1	(1)	
		(1)	(2)	–
Common stock	3	22	(1)	
		96	(2)	121
Additional paid-in capital	41,431	117,924	(1)	
		(95)	(2)	159,260
Accumulated other comprehensive income (loss)	(1,575)	–		(1,575)
Accumulated deficit	(80,737)	(500)	(4)	(81,237)
Total shareholders' equity (deficit)	(40,878)	117,447		76,569
Total liabilities and shareholders' equity (deficit)	$ 175,973	$ (500)		$ 175,473
Book value per share	$ (14.11)			$ .63

The accompanying notes are an integral part of the unaudited pro forma condensed balance sheet.

INLAND RESOURCES INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2002

	Historical (As Restated)	Pro Forma Exchange Adjustments		Pro Forma After Exchange
	(dollars in thousands, except for per share amounts)			
Oil and gas sales	$ 22,122	$ –		$ 22,122
Operating expenses	15,846	–		15,846
Operating income	6,276	–		6,276
Interest expense	(13,519)	9,219	(3)	(4,300)
Unrealized derivative loss	–	–		–
Transaction expenses	–	–		–
Interest and other income	29	–		29
Net income (loss) before cumulative effect of change in accounting principle	(7,214)	9,219		2,005
Cumulative effect of change in accounting principle	–	–		–
Net income (loss)	(7,214)	9,219		2,005
Accrued Preferred Series D Stock dividends	–	–		–
Accrued Preferred Series E Stock dividends	–	–		–
Accretion of Preferred Series D Stock discount	–	–		–
Accretion of Preferred Series E Stock discount	–	–		–
Excess carrying value of preferred over Redemption consideration	–	–		–
Net income (loss) attributable to common stockholders	$ (7,214)	$ 9,219		$ 2,005
Basic and diluted net income (loss) per share	$ (2.49)			$ .02
Basic and diluted weighted average common shares	2,898	117,947	(5)	120,845
Ratio of earnings to fixed charges(6)	n/a			1.43

The accompanying notes are an integral part of the unaudited

pro forma condensed statement of operations.

INLAND RESOURCES INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2001

	Historical (As Restated)	Pro Forma Exchange Adjustments	Pro Forma After Exchange
	(dollars in thousands, except for per share amounts)		
Oil and gas sales	$ 31,967	$ –	$ 31,967
Operating expenses	20,558	–	20,558
Operating income	11,409	–	11,409
Interest expense	(12,031)	4,759 (3)	(7,272)
Unrealized derivative loss	(2,200)	–	(2,200)
Interest and other income	626	–	626
Net income (loss) before cumulative effect of change in accounting principle	(2,196)	4,759	2,563
Cumulative effect of change in accounting principle	45	–	45
Net income (loss)	(2,151)	4,759	2,608
Accrued Preferred Series D Stock dividends	(6,342)	–	(6,342)
Accrued Preferred Series E Stock dividends	(980)	–	(980)
Accretion of Preferred Series D Stock discount	(3,318)	–	(3,318)
Accretion of Preferred Series E Stock discount	(535)	–	(535)
Excess carrying value of preferred over redemption consideration	1,449	–	1,449
Net income (loss) attributable to common stockholders	$ (11,877)	$ 4,759	$ (7,118)
Basic and diluted net income (loss) per share before cumulative effect of change in accounting principle	$ (4.11)		$ (.06)
Cumulative effect of change in accounting principle	.02		–
Basic and diluted net income (loss) per share	$ (4.09)		$ (.06)
Basic and diluted weighted average common shares	2,898	117,947(5)	120,845
Ratio of earnings to fixed charges (6)	n/a		1.34

The accompanying notes are an integral part of the unaudited

pro forma condensed statement of operations

INLAND RESOURCES INC.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED BALANCE SHEET AND

UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS
(dollars in thousands)

(1) Reflects the exchange of the TCW subordinated note in the principal amount of $98,969 plus $13,306 of accrued interest for 22,053,000 shares of the Company' s common stock and 902,220 shares of the Company' s Series F Preferred Stock. Also, reflects the exchange of Smith' s Junior Subordinated Note, in the principal amount of $5,000 plus $672 of accrued interest, for 67,200 shares of the Company' s Series F Preferred Stock, $.001 par value.

(2) Reflects the automatic conversion of the Series F Preferred Stock into the Company' s common stock upon the authorization of additional shares of common stock at a conversion ratio of 100 shares of common stock for each share of Series F Preferred Stock.

(3) Reflects the reduction in interest expense as a result of the exchange of subordinated debt into common stock as if the exchange had occurred on January 1, 2001.

(4) Reflects the estimated transaction expenses to be incurred.

(5) Reflects the exchange of subordinated debt into common stock as if the exchange had occurred on January 1, 2001.

(6) The ratio earnings to fixed charges for the historical periods ended September 30, 2002 and December 31, 2001 indicates less than one to one coverage of $7,304 and $2,316, respectively.

(7) Subsequent to the above Exchange, the Company' s two major shareholders, TCW and the Smith Parties, intend to enter into a going private transaction by contributing all of their equity interests in the Company to Newco for 10,000 common shares, $.001 par value, resulting in 92.5% and 7.5% common stock ownership interests, respectively. The common shares of the other remaining unaffiliated shareholders, currently holding a total of 282,000 common shares of the Company, will receive $1.00 per share in cash in payment of their cancelled shares. All of the outstanding shares of the Company' s common stock will be eliminated in the transaction and Newco will succeed to all of the property and liabilities of the Company as a result. The impact of the Merger as of September 30, 2002 would be as follows:

	Pro Forma After Exchange	Pro Forma Merger Adjustments	Pro Forma After Merger
Cash	$ 6,541	$ (282)	$ 6,259
Oil and gas properties, net	167,091	–	167,091
Other assets	1,841	–	1,841
Total assets	$ 175,473	$ (282)	$ 175,191
Total liabilities	$ 98,904	–	$ 98,904
Shareholder equity (deficit):			
Common stock (1)	121	(121)	–
Additional paid in capital	159,260	(282)	
		121	159,099
Accumulated other comprehensive income (loss)	(1,575)	–	(1,575)

Accumulated deficit	(81,237)	–	(81,237)
Total shareholders' equity (deficit)	76,569	(282)	76,287
Total liabilities and shareholders' equity (deficit)	$ 175,473	$ (282)	$ 175,191

(1) Common stock has a par value less than one thousand dollars after Merger.

EXHIBIT A − Dissenters' Rights

Revised Code of Washington; Title 23B − Washington Business Corporation Act.

RCW 23B.13.010

Definitions

As used in this chapter:

(1) "Corporation" means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(2) "Dissenter" means a shareholder who is entitled to dissent from corporate action under RCW *23B.13.020* and who exercises that right when and in the manner required by RCW *23B.13.200* through *23B.13.280*.

(3) "Fair value," with respect to a dissenter' s shares, means the value of the shares immediately before the effective date of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.

(4) "Interest" means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

(5) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(6) "Beneficial shareholder" means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(7) "Shareholder" means the record shareholder or the beneficial shareholder.

RCW 23B.13.020

Right to dissent

(1) A shareholder is entitled to dissent from, and obtain payment of the fair value of the shareholder' s shares in the event of, any of the following corporate actions:

(a) Consummation of a plan of merger to which the corporation is a party (i) if shareholder approval is required for the merger by RCW 23B.11.030, 23B.11.080, or the articles of incorporation and the shareholder is entitled to vote on the merger, or (ii) if the corporation is a subsidiary that is merged with its parent under RCW 23B.11.040;

(b) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(c) Consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale;

(d) An amendment of the articles of incorporation that materially reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under RCW 23B.06.040; or

(e) Any corporate action taken pursuant to a shareholder vote to the extent the articles of incorporation, bylaws, or a resolution of the Board of Directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

(2) A shareholder entitled to dissent and obtain payment for the shareholder' s shares under this chapter may not challenge the corporate action creating the shareholder' s entitlement unless the action fails to comply with the procedural requirements imposed by this title, RCW 25.10.900 through 25.10.955, the articles of incorporation, or the bylaws, or is fraudulent with respect to the shareholder or the corporation.

(3) The right of a dissenting shareholder to obtain payment of the fair value of the shareholder' s shares shall terminate upon the occurrence of any one of the following events:

(a) The proposed corporate action is abandoned or rescinded;

(b) A court having jurisdiction permanently enjoins or sets aside the corporate action; or

(c) The shareholder' s demand for payment is withdrawn with the written consent of the corporation.

RCW 23B.13.030

Dissent by nominees and beneficial owners

(1) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in the shareholder' s name only if the shareholder dissents with respect to all shares beneficially owned by any one person and delivers to the corporation a notice of the name and address of each person on whose behalf the shareholder asserts dissenters' rights. The rights of a partial dissenter under this subsection are determined as if the shares as to which the dissenter dissents and the dissenter' s other shares were registered in the names of different shareholders.

(2) A beneficial shareholder may assert dissenters' rights as to shares held on the beneficial shareholder' s behalf only if:

(a) The beneficial shareholder submits to the corporation the record shareholder' s consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights, which consent shall be set forth either (i) in a record or (ii) if the corporation has designated an address, location, or system to which the consent may be electronically transmitted and the consent is electronically transmitted to the designated address, location, or system, in an electronically transmitted record; and

(b) The beneficial shareholder does so with respect to all shares of which such shareholder is the beneficial shareholder or over which such shareholder has power to direct the vote.

RCW 23B.13.200

Notice of dissenters' rights

(1) If proposed corporate action creating dissenters' rights under RCW *23B.13.020* is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this chapter and be accompanied by a copy of this chapter.

(2) If corporate action creating dissenters' rights under RCW *23B.13.020* is taken without a vote of shareholders, the corporation, within ten days after the effective date of such corporate action, shall deliver a notice to all shareholders entitled to assert dissenters' rights that the action was taken and send them the notice described in RCW *23B.13.220*.

RCW 23B.13.210

Notice of intent to demand payment

(1) If proposed corporate action creating dissenters' rights under RCW *23B.13.020* is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights must (a) deliver to the corporation before the vote is taken notice of the shareholder' s intent to demand payment for the shareholder' s shares if the proposed action is effected, and (b) not vote such shares in favor of the proposed action.

(2) A shareholder who does not satisfy the requirements of subsection (1) of this section is not entitled to payment for the shareholder' s shares under this chapter.

RCW 23B.13.220

Dissenters' rights − Notice

(1) If proposed corporate action creating dissenters' rights under RCW *23B.13.020* is authorized at a shareholders' meeting, the corporation shall deliver a notice to all shareholders who satisfied the requirements of RCW *23B.13.210*.

(2) The notice must be sent within ten days after the effective date of the corporate action, and must:

(a) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

(b) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(c) Supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not the person acquired beneficial ownership of the shares before that date;

(d) Set a date by which the corporation must receive the payment demand, which date may not be fewer than thirty nor more than sixty days after the date the notice in subsection (1) of this section is delivered; and

(e) Be accompanied by a copy of this chapter.

RCW 23B.13.230

Duty to demand payment.

(1) A shareholder sent a notice described in RCW *23B.13.220* must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the notice pursuant to RCW *23B.13.220(2)(c)*, and deposit the shareholder' s certificates, all in accordance with the terms of the notice.

(2) The shareholder who demands payment and deposits the shareholder' s share certificates under subsection (1) of this section retains all other rights of a shareholder until the proposed corporate action is effected.

(3) A shareholder who does not demand payment or deposit the shareholder' s share certificates where required, each by the date set in the notice, is not entitled to payment for the shareholder' s shares under this chapter.

RCW 23B.13.240

Share restrictions

(1) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is effected or the restriction is released under RCW *23B.13.260*.

(2) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until the effective date of the proposed corporate action.

RCW 23B.13.250

Payment

(1) Except as provided in RCW *23B.13.270*, within thirty days of the later of the effective date of the proposed corporate action, or the date the payment demand is received, the corporation shall pay each dissenter who complied with RCW *23B.13.230* the amount the corporation estimates to be the fair value of the shareholder' s shares, plus accrued interest.

(2) The payment must be accompanied by:

(a) The corporation' s balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(b) An explanation of how the corporation estimated the fair value of the shares;

(c) An explanation of how the interest was calculated;

(d) A statement of the dissenter' s right to demand payment under RCW *23B.13.280*; and

(e) A copy of this chapter.

RCW 23B.13.260

Failure to take action

(1) If the corporation does not effect the proposed action within sixty days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release any transfer restrictions imposed on uncertificated shares.

