

181

of accounting. The Joint Venturers shall cause the Joint Venture to file timely returns of Joint Venture income and expense presenting the transactions of the Joint Venture in conformity with this agreement. The first such return shall contain an effective election to expense intangible drilling and development costs in the first year in which such costs are incurred. A copy of each such return shall be furnished to the Joint Venturers.

VIII.

ALLOCATION OF PROFITS AND LOSSES

a. All income and expenses including intangible drilling costs and expenses and depletion and depreciation shall be allocated for tax and accounting purposes to the Joint Venturers in the same proportion as the profits and losses of the Joint Venture are allocated to the Joint Venturers as is provided in sub-section b of this Section VIII.

b. Prior to "payout", as hereinafter defined, the Joint Venture net income or losses shall be apportioned among the Joint Venturers in the proportions set opposite their respective names, as follows:

<u>NAME</u>	<u>PROPORTION</u>
Menlo Corporation	75%
George J. Greer	12½%
Albert E. Oldham	12½%

After "payout", as hereinafter defined, the Joint Venture net income or losses shall be allocated to the Joint Venturers in the proportions set opposite their respective names, as follows:

<u>NAME</u>	<u>PROPORTION</u>
Menlo Corporation	50%
George J. Greer	25%
Albert E. Oldham	25%