

Production Data Allocation Process

Production Allocation

- Where does IHSE Allocate Production
 - **Texas Crude** - reported to the State by Lease/Unit
 - **Louisiana Crude and Gas** - both are reported to the State by Lease/Unit

Allocation Process Overview



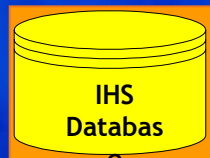
Operators



State & Federal Agencies

LEASE LEVEL PRODUCTION VOLUMES
(Ex. Smith 2,500bbls)

SMITH LEASE
2,500 BBLS



SUM OF EACH WELL ACTUAL PRODUCTION =
TOTAL LEASE PRODUCTION

IHS ALLOCATION ROUTINE

- From Lease Level Volumes
- Based on Well Tests & Allowables
- Sum of all well prod = 100% of lease

35 %

45 %

20 %

Well Level
Smith # 1
VOLUMES

Well Level
Smith # 2
VOLUMES

Well Level
Smith # 3
VOLUMES

% of Wells Actual Production based on Calculation of Well Theoretical Production

875 BBLS

1125 BBLS

500 BBLS

Allocated Production Benefits

- Allows study of individual well crude, casinghead gas and water production profiles based on initial production, as well as subsequent well tests (w-10).
- Facilitates mapping of individual well production by zone (Formation). API number to obtain mapping coordinates.
- Supports property evaluation for reservoir management or acquisition studies.
- Zone coding (Formation) on the individual crude well production allows extradition for analysis or mapping of wells with production ranges and/or cumulative across a geographical area regardless of field.