(2) If after returning deposited certificates and releasing transfer restrictions, the corporation wishes to undertake the proposed action, it must send a new dissenters' notice under RCW *23B.13.220* and repeat the payment demand procedure.

RCW 23B.13.270

After-acquired shares

(1) A corporation may elect to withhold payment required by RCW *23B.13.250* from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action.

(2) the extent the corporation elects to withhold payment under subsection (1) of this section, after taking the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of the dissenter' s demand. The corporation shall send with its offer an explanation of how it estimated the fair value of the shares, an explanation of how the interest was calculated, and a statement of the dissenter' s right to demand payment under RCW *23B.13.280*.

RCW 23B.13.280

Procedure if shareholder dissatisfied with payment or offer

(1) A dissenter may deliver a notice to the corporation informing the corporation of the dissenter' s own estimate of the fair value of the dissenter' s shares and amount of interest due, and demand payment of the dissenter' s estimate, less any payment under RCW *23B.13.250*, or reject the corporation' s offer under RCW *23B.13.270* and demand payment of the dissenter' s estimate of the fair value of the dissenter' s shares and interest due, if:

(a) The dissenter believes that the amount paid under RCW *23B.13.250* or offered under RCW *23B.13.270* is less than the fair value of the dissenter' s shares or that the interest due is incorrectly calculated;

(b) The corporation fails to make payment under RCW *23B.13.250* within sixty days after the date set for demanding payment; or

(c) The corporation does not effect the proposed action and does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within sixty days after the date set for demanding payment.

(2) A dissenter waives the right to demand payment under this section unless the dissenter notifies the corporation of the dissenter' s demand under subsection (1) of this section within thirty days after the corporation made or offered payment for the dissenter' s shares.

RCW 23B.13.300

Court action

(1) If a demand for payment under RCW *23B.13.280* remains unsettled, the corporation shall commence a proceeding within sixty days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(2) The corporation shall commence the proceeding in the superior court of the county where a corporation' s principal office, or, if none in this state, its registered office, is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(3) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled, parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

(4) The corporation may join as a party to the proceeding any shareholder who claims to be a dissenter but who has not, in the opinion of the corporation, complied with the provisions of this chapter. If the court determines that such shareholder has not complied with the provisions of this chapter, the shareholder shall be dismissed as a party.

(5) The jurisdiction of the court in which the proceeding is commenced under subsection (2) of this section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them, or in any amendment to it. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.

(6) Each dissenter made a party to the proceeding is entitled to judgment (a) for the amount, if any, by which the court finds the fair value of the dissenter' s shares, plus interest, exceeds the amount paid by the corporation, or (b) for the fair value, plus accrued interest, of the dissenter' s after-acquired shares for which the corporation elected to withhold payment under RCW *23B.13.270.*

RCW 23B.13.310

Court costs and counsel fees

(1) The court in a proceeding commenced under RCW *23B.13.300* shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess the costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under RCW *23B.13.280*.

(2) The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

(a) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of RCW *23B.13.200* through *23B.13.280*; or

(b) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by RCW *23B.13*.

(3) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

Exhibit B

FIRST ALBANY CORPORATION

One Penn Plaza, 42nd Floor, New York, NY 10119 (212) 273-7100

January 28, 2003

Board of Directors

Inland Resources Inc.
410 Seventeenth Street, Suite 700
Denver, Colorado 80202

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the unaffiliated common shareholders of Inland Resources Inc. (the "Company") of the transactions set forth below with Inland Holdings, LLC ("TCW"), and SOLVation Inc. ("Smith").

As set forth in the draft Exchange and Stock Issuance Agreement and related documents (the "Agreement"), the transactions will have the ultimate effect of exchanging (i) a subordinated promissory note payable to TCW in the aggregate principal amount of $98,968,964 (the "TCW Note"), together with accrued interest as of November 30, 2002, into the equivalent of 113,211,755 shares of the Company' s common stock plus 33,800 shares per day thereafter and (ii) a junior subordinated promissory note payable to Smith-in the aggregate principal amount of $5,000,000 (the "Smith Note"), together with accrued interest as of November 30, 2002, into the equivalent of 6,885,413 shares of the Company' s common stock plus 2,700 shares per day thereafter (collectively, the "Transactions"). To effect the Transactions, the Company will exchange (a) the TCW Note into a combination of 22,053,000 shares of the Company' s common stock, $.001 par value (the "Common Stock"), and 911,588 shares of the Company' s Series F preferred stock, $.001 par value, $100 per share liquidation preference, plus 338 shares per day after November 30, 2002 (the "Series F Preferred Stock") and (b) the Smith Note into 68,854 shares of the Company' s Series F Preferred Stock plus 27 shares per day after November 30, 2002. The Series F Preferred Stock will be automatically converted into shares of Common Stock upon the authorization of additional shares of Common Stock at a conversion ratio equal to one-hundred shares of Common Stock for each share of Series F Preferred Stock. If necessary, a shareholders' meeting of the Company will be held following the Transactions to authorize the required additional Common Stock. The terms and conditions of the Transactions are more fully set forth in the Agreement.

In connection with rendering our opinion, we have reviewed and analyzed certain information relating to the Company, including: certain publicly available business and financial information relating to the Company, certain internal financial statements and related information of the Company prepared by the management of the Company and other financial and operating information concerning the business and operations of the Company provided to us by the management of the Company including, but not limited to, pro-forma financial and operating budgets, analyses, forecasts, and certain estimates of proved and non-proved reserves and production, commodity prices, revenues, operating costs and capital investments for the Company, prepared by the Company. We have also discussed with members of the senior management of the Company the past and current business operations, financial condition and future prospects of the Company, as well as other matters believed to be relevant to our analysis. Further, we considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that we deemed relevant to our analysis. Our opinion is based on market, economic and other conditions and circumstances involving the Company and its industry as they exist today and which, by necessity, can only be evaluated by us on the date hereof. We assume no responsibility to update or revise our opinion based upon events or circumstances occurring after the date hereof.

In conducting our review and arriving at our opinion, we have relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or discussed with us by the Company or otherwise publicly available, and have assumed that there have

been no material changes in the Company' s business operations, financial condition or prospects since the respective dates of such information. We have not independently verified this information, nor have we had such information independently verified. We have

not conducted a physical inspection of any of the assets, properties or facilities of the Company, nor have we made or obtained any independent evaluation or appraisals of any such assets, properties or facilities.

We have further assumed with your consent that the Transactions will be consummated in accordance with the terms described in the Agreement, without amendments, modifications to or waivers thereto.

We have not been asked to consider, and this opinion does not address, the relative merits of the Transactions as compared to any alternative business strategy that may exist for the Company. The Company' s management has advised us, and we have assumed, that no other viable recapitalization transactions are available to the Company. It is understood that our opinion has been prepared for the benefit of the Board of Directors of the Company for use in its consideration of the fairness, from a financial point of view, of the Transactions and that this opinion may not be used by any other person or for any other purpose. This opinion does not constitute a solvency opinion or an opinion as to how the prices of the securities of the Company may trade in the future. Our opinion may not be disseminated, quoted, referred to, reproduced or disclosed to any person at any time or in any manner, without our prior written consent. This opinion is not a recommendation as to any matter to be presented to shareholders of the Company.

With respect to the pro-forma financial projections of the Company and the estimates of future production, commodity prices, revenue, operating costs and capital investment for the Company, each as prepared by the Company, upon the advice of the Company, we have assumed that such pro-forma projections and estimates have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company' s management as to the future performance of the Company, and that the Company will perform substantially in accordance with such projections and estimates. The Company' s management has also advised us, and we have assumed, that financial projections and estimates prepared without the pro-forma effects of the Transactions are not meaningful as the Company may not be able to continue as a going concern without effecting the Transactions.

First Albany Corporation ("First Albany") will receive a fee for rendering this opinion, and such fee is not contingent upon the consummation of the Transactions. First Albany has provided financial advisory services to the Company in the past with respect to other transactions and received fees in connection therewith.

First Albany is a full service investment banking and capital markets securities firm which is engaged on a regular basis in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, private placements and valuations for corporate, estate and other purposes. As a customary part of its business, First Albany may from time to time effect transactions for its own account or for the account of its customers, and hold positions (long or short) in securities of, or options on, securities of the Company.

Based upon and subject to the foregoing, it is our opinion that the Transactions are fair, from a financial point of view, to the unaffiliated common shareholders of the Company.

Very truly yours,

/s/ FIRST ALBANY CORPORATION

EXHIBIT (d)(7)

INVESTORS' AGREEMENT

This INVESTORS' AGREEMENT (this "Agreement") is made and entered into as of January 30, 2003, by and among Inland Holdings, LLC, a California limited liability company ("TCW"), Hampton Investments LLC, a Delaware limited liability company ("Hampton") and SOLVation Inc., a Delaware corporation ("SOLVation," and together with Hampton, the "Smith Group").

W I T N E S S E T H

WHEREAS, simultaneously herewith, TCW and SOLVation have entered into that certain Exchange Agreement (as defined herein) with Inland Resources Inc., a Washington corporation ("Inland") and Inland Production Company, Inc., a Texas corporation ("IPC");

WHEREAS, pursuant to the Exchange Agreement, TCW will exchange its entire interest in the Exchanged Sub Debt (as defined in the Exchange Agreement) for (A) a specified number of shares of Series F preferred stock of Inland and (B) 22,053,000 shares of common stock of Inland (collectively, the "New TCW Stock");

WHEREAS, pursuant to the Exchange Agreement, SOLVation will exchange its entire interest in the Exchanged Junior Debt (as defined in the Exchange Agreement) for a specified number of shares of Series F preferred stock of Inland (the "New Smith Stock");

WHEREAS, as of the date hereof, (i) TCW owns 297,000 shares of Inland's common stock (the "Existing TCW Stock"; together with the New TCW Stock, the "TCW Interest") and (ii) Hampton owns 2,318,000 shares of Inland's common stock (the "Existing Smith Stock"; together with the New Smith Stock, the "Smith Group Interest");

WHEREAS, each of TCW and the Smith Group desire to set forth their agreement to contribute, respectively, the TCW Interest and the Smith Interest to Newco (as defined herein) and to cause Inland to merge into Newco; and

WHEREAS, each of TCW and the Smith Group desire to set forth their rights and obligations as shareholders of Newco, the surviving corporation in the Merger (as defined herein).

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, the parties hereto, intending to be legally bound by the terms hereof, agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following terms have the following meanings:

"Affiliate" or "affiliate" shall mean, with respect to any Person, (i) any other Person directly or indirectly owning, controlling or holding with power to vote 50% or more of the outstanding voting securities of the specified Person; (ii) any other Person 50% or more of

whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the specified Person; (iii) any other Person directly or indirectly controlling, controlled by or under common control with the specified Person; or (iv) any officer, director, partner or sanguineous or affined kin of the specified Person or of any other Person described in clause (iii) above. For the avoidance of doubt and without limiting the generality of the foregoing, the following Persons shall be deemed to be Affiliates of the Smith Group: (a) Randall D. Smith, Jeffrey A. Smith, Barbara Stovall Smith, Arthur J. Pasmas, John W. Adams, (b) any immediate family member of any Person falling within (a) above, (c) any direct lineal descendant of any Person falling within (b) above, (d) any trust established for the benefit of any Person falling within (a) to (c) above, (e) Bruce Schnelwar, and (f) any Person controlling, controlled by or under common control with (a) to (e) above. For the further avoidance of doubt and without limiting the generality of the foregoing, any partner, member, shareholder, participant or beneficial interest owner of any TCW partner, member, shareholder, participant or beneficial interest owner of any of the foregoing shall be deemed to be an Affiliate of TCW.

"Amended Registration Rights Agreement" shall have the meaning ascribed to such term in the Exchange Agreement.

"Commission" shall mean the United States Securities and Exchange Commission or any other similar or successor agency of the federal government administering the Securities Act.

"Common Stock" shall mean the common stock of Newco, par value $.001 per share.

"Drag-Along Notice" shall have the meaning ascribed to such term in Section 5.

"Drag-Along Party" shall have the meaning ascribed to such term in Section 5.

"Drag-Along Period" shall have the meaning ascribed to such term in Section 5.

"Drag-Along Shares" shall have the meaning ascribed to such term in Section 5.

"Drag-Along Transaction" shall have the meaning ascribed to such term in Section 5.

"Exchange Agreement" shall mean that certain Exchange and Stock Issuance Agreement dated as of the date hereof by and among Inland, IPC, TCW and SOLVation.

"Holders" shall mean any Person holding any of the Common Stock.

"Inland" means Inland Resources Inc., a Washington corporation.

"Merger" shall have the meaning ascribed to such term in Section 3.3.

