

HEARING: Unorthodox Location of Yates Petroleum

Marathon "AGI" State #1

(OWDD)

ECONOMICS OF MARATHON RE-ENTRY

Drill an 8100' well at Standard Location	\$483,975
Re-Enter and Deepen About 1000' at present Unorthodox Location	<u>\$283,400</u>
DIFFERENCE	<u>\$200,575</u>

The re-entry and deepening at the present unorthodox location will prevent economic waste. Attached are two AFE's (Authorizations for Expenditure) detailing the above costs.

YATES PETROLEUM CORPORATION
Case No. 9628
3/29/89 Examiner Hearing
Exhibit No. 4



AUTHORITY FOR EXPENDITURE
STANDARD LOCATION

AFE # _____
REVISION # _____
DATE 3/1/89

207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

LEASE NAME Marathon AGI State #1 LOCATION Sec 33-T17S-R24E
 COUNTY Eddy STATE New Mexico FIELD Richard Knob Area
 HORIZON Morrow EST. T. D. 8100' EST. SPUD DATE _____
 EST. COMPLETION DATE _____ DRILLING CONTRACTOR _____

PRIMARY OBJECTIVE: OIL GAS OIL AND/OR GAS
 PURPOSE : DRILLING-NEW RECOMPLETION OTHER (SUPPLEMENTAL AFE, ETC.)
 TYPE WELL : DEVELOPMENT EXPLORATION

INTANGIBLE COSTS:

		DRY HOLE	COMPLETION
9210	STAKING PERMIT & LEGAL FEES	\$ 700	\$ 700
9211	LOCATION, RIGHT-OF-WAY	13,000	13,000
9212	DRILLING, FOOTAGE <u>8100'</u> @ <u>\$13.75/Ft</u>	111,375	111,375
9213	DRILLING, DAYWORK <u>5 days</u> @ <u>\$4000/Day</u>	20,000	20,000
9214	DRILLING WATER	15,000	15,000
9215	DRILLING MUD & ADDITIVES	16,000	16,000
9216	MUD LOGGING UNIT	6,700	6,700
9217	SURFACE & INT. CEMENT, CSG., TOOLS & SERVICES	15,000	15,000
9218	DRILL STEM TESTING	3,600	3,600
9219	ELECTRIC LOGS - OPEN HOLE	14,000	14,000
9220	TOOL & EQUIP. RENTAL, TRUCKING, WELDING	4,000	4,000
9221	SUPERVISION & OVERHEAD	10,000	10,000
9223	CORING, TOOLS & SERVICES	0	0
9224	BITS, TOOLS & SUPPLIES	300	300
9235	PRODUCTION CEMENT, CASING, TOOLS & SERVICES	0	9,000
9222	CONTINGENCY	24,000	25,000
9241	COMPLETION UNIT	0	12,000
9242	WATER FOR COMPLETION	0	2,200
9243	MUD ADDITIVES FOR COMPLETION	0	2,500
9244	CEMENT, TOOLS, SERVICES & TEMP. SURV. FOR COMP.	0	3,000
9245	ELECTRIC LOGS, PERFORATION TEST FOR COMPLETION	0	10,000
9246	TOOLS, TRUCK, WELD. & EQUIP. RENTAL FOR COMP.	0	15,000
9247	STIMULATION - COMPLETION	0	25,000
9248	SUPERVISION & OVERHEAD - COMPLETION	0	3,600
9249	ADD'L LOCATION, ROAD WORK & SURFACE DAMAGES	0	1,500
9251	BITS, TOOLS, ETC. PURCHASED FOR COMPLETION	0	1,000
9250	CONTINGENCY - COMPLETION	0	6,100
	<u>TOTAL INTANGIBLES</u>	<u>253,675</u>	<u>345,575</u>

EQUIPMENT COSTS:

9301	CHRISTMAS TREE AND WELL HEAD	1,200	12,000
9302	CASING <u>13-3/8" 54.5# J-55 @ 250'</u>	6,500	6,500
9302	<u>8-5/8" 24# J-55 @ 1100'</u>	10,500	10,500
9302	<u>5-1/2" 15 & 17# J-55 @ 8300'</u>	0	49,400
9303	TUBING <u>2-7/8" 6.4# J-55 @ 8000'</u>	0	28,000
9304	PACKER & SPECIAL EQUIPMENT	0	0
9350	CONTINGENCY	1,200	6,000
	<u>WELL EQUIPMENT</u>	<u>19,400</u>	<u>112,400</u>

LEASE & BATTERY EQUIPMENT COSTS:

9401	PUMPING EQUIPMENT	0	0
9402	STORAGE <u>2-210 B. welded tnk/walkway & stairs/Fgrgls</u>	0	5,200
9403	SEPARATION EQUIP., FLOWLINES, VALVES, FITTINGS tnk	0	14,900
9404	TRUCKING & CONSTRUCTION COSTS	0	5,900
	<u>TOTAL LEASE & BATTERY EQUIP.</u>	<u>0</u>	<u>26,000</u>

