## MILNESAND ABO FIELD LEA and ROOSEVELT COUNTIES, NEW MEXICO

ECONOMICS of DRILLING ON 80 ACRE VS 40 ACRE SPACING

## 1. 80 ACRE SPACING

RECOVERABLE RESERVES = 130,000 BARRELS of OIL DRILLING COSTS = \$650,000 (EQUIPPED PRODUCER)

## **ECONOMICS:**

INCOME 130,000 X .80 X \$20 X .925 = \$1,924,000OPERATING EXPENSE 15 X 12 X 2500 = 450,000 NET OPERATING INCOME = 1,474,000DRILLING COST 650,000 NET PROFIT 824,000

PROFIT TO INVESTMENT RATIO =  $\frac{824,000}{650,000} = 1.27$ 



RECOVERABLE RESERVES = 65,000 BARRELS of OIL DRILLING COST = \$640,000 (EQUIPPED PRODUCER)

**ECONOMICS:** 

INCOME  $65,000 \times .80 \times $20 \times .925 = $962,000$ OPERATING EXPENSE 10 X 12 X 2500 = 300,000NET OPERATING INCOME = 662.000= 640,000DRILLING COST NET PROFIT 22,000

PROFIT TO INVESTMENT RATIO =  $\frac{22,000}{640,000}$  = .03

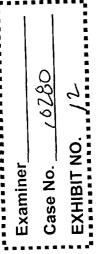
NOTE THAT THE PROFIT TO INVESTMENT RATIO IS JUST BARELY ACCEPTABLE FOR 80 ACRE SPACING AND THAT THE PROFIT TO INVESTMENT RATIO IS COMPLETELY UNACCEPTABLE FOR 40 ACRE SPACING. THIS FIELD CANNOT BE ECONOMICALLY DEVELOPED ON ANY SPACING LESS THAN 80 ACRES.

ACTUAL DRILLING COSTS of MILNESAND ABO PRODUCERS:

= \$690.000BTA KNOX(PURVIS) = 634,000

= 587,400 (TD in Bough"C", sidetrack hole) = 712,300 (TD in Bough "C")

PPMI #3 = 587,400 (TD in PPMI #4 = 712,300 (TD in PPMI Star = 82,648 (OWPB) PURVIS 3K = 320,000 (DHC)



## BEFORE THE OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. <u>10280</u> Exhibit No. <u>12</u>
Submitted by: <u>Petroleum Production Management Inc.</u>

Hearing Date: August 3, 1995