

HEARING: Unorthodox Location of Yates Petroleum

Marathon "AGI" State #1

(OWDD)

ECONOMICS OF MARATHON RE-ENTRY

Drill an 8100' well at Standard Location	\$483,975
Re-Enter and Deepen About 1000' at present Unorthodox Location	<u>\$283,400</u>
DIFFERENCE	<u>\$200,575</u>

The re-entry and deepening at the present unorthodox location will prevent economic waste. Attached are two AFE's (Authorizations for Expenditure) detailing the above costs.

YATES PETROLEUM CORPORATION  
Case No. 9628  
3/29/89 Examiner Hearing  
Exhibit No. 4



AUTHORITY FOR EXPENDITURE  
STANDARD LOCATION

AFE #  
REVISION #  
DATE 3/1/89

207 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210

LEASE NAME Marathon AGI State #1  
COUNTY Eddy STATE New Mexico  
HORIZON Morrow EST. T. D. 8100'  
EST. COMPLETION DATE

LOCATION Sec 33-T17S-R24E  
FIELD Richard Knob Area  
EST. SPUD DATE  
DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ☐ OIL ☒ GAS  
PURPOSE : ☐ DRILLING-NEW ☒ RECOMPLETION ☐ OIL AND/OR GAS  
TYPE WELL : ☐ DEVELOPMENT ☒ EXPLORATION ☐ OTHER (SUPPLEMENTAL AFE, ETC.)

INTANGIBLE COSTS:

		DRY HOLE	COMPLETION
9210	STAKING PERMIT & LEGAL FEES	\$ 700	\$ 700
9211	LOCATION, RIGHT-OF-WAY	13,000	13,000
9212	DRILLING, FOOTAGE 8100' @ \$13.75/Ft	111,375	111,375
9213	DRILLING, DAYWORK 5 days @ \$4000/Day	20,000	20,000
9214	DRILLING WATER	15,000	15,000
9215	DRILLING MUD & ADDITIVES	16,000	16,000
9216	MUD LOGGING UNIT	6,700	6,700
9217	SURFACE & INT. CEMENT, CSG., TOOLS & SERVICES	15,000	15,000
9218	DRILL STEM TESTING	3,600	3,600
9219	ELECTRIC LOGS - OPEN HOLE	14,000	14,000
9220	TOOL & EQUIP. RENTAL, TRUCKING, WELDING	4,000	4,000
9221	SUPERVISION & OVERHEAD	10,000	10,000
9223	CORING, TOOLS & SERVICES	0	0
9224	BITS, TOOLS & SUPPLIES	300	300
9235	PRODUCTION CEMENT, CASING, TOOLS & SERVICES	0	9,000
9222	CONTINGENCY	24,000	25,000
9241	COMPLETION UNIT	0	12,000
9242	WATER FOR COMPLETION	0	2,200
9243	MUD ADDITIVES FOR COMPLETION	0	2,500
9244	CEMENT, TOOLS, SERVICES & TEMP. SURV. FOR COMP.	0	3,000
9245	ELECTRIC LOGS, PERFORATION TEST FOR COMPLETION	0	10,000
9246	TOOLS, TRUCK, WELD. & EQUIP. RENTAL FOR COMP.	0	15,000
9247	STIMULATION - COMPLETION	0	25,000
9248	SUPERVISION & OVERHEAD - COMPLETION	0	3,600
9249	ADD'L LOCATION, ROAD WORK & SURFACE DAMAGES	0	1,500
9251	BITS, TOOLS, ETC. PURCHASED FOR COMPLETION	0	1,000
9250	CONTINGENCY - COMPLETION	0	6,100
TOTAL INTANGIBLES		253,675	345,575

EQUIPMENT COSTS:

9301	CHRISTMAS TREE AND WELL HEAD	1,200	12,000
9302	CASING 13-3/8" 54.5# J-55 @ 250'	6,500	6,500
9302	8-5/8" 24# J-55 @ 1100'	10,500	10,500
9302	5-1/2" 15 & 17# J-55 @ 8300'	0	49,400
9303	TUBING 2-7/8" 6.4# J-55 @ 8000'	0	28,000
9304	PACKER & SPECIAL EQUIPMENT	0	0
9350	CONTINGENCY	1,200	6,000
WELL EQUIPMENT		19,400	112,400

LEASE & BATTERY EQUIPMENT COSTS:

9401	PUMPING EQUIPMENT	0	0
9402	STORAGE 2-210 B. welded tnk/walkway & stairs/Fgrgls	0	5,200
9403	SEPARATION EQUIP., FLOWLINES, VALVES, FITTINGS tnk	0	14,900
9404	TRUCKING & CONSTRUCTION COSTS	0	5,900
TOTAL LEASE & BATTERY EQUIP.		0	26,000

