



## United States Department of the Interior

### BUREAU OF LAND MANAGEMENT

Roswell Field Office  
2909 West Second St.  
Roswell, New Mexico 88201  
www.nm.blm.gov



IN REPLY REFER TO:

UNIT NM 99532X  
NM 08000

AUG 03 2000

CERTIFIED MAIL RETURN RECEIPT REQUESTED  
7099 3220 0004 0011 0022

Yates Petroleum Corporation  
Attn: Janet Richardson  
105 South Fourth Street  
Artesia, New Mexico 88210

RECEIVED  
2000 ARTESIA

RE: Final Termination of the Big Freddy Unit Agreement, Eddy County, New Mexico, effective July 19, 2000.

Dear Ms Richardson:

This office is in receipt of your letter dated July 18, 2000 discussing the economics and paying quantities production of the Big Freddy Unit No. 02 well located in in the SENW of Section 10, T. 23 S., R.. 22 E., Eddy County, New Mexico. This commercial well determination was due by July 19, 2000 to prove unitized substances are present and capable of producing in paying quantities according to unit agreement regulations.

Although this well was a reentry to a Morrow producing zone with a cost of \$ 272, 000, according to Federal regulation an average industry expenditure to drill to that depth is used in the commercial well determination involving Federal units. The average cost to drill such well is estimated between 1.08 to 1.34 million dollars. A conservative expenditure of \$ 900,000 was used for this well. A five (5) year life to break even point of \$ 90,000 was added for operating expenses making the total to drill and operate of \$ 990,000. Reviewing the rate of production for five (5) months, January 2000 thru May 2000, an average 500 MCFGPD is used to reach a break even point at 5.5 years at a selling price of \$ 3.29 per MCFG. The Big Freddy Unit NO 02 well is deemed non-commercial in paying quantities according to the Unit Agreement and Federal regulations.

The effective date of the unit was November 15, 1997. Several extensions have been issued to benefit the operator for pipeline constructions and to verify producing capabilities. Therefore, since no commercial and/or paying quantities have been proven within the unit agreement time limit or extensions granted by this office the Big Freddy Unit Agreement is terminated effective July 19, 2000.

Federal leases fully committed to the Big Freddy unit agreement shall receive a two year extension from that date. Any and all production beyond the termination date shall be reported on a lease basis. Any questions regarding this case can be directed to Gary Gourley at the Division of Lands and Minerals at (505) 627-0249.

Sincerely,

**/S/ Larry D. Bray**

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

cc: NM (08000) Fileroom, Chronological File, G. Gourley, ML Ormseth,  
Commissioner of Public Lands ( P. Martinez)  
NMSO ( 91011) Angella Trujillo \* NOTE \* Some Leases FC to the unit may be eligible for a two year extension \*

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