

ALLOCATION EXPLANATION:

The Rinewalt No. 5 was completed in the Grayburg in March 1999. Additional lower Grayburg pay was added in November 1999. Current production is 11 BOPD x 175 MCFD x 105 BWPD.

The Rinewalt No. 5 has behind pipe pay in the Eumont from 3520' - 3560'. The Eumont is productive one-half mile north in the J.G. Hare No. 8 (cumulative production 1.3 BCF). The Rinewalt No. 5 Eumont completion is expected to yield 500 MMCF, with a stabilized rate of 100 MCFD. **(Per Apache Reservoir Engineering)**.

Allocation rates are based on the current production from the Rinewalt No. 5 in the Penrose; Skelly (Grayburg) pool and a twelve month average from the J G Hare No. 8 in the Eumont; Yates-7 Rvrs-Queen (Pro Gas) pool.

The Eumont; Yates-7 Rvrs-Queen (Pro Gas) pool will be tested in the Rinewalt No. 5 before commingling to establish a stabilized rate and if necessary, the allocation formula will be adjusted at that time.