"Newco" means Inland Resources Inc., a newly formed Delaware corporation.

"Newco Liquidity Event" means any sale, transfer or other disposition by Newco of all or substantially all of its consolidated assets, howsoever effected, including by way of an asset contribution, joint venture, farmout agreement, merger or other business combination with or into an uncontrolled entity involving any Subsidiary of Newco pursuant to which proceeds of such transaction in the form of cash or readily marketable securities are paid to or received by Newco and not directly to its stockholders or any Subsidiary thereof.

"Newco Stock" shall have the meaning ascribed to such term in Section 3.1.

"Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

"Sale Contract" shall have the meaning ascribed to such term in Section 4.3.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any successor Federal statute and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect at the time.

"Smith Party" shall have the meaning ascribed to such term in Section 5.2.

"Subsidiary" shall have the meaning ascribed to such term in the Exchange Agreement.

"Tag Transaction" shall have the meaning ascribed to such term in Section 4.1.

"Tagalong Party" shall have the meaning ascribed to such term in Section 4.1.

"Transfer" shall have the meaning ascribed to such term in Section 3.4. For the avoidance of doubt, the term "Transfer" shall not include a pledge or hypothecation, but shall include any transfer upon the foreclosure or realization of collateral arising from a pledge or hypothecation.

"Transferor" shall have the meaning ascribed to such term in Section 4.1.

"Transferee" shall have the meaning ascribed to such term in Section 4.1.

SECTION 2. FORMATION OF NEWCO

2.1 Before the Closing (as such term is defined in the Exchange Agreement), each of TCW, Hampton and SOLVation hereby agree to cause Newco to be formed in the state of Delaware. The certificate of incorporation of Newco shall be filed substantially in the form of Exhibit A attached hereto. The bylaws and organizational minutes of Newco shall be adopted substantially in the form of Exhibit B and Exhibit C, respectively, attached hereto. Immediately upon being authorized to do so (and TCW and the Smith Group shall take all action required to effect such authorization, Newco shall adopt, ratify and become a party hereto with the same effect as if it were an original signatory.

SECTION 3. CONTRIBUTION AND OTHER AGREEMENTS

3.1 Each of TCW, Hampton and SOLVation hereby agree to contribute and convey, immediately after the Closing (as such term is defined in the Exchange Agreement), all of their respective capital stock of Inland to Newco in exchange for (i) in the case of TCW, 92.5% of the common stock of Newco (9,250 common shares) and (ii) in the case of The Smith Group, 7.5% of the common stock of Newco (allocated 375 common shares to Hampton and 375 common shares to SOLVation) (collectively, the "Newco Stock").

3.2 Upon consummation of the transactions contemplated by the Exchange Agreement, Newco will own 100% of the Series F preferred stock of Inland and approximately 98.87% of the outstanding common stock of Inland. TCW and the Smith Group hereby agree to cause Newco to act to cause Inland to merge into Newco in a short form merger under the laws of Washington and Delaware no later than five (5) business days after the Closing (as such term is defined in the Exchange Agreement) (the "Merger"), pursuant to the Plan of Merger and Articles of Merger substantially in the form of Exhibits D and E, respectively, attached hereto.

3.3 Each party hereto understands and agrees that Newco will cause the legends set forth below to be placed upon any certificates or other documents or instruments evidencing ownership of the Newco Stock:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF THAT CERTAIN INVESTORS' AGREEMENT DATED AS OF JANUARY 30, 2003 BY AND AMONG INLAND HOLDINGS, LLC, SOLVATION INC. AND HAMPTON INVESTMENTS LLC.
>
> "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT OR EXEMPT FROM SUCH REGISTRATION."

3.4 Except as provided herein and subject to applicable securities laws, any restrictive legends on certificates evidencing the Newco Stock and any other agreements governing or restricting transfer of the Newco Stock, each of TCW and the Smith Group shall have the right to freely sell, assign, transfer, give away or dispose of (any of the foregoing being hereinafter referred to as a "Transfer") their respective interests in the Newco Stock, whether in whole or in part, to any Person without restriction other than as set forth herein.

SECTION 4. TAGALONG RIGHTS.

4.1 If TCW or any Affiliate thereof ("Transferor") transfers, other than in a public offering pursuant to a registration statement, any shares of Common Stock of Newco held by such Transferor to any Person or Persons other than to an Affiliate of TCW (a "Transferee") in one transaction or a series of related transactions, which transfer or transfers constitute the Transfer of a majority of the shares of Common Stock of Newco held by TCW as of the date of the Closing or the Merger, respectively (a "Tag Transaction"), then the Smith Group or any Affiliate of the Smith Group (the "Tagalong Party") shall have the right to sell to the Transferee,

at the same price per share and otherwise substantially on the same terms and conditions as provided with respect to the sale by the Transferor to the Transferee, up to the number of shares of Common Stock (rounded to the nearest

whole share) equal to the product of (i) the total number of shares of Common Stock which the Tagalong Party then owns and (ii) a fraction with a numerator equal to the number of shares of Common Stock of Newco then proposed to be sold by the Transferor and a denominator equal to the total number of shares of Common Stock of Newco owned by the Transferor as of the date of the Closing or the Merger, respectively. The right of the Transferor to sell shall be subject to the condition that the Transferor shall cause the Transferee that proposes to purchase the shares of the Transferor to offer to purchase, at the same price per share and otherwise substantially on the same terms, such number of shares from the Tagalong Party; provided, however, that if the Transferee is for any reason unwilling or unable to purchase the aggregate number of shares from the Transferor to be purchased together with the Tagalong Party desiring to Transfer shares in such transaction, then the number of shares to be sold by each shall be proportionally reduced (based on the total number of shares originally proposed to tag along or be sold) to such number as, when taken with the number of shares to be sold by each other such party, shall be equal to the number of shares which such Transferee is willing or able to purchase (provided that such Transfer shall satisfy the conditions set forth in the first sentence of this Section 4.1). The Tagalong Party shall only be entitled to sell shares of Common Stock under this Section 3 that it owns as of the date hereof and any securities acquired after the date hereof concurrently with securities of the same type acquired by TCW; other securities acquired after the date hereof in any manner shall not be subject to the tagalong rights provided in this Section 4.

4.2 The Transferor shall give written notice to the Smith Group, and to any Affiliate of the Smith Group to whom the Smith Group has Transferred Common Stock (notice of which such Affiliate transferees has been given to TCW or any other Transferor) at least fifteen (15) business days prior to any proposed Transfer(s) of Common Stock constituting a Tag Transaction. The notice shall specify the proposed Transferee, the number of shares of Common Stock to be sold, the amount and type of consideration to be received therefor, and the place and date on which the sale is to be consummated. If the Tagalong Party desires to include shares of Common Stock in such sale pursuant to Section 4.1, the Tagalong Party shall be required to notify the Transferor not more than ten (10) business days after its receipt of the notice required to be delivered by the Transferor in order to exercise its tagalong rights under Section 4.1. Failure to give such notice shall constitute an election not to exercise such right and upon the closing of such Transfer the tagalong right terminates.

4.3 If a Transferor proposes to Transfer to any Affiliate thereof any of the Common Stock held by such Transferor, then such Transferor, as a condition to the Transfer, (i) shall cause such Affiliate to agree to be bound by this Section 4 and such Affiliate shall thereupon be deemed to be a party hereto and (ii) shall notify the Smith Group of the identity and address of the Affiliate transferee. The tag along rights set forth in this Section 4 shall not be applicable to transferees of TCW other than to Affiliates of TCW.

SECTION 5. DRAG-ALONG.

5.1 If the Transferor sells, other than in a public offering pursuant to a registration statement or pursuant to Rule 144, shares of Common Stock of Newco held by

Transferor to a Transferee in one transaction or a series of related transactions on arms-length terms which constitute the transfer of all of the Common Stock then owned by TCW and its Affiliates, the Transferor may, at its sole option, cause each of the Smith Group members (together with any party deemed to be included in such definition pursuant to Section 5.2 below, a "Drag-Along Party") to sell to the Transferee, on the same terms and conditions

as provided with respect to the sale by the Transferor to such Transferee in such transaction, all shares of Common Stock of Newco which the Drag-Along Party then owns (such shares being "Drag-Along Shares" and such transaction being a "Drag-Along Transaction"); provided, however, that: (x) the price for the Drag-Along Shares may not be lower than the price per share paid to the Transferor in the same or related transaction; and (y) the consideration for the Drag-Along Shares shall be paid in cash at the closing of the Drag-Along Transaction(s) unless the relevant Drag-Along Party consents to payment in a form other than cash or, at the option of the relevant Drag-Along Party, in the same form of payment as received by the Transferor.

5.2 If any member of the Smith Group or any of its Affiliates (a "Smith Party") proposes to Transfer to any Affiliate thereof any of the Common Stock of Newco held by such Smith Party, then such Smith Party, as a condition to the Transfer, shall cause such Affiliate to agree to be bound by this Section 5 and such Affiliate shall thereupon be deemed to be a party hereto and shall notify TCW of the identity and address of such Affiliate. Thereupon such Affiliate shall also be deemed a "Drag-Along Party" for purposes of this Agreement. The drag-along rights set forth in this Section 5 shall not be applicable to transferees of the Drag-Along Party other than to other Affiliates of such Drag-Along Party.

5.3 To exercise a drag-along right, Transferor shall give written notice (the "Drag-Along Notice") to the Drag-Along Party against whom the right is to be enforced at least fifteen (15) business days prior to any proposed Transfer of Common Stock. The notice shall specify the terms of such Transfer and certify as to the facts supporting exercise of the drag-along right and include a copy of the contract between the Transferor and Transferee to consummate the Drag-Along Transfer (the "Sale Contract"), if such a Sale Contract has been signed. During the Drag-Along Period (as defined below), the Drag-Along Party in receipt of the Drag-Along Notice may not Transfer any securities subject to Transferor's drag-along rights under this Section 5 to any Person other than Transferor or the Transferee. The "Drag-Along Period" shall be the period commencing on the date the Drag Along Notice is given and terminating on the earlier of (i) the 120th day following delivery of the Drag-Along Notice or (ii) the date of termination of the Sale Contract.

SECTION 6. COVENANTS AND RESTRICTIONS.

6.1 Prior to the Merger, Newco shall not, without the prior unanimous approval of the Holders: (i) engage in any activities other than holding the capital stock or other securities of Inland, (ii) incur any debt or other similar liabilities, other than debt in the nature of franchise taxes and similar amounts arising from the formation thereof and consummation of the transactions contemplated herein, (iii) require additional capital contributions or loans from the Holders, (iv) issue any equity securities other than the Newco Stock issued to Holders pursuant to Section 3.2, (v) enter in any transactions with any Holder or any Affiliate thereof other than those contemplated herein or in the Exchange Agreement, or (vi) voluntarily file for bankruptcy protection or fail to oppose an involuntary bankruptcy petition filed against it.

6.2 For so long as any portion of the Senior Subordinated Note in the aggregate principal amount of $5,000,000 in favor of SOLVation (the "Senior Sub Note") is outstanding, TCW agrees that, unless such Senior Sub Note is repaid in full at the closing of any such transaction, it shall not permit Newco or any Subsidiary thereof to enter into any merger, sale of stock, sale of substantially all of its assets or any similar transaction or any consulting or employment arrangement with Kyle Miller, John Dyer, or any entity controlled by or affiliated with (by way of a material management role) either of them without

the Smith Group's prior written approval.

6.3 TCW agrees that, unless waived by the Smith Group, TCW shall use its reasonable commercial efforts to cause Newco, upon or promptly after the consummation of a Newco Liquidity Event, either to be liquidated and its assets distributed to its shareholders or to distribute to its shareholders all net proceeds of such Newco Liquidity Event, or to enter into a transaction with substantially the same economic effect as the foregoing.

6.4 After the Merger, Newco shall not enter into any transaction with any Affiliate of any Holder (excluding any transaction between Newco and any subsidiary of Newco) without the prior unanimous approval of the Holders; provided, however, that this Section 6.4 shall not apply to any such transaction if the preemptive rights set forth in Section 5 of the Amended Registration Rights Agreement are applicable to such transaction.

SECTION 7. REPRESENTATIONS AND WARRANTIES.

7.1 Each of Hampton and SOLVation hereby represents, warrants and covenants to TCW that: (a) Hampton owns the Existing Smith Stock and immediately prior to its contribution thereof to Newco, SOLVation will own the New Smith Stock free and clear of any liens or security interests and owns no other equity securities of Inland, (b) SOLVation is the beneficial holder (and pursuant to the Exchange Agreement has the contractual right to become the record holder) of the New Smith Stock and (c) the Smith Group has neither sold, assigned, conveyed, transferred, mortgaged, pledged encumbered or otherwise disposed of, in whole or in part, its securities constituting all or a portion of the Smith Stock, nor, as of the date hereof, has entered into any agreement other than this Agreement to sell, assign, convey, transfer, mortgage, pledge, encumber or otherwise dispose of, in whole or in part, such securities.