TOTALS 273,075 483,975

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

YATES PETROLEUM CORPORATION

DATE

SHARE

BY _____
 BY _____
 BY _____
 BY _____
 BY _____



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

AUTHORITY FOR EXPENDITURE
UNORTHODOX LOCATION
RE-ENTER MONSANTO STATE #1
DEEPEN 1000' to MORROW

AFE #89-019-0
REVISION #
DATE 2-2-89

LEASE NAME Monsanto AGI State #1 LOCATION Sec. 33-T17S-R24E
 COUNTY Eddy STATE NM FIELD Richard Knob Area
 HORIZON Morrow EST. T. D. 8020' EST. SPUD DATE _____
 EST. COMPLETION DATE _____ DRILLING CONTRACTOR _____

PRIMARY OBJECTIVE: OIL GAS OIL AND/OR GAS
 PURPOSE : DRILLING-NEW RECOMPLETION OTHER (SUPPLEMENTAL AFE, ETC.)
 TYPE WELL : DEVELOPMENT EXPLORATION RE-ENTRY

INTANGIBLE COSTS:		DRY HOLE	COMPLETION
9210	STAKING PERMIT & LEGAL FEES	\$ 200	\$ 200
9211	LOCATION, RIGHT-OF-WAY	4500	4500
9212	DRILLING, FOOTAGE - @ -	-	-
9213	DRILLING, DAYWORK <u>10 days</u> @ <u>\$3900/day</u>	39000	39000
9214	DRILLING WATER	5000	5000
9215	DRILLING MUD & ADDITIVES	12000	12000
9216	MUD LOGGING UNIT	4500	4500
9217	SURFACE & INT. CEMENT, CSG., TOOLS & SERVICES	-	-
9218	DRILL STEM TESTING	4000	4000
9219	ELECTRIC LOGS - OPEN HOLE	12000	12000
9220	TOOL & EQUIP. RENTAL, TRUCKING, WELDING	3000	3000
9221	SUPERVISION & OVERHEAD	6000	6000
9223	CORING, TOOLS & SERVICES	-	-
9224	BITS, TOOLS & SUPPLIES	8600	8600
9235	PRODUCTION CEMENT, CASING, TOOLS & SERVICES	5000	12000
9222	CONTINGENCY	-	6000
9241	COMPLETION UNIT	-	12000
9242	WATER FOR COMPLETION	-	2000
9243	MUD ADDITIVES FOR COMPLETION	-	2000
9244	CEMENT, TOOLS, SERVICES & TEMP. SURV. FOR COMP.	-	2500
9245	ELECTRIC LOGS, PERFORATION TEST FOR COMPLETION	-	10000
9246	TOOLS, TRUCK, WELD. & EQUIP. RENTAL FOR COMP.	-	15000
9247	STIMULATION - COMPLETION	-	20000
9248	SUPERVISION & OVERHEAD - COMPLETION	-	3000
9249	ADDT'L LOCATION, ROAD WORK & SURFACE DAMAGES	-	1000
9251	BITS, TOOLS, ETC. PURCHASED FOR COMPLETION	-	1000
9250	CONTINGENCY - COMPLETION	-	-
<u>TOTAL INTANGIBLES</u>		<u>103800</u>	<u>185300</u>

EQUIPMENT COSTS:			
9301	CHRISTMAS TREE AND WELL HEAD	1100	12000
9302	CASING <u>4-1/2" 10.5 & 11.6# J-55 @ 8020'</u>	-	40100
9302		-	-
9302		-	-
9303	TUBING <u>2-3/8" 4.6# J-55 @ 7800'</u>	-	21500
9304	PACKER & SPECIAL EQUIPMENT	-	2500
9350	CONTINGENCY	-	-
<u>WELL EQUIPMENT</u>		<u>1100</u>	<u>76100</u>

LEASE & BATTERY EQUIPMENT COSTS:			
9401	PUMPING EQUIPMENT	-	-
9402	STORAGE <u>1-210b. tank w/walkway+stair</u>	-	5000
9403	SEPARATION EQUIP., FLOWLINES, VALVES, FITTINGS	-	12000
9404	TRUCKING & CONSTRUCTION COSTS	-	5000
<u>TOTAL LEASE & BATTERY EQUIP.</u>		<u>-</u>	<u>22000</u>

TOTALS \$104900 \$283400

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

	YATES PETROLEUM CORPORATION	DATE	SHARE
BY	<i>Albert G. Springer III</i>		40%
BY	YATES DRILLING COMPANY		20%
BY	ABO PETROLEUM CORPORATION		20%
BY	MYCO INDUSTRIES, INC.		20%