TOTALS 273,075 483,975

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

YATES PETROLEUM CORPORATION

DATE

SHARE

BY

BY

BY

BY

BY



207 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210

AUTHORITY FOR EXPENDITURE  
UNORTHODOX LOCATION  
RE-ENTER MONSANTO STATE #1  
DEEPEN 1000' to MORROW

AFE #89-019-0  
REVISION #  
DATE 2-2-89

NE/NE

LEASE NAME Monsanto AGI State #1  
COUNTY Eddy STATE NM  
HORIZON Morrow EST. T. D. 8020'  
EST. COMPLETION DATE \_\_\_\_\_

LOCATION Sec. 33-T17S-R24E  
FIELD Richard Knob Area  
EST. SPUD DATE \_\_\_\_\_  
DRILLING CONTRACTOR \_\_\_\_\_

PRIMARY OBJECTIVE: ☐ OIL ☒ GAS ☐ OIL AND/OR GAS  
PURPOSE : ☐ DRILLING-NEW ☐ RECOMPLETION ☐ OTHER (SUPPLEMENTAL AFE, ETC.)  
TYPE WELL : ☐ DEVELOPMENT ☐ EXPLORATION ☒ RE-ENTRY

INTANGIBLE COSTS:

		DRY HOLE	COMPLETION
9210	STAKING PERMIT & LEGAL FEES	\$ 200	\$ 200
9211	LOCATION, RIGHT-OF-WAY	4500	4500
9212	DRILLING, FOOTAGE - @ -	-	-
9213	DRILLING, DAYWORK <u>10 days</u> @ <u>\$3900/day</u>	39000	39000
9214	DRILLING WATER	5000	5000
9215	DRILLING MUD & ADDITIVES	12000	12000
9216	MUD LOGGING UNIT	4500	4500
9217	SURFACE & INT. CEMENT, CSG., TOOLS & SERVICES	-	-
9218	DRILL STEM TESTING	4000	4000
9219	ELECTRIC LOGS - OPEN HOLE	12000	12000
9220	TOOL & EQUIP. RENTAL, TRUCKING, WELDING	3000	3000
9221	SUPERVISION & OVERHEAD	6000	6000
9223	CORING, TOOLS & SERVICES	-	-
9224	BITS, TOOLS & SUPPLIES	8600	8600
9235	PRODUCTION CEMENT, CASING, TOOLS & SERVICES	5000	12000
9222	CONTINGENCY	-	6000
9241	COMPLETION UNIT	-	12000
9242	WATER FOR COMPLETION	-	2000
9243	MUD ADDITIVES FOR COMPLETION	-	2000
9244	CEMENT, TOOLS, SERVICES & TEMP. SURV. FOR COMP.	-	2500
9245	ELECTRIC LOGS, PERFORATION TEST FOR COMPLETION	-	10000
9246	TOOLS, TRUCK, WELD. & EQUIP. RENTAL FOR COMP.	-	15000
9247	STIMULATION - COMPLETION	-	20000
9248	SUPERVISION & OVERHEAD - COMPLETION	-	3000
9249	ADDT'L LOCATION, ROAD WORK & SURFACE DAMAGES	-	1000
9251	BITS, TOOLS, ETC. PURCHASED FOR COMPLETION	-	1000
9250	CONTINGENCY - COMPLETION	-	-
TOTAL INTANGIBLES		103800	185300

EQUIPMENT COSTS:

9301	CHRISTMAS TREE AND WELL HEAD	1100	12000
9302	CASING <u>4-1/2" 10.5 &amp; 11.6# J-55 @ 8020'</u>	-	40100
9302		-	-
9302		-	-
9303	TUBING <u>2-3/8" 4.6# J-55 @ 7800'</u>	-	21500
9304	PACKER & SPECIAL EQUIPMENT	-	2500
9350	CONTINGENCY	-	-
WELL EQUIPMENT		1100	76100

LEASE & BATTERY EQUIPMENT COSTS:

9401	PUMPING EQUIPMENT	-	-
9402	STORAGE <u>1-210b. tank w/walkway+stair</u>	-	5000
9403	SEPARATION EQUIP., FLOWLINES, VALVES, FITTINGS	-	12000
9404	TRUCKING & CONSTRUCTION COSTS	-	5000
TOTAL LEASE & BATTERY EQUIP.		-	22000

TOTALS

\$104900 \$283400

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

	YATES PETROLEUM CORPORATION	DATE	SHARE
BY	<u>Albert G. Springer III</u>		40%
BY	YATES DRILLING COMPANY		20%
BY	ABO PETROLEUM CORPORATION		20%
BY	MYCO INDUSTRIES, INC.		20%