

OVERPRODUCTION CALCULATION METHOD

•Paddock & Blinebry Members – Yeso Formation

•Base oil allowable defined by NMOCD rules (boppd)

•Gas allowable (mcf) = Oil allowable (boppd) * 2

•GOR (Gas oil ratio) = mcf gas produced / bbls oil produced * 1,000

•If GOR > 2,000 then oil allowable reduced by the following formula:

New oil allowable = Base oil allowable * 2,000 / GOR

•Overproduction for oil and gas calculated by:

Overproduction = Actual Production - Allowable

•Once a well has overproduced oil and/or gas, the overproduction balance is calculated by:

Current Month Overproduction balance = Previous Month Balance
+ Current Month Over(Under)production

BURNETT OIL CO., INC.