7.2 TCW hereby represents, warrants and covenants to each of Hampton and SOLVation that: (a) TCW owns the Existing TCW Stock and immediately prior to its contribution to Newco, TCW will own the New TCW Stock free and clear of any liens or security interests and owns no other equity securities of Inland, (b) TCW is the beneficial holder (and pursuant to the Exchange Agreement has the contractual right to become the record holder) of the New TCW Stock and (c) TCW has neither sold, assigned, conveyed, transferred, mortgaged, pledged encumbered or otherwise disposed of, in whole or in part, its securities constituting all or a portion of the TCW Stock, nor, as of the date hereof, has entered into any agreement other than this Agreement to sell, assign, convey, transfer, mortgage, pledge, encumber or otherwise dispose of, in whole or in part, such securities.

SECTION 8. REGISTRATION RIGHTS.

The parties hereby acknowledge that upon consummation of the Merger, by operation of law Newco, shall have succeeded to the obligations of Inland under, and shall be bound by, the Amended Registration Rights Agreement as if it were the original party "Company" thereto in lieu of Inland.

SECTION 9. MISCELLANEOUS.

9.1 Attorney's Fees and Expenses. If any party hereto fails to perform any of its obligations under this Agreement, then the defaulting party shall pay any and all costs and expenses incurred by the other party on account of such default, including, without limitation, court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under

this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment.

9.2 Successors and Assigns; Termination. Except as otherwise expressly provided herein, this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto; provided, however, that this Agreement shall terminate and not apply when Common Stock is no longer held by any of the Smith Group, TCW or their respective Affiliates.

9.3 Amendment and Waiver, etc. This Agreement may be amended, but only with the written consent of each of the parties hereto. No failure or delay (whether by course of conduct or otherwise) by the parties hereto in exercising any right, power or remedy which they may have under this Agreement shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by the parties hereto of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of this Agreement and no consent to any departure therefrom shall ever be effective unless it is in writing and signed by each party being adversely affected by such waiver or consent, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the parties at law or in equity or otherwise.

9.4 Counterparts. Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

9.5 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

9.6 Specific Performance. Each party recognizes that money damages may be inadequate to compensate the other parties for a breach hereunder, and each party irrevocably

agrees that the other parties shall be entitled to the remedy of specific performance or the granting of such other equitable remedies as may be awarded by a court of competent jurisdiction in order to afford each party the benefits of this Agreement and that each party shall not object and hereby waives any right to object to such remedy or such granting of other equitable remedies on the grounds that money damages will not be sufficient to compensate the other parties.

9.7 Notices. All notices, requests, consents, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed sufficiently given or furnished upon delivery, when delivered by personal delivery, by telecopy, by delivery service with proof of delivery, or three (3) days after being deposited in the U.S. mail as registered or certified United States mail, postage prepaid, at the addresses set forth on the signature pages hereto (unless changed by similar notice in writing given by the particular person whose address is to be changed).

9.8 Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of Delaware.

9.9 Original Agreement; Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all prior negotiations, preliminary agreements, correspondence or understandings, written or oral between the parties with respect to the subject matter hereof. Except as expressly provided herein, there are no representations or warranties of any party hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Agreement as of the day and year first above written.

INLAND HOLDINGS LLC, a California limited liability company,

By: TRUST COMPANY OF THE WEST, a California trust company, as Sub-Custodian for Mellon Bank for the benefit of Account No. CPFF 873-3032, Member

By: /s/ Arthur R. Carlson

Arthur R. Carlson
Managing Director

By: /s/ Thomas F. Mehlberg

Thomas F. Mehlberg
Managing Director

By: TCW PORTFOLIO NO. 1555 DR V SUB-CUSTODY PARTNERSHIP, L.P., a California limited partnership, Member

By: TCW ROYALTY COMPANY, a California corporation, Managing General Partner

By: /s/Thomas F. Mehlberg

Thomas F. Mehlberg
Vice President

Address for Notices:

865 South Figueroa Street
Los Angeles, California 90017
Attention: Arthur R. Carlson
Attention: Thomas F. Mehlberg
Telephone: (213) 244-0053
Facsimile: (213) 244-0604

With a Copy To:

Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street, 30th Floor
Los Angeles, CA 90017
Attention: David A. Lamb, Esq.
Telephone: (213) 892-4000

Facsimile: (213) 629-5063

HAMPTON INVESTMENTS, LLC,
a Delaware limited liability company

By: JWA Investments IV LLC,
its Managing Member

By: /s/ Thomas X. Fristsch

Thomas X. Fritsch
Vice President

Address for Notices:

Hampton Investments LLC
c/o Smith Management LLC
885 3rd Avenue, 34th Floor
New York, New York 10022
Attention: General Counsel
Telephone: (212) 888-5500
Facsimile: (212) 702-0145

With a copy to:

Akin Gump Strauss Hauer & Feld LLP
711 Louisiana, Suite 1900
Houston, Texas 77002
Attention: James L. Rice III
Telephone: (713) 220-8116
Facsimile: (713) 236-0822

SOLVATION, INC.,
a Delaware corporation

By: /s/ Thomas X. Fristsch

Name: Thomas X. Fristsch
Title: Vice President

Address for Notices:

SOLVation, Inc.
c/o Smith Management LLC
885 3rd Avenue, 34th Floor
New York, New York 10022
Attention: General Counsel
Telephone: (212) 888-5500
Facsimile: (212) 702-0145

With a copy to:

Akin Gump Strauss Hauer & Feld LLP
711 Louisiana, Suite 1900
Houston, Texas 77002
Attention: James L. Rice III
Telephone: (713) 220-8116
Facsimile: (713) 236-0822

EXHIBIT A

CERTIFICATE OF INCORPORATION
OF
INLAND RESOURCES INC.

The undersigned, for the purpose of organizing a corporation under the General Corporation Law of the State of Delaware (hereinafter referred to as the "GCL"), hereby certifies:

FIRST: The name of the corporation is Inland Resources Inc. (hereinafter referred to as the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the GCL.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is Twenty Thousand (20,000) shares of common stock, par value $0.001 per share.

FIFTH: The directors shall have power to adopt, amend or repeal Bylaws of the Corporation, except as may otherwise be provided in the Bylaws of the Corporation.

SIXTH: Elections of directors need not be by written ballot, except as may otherwise be provided in the Bylaws of the Corporation.

SEVENTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the director derived any improper personal benefit. If the GCL is amended after the date of the filing of this certificate to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended. No repeal or modification of this Article SEVENTH shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such repeal or modification.

EIGHTH: The name and mailing address of the incorporator is Julia B. Dachs, 601 South Figueroa Street, 30th Floor, Los Angeles, California 90017.

WITNESS my signature this ____ day of _____, 2003.

Julia B. Dachs, Sole Incorporator

EXHIBIT B

BYLAWS

OF

INLAND RESOURCES INC.

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BYLAWS

OF

INLAND RESOURCES INC.

Certain provisions of these bylaws are subject to Sections 7.2 and 7.3 of that certain Exchange and Stock Issuance Agreement dated as of January 30, 2003, by and among Inland Resources Inc., a Washington corporation, Inland Holdings, LLC, Hampton Investments LLC and SOLVation Inc. (the "Exchange Agreement") and Section 6 of the Investors' Agreement (as defined in the Exchange Agreement). To the extent any provisions of these bylaws are inconsistent with the provisions of Sections 7.2 and 7.3 of the Exchange Agreement or Section 6 of the Investors' Agreement, the provisions of such sections of the Exchange Agreement or Investors' Agreement shall govern.

ARTICLE I

Office and Records

Section 1.1 Delaware Office. The principal office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is The Corporation Trust Corporation, 1209 Orange Street, Wilmington, Delaware.

Section 1.2 Other Offices. The Corporation may have such other

offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3 Books and Records. The books and records of the Corporation may be kept at the Corporation's principal executive offices or at such other locations inside or outside the State of Delaware as may from time to time be designated by the Board of Directors.

ARTICLE II

Stockholders

Section 2.1 Annual Meeting. Except as otherwise provided in Section 2.8 of these Bylaws, the annual meeting of stockholders of the Corporation shall be held at such date, time and place within or without the State of Delaware as may be fixed by the Board of Directors.

Section 2.2 Special Meetings. A special meeting of the holders of stock of the Corporation entitled to vote on any business to be considered at any such meeting may be called only by the Chairman of the Board, if any, or the President, the Chief Financial Officer, any Managing Director, any Director or any Vice President, and shall be called by the Chairman of the Board, if any, or the President or the Secretary when directed to do so by resolution of the Board of Directors or at the written request of directors representing a majority of the whole

Board of Directors. Any such request shall state the purpose or purposes of the proposed meeting. The Board of Directors may designate the place of meeting for any special meeting of stockholders, and if no such designation is made, the place of meeting shall be the principal executive offices of the Corporation.

Section 2.3 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, unless notice is waived as provided in Section 8.1 of these Bylaws, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Unless otherwise provided by law, and except as to any stockholder duly waiving notice, the written notice of any meeting shall be given personally or by mail, not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If, however, the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.4 Quorum. Except as otherwise provided by law or by the Certificate of Incorporation or by these Bylaws, at any meeting of

stockholders the holders of a majority of the voting stock, either present or represented by proxy, shall constitute a quorum for the transaction of any business at such meeting, except that when specified business is to be voted on by a class or series voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such business. The chairman of the meeting or a majority of the voting stock so represented may adjourn the meeting from time to time, whether or not there is such a quorum (or in the case of specified business to be voted on as a class or series, the chairman or a majority of the shares of such class or series so represented may adjourn the meeting with respect to such specified business). No notice of the time and place of adjourned meetings need be given except as provided in the last paragraph of Section 2.3 of these Bylaws.

Section 2.5 Voting. Except as otherwise required by these Bylaws, whenever directors are to be elected at a meeting, they shall be elected by a plurality of the votes cast at the meeting by the holders of stock entitled to vote. Whenever any corporate action, other than the election of directors, is to be taken by vote of stockholders at a meeting, it shall, except as otherwise required by law or by the Certificate of Incorporation or by these Bylaws, be authorized by a majority of the votes cast with respect thereto at the meeting (including abstentions) by the holders of stock entitled to vote thereon.

Upon the demand of any stockholder entitled to vote, the vote for directors or the vote on any other matter at a meeting shall be by written ballot, but otherwise the method of voting and the manner in which votes are counted shall be discretionary with the presiding officer at the meeting.

Section 2.6 Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. Every proxy shall be signed by the stockholder or by his duly authorized attorney. Such proxy must be filed with the Secretary of the Corporation or his or her representative at or before the time of the meeting.

Section 2.7 List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this Section or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 2.8 Stockholder Action by Written Consent. Any action required by the Delaware General Corporation Law (the "GCL") to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent

in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt written notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Any such written consent may be given by one or any number of substantially concurrent written instruments of substantially similar tenor signed by such stockholders, in person or by attorney or proxy duly appointed in writing, and filed with the Secretary or an Assistant Secretary of the Corporation. Any such written consent shall be effective as of the effective date thereof as specified therein, provided that such date is not more than sixty (60) days prior to the date such written consent is filed as aforesaid, or, if no such date is so specified, on the date such written consent is filed as aforesaid.

ARTICLE III

Directors

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon it, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders. All actions to be taken by the Board of Directors from time to time will require the affirmative vote of a majority of the directors of the Corporation then in office.

Section 3.2 Number of Directors. The Board of Directors shall consist of no more than 7 and no fewer than 2 directors until changed as provided for in this section. The number of directors may be changed from time to time by vote at a meeting or by written consent of the holders of stock entitled to vote on the election of directors, or by a resolution of the Board of Directors passed by a majority of the whole Board of Directors, except that no decrease shall shorten the term of any incumbent director unless such director is specifically removed pursuant to Section 3.6 of these Bylaws at the time of such decrease.

Section 3.3 Election and Term of Directors. Directors shall be elected annually by election at the annual meeting of stockholders or by written consent of the holders of stock entitled to vote thereon in lieu of such meeting. If the annual election of directors is not held on the date designated therefor, the directors shall cause such election to be held as soon thereafter as convenient. Each director shall hold office from the time of his or her election and qualification until his successor is elected and qualified or until his or her earlier resignation, or removal.

