

EXHIBIT NO 5

MERRION OIL & GAS CORPORATION  
PROTECTION OF CORRELATIVE RIGHTS

•METHODOLOGY

- I. - Communitize all interests in the Field through a Cooperative Agreement subject to BLM approval. The Agreement will contain:
- Description of project (location, size, etc.).
  - Plan of development and operation.
  - Who will operate project and how.
  - Parties to the agreement.
  - Reason for Project and thus purpose for agreement.
  - Allocation schedule for tracts and interest owners.
- II. - A dual factor Participation Formula will allocate volumes to both remaining Primary reserves and Secondary Production.
- Primary factor will credit future production to owners with remaining Reserves at time of Project initiation. Will guarantee owners of Primary Reserves their share of future revenue from such Reserves without regard to which well(s) may be producing.
  - Secondary factor will allocate each Interest Owners share of the project cost and future revenue in proportion to their interest in and Net Pay under each lease participating in the Cooperative Agreement. Credit for Primary Reserves will be made prior to this allocation.

Case No 9754  
Sept 6, 1989