

T. SCOTT HICKMAN & ASSOCIATES, INC.

PETROLEUM CONSULTANTS  
ONE MARIENFELD PLACE, SUITE 262  
MIDLAND, TEXAS 79701

915-683-4391

June 30, 1983

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
COPE	EXHIBIT NO. 5
CASE NO.	804B

Mr. Glenn Cope  
1604 West Front Street  
Midland, TX 79701

Dear Glenn:

Re: Cope-Flyer #1F  
Eddy County, New Mexico

In accordance with your request we have updated our evaluation of the Cope-Flyer #1F in Eddy County, New Mexico for an effective date of July 1, 1983. The revised cash flow (attached) is run for 100% expense interest and 70% net revenue interest. A summary of the revised evaluation is as follows:

Effective Date	July 1, 1983
Net Reserves:	
Oil, BBL	38,858
Gas, MCF	94,651
Future Net Revenue:	
Undiscounted, \$	1,201,336
Discounted @ 12% per annum, \$	858,418

Net oil and gas reserves are estimated quantities of crude oil, natural gas and natural gas liquid attributed to the composite revenue interests being evaluated after deduction of royalty and/or overriding royalty interests. Future net revenue was adjusted for capital expenditures, operating costs, interest revisions and wellhead taxes (severance, ad valorem and windfall profit); but no consideration was given to Federal income taxes or any encumbrances that might exist against the evaluated interests. Minor variations in composite column totals result from computer rounding.

In the preparation of this report, we have accepted without independent verification information furnished by Glenn Cope with respect to interest factors, current prices, operating costs, gas contracts, current production and various other data. It was not considered necessary to make a field inspection of the properties.

The same reserves and rate projections presented in our January 28, 1983 report were utilized. The effective date was rolled forward to July 1, 1983, at which point a cumulative production of 3,000 barrels was

Mr. Glenn Cope  
June 30, 1983  
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assumed.~ The starting rate was adjusted downward for this amount of cumulative production but the adjusted rates are still higher than the actual reported producing rate. It was assumed that the well would be producing under an efficient pumping operation in the near future, allowing the well to achieve the projected rates.

The oil price was reduced from \$32 to \$30 per barrel. The same price scenario was utilized, which holds all prices constant to 1/1/84 and then escalates at 7% per annum to a maximum of \$75 per barrel. The original evaluation used a starting gas price of \$2.52 per MCF. It is now reported that a contract has been signed with El Paso Natural Gas which will pay a Section 102 price of \$3.44/MCF plus tax reimbursement. The gas price was escalated at 7% per annum to a maximum \$10 per MCF. Gas sales were projected to start in August 1983. The initial operating cost of \$2,555 per month should be adequate to cover the compression charges involved with marketing the gas. Operating costs were escalated 7% per annum until oil reached its maximum price.

This study was performed using industry-accepted principles of engineering and evaluation that are predicated on established scientific concepts. However, the application of such principles involves extensive judgment and assumptions and is subject to changes in performance data, existing technical knowledge, economic conditions and/or statutory provisions. Consequently, our reserve estimates are furnished with the understanding that some revisions will probably be required in the future. The escalation scheme is in line with current industry expectations, but actual price and cost levels in the future may vary greatly from what was projected.

This report is solely for the information of and the assistance to Glenn Cope in negotiating a fair market value and is not to be used, circulated, quoted or otherwise referred to for any other purpose without the express written consent of the undersigned except as required by law. Data utilized in this report will be maintained in our files and are available for your use.