Section 3.4 Vacancies and Newly Created Directorships. Each director will hold his or her office as a director of the Corporation for such term as is provided in the Corporation's Certificate of Incorporation and these Bylaws until his or her death, resignation or removal from the Board of Directors or until his or her successor has been duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by election at a meeting of stockholders or by written consent of the holders of stock entitled to vote thereon in lieu of a meeting. Except as otherwise provided by law, vacancies and such newly created directorships may also be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining

director.

Section 3.5 Resignation. Any director may resign at any time upon written notice to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof, and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make such resignation effective.

Section 3.6 Removal. Except as otherwise set forth in these Bylaws, any or all of the directors may be removed at any time, with or without cause, by vote at a meeting or by written consent of the holders of stock entitled to vote on the election of directors.

Section 3.7 Meetings. Meetings of the Board of Directors, regular or special, may be held at any place within or without the State of Delaware. Members of the Board of Directors, or of any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting. An annual meeting of the Board of Directors shall be held at the same place and immediately following each annual meeting of stockholders, and no further notice thereof need be given other than this Bylaw. The Board of Directors may fix times and places for additional regular meetings of the Board of Directors and no further notice of such meetings need be given. A special meeting of the Board of Directors shall be held whenever called by the Chairman of the Board or by any member of the Board of Directors, at such time and place as shall be specified in the notice or waiver thereof. The person or persons authorized to call special meeting of the Board of Directors may fix the place and time of the meetings. Notice of any special meeting shall be given to each director at his or her business or residence in writing or by facsimile, telegram or by telephone communication. If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by telegram, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company at least twenty-four hours before such meeting. If by facsimile transmission, such notice shall be transmitted at least twenty-four hours before such meeting. If by telephone, the notice shall be given at least twelve hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting.

Section 3.8 Quorum and Voting. A whole number of directors equal to at least a majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if there be less than a quorum, a majority of the directors present may adjourn the meeting from time to time, and no further notice thereof need be given other than announcement at the meeting which shall be so adjourned. Except as otherwise provided by law, by the Certificate of Incorporation, or by these Bylaws, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.9 Written Consent of Directors in Lieu of a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or of such committee.

Section 3.10 Compensation. Directors may receive compensation for services to the Corporation in their capacities as directors or otherwise in such manner and in such amounts as may be fixed from time to time by the Board of Directors.

Section 3.11 Committees of the Board of Directors. The Board of Directors may from time to time, by resolution passed by majority of the Board of Directors, designate one or

more committees, each committee to consist of one or more directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The resolution of the Board of Directors may, in addition or alternatively, provide that in the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it, except as otherwise provided by law. Unless the resolution of the Board of Directors expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Any such committee may adopt rules governing the method of calling and time and place of holding its meetings. Unless otherwise provided by the Board of Directors, a majority of any such committee (or the member thereof, if only one) shall constitute a quorum for the transaction of business, and the vote of a majority of the members of such committee present at a meeting at which a quorum is present shall be the act of such committee. Each such committee shall keep a record of its acts and proceedings and shall report thereon to the Board of Directors whenever requested so to do. Any or all members of any such committee may be removed, with or without cause, by resolution of the Board of Directors, passed by a majority of the Board of Directors.

ARTICLE IV

Officers

Section 4.1 Election and Term of Office. The elected officers of the Corporation may include a President, a Chief Executive Officer, a Secretary and a Treasurer, and may also include one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. All such officers shall be appointed and approved by a majority of the Board of Directors or by a duly authorized committee thereof, and shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV, together with such other powers and duties as from time to time may be conferred by the Board of Directors or any committee thereof. The Chairman of the Board shall be chosen from among the directors by a majority of the Board of Directors. Any number of such offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity. The Board of Directors may appoint, and may delegate power to appoint, such other officers, agents and employees as it may deem necessary or proper, who shall hold their offices or positions for such terms, have such authority and perform such duties as may from time to time be determined by or pursuant to authorization of the Board of Directors.

Section 4.2 Resignation and Removal. Any officer may resign at any time upon written notice to the Corporation. Any elected officer, agent or employee may be removed by a majority of the members of the Board of Directors, or by a duly authorized committee thereof, with or without cause at any time. The Board of Directors or such committee thereof may

delegate such power of removal as to officers, agents and employees not elected by the Board of Directors or such committee. Such removal shall be without prejudice to a person's contract rights, if any, but the appointment of any person as an officer, agent or employee of the Corporation shall not of itself create contract rights.

Section 4.3 Compensation and Bond. The compensation of the officers of the Corporation shall be fixed by the Board of Directors, but this power may be delegated to any officer in respect of other officers under his or her control. The Corporation may secure the fidelity of any or all of its officers, agents or employees by bond or otherwise.

Section 4.4 Chairman of the Board. The Chairman of the Board, if any, shall preside at all meetings of stockholders and of the Board of Directors and shall have such other powers and duties as may be delegated to him or her by the Board of Directors.

Section 4.5 Vice Chairman The Vice Chairman, if any, shall have powers and duties as may be delegated to him or her by the Board of Directors.

Section 4.6 Chief Executive Officer and President. In the absence of the Chairman of the Board (or if there be none), the Chief Executive Officer shall preside at all meetings of stockholders and of the Board of Directors. The Chief Executive Officer and President shall have general charge of the Corporation's business and general supervision of its policies and affairs.

The Chief Executive Officer and President may employ and discharge employees and agents of the Company except such as shall be appointed by the Board of Directors, and he or she may delegate these powers. The Chief Executive Officer may vote the stock or other securities of any other domestic or foreign corporation of any type or kind which may at any time be owned by the Corporation, may execute any stockholders' or other consents in respect thereof and may in his or her discretion delegate such powers by executing proxies, or otherwise, on behalf of the Corporation. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons. In the absence or inability to act of the Chief Executive Officer, unless the Board of Directors shall otherwise provide, the President (if such office be occupied and not by the same person serving as the Chief Executive Officer) or the Vice President shall perform all the duties and may exercise any of the powers of the Chief Executive Officer.

Section 4.7 Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board of Directors, the Chairman of the Board or the President may from time to time prescribe. In the absence or inability to act of the President, unless the Board of Directors shall otherwise provide, the Vice President who has served in that capacity for the longest time and who shall be present and able to act, shall perform all the duties and may exercise any of the powers of the President.

Section 4.8 Treasurer. The Treasurer shall have charge of all funds and securities of the Corporation, shall endorse the same for deposit or

collection when necessary and deposit the same to the credit of the Corporation in such banks or depositaries as the Board of Directors may authorize. He or she may endorse all commercial documents requiring

endorsements for or on behalf of the Corporation and may sign all receipts and vouchers for payments made to the Corporation. He or she shall have all such further powers and duties as generally are incident to the position of Treasurer or as may be assigned to him or her by the Chairman of the Board, the President or the Board of Directors.

Section 4.9 Secretary. The Secretary shall record all the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose and shall also record therein all action taken by written consent of stockholders or directors in lieu of a meeting. He or she shall attend to the giving and serving of all notices of the Corporation. He or she shall have custody of the seal of the Corporation and shall attest the same by his or her signature whenever required. He or she shall have charge of the stock ledger and such other books and papers as the Board of Directors may direct, but he or she may delegate responsibility for maintaining the stock ledger to any transfer agent appointed by the Board of Directors. He or she shall have all such further powers and duties as generally are incident to the position of Secretary or as may be assigned to him or her by the President or the Board of Directors.

Section 4.10 Assistant Treasurers. In the absence or inability to act of the Treasurer, any Assistant Treasurer may perform all the duties and exercise all the powers of the Treasurer. An Assistant Treasurer shall also perform such other duties as the Treasurer or the Board of Directors may assign to him or her.

Section 4.11 Assistant Secretaries. In the absence or inability to act of the Secretary, any Assistant Secretary may perform all the duties and exercise all the powers of the Secretary. An Assistant Secretary shall also perform such other duties as the Secretary or the Board of Directors may assign to him or her.

Section 4.12 Delegation of Duties. In case of the absence of any officer of the Corporation, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may confer for the time being the powers or duties, or any of them, of such officer upon any other officer or upon any director.

ARTICLE V

Indemnification and Insurance

Section 5.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of any other corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to any employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the GCL, as the same exists

or may hereafter be amended (but, in the case

of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended, and amounts paid or to be paid in settlement) reasonably incurred by such indemnitee in connection therewith; provided, however, that except as provided in Section 5.3 with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors.

Section 5.2 Right to Advancement of Expenses. The right to indemnification conferred in Section 5.1 shall include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the GCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 5.2 or otherwise.

Section 5.3 Right of Indemnitee to Bring Suit. If a claim under Section 5.1 or Section 5.2 is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right of an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the GCL. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the GCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement

of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article V or otherwise shall be on the Corporation.

Section 5.4 Non-Exclusivity of Rights. The right to indemnification and the advancement of expenses conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, provision of these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the GCL.

Section 5.6 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article V with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 5.7 Contract Rights. The rights to indemnification and to the advancement of expenses conferred in Section 5.1 and Section 5.2 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

ARTICLE VI

Stock

Section 6.1 Certificates. Certificates for stock of the Corporation shall be in such form as shall be approved by the Board of Directors and shall be signed in the name of the Corporation by the Chairman of the Board, the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. Such certificates may be sealed with the seal of the Corporation or a facsimile thereof. Any of or all the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 6.2 Transfers of Stock. Transfers of stock shall be made only upon the books of the Corporation by the holder, in person or by duly authorized attorney, and on the surrender of the certificate or certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. The Board

of Directors shall have the power to make all such rules and regulations, not inconsistent with the Certificate of Incorporation and these Bylaws and the GCL, as the Board of Directors may deem appropriate concerning the issue, transfer and registration of certificates for stock of the Corporation. The Board of Directors may appoint one or more transfer agents or registrars of transfers, or both, and may require all stock certificates to bear the signature of either or both.

Section 6.3 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new stock certificate in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or his or her legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate. The Board of Directors may require such owner to satisfy other reasonable requirements as it deems appropriate under the circumstances.

Section 6.4 Stockholder Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which shall not be more than sixty nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If no record date is fixed by the Board of Directors, (l) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the date on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend or other distribution, or to exercise such rights in respect of any such change, conversion or exchange of stock, or to participate in such action, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any record date so fixed.

ARTICLE VII

Seal

Section 7.1 Seal. The seal of the Corporation shall be circular in form and shall bear, in addition to any other emblem or device

approved by the Board of Directors, the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE VIII

Waiver of Notice

Section 8.1 Waiver of Notice. Whenever notice is required to be given to any stockholder or director of the Corporation under any provision of the GCL or the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. In the case of a stockholder, such waiver of notice may be signed by such stockholder's attorney or proxy duly appointed in writing. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

ARTICLE IX

Checks, Notes, Drafts, Etc.

Section 9.1 Checks, Notes, Drafts, Etc. Checks, notes, drafts, acceptances, bills of exchange and other orders or obligations for the payment of money shall be signed by such officer or officers or person or persons as the Board of Directors or a duly authorized committee thereof may from time to time designate.

ARTICLE X

Amendments

Section 10.1 Amendments. These Bylaws may be amended, added to, rescinded or repealed at any meeting of the Board of Directors or of the stockholders; provided, however, that, in the case of amendments by stockholders, notwithstanding any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of a majority in interest of the then outstanding shares of voting stock, either present or represented by proxy,

voting together as a single class, shall be required to alter, amend or repeal any provision of these Bylaws.

EXHIBIT C

S T A T E M E N T

OF

SOLE INCORPORATOR

OF

INLAND RESOURCES INC.

The undersigned, being the Sole Incorporator of Inland Resources Inc. (the "Corporation"), a corporation formed under the Delaware General Corporation Law by the filing of its Certificate of Incorporation with the Secretary of State on _____, 2003, hereby takes the following action:

1. The ByLaws annexed hereto are adopted as the By-Laws of the Corporation.

2. Marc MacAluso, Bill I. Pennington and Arthur J. Pasmas are elected as the initial directors of the Corporation, to hold office until the first annual meeting of stockholders and until their successors shall have been elected and qualified.

3. I hereby resign as the Sole Incorporator of the Corporation as of the First Meeting of the Board of Directors of the Corporation or as of the date of the Written Consent In Lieu of First Meeting of the Board of Directors of the Corporation.

WITNESS the signature of the undersigned to this Action by Sole Incorporator on _____ ___, 2003.

Julia Dachs
Sole Incorporator

EXHIBIT D

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is dated as of _____, 2003, and entered into by and between Inland Resources Inc., a Washington corporation ("Inland-Washington") and Inland Resources Inc. a Delaware corporation ("Inland-Delaware").

