MILNESAND ABO FIELD
LEA and ROOSEVELT COUNTIES, NEW MEXICO

ECONOMICS of DRILLING ON
80 ACRE VS 40 ACRE SPACING

Examiner
Case No. 6280
EXHIBIT NO. 12

1. 80 ACRE SPACING

RECOVERABLE RESERVES = 130,000 BARRELS of OIL
DRILLING COSTS = $650,000 (EQUIPPED PRODUCER)

ECONOMICS:

INCOME 130,000 X .80 X $20 X .925	=	$1,924,000
OPERATING EXPENSE 15 X 12 X 2500	=	450,000
NET OPERATING INCOME	=	1,474,000
DRILLING COST	=	650,000
NET PROFIT	=	824,000

PROFIT TO INVESTMENT RATIO = $\frac{824,000}{650,000}$ = 1.27

2. 40 ACRE SPACING

RECOVERABLE RESERVES = 65,000 BARRELS of OIL
DRILLING COST = $640,000 (EQUIPPED PRODUCER)

ECONOMICS:

INCOME 65,000 X .80 X $20 X .925	=	$962,000
OPERATING EXPENSE 10 X 12 X 2500	=	300,000
NET OPERATING INCOME	=	662,000
DRILLING COST	=	640,000
NET PROFIT	=	22,000

PROFIT TO INVESTMENT RATIO = $\frac{22,000}{640,000}$ = .03

NOTE THAT THE PROFIT TO INVESTMENT RATIO IS JUST BARELY ACCEPTABLE FOR 80 ACRE SPACING AND THAT THE PROFIT TO INVESTMENT RATIO IS COMPLETELY UNACCEPTABLE FOR 40 ACRE SPACING. THIS FIELD CANNOT BE ECONOMICALLY DEVELOPED ON ANY SPACING LESS THAN 80 ACRES.

ACTUAL DRILLING COSTS of MILNESAND ABO PRODUCERS:

BTA	=	$690,000
KNOX(PURVIS)	=	634,000
PPMI #3	=	587,400 (TD in Bough"C", sidetrack hole)
PPMI #4	=	712,300 (TD in Bough "C")
PPMI Star	=	82,648 (OWPB)
PURVIS 3K	=	320,000 (DHC)

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 10280 Exhibit No. 12

Submitted by: Petroleum Production Management Inc.

Hearing Date: August 3, 1995