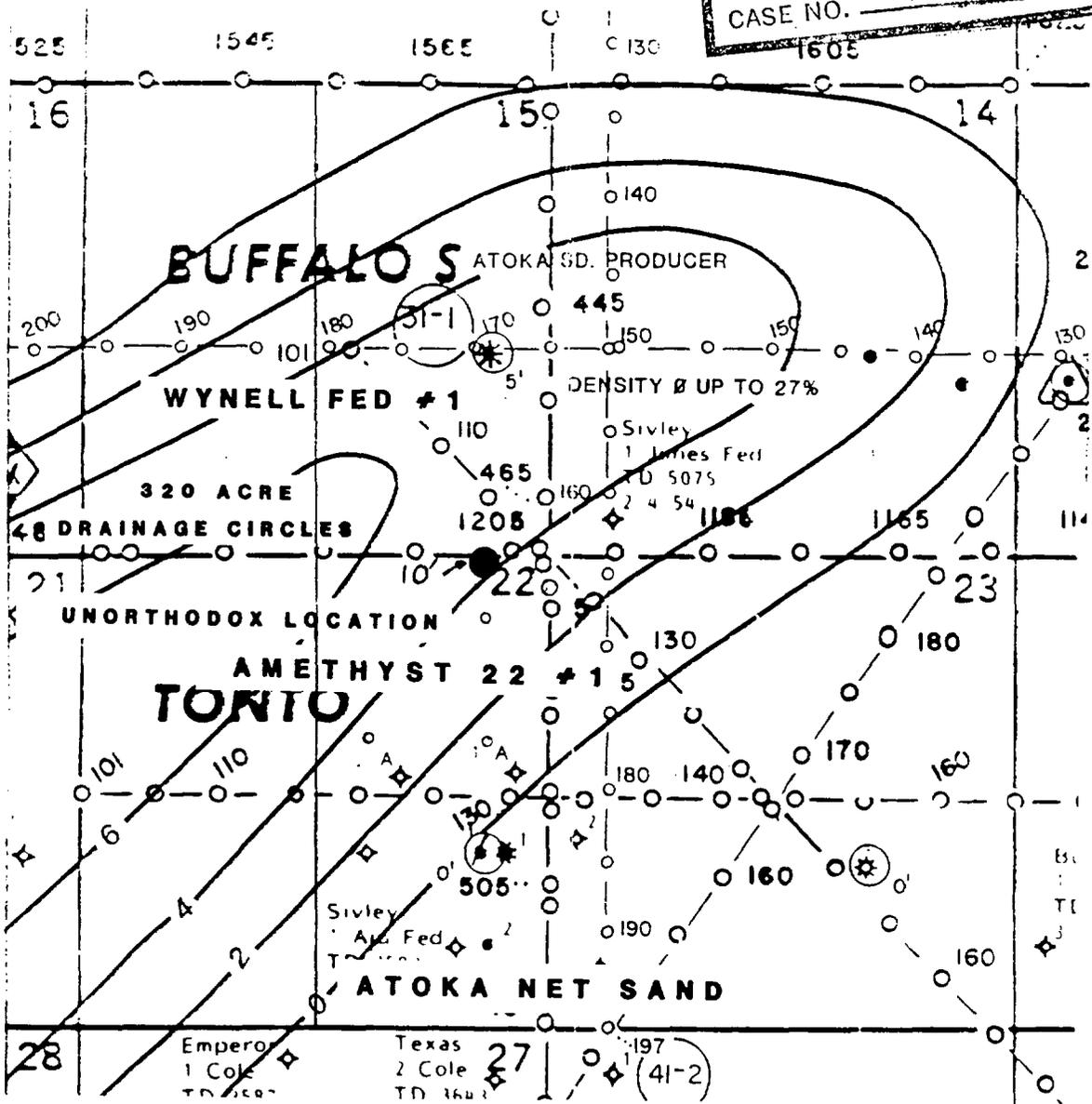


ALLOWABLE CALCULATION - SANTE FE PROPOSAL
 AMETHYST 22 #1 - UNORTHODOX LOCATION
 STATE OF NEW MEXICO OIL CONSERVATION DIVISION
 CASE NO. 9796
 HEARING DATE: NOVEMBER 15, 1989
 MEC EXHIBIT NO.

OIL CONSERVATION DIVISION
 EXHIBIT NO. 13
 CASE NO. 9796
 Mitchell



Sante Fe's proposed formula using Mitchell's net productive acreage is as follows:

$$\text{Allowable Factor} = \left(\frac{660}{660} + \frac{600}{1980} + \frac{221}{320} \right) / 3 = 0.66$$

Penalty = 34%

Suppose Sante Fe had proposed their location to be 10 Ft FNL, the allowable factor would be:

$$\text{Allowable Factor} = \left(\frac{660}{660} + \frac{10}{1980} + \frac{221}{320} \right) / 3 = 0.57$$

Penalty = 43%

The example demonstrates how unreasonable Sante Fe's proposed formula is. The formula allows companies to drill lease line producers with little penalty.