RECITALS

1. Inland-Washington is a Washington corporation. The date of filing of Inland-Washington's original Articles of Incorporation is August 12, 1985, as restated and amended from time to time (the "Articles").

2. Inland-Delaware is a Delaware corporation. The date of filing of Inland-Delaware's Certificate of Incorporation is _____, 2003 (as amended from time to time, the "Certificate of Incorporation").

3. At the time of the consummation of the Merger (as defined below), Inland-Delaware will own _____ shares of Common Stock of Inland-Washington and _____ shares of Series F Preferred Stock of Inland-Washington. Inland-Delaware owns over ninety percent of the outstanding shares of each class of stock of Inland-Washington.

4. Inland-Delaware has determined that it is advisable and in its best interests to merge Inland-Washington with and into Inland-Delaware in a short form merger (the "Merger").

TERMS AND PROVISIONS OF MERGER

In consideration of the foregoing Recitals and of the following terms and provisions, and subject to the following conditions, it is agreed:

1. MERGER. The effective time of the Merger (the "Effective Time") shall be a date to be determined by Inland-Delaware, which date shall be not more than five (5) business days following the Closing (as such term is defined in the Exchange Agreement by and between Inland-Washington, Inland Production Company, Inland Holdings, LLC and SOLVation, Inc.) and shall be set forth in the Articles of Merger. As of the Effective Time, Inland-Washington shall be merged with and into Inland-Delaware. Following the Effective Time, Inland-Delaware shall be the surviving entity of the Merger (hereinafter sometimes referred to as the "Surviving Entity"), and the separate organizational existence of Inland-Washington shall cease.

2. GOVERNING DOCUMENTS. The Certificate of Incorporation shall govern the Surviving Entity without further change or amendment until thereafter amended in accordance with the provisions thereof and applicable law.

3. TAX. The transactions effected pursuant to this Agreement are intended to be a tax free reorganization within the meaning of Internal Revenue Code of 1986 ("Code") section

368(a) and this Agreement constitutes a plan of reorganization within the meaning of Code section 354.

4. NAME. The name of the Surviving Entity shall be Inland Resources Inc.

5. SUCCESSION. At the Effective Time, the Surviving Entity shall acquire and possess all the rights, privileges, powers and franchises of a public or private nature and be subject to all the restrictions, disabilities and duties of Inland-Washington; and all property, real, personal and mixed, and all debts due to Inland-Washington on whatever account, including all other things and causes of action, shall be vested in the Surviving Entity; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Entity as they were of Inland-Washington, and the title to any real property vested by deed or otherwise shall not revert or be in any way impaired by reason of the Merger; but all rights of creditors and liens upon any property of Inland-Washington shall be preserved unimpaired, and all debts, liabilities and duties of Inland-Washington shall thenceforth attach to the Surviving Entity and may be enforced against the Surviving Entity to the same extent as if such debts, liabilities and duties had been incurred or contracted by the Surviving Entity; provided, however, that such liens upon property of Inland-Washington shall be limited to the property affected thereby immediately prior to the Merger.

6. FURTHER ASSURANCES. From time to time, as and when required or requested by the Surviving Entity or by its successors and assigns, there shall be executed and delivered on behalf of Inland-Washington such deeds, assignments and other instruments, and there shall be taken or caused to be taken by it all such further and other action, as shall be appropriate or necessary in order to vest, perfect or confirm, of record or otherwise, in the Surviving Entity the title to and possession of all property, interests, assets, rights, privileges, immunities, powers, franchises and authority of Inland-Washington and otherwise to carry out the purposes of this Agreement, and the authorized officers of the

Surviving Entity are fully authorized in the name and on behalf of Inland-Washington or otherwise, to take any and all such action and to execute and deliver any and all such deeds, assignments and other instruments.

7. CONVERSION OF CAPITAL STOCK. At the Effective Time, each issued and outstanding common share of Inland-Washington (other than any shares held by Inland-Delaware) shall be automatically converted into the right to receive $1.00 in cash per share (the "Merger Price"). At the Effective Time, all other previously issued and outstanding shares of common or preferred stock of Inland-Washington that were issued and outstanding immediately prior to the Effective Time shall be automatically cancelled.

8. OPTIONS. At the Effective Time, all outstanding and unexercised portions of all options to purchase shares of Inland-Washington shall be automatically cancelled.

9. DISSENTING SHARES.

(a) Notwithstanding any provision of this Agreement to the contrary, any common shares of Inland-Washington held by a holder who is entitled to and has demanded and perfected his right as a dissenting shareholder for appraisal of such shares in accordance with the Washington Business Corporation Act (the "Act") and who, as of the Effective Time, has not

effectively withdrawn or lost such right as a dissenting shareholder to appraisal shall not be converted into or represent a right to receive the Merger Price per share, but shall only be entitled to such rights as are granted by the Act.

(b) Notwithstanding the provisions of Section 9(a), if any holder of common shares of Inland-Washington who is entitled to and demands as a dissenting shareholder appraisal of such shares under the Act shall effectively withdraw or lose (through failure to perfect or otherwise) his right to appraisal, then, as of the Effective Time, such holder's common shares shall be converted into a right to receive only the Merger Price per share.

(c) Inland-Washington shall give Inland-Delaware (i) prompt written notice of any written demands by dissenting shareholders for appraisal of common shares, withdrawals of such demands and any other instruments pursuant to the Act received by Inland-Washington and (ii) the opportunity to participate in all negotiations and proceedings with respect to demands by dissenting shareholders for appraisal under the Act. Prior to the Effective Time, Inland-Washington shall not, except with the prior written consent of Inland-Delaware, voluntarily make any payment with respect to any demands by dissenting shareholders for appraisal of common shares or offer to settle or settle any such demands.

10. EXCHANGE OF CERTIFICATES.

(a) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Surviving Entity shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding common shares of Inland-Washington (the "Certificates") whose shares are converted pursuant to Section 7 into the right to receive the Merger Price (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Surviving Entity and shall be in such form and have such other provisions as the Surviving Entity may reasonably specify) and (ii) instructions for use in effecting the surrender of

the Certificates in exchange for the Merger Price. Upon surrender of a Certificate for cancellation to the Surviving Entity, together with such letter of transmittal duly executed and completed in accordance with its terms, the holder of such Certificate shall be entitled to receive in exchange therefor a check representing the Merger Price per common share of Inland-Washington represented thereby, which such holder has the right to receive pursuant to the provisions of Section 7, and the Certificate so surrendered shall forthwith be canceled. In no event shall the holder of any Certificate be entitled to receive interest on any funds to be received in the Merger. In the event of a transfer of ownership of common shares of Inland-Washington which is not registered in the transfer records of Inland-Washington, the Merger Price may be issued to a transferee if the Certificate representing such common shares of Inland-Washington is presented to the Surviving Entity accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 10, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Price per common share represented thereby as contemplated by Section 7 and this Section 10.

(b) No Further Ownership Rights in Common Shares of Inland-Washington. All cash paid upon the surrender for exchange of Certificates in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to the common shares of Inland-Washington represented thereby. From and after the Effective Time, the stock transfer books of Inland-Washington shall be closed and there shall be no further registration of transfers on the stock transfer books of the Surviving Entity of the shares of common shares of Inland-Washington which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Entity for any reason, they shall be canceled and exchanged as provided in this Section 10.

(c) Withholding Rights. The Surviving Entity shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of common shares of Inland-Washington such amounts as the Surviving Entity is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Surviving Entity, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the common shares of Inland-Washington in respect of which such deduction and withholding was made by the Surviving Entity.

11. EMPLOYEE BENEFIT PLANS. As of the Effective Time, the Surviving Entity shall assume all obligations of Inland-Washington under any and all employee benefit plans in effect as of the Effective Time or with respect to which employee rights or accrued benefits are outstanding as of the Effective Time, excluding any incentive stock option plans.

12. ACCOUNTING MATTERS. Inland-Delaware agrees that upon the Effective Time, the assets, liabilities, reserves and accounts of Inland-Washington shall be taken up or continued on the books of Inland-Delaware in the amounts at which such assets, liabilities, reserves and accounts shall have been carried on the books of Inland-Washington immediately prior to the Effective Time, subject to such adjustments as may be appropriate to give effect to the Merger.

13. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington applicable to

contracts entered into and to be performed wholly within the State of Washington.

14. AMENDMENT. Subject to applicable law, this Agreement may be amended, modified or supplemented by written agreement of the parties hereto at any time prior to the Effective Time with respect to any of the terms contained herein.

15. DEFERRAL OR ABANDONMENT. At any time prior to the Effective Time, this Agreement may be terminated and the Merger may be abandoned or the time of consummation of the Merger may be deferred for a reasonable time by Inland-Delaware if circumstances arise which, in the opinion of the Board of Directors of Inland-Delaware, make the Merger inadvisable or such deferral of the time of consummation advisable.

16. COUNTERPARTS. This Agreement may be executed in any number of counterparts each of which when taken alone shall constitute an original instrument and when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this

Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

IN WITNESS WHEREOF, Inland-Washington and Inland-Delaware have caused this Agreement to be signed by their respective duly authorized officers and delivered this ___ day of _____, 2003.

INLAND RESOURCES INC.,
a Delaware corporation

By:

Marc MacAluso
Chief Executive Officer

INLAND RESOURCES INC.,
a Washington corporation

By:

Marc MacAluso
Chief Executive Officer

EXHIBIT E

ARTICLES OF MERGER
OF
INLAND RESOURCES INC., a Washington corporation

with and into

INLAND RESOURCES INC., a Delaware corporation

Pursuant to Section 23B.11.050 of the Washington Business Corporation Act, the undersigned surviving corporation submits the following Articles of Merger for filing and certifies that:

1. The name and jurisdiction of formation or organization of each of the corporations which are to merge are:

<TABLE>
<CAPTION>

Name	Jurisdiction
<S>	<C>
Inland Resources Inc. ("Inland-Washington")	Washington
Inland Resources Inc. ("Inland-Delaware")	Delaware

</TABLE>

2. Inland-Delaware owns over ninety percent of the outstanding shares of each class of shares of Inland-Washington.

3. An Agreement and Plan of Merger has been approved and adopted by the board of directors of Inland-Delaware, pursuant to which Inland-Delaware will merge Inland-Washington into itself and assume all its obligations in a statutory short form merger in accordance with Section 23B.11.040 of the Washington Business Corporation Act.

4. The name of the surviving corporation is: Inland Resources Inc., a Delaware corporation.

5. Pursuant to Section 23B.11.040 of the Washington Business Corporation Act, shareholder approval for this merger is not required.

6. Each issued and outstanding common share of Inland-Washington (other than any shares held by Inland-Delaware or any a holder entitled to dissenters' rights under the Washington Business Corporation Act(who has demanded and perfected such rights)) shall be automatically converted into the right to receive $1.00 in cash per share. At the Effective Time, all other previously issued and outstanding shares of common or preferred stock of Inland-Washington that were issued and outstanding immediately prior to the Effective Time shall be automatically cancelled.

7. At the Effective Time, all outstanding and unexercised portions of all options to purchase shares of Inland-Washington shall be automatically cancelled.

8. The Effective Time of the Merger shall be _____, 2003.

EXHIBIT E

9. The address of the registered office of Inland-Delaware in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

10. A copy of the Agreement and Plan of Merger will be furnished by the surviving corporation, on request and without cost, to any shareholder of any business entity which is to merge.

IN WITNESS WHEREOF, these Articles of Merger have been duly executed as of the ___ day of _____, 2003, and are being filed in accordance with

Section 23B.11.050 of the Washington Business Corporation Act by an authorized person of the surviving corporation in the merger.

INLAND RESOURCES INC.,

a Delaware corporation

By:

Marc MacAluso
Chief Executive Officer

EXHIBIT (d)(9)

FOURTH AMENDMENT TO
THIRD AMENDED AND
RESTATED CREDIT AGREEMENT

February 3, 2003

Inland Production Company
410 17th Street, Suite 700
Denver, Colorado 80202

Gentlemen:

This Fourth Amendment to the Third Amended and Restated Credit Agreement, as amended (the "Amendment") sets forth the amended terms of the financing transaction by and between INLAND PRODUCTION COMPANY, a Texas corporation ("Borrower"), FORTIS CAPITAL CORP., a Connecticut corporation as Agent ("Agent") and as a Lender, and the other Lenders.

