ALPHA TWENTY-ONE PRODUCTION COMPANY

POST OFFICE BOX 1206
JAL, NEW MEXICO 88252

505/395-3056

May 31, 1984

Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

ATTN: Mr. Joe Ramey

RE: El Paso Smith No. 1
Sec. 21, T-24-S, R-37-E,
Lea County, New Mexico

Gentlemen:

Enclosed your review and approval, please find our Application for Classification as a Hardship Gas Well on the above referenced well.

To support our request for the Hardship Classification, we can examine the problems we have with the corrosive water produced from this well. During periods of shut-in, the stagnate, corrosive water causes scale build-up and iron sulfide deposits accumulate. Because of the water's corrosive nature, mainly scale build-up, we have to workover the well frequently after shut-ins. An example of this problem occurred in November 1983 when after a shut-in period and the well was turned back on, the pump was stuck. This has happened many times. We rigged a pulling unit up and pulled the rods and pump. The tubing was also pulled, which revealed that the bottom three joints of tubing and the seating nipple were severely corroded and pitted. According to the repair report from the pump company, the pump showed substantial corrosion from iron sulfide, which had eaten away part of the pump. The cost of this pump repair was $565.97, coupled with the cost of the pulling unit at $978.41, three joints of replacement tubing and new seating nipple at $250.00, pressure testing remaining string of tubing at $851.20, and BOP with adapter flange at $540.00 brings the total cost of putting the well back to it's normal producing rate at $3187.58. Not all restorations are this severe, but we frequently have to change the pump after shut-in periods and always we find corrosion and scale build-up on our downhole equipment. The severity of the problem seems to coincide with the length of the shut-in period. Chemical treatments help the problem, but only when the well is producing can the chemicals work.

The corrosion and scale build-up not only affects our downhole equipment, but causes problems in the formation. The substantial build-up of water during a shut-in period, five to ten barrels per day, could log the formation causing serious damage to the lithology of the formaiton, thus resulting in premature abandonment of the well. We estimate, if the above circumstances occur, the amount of gas reserves lost due to premature abandonment would be 357 MMCF.

To prevent this waste and protect our correlative rights, we would, therefore, request administrative approval to produce this well at it's present rate or at least at a minimum rate of 100 MCF per day and given the circumstances and problems we have had with this well, that our Application for Classification as a Hardship Gas Well be approved.

Also find for review and records the following supportive information:

1). Ownership map
2). Wellbore skethc
3). Production history of the well
4). C-102
5). Copy of the letter to offset operators
6). Certified statement

If you desire any further information, please contact me.

Sincerely,

Michael D. Oney,
Drilling Superintendent

MDO/tic
Enclosures

cc: Oil Conservation Division
P.O. Box 1980
Hobbs, NM 88240
ATTN: Mr. Jerry Sexton

Alpha Twenty-One Production Company
2100 First National Bank Building
Midland, TX 79701
ATTN: Mr. Tom Phipps

Offset Operators:

Amoco Production Company
P.O. Box 68
Hobbs, NM 88240

Amerada Hess Corporation
Drawer D
Monument, NM 88265

Clyde Petroleum, Inc.
P.O. Box 1666
Breckenridge, TX 76024-1666

Conoco, Inc.
P.O. Box 460
Hobbs, NM 88240

Getty Oil Company
Two Midland, National Center
Midland, TX 79702

El Paso Natural Gas Company
P.O. Box 1492
El Paso, TX 79978
ATTN: Mr. Harvey Rodman

Gulf Oil Corporation
P.O. Box 670
Hobbs, NM 88240

El Paso Natural Gas Company
1800 Wilco Building
Midland, TX 79701

Shell Western Explor. & Prod. Inc.
200 North Dairy Ashford, P.O. Box 991
Houston, TX 77001

Texaco, Inc.
P.O. Box 728
Hobbs, NM 88240

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator Alpha Twenty-One Production Company Contact Party Michael D. Oney

