

EXHIBIT "A"
DIVISION ORDER NO. R-9673-B
CASE NO. 11240
ALLOWABLE ASSIGNMENT FORMULA
FOR THE
NE/4, SECTION 17, TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
EDDY COUNTY, NEW MEXICO

Based upon the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool which include:

- a) 160-acre standard proration units
- b) 700 barrels per day oil allowable per standard proration unit.

Allowable assignment between the two 80-acre non-standard proration units comprising the N/2 NE/4 and S/2 NE/4 shall be determined as follows:

- 1) As long as both 80-acre NSPU's are not capable of producing and reporting production in excess of 350 BOPD, each NSPU shall be assigned an oil allowable of 350 BOPD;
- 2) As long as both 80-acre NSPU's are capable of producing and reporting production in excess of 350 BOPD, each NSPU shall be assigned an oil allowable of 350 BOPD;
- 3) If normal daily production for either NSPU naturally declines to the point that it is not capable of producing its 350 BOPD allowable, the other NSPU will have the option of increasing its producing rate to take advantage of the unused portion of the total standard allowable of 700 BOPD for a 160-acre unit;
- 4) If (following the occurrence of No. (3) above), operational problems are solved, and/or remedial work on the well(s) is conducted, and/or more efficient artificial lift equipment is installed, and/or additional wells are drilled which increases production, then the NSPU conducting such work will be allowed to maximize its production:
 - a) Up to its one-half (1/2) share of the total allowable, if the other NSPU can produce in excess of its one-half (1/2) share of the total allowable, or
 - b) In excess of its one-half (1/2) share of the total allowable, if the other NSPU cannot produce its one-half (1/2) share of the total allowable and has unused allowable such that the combined production from both NSPU's does not exceed the total allowable for a standard 160-acre proration unit.