WHEREAS, Borrower, Agent, and the Lenders entered into the Third Amended and Restated Credit Agreement dated as of November 30, 2001, as amended (the "Credit Agreement"); and

WHEREAS, Inland Resources Inc., the parent company of the Borrower (the "Parent") and the Guarantor of the Borrower's obligations under the Credit Agreement, proposes to enter into a series of transactions whereby the existing holders of subordinated notes will exchange their notes for equity in the Parent

pursuant to a Proposed Debt Restructuring Plan attached hereto as Exhibit A (the "Parent Restructuring Plan"); and

WHEREAS, the Borrower has requested that the Lenders make certain amendments to the Credit Agreement in order to facilitate the Parent Restructuring Plan, and the Lenders are willing to do so subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. DEFINED TERMS. All capitalized terms used but not otherwise defined in this Amendment shall have the meaning ascribed to them in the Credit Agreement. Unless otherwise specified, all section references herein refer to sections of the Credit Agreement.

2. AMENDMENTS TO CREDIT AGREEMENT. The Credit Agreement is hereby amended as follows:

2.1 Section 1.1 Defined Terms

(a) The definition of "Revolving Termination Date" is amended to read as follows:

"'Revolving Termination Date' means September 30, 2004."

(b) The following definitions are added to Section 1.1:

" 'Exchange Agreement' means the Exchange and Stock Issuance Agreement by and among Inland Resources Inc., Inland Production Company, Inland Holdings, LLC and SOLVation Inc. dated as of January 30, 2003."

" 'Fourth Amendment' means the Fourth Amendment to Third Amended and Restated Credit Agreement dated February 3, 2003."

2.2 Term Loan. Section 2.3 is amended to read as follows:

"Section 2.3. Term Loan.

(a) On the Revolving Termination Date the aggregate outstanding principal amount of Revolving Loans shall automatically be converted into a term loan (the "Term Loan") without further action by a party to this Agreement. To the extent the aggregate principal amount of Revolving Loans outstanding on the Revolving Termination Date exceeds the Borrowing Base applicable on such date, such excess amount must be paid to the Agent for the benefit of the Lenders on such Date. There will be no advances by the Lenders of any amounts under the Term Loan. Conversion of the Revolving Loans pursuant to this Section 2.3 shall not constitute either a prepayment or a borrowing, and shall not affect the rate of interest applicable to outstanding Loans. On the Revolving Termination Date, the Borrower shall issue a new Note (in the form of Exhibit A) to each Lender in the principal amount of each Lender's Percentage Share of the Term Loan in exchange for the Note then held by each such Lender. Except as provided in Subsection (b) below, the Term Loan shall be repaid by the Borrower, together with accrued interest, in the amounts set for below in seventeen (17) quarterly installments on the last Business Day of each Fiscal Quarter beginning on December 31, 2004, provided however, that the aggregate unpaid balance of the Term Loan shall mature and be due and payable on December 31, 2008:

<TABLE>
<CAPTION>

	PERCENTAGE OF OUTSTANDING PRINCIPAL ON REVOLVING

FISCAL QUARTER	TERMINATION DATE
<S>	<C>
2004 - 4th Quarter	4%
2005 - All Quarters	5%
2006 - All Quarters	6%
2007 - All Quarters	6%
2008 - All Quarters	7%

</TABLE>

(b) If on or before December 31, 2003, the Borrower does not close a transaction approved by all of the Lenders that results in a minimum capital contribution to the Borrower of $15,000,000, whether in the form of equity, subordinated debt or a contribution of property, as approved by all of the Lenders, the Lenders may, in their absolute discretion, notify the Borrower that notwithstanding

Subsection (a), the Term Loan shall be repaid by the Borrower, together with accrued interest, in twelve (12) equal quarterly installments on the last Business Day of each Fiscal Quarter beginning on September 30, 2004, provided however, that the aggregate unpaid balance of the Term Loan shall mature and be due and payable on June 30, 2007. Such capital contribution may be made to the Parent provided that the Parent immediately makes an equivalent capital contribution in the same form to the Borrower. In such case, the capital contribution to the Parent shall not be subject to the requirement in Section 7.14 of the Credit Agreement that 80% of the net proceeds of a securities issuance by the Parent be applied as a repayment of the Loans."

2.3 Borrowing Base. Section 2.9 is amended to read as follows:

"Section 2.9. Continuation of Borrowing Base. The Borrowing Base in effect on the date of the Fourth Amendment, $83,500,000, shall continue until July 31, 2003, subject to the right of the Required Lenders to request a Redetermination pursuant to Section 2.10(a), the Borrower's right to reduce the Borrowing Base pursuant to Section 2.10(b), and any reductions in the Borrowing Base under Section 2.10(c)."

2.4 Letters of Credit.

(a) Section 2.17 is amended to read as follows:

"Section 2.17. Special LC Line. In addition to Letters of Credit which may be issued pursuant to Section 2.11, Borrower may request the Agent to issue one or more standby letters of credit referred to herein as "Special Letters of Credit" on the

following terms:

(a) the aggregate face amount of Special Letters of Credit which may be issued hereunder is $5,000,000;

(b) the face amount of such Special Letters of Credit shall not be limited by the Borrowing Base and shall not be counted towards Facility Usage;

(c) Special Letters of Credit may be used only for purposes of supporting Hedging Contracts entered into by the Borrower as permitted hereunder to be issued in favor of the counterparty to such Hedging Contracts and, up to a maximum of $300,000 aggregate face

amount outstanding at any one time, for purposes of supporting EPA bonding requirements;

(d) Special Letters of Credit may be issued only on or before December 31, 2004, and the expiration date of any such Special Letter of Credit shall be on or before December 31, 2004, except that prior to the Closing (as defined therein) of the Exchange Agreement, the expiration date of any such Special Letter of Credit shall be on or before April 30, 2003";

(e) Except as noted above, the provisions of Sections 2.11 through 2.16, including, without limitation, the obligation of each Lender, pursuant to Section 2.13(c), to participate in each Letter of Credit issued hereunder, shall apply to Special Letters of Credit hereunder, except that the fee payable to the Agent under Section 2.14 shall be three and three quarters percent (3.75%) per annum; and

(f) Except as provided in this Section 2.17, Special Letters of Credit shall be considered Letters of Credit under the Credit Agreement, and the Borrower's obligations to reimburse the Agent for amounts paid on drafts or demands for payment drawn or made under any Special Letter of Credit shall be considered an Obligation under the Credit Agreement and the Loan Documents."

(b) Section 2.11(b) is amended to substitute "$5,000,000" for "4,000,000."

2.5 Hedging Contracts. Section 6.21 is amended to read as follows:

"Section 6.21. Hedging Contracts. Borrower shall have entered into and at all times shall maintain Hedging Contracts which comply with Section 7.3 and have the purpose and effect of fixing

prices on the aggregate monthly production equal to or greater than the following:

(a) on the effectiveness of this Fourth Amendment, sixty-five percent (65%) of Borrower's aggregate Projected Oil and Gas Production through December 31, 2003, and twenty-five percent (25%) of Borrower's aggregate Projected Oil and Gas Production for 2004;

(b) by June 30, 2003, fifty percent (50%) of Borrower's aggregate Projected Oil and Gas Production for 2004; and

(c) by December 31, 2003, and by each December 31 thereafter during the term of this Agreement, fifty percent (50%) of Borrower's aggregate Projected Oil and Gas Production for the following twelve (12) months."

2.6 Negative Covenants.

(a) Section 7.1. Subsection (c)(v) of Section 7.1, Restricted Debt, is amended to read as follows:

"(v) the aggregate outstanding principal amount of such Restricted Debt of the Restricted Persons incurred for the purchase of trucks or automobiles does not at any time exceed $1,000,000, and the aggregate principal amount of such Restricted Debt which is incurred for such purpose in any Fiscal Year does not exceed $250,000, and"

(b) Section 7.10. Section 7.10, Current Ratio, is amended to read as follows:

"Section 7.10. Current Ratio. The ratio of Parent's Consolidated Current Assets to Parent's Consolidated Current Liabilities will not be less than .9 to 1.0 for the Fiscal Quarter ending March 31, 2003 and 1.0 to 1.0 for all Fiscal Quarters thereafter. For the purposes of this Section 7.10, Consolidated Current Assets and Consolidated Current Liabilities shall be determined in accordance with GAAP, except that (a) Consolidated Current Assets and Consolidated Current Liabilities will be calculated without including any amounts resulting from the application of FASB Statement 133, (b) Consolidated Current Liabilities will be calculated without including any amounts relating to the Subordinated Debt, (c) the unused portion of the commitment under this Agreement shall be treated as a Consolidated Current Asset and (d) crude oil inventory (net to the Parent's interest) will be included in Consolidated Current Assets. Crude oil inventory will be calculated by using the net well head oil price per barrel at the end of each respective quarter times the Parent's net crude oil barrels in inventory."

(c) Section 7.13. Section 7.13, Debt to EBITDA Ratio, is amended to read as follows:

"Section 7.13. Debt to EBITDA Ratio. At the end of any Fiscal Quarter, beginning with the Fiscal Quarter ending March 31, 2003, the ratio of (i) Parent's Consolidated Senior Debt to (ii) Parent's

EBITDA, for the four-Fiscal Quarter period ending with such Fiscal Quarter will be equal to or less than (a) 4.25 to 1.00 for the Fiscal Quarters ending during 2003, (b) 4.00 to 1.00 for the first two Fiscal Quarters of 2004, (c) 3.75 to 1.00 for the last two Fiscal Quarters of 2004, and (d) 3:50 to 1.00 for any Fiscal Quarter ending therafter."

2.7 Events of Default.

(a) Subsection (b) of Section 8.1 is amended to read as follows:

"(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in Section (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within two (2) Business Days after the same becomes due in the case of interest or fifteen (15) days thereafter in the case of any other Obligation;"

(b) Subsection (d) of Section 8.1 is hereby amended to read as follows:

"(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII and such failure remains unremedied for a period of ten (10) days after notice of such failure is given to Agent by Borrower;"

3. Consents and Waivers. The Lenders hereby agree, approve and consent as follows, and hereby waive the existing Event of Default described as Exhibit B and any Default that would otherwise arise or result from the following transactions but for such consent:

3.1 Parent Restructuring Plan. The Parent and Borrower may enter into and take all necessary steps to implement the Parent Restructuring Plan, including, without limitation, the execution, delivery and performance of the Exchange Agreement and the Transaction Documents referred to therein, provided that such Parent Restructuring Plan specifies that a liquidation preference on the Series F Preferred Stock may not be paid until all the Borrower's Obligations under the Credit Agreement have been paid in full.

3.2 Merger of Parent. In connection with the Parent Restructuring Plan as described therein, the Parent may merge into Inland Resources Inc., a Delaware corporation ("Inland Delaware") provided that such merger occurs within

one hundred and twenty (120) days hereof and at such time as the merger is effective, Inland Delaware expressly assumes the Obligations of the Parent under the Credit Agreement and the other Loan Documents, and agrees to execute such documents and instruments as Agent may reasonably request in order to implement such assumption.

3.3 Payments to Minority Shareholders. In connection with the Parent Restructuring Plan, the Parent may make payments to its minority shareholders in the Parent up to $300,000 in connection with the merger described in Section 3.2.

4. EFFECTIVENESS OF AMENDMENT.

(a) Except as provided in subsection (b) below, this Amendment shall be effective upon receipt by Agent of:

(i) A Consent and Agreement executed by Inland Resources Inc. as Guarantor;

(ii) A Compliance Certificate executed by Borrower;

(iii) An amendment fee equal to $25,000 (0.5% of the amount of Special Letters of Credit which may be issued under Section 2.17); and

(iv) Evidence that the Exchange Agreement has been executed and delivered by all the parties thereto.

(b) Notwithstanding subsection (a) above, the following Sections of this Fourth Amendment shall not be effective until the conditions precedent to the obligations of the "Holders" and "Inland" under the Exchange Agreement have been satisfied and the Parent Restructuring Plan has occurred: Section 2.1(a), 2.2, 2.3, 2.6, and 2.7. If the Exchange Agreement has not Closed and the Parent Restructuring Agreement does not become effective within ninety (90) days hereof, Section 2.4 of this Fourth Amendment shall be cancelled and the Special Letter of Credit Line provided for therein shall be $1,400,000 as provided in the Third Amendment to the Third Amended and Restated Credit Agreement dated September 10, 2002.

5. RATIFICATIONS, REPRESENTATIONS AND WARRANTIES.

(a) The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and, except as expressly

modified and superseded by this

Amendment, the terms and provisions of the Credit Agreement are ratified and confirmed and shall continue in full force and effect. Borrower and Agent agree that the Credit Agreement and the Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

(b) In order to induce the Agent to enter into this Amendment, Borrower represents and warrants to the Agent that:

(i) The representations and warranties contained in Article V of the Credit Agreement are true and correct in all material respects at and as of the time of the effectiveness hereof (except to the extent that such representations and warranties related solely to an earlier date and except to the extent that the facts upon which such representations are based have been or shall be changed by the transactions contemplated by this Amendment).

