ALLOWABLE CALCULATION POLICY

- Each month the purchasers' nominations are totaled for the pool allowable. Adjustments may be made to compensate for over or under production of the pool.

- MARGINAL ALLOCATION: The volume equal to the last reported month's production from marginal wells is removed to be assigned as marginal well allowables.

- NON-MARGINAL ALLOCATION: The remaining volume is divided according to the pool rule percentages for acreage and deliverability.

- AF: The Acreage Factor of each well is determined by dividing the acreage dedicated to the well by the acreage of a standard unit in the pool.

- AXD: The Acreage Times Deliverability Factor for each well is determined by multiplying the Acreage Factor times the Deliverability of the well. Where infill drilling has been approved, the sum of the deliverabilities of the wells are multiplied by the Acreage Factor as $[AX(D_1 + D_2)]$. (The AXD factor is rounded to the nearest whole number.)

- F1: The portion for acreage is divided by the sum of the Acreage Factors of the non-marginal wells to determine the pool's Acreage Allocation Factor, F1.

- F2: The portion to be allocated based on deliverability is divided by the sum of AXD Factors of the non-marginal wells to determine the AXD Allocation Factor, F2.

- The proration unit allowable is calculated as follows:

Allowable = (AF X F1) + (AXD X F2) (For single well units)

and

Allowable = (AF X F1) + $[AX(D_1 + D_2)$ X F2] (For multi-well units)