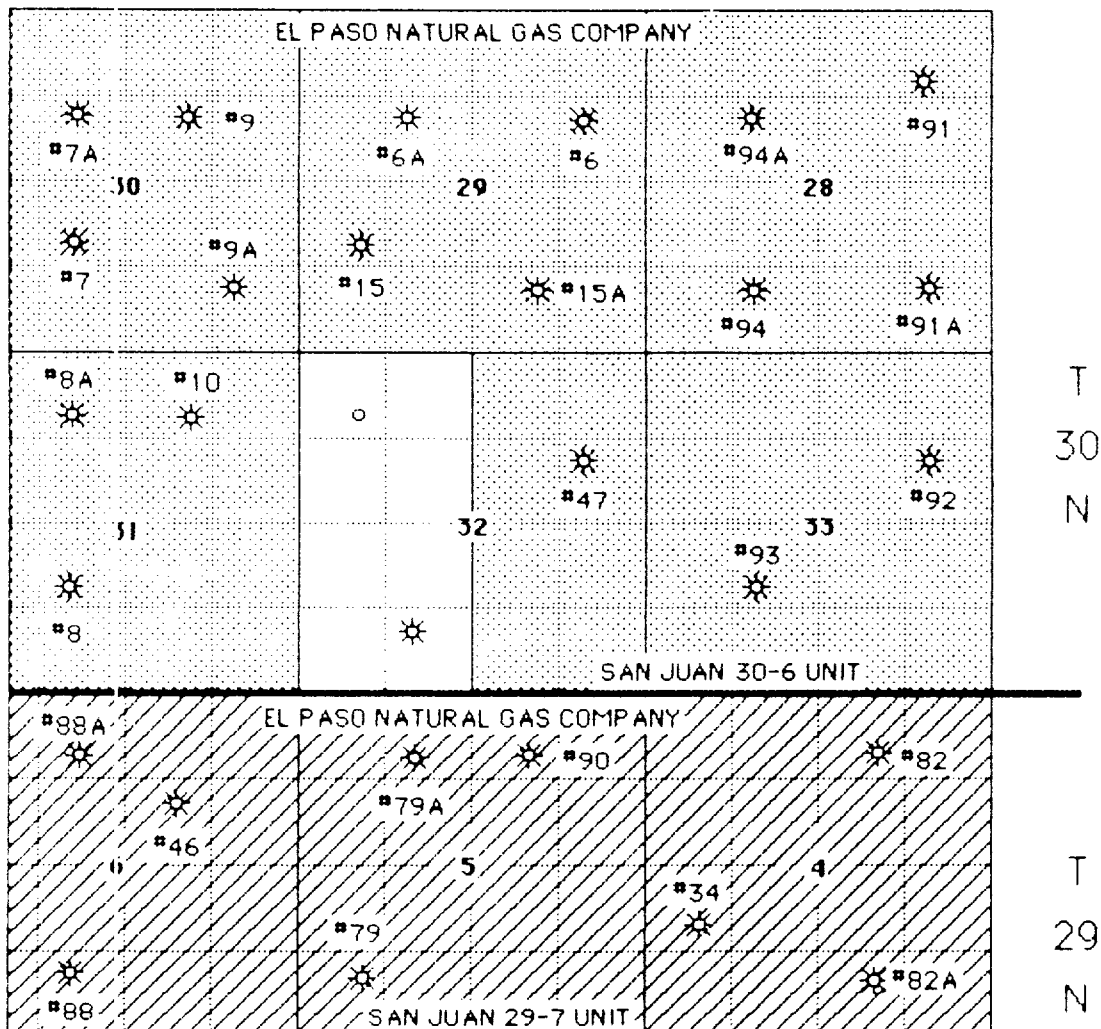


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BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Applicants EXHIBIT NO. 1

CASE NO. 8971-8972

ALLOWABLE CALCULATION POLICY

- Each month the purchasers' nominations are totaled for the pool allowable. Adjustments may be made to compensate for over or under production of the pool.
- The volume equal to the last reported month's production from marginal wells is removed to be assigned as marginal well allowables.
- The remaining volume is divided according to the pool rule percentages for acreage and deliverability.
- The Acreage Factor (AF) of each well is determined by dividing the acreage dedicated to the well by the acreage of a standard unit in the pool.
- The Acreage Times Deliverability Factor (AXD) is determined for each well by multiplying the Acreage Factor times the Deliverability of the well. Where infill drilling has been approved, the deliverabilities of the wells are added before the multiplication. (The AXD factor is rounded to the nearest whole number.)
- The portion for acreage is divided by the sum of the Acreage Factors of the non-marginal wells to determine the pool's Acreage Allocation Factor, F1.
- The portion to be allocated based on deliverability is divided by the sum of AXD Factors of the non-marginal wells to determine the AXD Allocation Factor, F2.
- The proration unit allowable is calculated as follows:

$$\text{Allowable} = (\text{AF} \times \text{F1}) + (\text{AXD} \times \text{F2}) \quad (\text{For single well units})$$

and

$$\text{Allowable} = (\text{AF} \times \text{F1}) + [\text{AX}(\text{D}_1 + \text{D}_2) \times \text{F2}] \quad (\text{For multi-well units})$$

- When a unit has short acreage, the acreage factor in the second portion of the formula penalizes the unit allowable.