Address P.O. Box 1206 Jal, New Mexico 88252 Phone No. 505-395-3056

Lease El Paso Smith Well No. 1 UT N Sec. 21 TWP 24 South RGE 37 East

Pool Name Jalmat Minimum Rate Requested 100 MCFPD

Transporter Name El Paso Natural Gas Company Purchaser (if different) _____

Are you seeking emergency "hardship" classification for this well? X yes _____ no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)

2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

   a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.

   b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:

      i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

Present historical data which demonstrates conditions that can lead to waste. Such data should include:

   a) Permanent loss of productivity after shut-in periods (i.e., formation damage).

   b) Frequency of swabbing required after the well is shut-in or curtailed.

   c) Length of time swabbing is required to return well to production after being shut-in.

   d) Actual cost figures showing inability to continue operations without special relief

4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

   a) Minimum flow or "log off" test; and/or

   b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

7) Submit any other appropriate data which will support the need for a hardship classification.

8) If the well is in a prorated pool, please show its current under- or over-produced status.

9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

EXHIBIT "B" CASE NO. 8077 ORDER NO. R-7453

GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

1) Definition of Underground Waste.

"Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

2) The only acceptable basis for obtaining a "hardship" classification is prevention of waste with the burden of proof solely on the applicant. The applicant must not only prove waste will occur without the "hardship" classification, but also that he has acted in a responsible and prudent manner to minimize or eliminate the problem prior to requesting this special consideration. If the subject well is classified as a "hardship" well, it will be permitted to produce at a specified minimum sustainable rate without being subject to shut-in by the purchaser due to low demand. The Division can rescind approval at any time without notice and require the operator to show cause why the classification should not be permanently rescinded if abuse of this special classification becomes apparent.

3) The minimum rate will be the minimum sustainable rate at which the well will flow. If data from historical production is insufficient to support this rate (in the opinion of the Director), or if an offset operator or purchaser objects to the requested rate, a minimum flow ("log off") test may be required. The operator may, if he desires, conduct the minimum flow test, and submit this information with his application.

4) If a minimum flow test is to be run, either at the operator's option or at the request of the Division, the offset operators, any protesting party, the purchaser and OCD will be notified of the date of the test and given the opportunity to witness, if they so desire.

5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.

6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 20 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.

