

Phillips Petroleum Company
Shipp State-A Well No. 1
Penalty Allowable Calculation

Well Location: 330' FSL & 2500' FWL of Section 4
(330' FSL & 140' FEL of 40 acre spacing unit)

Closest Standard Location:
580' FSL & 2107' FWL of Section 4
(580' FSL & 533' FEL of 40 acre spacing unit)

Standard Location Drainage Area: 40 acres
Increased Drainage Area Outside Standard Location: 15.9 acres

A. Factor based on distance to South Line of spacing unit:
$$\frac{510' - 330'}{510'} = \frac{180'}{510'} = 35\%$$

B. Factor based on distance to East Line of spacing unit:
$$\frac{510' - 140'}{510'} = \frac{370'}{510'} = 73\%$$

C. Factor based on acreage outside the standard location:
$$\frac{15.9}{40.0} = 40\%$$

Penalty Factor:

$$\frac{35\% + 73\% + 40\%}{3} = 49\%$$

Penalty Factor Applied to 80 Acre Depth Bracket Allowable:

$$(1 - 0.49) \times 445 \text{ BOPD} = 227 \text{ BOPD}$$

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Phillips EXHIBIT NO. 8

CASE NO. 9036