

Burlington's Exhibit 7 to Case 13314, August 8, 2004

The following are the four scenarios for surface commingling of oil.

Two new wells (no existing well) on a location:

1. Produce the new wells for 90 days, (stabilization period)
2. During the stabilization period, oil production will be allocated to each well equally if both zones are anticipated to produce oil, otherwise all the oil will be allocated only to zone which is anticipated to produce oil
3. Direct measurement for one well for a 24 hour period
4. Subtract the tested direct measurement from the total oil production of both wells
5. Future oil allocation will be calculated utilizing above #4 test data creating a percentage ratio for each well.

Existing well with the addition of one new well on a location:

1. Determine a daily oil rate (using the last 12 months of production) from the existing well
2. Produce the new well for 90 days, (stabilization period)
3. During the stabilization period, the oil production will be allocated based upon the subtraction method
4. The historical production will be subtracted from the total production of both wells
5. Future oil allocation will be calculated utilizing above #4 test data creating a percentage ratio for each well

Existing multiple wells with the addition of a new well on a location:

1. Determine a daily oil rate (using the last 12 months of production) from the existing well
2. Produce the new well for 90 days, (stabilization period)
3. During the stabilization period, oil production will be allocated to the new well based upon the subtraction of the historical oil production from existing wells
4. The historical production from existing wells will be subtracted from the total production of all wells
5. Future oil allocation will be calculated utilizing above #4 test data creating a percentage ratio for each well

Existing well with the addition of multiple new wells on a location:

1. Determine a daily oil rate (using the last 12 months of production) from the existing well
2. Produce the new wells for 90 days, (stabilization period)
3. During the stabilization period, oil production will be allocated to each new well equally based upon the subtraction of the historical oil production from existing well if each new well is anticipated to produce oil, otherwise all the oil will be allocated equally only to the new well(s) which are anticipated to produce oil
4. Direct measurement for each new well for a 24 hour period
5. Subtract the tested direct measurement from the total oil production of all wells
6. Future oil allocation will be calculated utilizing above #4 test data creating a percentage ratio for each well

Note: All allocations for surface commingling of oil production will be in addition to Down Hole Commingling (DHC) allocations if applicable.