Yours very truly,

T. SCOTT HICKMAN & ASSOCIATES, INC.

T. Scott Hickman, P. E.

pap  
Attachment

FLYER 1F  
 CULBERT BLUFF (BONE SPRINGS)  
 EDEY CO., N.M.  
 OFF: COPE, GLEN

DATE: 06/30/83  
 TIME: 07:25:02  
 FILE: COPE  
 GET#: 5

ATTACHMENT 1  
 RESERVES AND ECONOMICS

GLEN COPE

AS OF JULY 1, 1983

T. SCOTT HICKMAN & ASSOC., INC  
 PETROLEUM CONSULTANTS JSC/KVR

MO-YR	GROSS PRODUCTION		NET PRODUCTION		PRICES		OPERATIONS, M\$			CAPITAL COSTS, M\$	CASH FLOW BTAX, M\$	12.00 PCT CUM. DISC BTAX, M\$
	OIL, MMBL	GAS, MMCF	OIL, MMBL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADIV+ WF TAXES	NET OPER EXPENSES			
12-83	8.557	17.828	5.990	12.480	30.00	3.50	223.344	21.407	15.300	0.000	186.637	181.423
12-84	11.053	27.632	7.737	19.342	31.13	3.68	311.992	27.295	31.671	0.000	253.026	407.339
12-85	6.614	16.535	4.630	11.575	33.30	3.94	199.774	16.687	33.888	0.000	149.199	526.280
12-86	5.470	13.674	3.829	9.572	35.64	4.21	176.775	13.687	36.260	0.000	126.828	616.554
12-87	4.649	11.624	3.254	8.137	38.13	4.51	160.756	12.295	38.798	0.000	109.660	686.245
12-88	3.952	9.880	2.766	6.916	40.80	4.82	146.209	11.049	41.514	0.000	93.646	739.392
12-89	3.360	8.398	2.352	5.879	43.66	5.16	133.019	9.941	44.420	0.000	78.658	779.233
12-90	2.855	7.138	1.999	4.997	46.71	5.52	120.970	7.595	47.530	0.000	65.845	809.018
12-91	2.427	6.068	1.699	4.248	49.98	5.91	110.018	6.907	50.857	0.000	52.254	830.123
12-92	2.063	5.157	1.444	3.610	53.48	6.32	100.049	6.282	54.417	0.000	39.350	844.313
12-93	1.754	4.384	1.228	3.068	57.22	6.76	91.032	5.716	58.226	0.000	27.090	853.035
12-94	1.490	3.727	1.043	2.609	61.23	7.24	82.747	5.195	62.302	0.000	15.250	857.419
12-95	1.267	3.167	0.887	2.217	65.52	7.75	75.283	4.727	66.663	0.000	3.893	858.418
12-96												
12-97												
5-2007	55.511	135.212	38.858	94.651	38.56	4.58	1931.968	148.786	581.846	0.000	1201.336	858.418
AFTER	0.000	0.000	0.000	0.000	0.00	0.00	0.000	0.000	0.000	0.000	0.000	858.418
TOTAL	55.511	135.212	38.858	94.651	38.56	4.58	1931.968	148.786	581.846	0.000	1201.336	858.418
CUM.	3.000	0.000					NET OIL REVENUES (M\$)	1498.538	-----PRESENT WORTH PROFILE-----			
ULT.	58.511	135.212					NET GAS REVENUES (M\$)	433.430	DISC	PW OF NET	DISC	PW OF NET
							TOTAL REVENUES (M\$)	1931.968	RATE	BTAX, M\$	RATE	BTAX, M\$
BTAX RATE OF RETURN (PCT)			100.00				PROJECT LIFE (YEARS)	12.500	0.0	1201.336	30.0	618.940
BTAX PAYOUT YEARS			0.00				DISCOUNT RATE (PCT)	12.000	2.0	1125.075	35.0	578.330
BTAX PAYOUT YEARS (DISC)			0.00				GROSS OIL WELLS	1.000	5.0	1027.769	40.0	544.134
BTAX NET INCOME/INVEST			0.00				GROSS GAS WELLS	0.000	8.0	946.832	45.0	514.936
BTAX NET INCOME/INVEST (DISC)			0.00				GROSS WELLS	1.000	10.0	900.188	50.0	489.712
									12.0	858.418	60.0	448.274
INITIAL W.I. FRACTION			1.000000				INITIAL NET OIL FRACTION	0.700000	15.0	803.445	70.0	415.585
FINAL W.I. FRACTION			1.000000				FINAL NET OIL FRACTION	0.700000	18.0	756.099	80.0	389.063
PRODUCTION START DATE			7-1-83				INITIAL NET GAS FRACTION	0.700000	20.0	728.061	90.0	367.055
MONTHS IN FIRST LINE			6.00				FINAL NET GAS FRACTION	0.700000	25.0	667.921	100.0	348.447