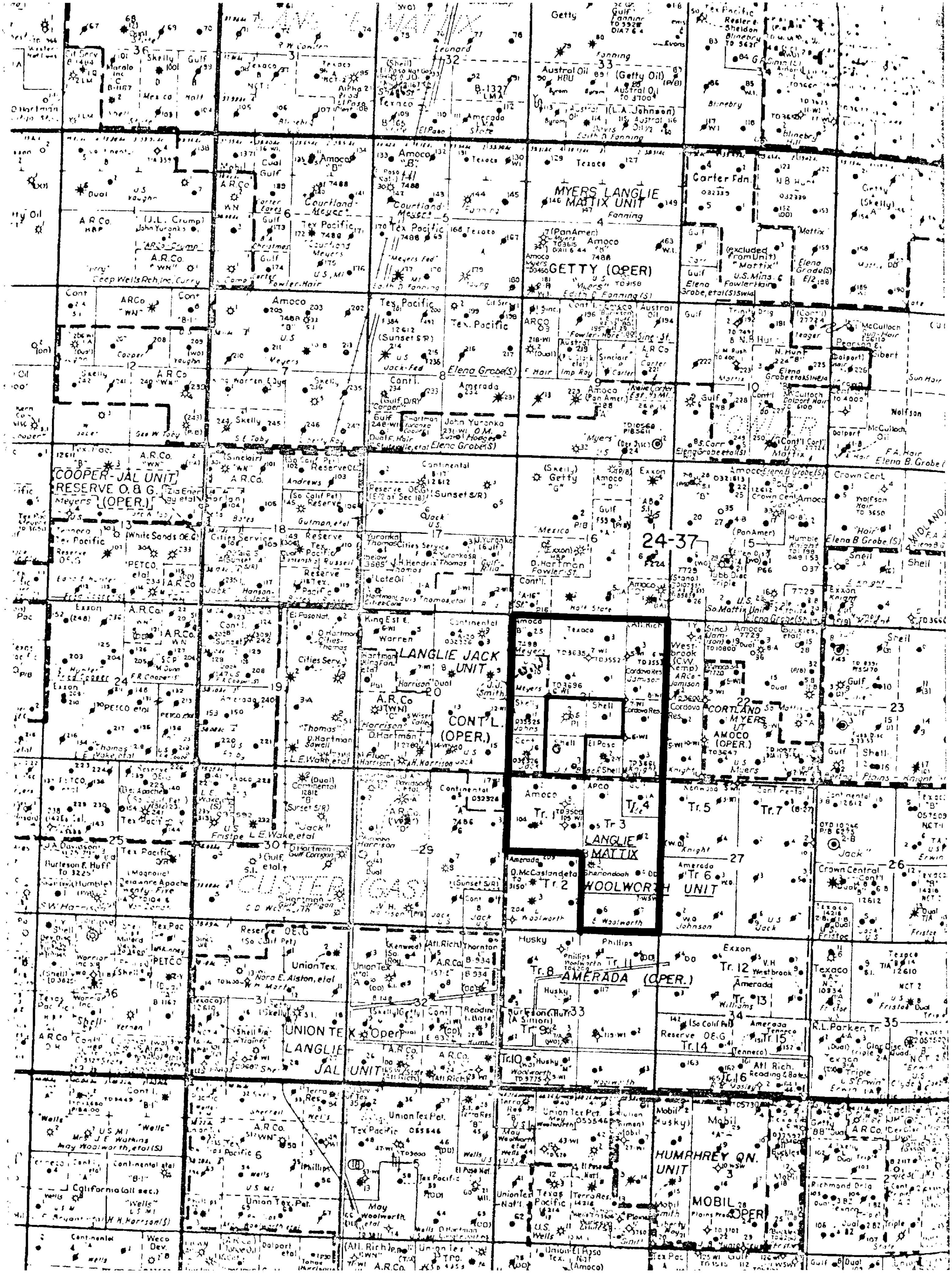
7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.

8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.

9) After a well receives a "hardship" classification, it will be retained for a period of one year unless rescinded sooner by the Division. The applicant will be required to certify annually that conditions have not changed substantially in order to continue to retain this classification.

10) Nothing here withstanding, the Division may, on its own motion, require any and all operators to show cause why approval(s) should not be rescinded if abuse is suspected or market conditions substantially change in the State of New Mexico.

11) A well classified as a "hardship well" will continue to accumulate over and under production (prorated pools). Should allowables exceed the hardship allowable assigned, the well will be permitted to produce at the higher rate, if capable of doing so, and would be treated as any other non-hardship well. Any cumulative overproduction accrued either before or after being classified "hardship" must, however, be balanced before the well can be allowed to produce at the higher rate.


MYERS LANGLIE MATTIX UNIT
GETTY (OPER)
COOPER-JAL UNIT
RESERVE O.& G. (OPER.)
24-37
LANGLIE JACK UNIT
CONT'L. (OPER.)
CORTLAND MYERS
AMOCO (OPER.)
LANGLIE MATTIX WOOLWORTH UNIT
AMERADA (OPER.)
UNION TEX Oper
LANGLIE JAL UNIT
HUMPHREY QN. UNIT
MOBIL OPER

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
Alpha 21 Production Co.	El Paso Smith	1

Unit Letter	Section	Township	Range	County
N	21	24 South	37 East	Lea

Actual Footage Location of Well:
990 feet from the South line and 1650 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3232.9	Yates-Seven Rivers	Jalmat	120 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

