

ALLOCATION FORMULA

Meridian will work with the NMOCD District office in Aztec, New Mexico to allocate the production of gas and oil to the Sunray H Com #6 well. The allocation formula will be based upon an isolated test of the Gallup and Dakota formations at the time of completion of this well. Oil production (if any) will be allocated 100% to the Gallup formation.

COMMINGLE CRITERIA

There are currently only two known completions in the Gallup interval existing in Township 30 & 31 North, Range 9 & 10 West. The average EUR for these wells is 300 MMCF. As this is a highly speculative play, anticipated reserves must be risked heavily. The resulting reserve estimates for this formation do not warrant the expense of drilling a well to produce the Gallup alone nor do they justify the expense of dual completing this zone in a Dakota well bore. Therefore, the only economic alternative to producing the Gallup formation in this area at this time is to attempt a commingle with the Dakota.