

11. PARTICIPATION AND ALLOCATION OF PRODUCTION

Exhibit "C", hereto attached and hereby incorporated, includes a description of the initial participating area for the Saddle Ridge Unit Area, representing the acreage known to be productive as of the date hereof, said acreage so described being hereby designated and fixed as the initial participating area.

The figures set forth opposite each tract in Exhibit "C" represent the tract participation to which such tract is entitled if all said tracts are committed hereto as of the effective date of this agreement. Promptly after approval of this unit agreement, if all tracts are not committed hereto, unit operator shall revise Exhibit "C" to show all tracts committed to the agreement by setting forth opposite each tract a revised tract participation therefor, which shall be calculated by using the same tract factors and formula which were used to arrive at the tract participation of each tract as set out in the original Exhibit "C" but applying the same only to those tracts which are committed effective as of the effective date of this unit agreement. Said Exhibit "C" shall be revised by the unit operator whenever any change in committed tracts render such revision necessary. Such revised Exhibit "C" upon approval by the Director, shall supersede, effective as of its effective date, the last previously effective Exhibit "C".

The figures set forth opposite each tract in Exhibit "C" represent that portion of the unitized substances which is equal to twenty-five percent (25%) of the ratio of the productivity of a tract to the productivity of all such tracts as shown in table 2 of the August 31 Engineering and Geological Report, Saddle Ridge-Mesaverde Fifth Zone plus twenty-five percent (25%) of the ratio of the assumed productivity of a tract to the assumed productivity of all such tracts assuming a 20 acre development pattern as shown in the aforementioned table 2 plus fifty percent (50%) of the ratio of the number of productive acres in a tract to the number of productive acres in all such tracts.