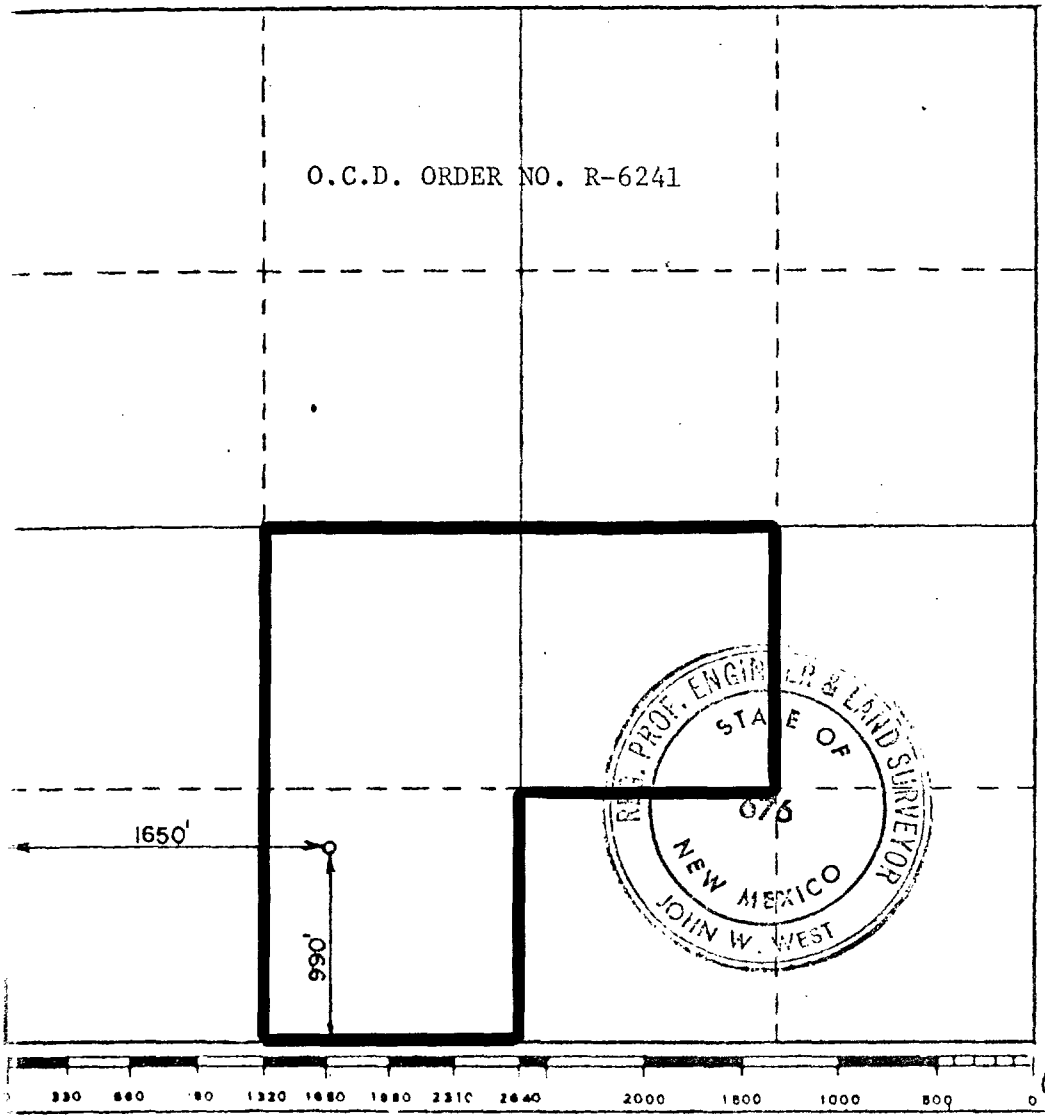
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: Tommy Phipps

