

MERIT ENERGY COMPANY
HENRY #2
SEC. 22-T22S-R27E
EDDY COUNTY, NEW MEXICO

FORMULA ALLOCATION

Strawn	1 BOPD	89 MCFD
Morrow	<u>0</u> BOPD	<u>47</u> MCFD
TOTAL	1 BOPD	136 MCFD
Strawn	$\frac{1}{1} = 100\%$	$\frac{89}{136} = 65\%$
Morrow	$\frac{0}{1} = 0\%$	$\frac{47}{136} = 35\%$
TOTAL	100%	100%

The Henry #2 is currently flowing. The well will be placed on artificial lift if commingled.

Total production is estimated to increase above the sum of both zones due to artificial lift, while maintaining the given allocations.