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2. Geologic and petroleum engineering evidence demonstrates that:

- (a) the Mayfly 2 Well is producing from a small unique Strawn reservoir not in pressure communication with any other well; and
- (b) in all probability this horizontal wellbore will be the only well necessary in order to adequately deplete this reservoir.

3. The Mayfly 2 Well is currently included in the North Shoe Bar-Strawn Oil Pool, the special rules for which provide: (a) 160-acre oil spacing and proration units; (b) well locations within 150 feet of the center of a governmental quarter section; (c) a special limiting gas oil ratio of 4,000 cubic feet of gas per barrel of oil; and (d) a special depth bracket maximum oil allowable of 605 barrels of oil per day per oil spacing unit.

4. Other horizontal wells producing from the Strawn formation in this area are located in the Big Dog-Strawn Pool and have been assigned 160-acre "project areas" which allow those wells to produce at rates not in excess of 890 BOPD.

5. The Mayfly 2 Well commenced production on September 26, 1999 at an initial rate of 569 BOPD at a 2,243 GOR on a 22/64th choke. Early testing of the well at rates in excess of the 605 BOPD allowable, demonstrated that the GOR can be reduced in the 1600 to 1500 range.

6. During the month of October, 1999, the Mayfly 2 Well was produced at various rates and choke settings to determine its most efficient rate of production and as a result produced 25,576 barrels of oil. Thus, as of November 1, 1999, the well started this next proration period with 3,796 barrels of overproduction (after subtracting the 5 day overproduction tolerance provided for in Rule 502.B). See Exhibit "B"

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