OFFICE EXAMINER DIVISION

OF THE NEW YORK STATE

Applicant *2*

GRADE NO. *8971-8972*

ALLOWABLE CALCULATIONS – BLANCO MESAVERDE POOL

PRESENT POLICY: When: $F_1 = 3469.71$, $F_2 = 24.606417$ (July, 1986)

A. ONE TWO-WELL TRACT: Assume $AF = 1.00$, $D_1 = 81$, $D_2 = 1000$.

$$\begin{aligned}\text{Allowable}_A &= [AF \times F_1] + [AF \times (D_1 + D_2) \times F_2] \\ &= (1.00 \times 3469.71) + [1.00 \times (81 + 1000) \times 24.606417]\end{aligned}$$

$$\text{TOTAL 320-ACRE ALLOWABLE}_A = 30069 \text{ Mcf}$$

B. TWO ONE-WELL (160-ACRE) TRACTS: $AF_1 = 0.50$, $D_1 = \frac{81}{80}$; $AF_2 = 0.50$, $D_2 = 1000$.

$$\begin{aligned}\text{Allowable}_{B1} &= (0.50 \times 3469.71) + (0.50 \times 81 \times 24.606417) \\ &= 2744 \text{ Mcf} \\ &\quad 2732\end{aligned}$$

$$\begin{aligned}\text{Allowable}_{B2} &= (0.50 \times 3469.71) + (0.50 \times 1000 \times 24.606417) \\ &= 14038 \text{ Mcf}\end{aligned}$$

$$\text{TOTAL ALLOWABLE}_B = \text{Allowable}_{B1} + \text{Allowable}_{B2} = 2744 + 14038 = 16782 \text{ Mcf}$$

$$\text{DIFFERENCE:} = \text{Allowable}_A - \text{Allowable}_B = 30069 - 16782 = 13287 \text{ Mcf.}$$

C. DESIRED CALCULATIONS: When $AF_1 = 0.50$, $D_1 = 81$, $AF_2 = 0.50$, $D_2 = 1000$.

$$\begin{aligned}\text{Allowable}_{C1} &= (0.50 \times 3469.71) + (81 \times 24.606417) \\ &= 3728 \text{ Mcf}\end{aligned}$$

$$\begin{aligned}\text{Allowable}_{C2} &= (0.50 \times 3469.71) + (1000 \times 24.606417) \\ &= 26341 \text{ Mcf}\end{aligned}$$

$$\text{TOTAL ALLOWABLE}_C = \text{Allowable}_{C1} + \text{Allowable}_{C2} = 3728 + 26341 = 30069 \text{ Mcf}$$

$$\text{DIFFERENCE DESIRED} = \text{Allowable}_A - \text{Allowable}_C = 30069 - 30069 = 0 \text{ Mcf}$$

RECEIVED

CLERK OF DISTRICT COURT

Appellate Court 3

CASE NO. 8921-8972

T 30N, R 7W

5 12.16							
6 12.28							
7 12.40	30			29	EL PASO NATURAL GAS COMPANY		
8 12.52				* 15 *		* 15A *	
					S.J. 30-6 UNIT		
5 12.64	E.P.N.G.			CINCO, LTD.			
6 12.77	* * 8A			* 1 *			
7 12.89	31			STATE PAT	32		
8 13.02	* * 8			ZALLEA BROS. & S. LAUB			
	S.J. 30-6 U			* * 1			
				IRED STATE			

BEFORE EXAMINATION OF
OIL CONCENTRATION

Applint 1911. 10. 4

8571-8572

ALLOWABLE CALCULATIONS - BLANCO MESAVERDE POOL

OPERATOR				JULY 1986	AVERAGE 1985	TOTAL 1985
LEASE	ACRE	F1 =		3469.71	2816.59	33799.11
WELL	STATUS FACTOR DEL	F2 =		24.606417	18.318794	219.825531

EL PASO NATURAL GAS CO.

SAN JUAN 30-6 UNIT

15L2930N 7W (MWU)			237			
A 1502930N 7W (MWU)			496			
P. U. SUMMARY	N 1.00		733	21506	16244	194931

15L2930N 7W (NSU)	0.50		237	4663	3588	43059
A 1502930N 7W (NSU)	0.50		496	7837	5951	71416
TOTALS	1.00		733	12500	9539	114475

DIFFERENCE = P.U. SUMMARY - TOTAL				9006	6705	80456

EL PASO NATURAL GAS CO.

SAN JUAN 30-6 UNIT

8K3130N 7W (MWU)			967			
A 8C3130N 7W (MWU)			2118			
P. U. SUMMARY	N 0.66		3085	52389	39156	469872

8K3130N 7W (NSU)	0.33		967	8994	6773	81278
A 8C3130N 7W (NSU)	0.33		2118	18345	13734	164812
TOTALS	0.66		3085	27339	20507	246090

DIFFERENCE = P.U. SUMMARY - TOTAL				25050	18649	223782

ZALLER BROS. & S. LAUB

IREO STATE

1N3230N 7W (MWU)			81			
A 1D3230N 7W (MWU)			1000			
P. U. SUMMARY	N 1.00		1081	30069	22619	271431

1N3230N 7W (NSU)	0.50		81	2744	2159	25912
A 1D3230N 7W (NSU)	0.50		1000	14038	10568	126812
P. U. SUMMARY	1.00		1081	16782	12727	152724

DIFFERENCE = P.U. SUMMARY - TOTAL				13287	9892	118707

DESIRED CALCULATIONS:

ZALLER BROS. & S. LAUB

IREO STATE:

1N3230N 7W (NSU)	0.50		81	3728	2892	34705

CINCO, LTD.						
STATE PAT						
1D3230N 7W (NSU)	0.50		1000	26341	19727	236725
TOTALS	1.00		1081	30069	22619	271430

DIFFERENCE = P.U. SUMMARY - TOTAL				0	0	1

BEFORE EXAMINED CATHACH

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Applicant *5*

CASE NO. *8971-8972*