

EXAMPLE OF PROPOSED COST ALLOCATION FORMULA
 POOLED AS TO DEPTHS BELOW 10,000' ONLY
 OSUDO 9 STATE COM #1 WELL
 10/21/2004

Shared Drilling Cost

	Feet at Base	Allocation Factor	
Interval 1	10,000	0.800000	Footage from surface to base of Interval 1 / Total Depth
Interval 2	12,500	0.200000	Footage from base of Interval 1 to base Interval 2 / Total Depth
		<u>1.000000</u>	

	Interval 1	Interval 2	Totals	
Actual cost to allocate	602,640	150,660	753,300	(1) Total Drilling Cost times allocation factor
Allocate Interval 1	301,320	301,320	602,640	(2) Allocate Interval 1 cost 50% Interval 1 and 50% Interval 2
Allocate Interval 2		150,660	150,660	(3) Cost allocated to Interval 2 are 100% Interval 2
Drilling Cost Allocated to each Zone	301,320	451,980	753,300	

Completion Cost

Interval 1	Interval 2	Totals	
0	0	0	Completion cost based on actual cost to complete zone

OIL CONSERVATION DIVISION
 CASE NUMBER
 EXHIBIT NUMBER **5B**

Down Hole Equipment:

		Footage thru each Base Zone
Interval 1	10,000	10,000 Footage from surface to base of Interval 1 / Total Depth
Interval 2	12,500	2,500 Footage from base of Interval 1 to base Interval 2 / Total Depth
		<u>12,500</u>
Average Cost per foot		\$32.44

	Interval 1	Interval 2	Totals
Actual cost to allocate	\$405,500	324,400	81,100 405,500 (1) Allocate down hole cost based on average cost per foot
Allocate Interval 1	216,267	108,133	324,400 (2) Allocate Interval 1 costs 2/3 to Interval 1 and 1/3 to Interval 2
Allocate Interval 2		81,100	81,100 (3) Allocate Interval 2 costs 100% to Interval 2
Allocated to each Zone	<u>216,267</u>	<u>189,233</u>	<u>405,500</u>

Surface Equipment:

	Interval 1	Interval 2	Totals
Surface Equip to Allocate	\$78,000	39,000	39,000 78,000 Surface equipment divided evenly between zones
			<u>78,000</u>
	Interval 1	Interval 2	Totals
			<u>556,587</u>
Total Allocated Cost to Each Zone			<u>680,213</u> <u>1,236,800</u>

Total cost allocations assuming the well is drilled and completed below 10,000' and subsequently recompleted above 10,000' after elections.

<u>Interval 1</u>		<u>Amount</u>
MOC	0.01562500	\$8,697
COI	0.50000000	\$278,293
Finley	0.48437500	\$269,597
	1.00000000	\$556,587

<u>Interval 2</u>		<u>Amount</u>
MOC	0.50000000	\$340,107
COI	0.50000000	\$340,107
	1.00000000	\$680,213

<u>Total</u>		<u>Initial</u>	<u>Adjusted</u>	<u>Adjustment</u>
MOC		Morrow Cost	Cost	
COI		\$618,400	\$348,803	\$269,597
Finley		\$618,400	\$618,400	
		\$0	\$269,597	(\$269,597)
		\$1,236,800	\$1,236,800	

Drilling cost allocations assuming the well is drilled below 10,000' and initially completed above 10,000' after casing point election.

<u>Interval 1</u>		<u>Amount</u>
MOC	0.03125000	\$18,833
COI	0.00000000	\$0
Finley	0.96875000	\$583,808
	1.00000000	\$602,640

<u>Interval 2</u>		<u>Amount</u>
MOC	0.50000000	\$75,330
COI	0.50000000	\$75,330
	1.00000000	\$150,660

<u>Total</u>		<u>Adjusted</u>
		<u>Cost</u>
MOC	0.12500000	\$94,163
COI	0.10000000	\$75,330
Finley	0.77500000	\$583,808
	1.00000000	\$753,300