

## BONE SPRING WELL ECONOMICS

ESTIMATED DRILLING COST / WELL	\$662,200
ESTIMATED OPERATING COST 20 years @ \$2000/month	\$480,000
TOTAL COST	\$1,142,200

	<u>OIL</u>	<u>GAS</u>
AVERAGE PRICE	\$19.00	\$1.80
LESS 25 % Royalty	(\$4.75)	(\$0.45)
LESS PRODUCTION TAXES	(\$1.01)	(\$0.20)
Net Sales Price	\$13.24	\$1.15

Barrels Required for Pay-out assuming 4000 scf/stb avg GOR with no adjustment for risk.	64,049
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**BEFORE THE  
OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico

Case No. 9253 Exhibit No. 9

Submitted by: Mewbourne Oil Company

Hearing Date: August 18, 1994

**STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 9253 (Reopened)  
Order No. R-8546-A**

**IN THE MATTER OF CASE NO. 9253 BEING REOPENED  
PURSUANT TO THE PROVISIONS OF DIVISION ORDER  
NO. R-8546 WHICH PROMULGATED TEMPORARY SPECIAL  
RULES AND REGULATIONS FOR THE SANTO NINO-BONE  
SPRING POOL, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on August 18, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of August, 1994, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-8546 issued in Case No. 9253 on November 17, 1987, the Division, upon application of Manzano Oil Corporation, created the Santo Nino-Bone Spring Pool in Eddy County, New Mexico, and promulgated temporary special rules and regulations for said pool including provisions for 80-acre spacing and proration units and designated well locations.

(3) Pursuant to the provisions of Order No. R-8546, this case was reopened to allow the operators in the subject pool to appear and show cause why the Special Rules and Regulations for the Santo Nino-Bone Spring Pool should not be rescinded and the pool developed on statewide 40-acre oil spacing units.

(4) Mewbourne Oil Company, who does not operate any wells in the pool but has substantial acreage surrounding the pool, appeared at the hearing and presented evidence and testimony in support of permanently adopting the special rules and regulations.

(5) Manzano Oil Corporation, the operator of all three producing wells in the Santo Nino-Bone Spring Pool, did not appear at the hearing but submitted a letter to the Division requesting that the special rules and regulations be made permanent.

(6) According to Mewbourne's evidence and testimony, it plans to drill additional wells in the subject pool.

(7) Mewbourne's engineering evidence and testimony established that one well in the subject pool can efficiently and economically drain and develop 80 acres.

(8) The special rules and regulations promulgated by Order No. R-8546 have afforded and will afford the owner of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

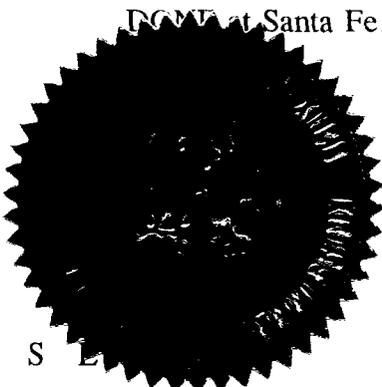
(9) In order to prevent the economic loss caused by the drilling of an excessive number of wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells and to otherwise prevent waste and protect correlative rights, Division Order No. R-8546 should be continued in full force and effect until further order of the Division.

**IT IS THEREFORE ORDERED THAT:**

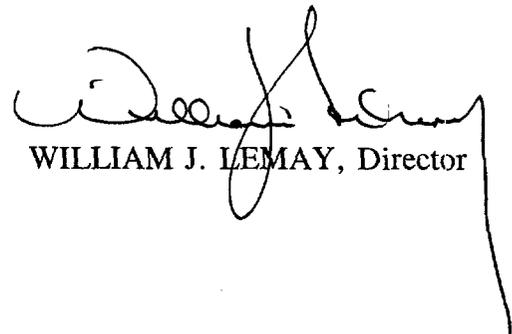
(1) The Special Rules and Regulations governing the Santo Nino-Bone Spring Pool, Eddy County, New Mexico, as promulgated by Division Order No. R-8546, are hereby continued in full force and effect until further order of the Division.

(2) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY, Director