

THREE-PART PENALTY FACTOR -- BHP

① NORTH - SOUTH

$$P_a = \frac{\text{ORTHODOX FNL} - \text{ACTUAL FNL}}{\text{ORTHODOX FNL}}$$

$$P_a = \frac{660 - 660}{660} = \text{ZERO}$$

② EAST - WEST

$$P_b = \frac{\text{ORTHODOX FWL} - \text{ACTUAL FWL}}{\text{ORTHODOX FWL}}$$

$$P_b = \frac{1980 - 990}{1980} = 0.50$$

③ EXCESS AREA

$$P_c = \frac{\text{AREA OUTSIDE ORTHODOX CIRCLE}}{\text{AREA OF ORTHODOX CIRCLE}}$$

$$P_c = \frac{79 \text{ ACRES}}{320 \text{ ACRES}} = 0.25$$

$$\begin{aligned} \text{PENALTY FACTOR} &= \frac{1}{3} (P_a + P_b + P_c) \\ &= \frac{1}{3} (0 + 0.50 + 0.25) = 0.25 \end{aligned}$$

$$\text{PENALTY} = 25\%$$

YATES PETROLEUM CORP.
BEFORE EXAMINER STOGNER
NMOCD CASE NO. 10489
DATE: 06/11/92
EXHIBIT NO. 14