(ii) Each Restricted Person is duly authorized to execute and deliver each Loan Document to the extent a party thereto and Borrower is and will continue to be duly authorized to borrow and to perform its obligations under the Credit Agreement as amended hereby. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery of each Loan Document to which it is a party and to authorize the performance of the obligations of each Restricted Person thereunder.

6. BENEFITS. This Amendment shall be binding upon and inure to the benefit of the Lenders and Borrower, and their respective successors and assigns; provided, however, that Borrower may not, without the prior written consent of the Lenders, assign any rights, powers, duties or obligations under this Amendment, the Credit Agreement or any of the other Loan Documents.

7. CONSTRUCTION. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

8. INVALID PROVISIONS. If any provision of this Amendment is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable and the remaining provisions of this Amendment shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance.

9. ENTIRE AGREEMENT. The Credit Agreement, as amended by this

Amendment, contains the entire agreement among the parties regarding the subject matter hereof and supersedes all prior written and oral agreements and understandings among the parties hereto regarding same.

10. REFERENCE TO CREDIT AGREEMENT. The Credit Agreement and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, are hereby amended so that any reference in the Credit Agreement to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby.

11. COUNTERPARTS. This Amendment may be separately executed in any number of counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same agreement.

If the foregoing correctly sets forth our mutual agreement, please so acknowledge by signing and returning this Amendment to the undersigned.

[Remainder of page intentionally left blank]

Very truly yours,

FORTIS CAPITAL CORP., AS AGENT AND LENDER

By: /s/ Darrell H. Holley

Name: Darrell H. Holley
Title: Managing Director

By: /s/ Deirdre Sanborn

Name: Deirdre Sanborn
Title: Vice President

U. S. BANK NATIONAL ASSOCIATION, as Lender

By: /s/ Monte E. Deckerd

Name: Monte E. Deckerd
Title: Vice President

ACCEPTED as of the date written above.

BORROWER:

INLAND PRODUCTION COMPANY

By: /s/ Bill I. Pennington

Name: Bill I. Pennington
Title: President

INLAND FOURTH AMENDMENT

CONSENT AND AGREEMENT

Inland Resources Inc. hereby consents to the provisions of this Fourth Amendment to Third Amended and Restated Credit Agreement and the transactions contemplated herein, and hereby ratifies and confirms its Guaranty dated as of November 30, 2001, as amended, supplemented, or restated to the date hereof, made by it for the benefit of the Agent and the Lenders, and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

INLAND RESOURCES INC.

By: /s/ Bill I. Pennington

Name: Bill I. Pennington
Title: Chief Financial Officer
Dated: February 3, 2003

CONSENT AND AGREEMENT TO
INLAND FOURTH AMENDMENT

COMPLIANCE CERTIFICATE

February 3, 2003

Reference is made to (i) that certain Third Amended and Restated Credit Agreement dated as of November 30, 2001 (as amended, supplemented, or restated to the date hereof, the "Original Agreement"), between Inland Production Company, a Texas corporation ("Borrower"), Inland Resources Inc., a Washington corporation ("Parent"), and Fortis Capital Corp., as Agent, and certain other financial institutions, as Lenders and (ii) that certain Fourth Amendment to Third Amended and Restated Credit Agreement dated as of February 3, 2003, between Borrower, Fortis Capital Corp. and Lenders (the "Amendment"; the Original Agreement as amended by the Amendment is herein referred to as the "Credit Agreement"). Terms which are defined in the Credit Agreement and which are used but not defined herein shall have the meanings given them in the Credit Agreement. The undersigned, Marc MacAluso and Bill Pennington, do hereby certify in the name, and on behalf, of Borrower that Borrower has made a thorough inquiry into all matters certified herein and based upon such inquiry, experience, and the advice of counsel, do hereby further certify that:

1. Marc MacAluso and Bill Pennington are the duly elected, qualified, and acting Chief Executive Officer and Chief Financial Officer, respectively of Borrower.

2. All representations and warranties made by any Restricted Person in any Loan Document delivered on or before the date hereof (including, without limitation, the representations and warranties contained in Section 4 of the Amendment) are true in all material respects on and as of the date hereof

(except to the extent that the facts upon which such representations are based have been or shall be changed by the transactions contemplated in the Credit Agreement) as if such representations and warranties had been made as of the date hereof.

3. After giving effect to Section 3 of the Amendment, no Default exists on the date hereof.

4. Each Restricted Person has performed and complied with all agreements and conditions required in the Loan Document to be performed or complied with by it on or prior to the date hereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date above written.

INLAND PRODUCTION COMPANY

By: /s/ Marc MacAluso

Marc MacAluso
Chief Executive Officer

By: /s/ Bill I. Pennington

Bill I. Pennington
Chief Financial Officer

EXHIBIT A

PARENT RESTRUCTURING PLAN

FORM 8-K
REPORT AS OF
JANUARY 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 30, 2003

INLAND RESOURCES INC.
(Exact name of Registrant as specified in its charter)

Washington	0-16487	91-1307042

(State of Incorporation) (Commission File No.) (I.R.S. Employer Identification No.)

410 17TH STREET, SUITE 700, DENVER, COLORADO 80202

(Address of Principal Executive Offices, including zip code)

(303) 893-0101

(Registrant's Telephone Number, including area code)

ITEM 5. OTHER EVENTS. Inland Resources Inc. (the "Company") reports that on January 30, 2003, it entered into an Exchange and Stock Issuance Agreement (the "Exchange Agreement") with Inland Holdings, LLC ("Holdings"), an entity managed by an affiliate of Trust Company of the West, and SOLVation, Inc. ("Smith"), an affiliate of Smith Management, LLC, as the holders of the Company's subordinated debt securities, to exchange $103,968,964 in aggregate principal amount of such securities plus accrued interest (total of $120,097,000 as of November 30, 2002) for newly issued shares of the Company's Common and Series F Preferred Stock. The principal terms of the Exchange Agreement and an agreement between Holdings and Smith executed concurrently are as follows:

STEP 1: EXCHANGE OF HOLDINGS SUB NOTE AND SMITH JUNIOR SUB NOTE INTO COMMON STOCK AND SERIES F PREFERRED STOCK

EXCHANGES:	Holdings will exchange a subordinated note in the principal amount of $98,968,964, plus all accrued and unpaid interest thereon, for 22,053,000 shares of the Company's common stock and that number of shares of Series F Preferred Stock equal to 911,588 shares plus 338 shares for each day after November 30, 2002 up to and including the closing date (the "Holdings Exchange"). Smith will exchange its Junior Subordinated Note in the principal amount of $5,000,000, plus all accrued and unpaid interest thereon, for that number of shares of Series F Preferred Stock equal to 68,854 shares plus 27 shares for each day after November 30, 2002 up to and including the closing date (the "Smith Exchange").

TERMS OF SERIES F PREFERRED STOCK:

Securities:	1,100,000 shares of the Company's Class A Preferred Stock will be designated Series F Preferred Stock, and the Company contemplates issuing approximately 1,000,000 shares of Series F Preferred Stock, in the aggregate, pursuant to the Holdings Exchange and Smith Exchange (together, the "Exchange").
Holders:	Holdings and Smith
Liquidation Preference:	In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series F Preferred Stock shall be entitled to receive, in preference to the holders of the common stock but only after payment in

full of the senior bank credit facility, a per share amount equal to $100, as adjusted for any stock dividends, combinations or splits with respect to such share, plus all accrued or declared but unpaid dividends on such share.

Automatic Conversion: Each share of Series F Preferred Stock will be automatically converted into 100 shares of the Company's common stock

when sufficient shares of Common Stock have been authorized.

STEP 2: MODIFICATION OF THE COMPANY'S SENIOR BANK CREDIT FACILITY

The Exchange is conditional upon the Company's senior bank lenders agreeing to the modifications in the senior credit facility outlined below:

The banks will allow all transactions contemplated by the Exchange Agreement.

The banks will extend the Company's borrowing base of $83.5 million through July 31, 2003 and provide a credit commitment of $5 million for letters of credit to support certain commodity pricing hedging obligations and secure certain EPA bonding obligations.

The banks will extend the date on which the revolving facility converts to a term loan to September 30, 2004 and permit the term loan to be paid in installments with a final maturity date of December 31, 2008, if the Company obtains $15 million of equity, debt or other property approved by the banks by December 31, 2003.

The banks will modify financial covenants.

The banks will grant a 10-day notice and grace period upon a breach of a negative covenant (before acceleration can commence) except for defaults in the payment of obligations to the Lenders. All existing defaults will be waived.

The Company will agree to hedge specified percentages of its aggregate projected oil and gas production by specified dates.

STEP 3: MODIFICATION OF THE SMITH SENIOR SUBORDINATED NOTE

The terms of the Senior Subordinated Note Purchase Agreement dated as of August 2, 2001 (regarding the Senior Subordinated Note held by Smith in the

principal amount of $5,000,000) will be amended (i) to extend the maturity date to be six months after the banks' maturity date (or earlier repayment in full) but no later than July 1, 2009, provided that if the Company enters into any additional borrowings during the term period of the bank credit facility, the Senior Subordinated Note must be repaid in full, and (ii) to amend and conform certain affirmative and negative covenants.

STEP 4: GOING PRIVATE TRANSACTION

Formation of Newco: Holdings, Smith and an affiliate of Smith which currently owns a majority of the common stock of the Company (Smith and such affiliate, together, the "Smith Parties") will form a new Delaware corporation to be known as Inland Resources Inc. ("Newco"). Immediately following completion of Steps 1, 2 and 3 above, Holdings will contribute to Newco all of Holdings' interests in the Company's common stock and Series F Preferred Stock in exchange for 92.5% of the common stock of Newco, and each of the Smith Parties will contribute to Newco all of their respective interests in the Company's common stock and Series F Preferred Stock in exchange for an aggregate of 7.5% of the common stock of Newco. Newco will then own 99.7% of the Company's common stock and common stock equivalents.

Short Form Merger: Upon the formation of Newco and closing of the Exchange, the Board of Directors of Newco will meet to pass a resolution for the Company to merge with and into Newco, with Newco surviving as a Delaware corporation (the "Merger"). No action is required by the Company's shareholders or Board of Directors under the relevant provisions of Washington and Delaware law in order to effect a "short-form" merger of a subsidiary owned more than 90% by its parent corporation. All outstanding shares and options to purchase shares of the Company will be cancelled in the Merger, and shareholders of the Company other than Holdings, Smith and their affiliates will receive $1.00 per share in cash in payment of their cancelled shares.

Appraisal Rights: Shareholders of the Company will have the right to dissent from the Merger and have a court appraise the value of their shares. Shareholders electing this remedy must comply with the procedures of Section 23B.13 of the Washington Business Corporation Act. Shareholders electing to exercise their right of appraisal will not receive the $1.00 per share paid to all other public shareholders, but will instead receive the appraised value, which may be more or

less than $1.00 per share.

Effect of the Merger: The Merger will result in the Company terminating its status as a reporting company under the Securities Exchange Act of 1934 and its stock ceasing to be traded on the over-the-counter bulletin board. Its successor, Newco, will be a private company owned by two shareholders. Newco will assume all obligations of the Company in the Merger.

Management Options: Marc MacAluso and Bill I. Pennington, executive officers of the Company, will each receive an amendment to their Employment Agreements with the Company, which will survive and be assumed by Newco. Such agreements will provide that Mr. MacAluso and Mr. Pennington receive stock options to purchase 4% and 3%, respectively, of the common stock of Newco for an exercise price equivalent to the exchange value in the Exchange.

Details of the Exchange and Merger, including financial statements and pro forma financial statements, will be included in a Schedule 13E-3 Transaction Statement which will be filed with the Securities and Exchange Commission and disseminated to shareholders in the near future.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Not applicable.

(b) Not applicable.

(c) Exhibits:

1. Exchange and Stock Issuance Agreement dated January 30, 2003

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned hereunto duly authorized.

INLAND RESOURCES INC.

February 3, 2003 By: /s/ Marc MacAluso

Marc MacAluso,
Chief Executive Officer

EXHIBIT B

EXISTING EVENT OF DEFAULT

Failure by the Borrower to meet the Debt to EBITDA Ratio set forth at Section 7.13 of the Credit Agreement for the Fiscal Quarters ending on June 30, 2002, September 30, 2002 and December 31, 2002.