

**YATES DIAMOND "AKI" FED NO. 1
PROPOSED PENALTY FORMULA**

1. South Encroachment Factor

Encroachment = Orthodox well spacing FSL - Unorthodox well spacing FSL

Encroachment = 660 ft - 360 ft = 300 ft

Penalty = $\frac{\text{Encroachment FSL}}{\text{Orthodox spacing FSL}} = \frac{300'}{660'} = 45\%$

2. East Encroachment Factor

Encroachment = Orthodox spacing FEL - Unorthodox spacing FEL

Encroachment = 660 ft - 560 ft = 100 ft

Penalty = $\frac{\text{Encroachment FSL}}{\text{Orthodox spacing FSL}} = \frac{100'}{660'} = 15\%$

3. Average Encroachment Factor

Avg Encroachment = $\frac{\text{SEF} + \text{EEF}}{2} = \frac{45\% + 15\%}{2} = 30\%$

4. Non Productive Acreage Penalty

Percent of Proration without Productive Pay = 50%

Percent Penalty obtained from Yates Map Exhibit No. 2 NMOCD Case 10108.

5. Penalty Factor (PF)

PF = (1 - Avg Encroachment Factor)(Nonproductive Acreage Penalty)
= (1 - .3)(.5)
= .35

Therefore allowable is equal to 0.35 * 24 hr initial potential test witnessed by NMOCD.

65% penalty
35% allowable

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| BEFORE EXAMINER OIL CONSERVATION DIVISION |
| EXHIBIT NO. <u>10</u> |
| CASE NO. <u>10519</u> |
| Submitted by <u>Conoco Inc.</u> |
| Hearing Date <u>8-20-92</u> |