

Exhibit "B"

Proposed Amended Version of Statewide Rule 21

RULE 21. A. MEASUREMENT OF PRODUCTION:

(1) The operator of each producing well shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to measure the total production from such producing well. Where metering devices are used, as herein provided, the production may be commingled in a common storage system and if, upon a sale there from, a variance exists between the measurement from the common storage system and the total measurement of the production of all the producing wells commingled in such common storage system, then such variance shall be allocated back to each of the wells being commingled in the common storage system proportionately to the production measured from each well.

(2) Where ownership is the same (working interest and royalty interest), in lieu of maintaining separate separators and stock tanks or metering devices for each well, well test results as outlined in paragraph B. below may be used to allocate production for reporting purposes from two or more producing wells commingled in a common storage system.

B. EQUIPMENT FOR TESTS:

(1) Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made.

(2) The operator of two or more producing wells having the same ownership (working interest and royalty interest) shall maintain proper separators and stock tanks or metering devices and such connections thereto as will permit the adequate testing of each individual well under normal operating conditions without the necessity of closing in any other well for more than a 24 hour period. Such separators, stock tanks or metering devices and connections thereto shall be subject to approval by the Supervisor.

C. USE OF METERS:

The use of meters for testing and for measurement of well production shall be subject to and in accordance with the following provisions:

(1) Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof may be used.

(2) All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Oil and Gas Board.

(3) No meter used for oil production measurement shall be directly or indirectly bypassed in such manner as to permit oil to pass into common storage without first being measured.

(4) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two percent (2%), it must be adjusted to conform to the said tolerance limitation of two percent (2%) or the meter calibration factor corrected.

(5) The meter reading and meter calibration factor in use at 7:00 a.m. on the first day of each month for each meter shall be reported on the bottom of the Form 9 reporting the monthly production from the wells being measured by such meter.

D. AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED:

Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized. Such systems may be used to transfer production from individual wells or from common storage facilities as authorized in Rule 21 A above. In the event the transfer is from such a common storage facility, the allocation of production to the wells being produced into such common storage system will be on the basis of the relationship of the measured production from each well to the total measured production transferred by the automatic custody transfer system.

Each such system will be equipped with a sampling device which will take a representative sample of the total production passing through the system in order that the specific gravity and the basic sediment and water content can be determined.

Each such system will be equipped with a volume displacement type metering device which registers the volume of oil passed through it in barrels or multiples thereof. In addition to meeting all of the requirements set out in Rule 21 C above which deals with the use of meters, said metering device will be compensated for temperature, will be so equipped as to provide a cumulative total of all oil transferred by such system and will have an accuracy standard equivalent to the accuracy obtained in the measurements made in calibrated stock tanks.

Exhibit "B"

Proposed Amended Version of Statewide Rule 21

RULE 21. A. MEASUREMENT OF PRODUCTION:

(1) The operator of each producing lease well shall maintain proper separators and stock tanks or metering devices and such connections thereto as are necessary to measure the total production from such lease producing well. Where metering devices are used, as herein provided, the production may be commingled in a common storage system and if, upon a sale there from, a variance exists between the measurement from the common storage system and the total measurement of the production of all the leases producing wells commingled in such common storage system, then such variance shall be allocated back to each of the leases wells being commingled producing into in the common storage system proportionately to the production measured from each lease well.

(2) Where ownership is the same (working interest and royalty interest), in lieu of maintaining separate separators and stock tanks or metering devices for each well, well test results as outlined in paragraph B. below may be used to allocate production for reporting purposes from two or more producing wells commingled in a common storage system.

B. EQUIPMENT FOR TESTS:

(1) Each producing well shall be so equipped that gas/oil ratio tests and bottom hole or other pressure tests may be made.

(2) The operator of two or more producing wells having the same ownership (working interest and royalty interest) ~~each producing lease on which there are two (2) or more producing wells~~ shall maintain proper separators and stock tanks or metering devices and such connections thereto as will permit the adequate testing of each individual well under usual normal operating conditions without the necessity of closing in any other well for more than a 24 hour period. Such separators, stock tanks or metering devices and connections thereto shall be subject to approval by the Supervisor.

C. USE OF METERS:

The use of meters for testing and for measurement of lease well production shall be subject to and in accordance with the following provisions:

(1) Only a volume displacement type metering device or vessel which registers the volume of oil passed through it in barrels or multiples thereof may be used. ~~95~~

(2) All meters shall be downstream of the necessary separating or treating vessels. All meters shall be designed and installed in conformance with recognized metering practices and shall be subject to the approval of the Supervisor of the Oil and Gas Board.

(3) No meter used for oil production measurement shall be directly or indirectly bypassed in such manner as to permit oil to pass into common storage without first being measured.

(4) All meters and equipment affecting meter accuracy shall be kept in good working order. Each meter shall be calibrated at least once a month by means of a calibrated tank, a calibrated meter prover or a master meter. When a meter is found to deviate in its recording by more than two percent (2%), it must be adjusted to conform to the said tolerance limitation of two percent (2%) or the meter calibration factor corrected.

(5) The meter reading and meter calibration factor in use at 7:00 a.m. on the first day of each month for each meter shall be reported on the bottom of the Form 9 reporting the monthly production from the wells being measured by such meter.

D. AUTOMATIC CUSTODY TRANSFER SYSTEMS AUTHORIZED:

Automatic custody transfer systems which automatically test, sample, measure and transfer the production from the operator to the purchaser are hereby authorized. Such systems may be used to transfer production from individual leases wells or from common storage facilities as authorized in Rule 21 A above. In the event the transfer is from such a common storage facility, the allocation of production to the leases wells being produced into such common storage system will be on the basis of the relationship of the measured production from each lease well to the total measured production transferred by the automatic custody transfer system.

Each such system will be equipped with a sampling device which will take a representative sample of the total production passing through the system in order that the specific gravity and the basic sediment and water content can be determined.

Each such system will be equipped with a volume displacement type metering device which registers the volume of oil passed through it in barrels or multiples thereof. In addition to meeting all of the requirements set out in Rule 21 C above which deals with the use of meters, said metering device will be compensated for temperature, will be so equipped as to provide a cumulative total of all oil transferred by such system and will have an accuracy standard equivalent to the accuracy obtained in the measurements made in calibrated stock tanks.