FORM 1397 1-66

PAN AMERICAN PETROLEUM CORPORATION

SECURITY LIFE BUILDING
DENVER, COLORADO 80202

PRODUCING DEPARTMENT
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W. M. JONES
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JOINT INTEREST
SUPERINTENDENT
S. B. RICHARDS

August 3, 1966

File: SBR-355-986.511

Re: Request for Extension to No Flare Exception
Administrative Order No. R-1451-A
Jicarilla 35 Well No. 1
Otero Gallup Oil Pool
Rio Arriba County, New Mexico

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

35-25-5

Dear Sir:

Pan American Petroleum Corporation respectfully requests an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from Jicarilla 35 Well No. 1 in exception to the no flare provisions of Rule 4, Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959. Your letter of August 13, 1965, authorized the flaring of casinghead gas from this well until September 21, 1966.

Attached herewith is a summary of production tests for the Jicarilla 35 Well No. 1. Although a recent gas producing test slightly exceeds the 1965 test rate, it is less than the rates obtained in 1961. The oil producing rate has continued to decline gradually over the past few years; thus, the well is definitely on decline and probably in the latter stages of depletion.

Jicarilla 35 Well No. 1 produces into a tank battery which serves only the one well as it is our only well in the Otero Gallup Oil Pool and the only well on the lease. To connect Jicarilla 35 Well No. 1 to Skelly Oil Company's Otero Gallup field compressor, requiring 9,000 feet of buried pipeline (to prevent freezing), as shown in our letter of August 17, 1961, File: N-358-986.510.1, will cost approximately $12,500. This cost should be increased by approximately $1,000 due to the increased cost of equipment and labor.

since 1961. To connect to El Paso Natural Gas Company's gas gathering system, it will be necessary to install a two-stage compressor and 3500 feet of buried pipeline, as shown in our letter of June 13, 1961, File: N-174-986.510.1, at a cost of $14,200. This cost estimate is different from that shown in our letter of June 13, 1961, as one item has been revised. The compressor is assumed to have a salvage value of $3,000. The compressor operating cost is $6,300, based on the remaining life of the lease of 10-1/2 years, as shown by the attached rate versus time decline curve.

Payout of either gas facility at a gas rate of 35-1/2 MCF per day for 10-1/2 years, based on an average of the present gas rate of 72 MCF per day and an abandonment gas rate of 27 MCF per day, less 10 MCF per day for separator fuel and 4 MCF per day for the compressor (where applicable), is 11 years. Since the remaining life of said well is less than 11 years, there would be no payout.

In view of the above, an economic loss would result from the connection of said well to El Paso's gas gathering system or to Skelly Oil Company's Otero Gallup field compressor. Therefore, it is requested that Pan American Petroleum Corporation be granted an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from Jicarilla 35 Well No. 1 in excpetion to the no flareprovisions of Rule No. 4 of Order No. R-1237-A, Otero Gallup Oil Pool Rules, dated October 19, 1959.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

Sidney B. Richards

Sidney B. Richards
Joint Interest Superintendent

Attachments

cc: Mr. E. C. Arnold
New Mexico Oil Conservation Commission
1000 Rio Brazos Road
Aztec, New Mexico

ECONOMICS OF SELLING CASINGHEAD GAS
PAN AMERICAN PETROLEUM CORPORATION
JICARILLA 35 NO. 1
OTERO GALLUP FIELD

SUMMARY OF GAS-OIL RATIO TESTS

Date of Test	BOPD	MCFPD	Gas-Oil Ratio
10-9-58	29	39	1345
3-14-59	26	110	4231
3-22-60	27	88	3259
6-4-60	23	76	3304
9-14-60	21	75	3571
5-27-61	22	74	3364
6-4-62	18	64	3556
7-19-63	18	59	3278
7-12-64	17	62	3700
7-12-65	15	65	4333
11-22-65	14	70	5000
7-13-66	14	72	5143