Position: Executive Vice President

Company: Alpha Twenty-One Production Co

Date: 1-24-80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

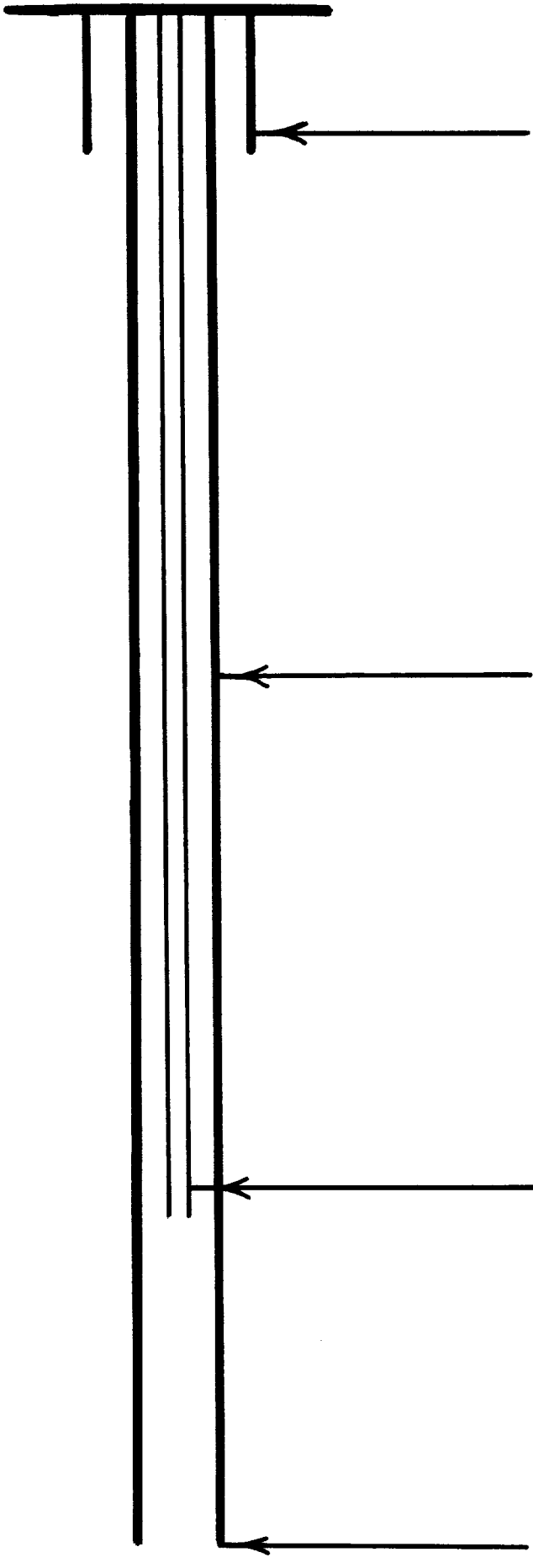
Date Surveyed: December 22, 1979

Registered Professional Engineer and/or Land Surveyor

Certificate No. John W. West 676
Ronald J. Eidson 3239

ALPHA TWENTY-ONE PRODUCTION COMPANY

El Paso Smith No. 1
1650' FWL-990' FSL
Section 21, T24S, R37E



8-5/8" casing set at 414'. Cemented with 300 sacks Class 'C' with 2% CaCl. Circulated 85 sacks.

5-1/2" casing set at 3300'. Cemented with 275 3% Econolite with $\frac{1}{4}$lb. Flocele and 250 sacks 50/50 Pozmix with 9 lb. CaCl and $\frac{1}{4}$ lb. Flocele. Circulated 35 sacks.

2-3/8" tubing set at 3010'. Perforations at 2951'-3083'.

TD at 3300'.

ALPHA TWENTY-ONE PRODUCTION COMPANY

POST OFFICE BOX 1206
JAL, NEW MEXICO 88252

505/395-3056

May 31, 1984

I, Michael D. Oney, certify that all foregoing information submitted with the Application for Classification as Hardship Gas Well on the El Paso Smith No. 1, Section 21, T-24-S, R-37-E, Lea County, New Mexico is true and correct to the best of my knowledge and further attest that one copy of the Application has been submitted to the appropriate Division district office (Oil Conservation Division, P.O. Box 1980, Hobbs, NM 88240) and that notice of this application has been given to the transporter/purchaser (El Paso Natural Gas Company, P.O. Box 1492, El Paso, TX 79978) and notice of this application has been given to all offset operators.

