

ALLOWABLE CALCULATION METHOD

Paddock & Blinebry Members – Yeso Formation

Pursuant to the published regulations this is how the allowables are set.

- 1.) For a top unit allowable of 80 BOPD and a GOR of 2,000 to 1, the gas allowable for a non-marginal unit would be 160 MCF/D.*
 - 2.) For a unit that is top allowable with a GOR that exceeds 2000 to 1, the oil allowable would be modified as follows:*
- 80 BOPD X 2,000:1/x,000:1 =*

For example if the GOR is 4,000 to 1, then 80 BOPD X 2,000/4,000 = 40 BOPD

- 3.) For a marginal unit, the same volume of gas can be produced as if the unit was non-marginal. In this example, that would be 160 MCF/D.*

BURNETT OIL CO., INC.