Michael D. Oney

Michael D. Oney, Drilling Superintendent

ALPHA TWENTY-ONE PRODUCTION COMPANY
Tabulation of Production
El Paso Smith No. 1
Lea County, New Mexico
Fee Lease
Jalmat

	Gas MCF	Annual Cumulative	Total Cumulative	Oil Bbls	Annual Cumulative	Total Cumulative
1980						
April	8,916					
May	3,776	12,692				
June	9,825	22,517				
July	8,920	31,437				
August	7,319	38,756				
September	8,244	47,000				
October	7,647	54,647				
November	6,476	61,123				
December	6,726	67,849	67,849			
1981						
January	5,998					
February	5,177	11,175	79,024			
March	5,658	16,833	84,682			
April	4,318	21,151	89,000			
May	5,255	26,406	94,255			
June	5,111	31,517	99,366			
July	4,827	36,344	104,193			
August	4,317	40,661	108,510			
September	3,942	44,603	112,452			
October	2,176	46,779	114,628			
November	3,389	50,168	118,017			
December	3,592	53,760	121,609			
1982						
January	3,446	3,446	125,055			
February	3,142	6,588	128,197			
March	4,010	10,598	132,207			
April	3,703	14,301	135,910			
May	807	15,108	136,717			
June	1,989	17,097	138,706			
July	1,468	18,565	140,174			
August	994	19,559	141,168			
September	8	19,567	141,176			
October	69	19,636	141,245			
November	71	19,707	141,316			
December	565	20,272	141,881			
1983						
January	272	272	142,153			
February	69	341	142,222			
March	12	353	142,234			
April	75	428	142,309			
May	1,578	2,006	143,887			
June	2,383	4,389	146,270			
July	3,648	8,037	149,918			
August	3,082	11,119	153,000			
September	1,396	12,515	154,396			
October	696	13,211	155,092			
November	3,040	16,251	158,132			
December	2,141	18,392	160,273			
1984						
January	2,223	2,223	162,496			
February	475	2,698	162,971			
March	2,698	5,396	165,669			
April	2,647	8,043	168,316			

ILLEGIBLE

ALPHA TWENTY-ONE PRODUCTION COMPANY

POST OFFICE BOX 1206
JAL, NEW MEXICO 88252

505/395-3056

May 31, 1984

Amerada Hess Corporation
P.O. Drawer D
Monument, NM 88265

RE: El Paso Smith No. 1
Sec. 21, T-24-S, R-37-E,
Lea County, New Mexico

Gentlemen:

As an offset operator, please be informed that we are applying for a Hardship Gas Well Classification on the above referenced well.

Enclosed for your review and records, please find one copy each of the Application for Classification as a Hardship Gas Well and an ownership map showing the proration unit dedication and ownership of all offsetting acreage.

If you have any questions concerning this application, please direct them to the Oil Conservation Division of New Mexico in Santa Fe, New Mexico.

Sincerely,

Michael D. Oney,
Drilling Superintendent

MDO/tic
Enclosures

cc: Amoco Production Company
P.O. Box 68
Hobbs, NM 88240

Clyde Petroleum, Inc.
P.O. Box 1666
Breckenridge, TX 76024-1666

Conoco, Inc.
P.O. Box 460
Hobbs, NM 88240

El Paso Natural Gas Company
1800 Wilco Building
Midland, TX 79701

Getty Oil Company
Two Midland National Center
Midland, TX 79702

Gulf Oil Corporation
P.O. Box 670
Hobbs, NM 88240

Shell Western Expl. & Prod. Inc.
200 North Dairy Ashford, P.O. Box 991
Houston, TX 77001

Texaco, Inc.
P.O. Box 728
Hobbs, NM 88240