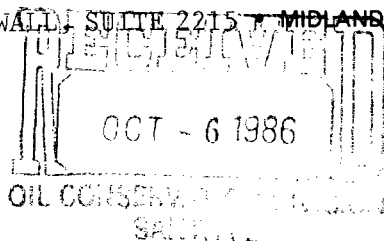




National Cooperative Refinery Association

415 W. WALL STREET, SUITE 2215 • MIDLAND, TEXAS 79701 • 915/683-2734



District
Production
Office

October 1, 1986

Case 9103

Oil Conservation Division
State of New Mexico
Energy and Minerals Department
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for Classification
as Hardship Gas Well
Federal 11-20-34 No. 1
Lea County, New Mexico

Gentlemen:

Information to support National Cooperative Refinery Association's application to classify Federal 11-20-34 No. 1 as a hardship gas well is as follows:


- 1) During the past year Phillips 66 Natural Gas Company has instituted pipeline proration on Federal 11-20-34 No. 1 due to lack of market demand for gas. Each time the well is shut-in it loads up with water and condensate, and it is necessary to swab the well or use a surfactant to restore production. We have been unable to restore maximum production after swabbing, and it is believed gas reserves will be lost due to possible formation damage.
- 2) Federal 11-20-34 No. 1 produces from Penn perforations 13034'-13087', and the use of smallbore tubing, plunger lift, or rod pumping unit is not mechanically or economically feasible.
- 3)
 - a) Attached is a production curve which shows production before and after the well has been shut-in.
 - b) The well requires swabbing or use of a surfactant after being shut-in.
 - c) It requires approximately 7 hours to restore production by swabbing.
 - d) Attached is a copy of the last invoice in the amount of \$779.74 for a swab unit to restore production after the well has been shut-in.

- 4) Premature abandonment could result in a loss of 5 years production or approximately 78,000 MCF gas reserves.
- 5) Production data for the last six months is as follows:

<u>Month</u>	<u>No. Days Produced</u>	<u>Avg. Daily Prod MCF</u>	<u>Remarks</u>
March	11	172	
April	1	50	Shut-In by pipeline
May	27	102	Swabbed 19 BO, 20 BW
June	30	161	
July	30	162	
August	31	150	

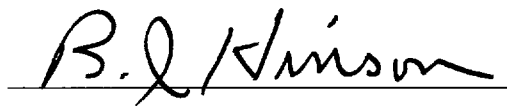
The minimum sustainable producing rate requested is 150 MCFPD.

Yours very truly,


B. J. Hinson

CERTIFICATE:

I declare that all information submitted with this application is true and correct to the best of my knowledge; that one copy of the application has been submitted to the Oil Conservation Division district office in Hobbs, New Mexico, and that notice of the application has been given to the transporter/purchaser and offset operators.



Dist. Prod. Supt.

10-1-86

Telephone:

915/683-2734

Case 9103

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator National Coop. Refinery Assoc. Contact Party B. J. Hinson
Address 415 W. Wall, Suite 2215, Midland, TX. 79701 Phone No. 915/683-2437
Lease Federal 11-20-34 Well No. 1 UT F Sec. 11 TWP 20 S RGE 34 E
Pool Name Lea Penn (Gas) Minimum Rate Requested 150 MCF/day
Transporter Name Phillips 66 Natural Gas Co. 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.

1) 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.

3) 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.

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.

SEP 03 1986

N C R A
Midland, Texas

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.

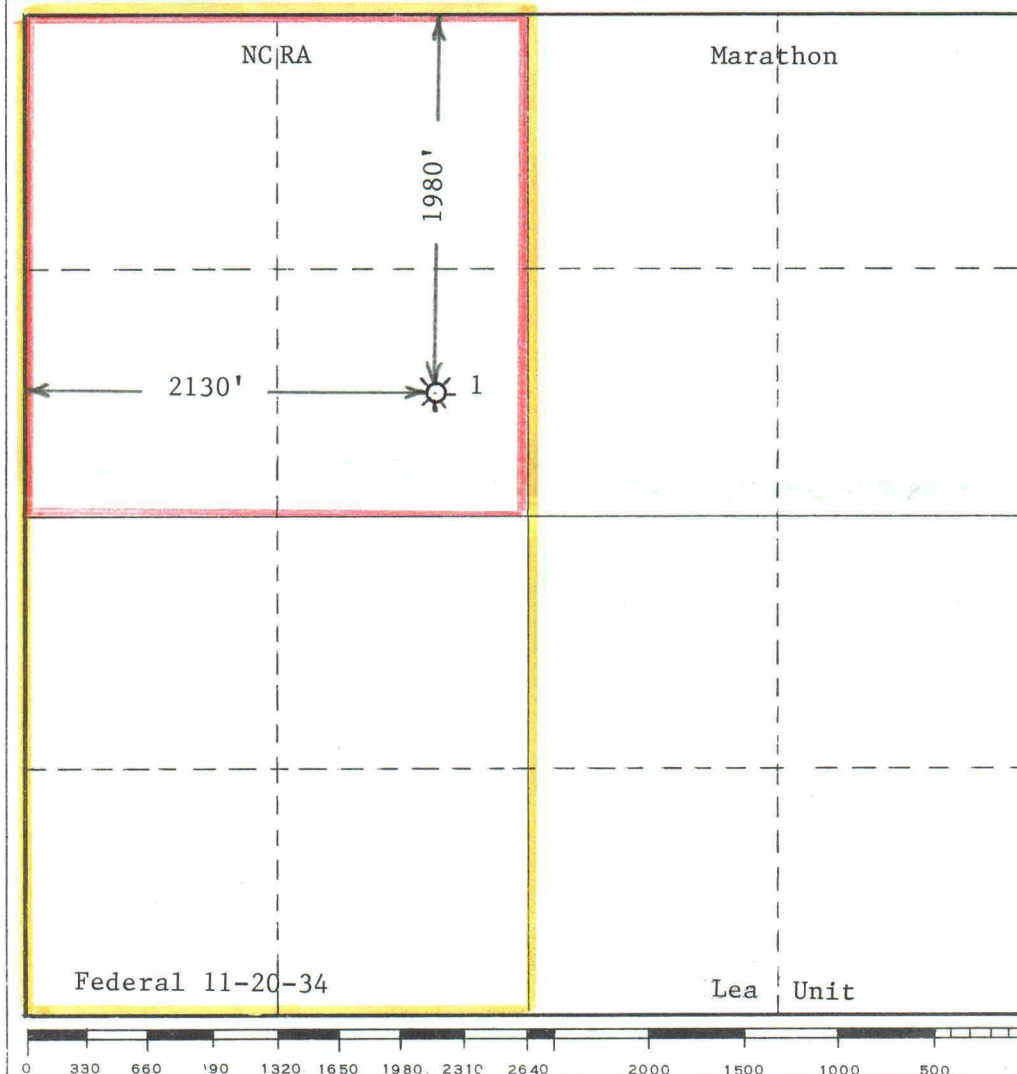
Operator National Coop. Refinery Assoc.			Lease Federal 11-20-34		Well No. 1
Unit Letter F	Section 11	Township 20 South	Range 34 East	County Lea	
Actual Footage Location of Well: 1980 feet from the North line and 2130 feet from the West line					
Ground Level Elev. 3644.3	Producing Formation Pennsylvanian		Pool Lea Penn		Dedicated Acreage: 160 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.

B. J. Hinson

Name
B. J. Hinson

Position
Dist. Prod. Supt.

Company
National Coop. Refinery Assoc.

Date
10-01-86

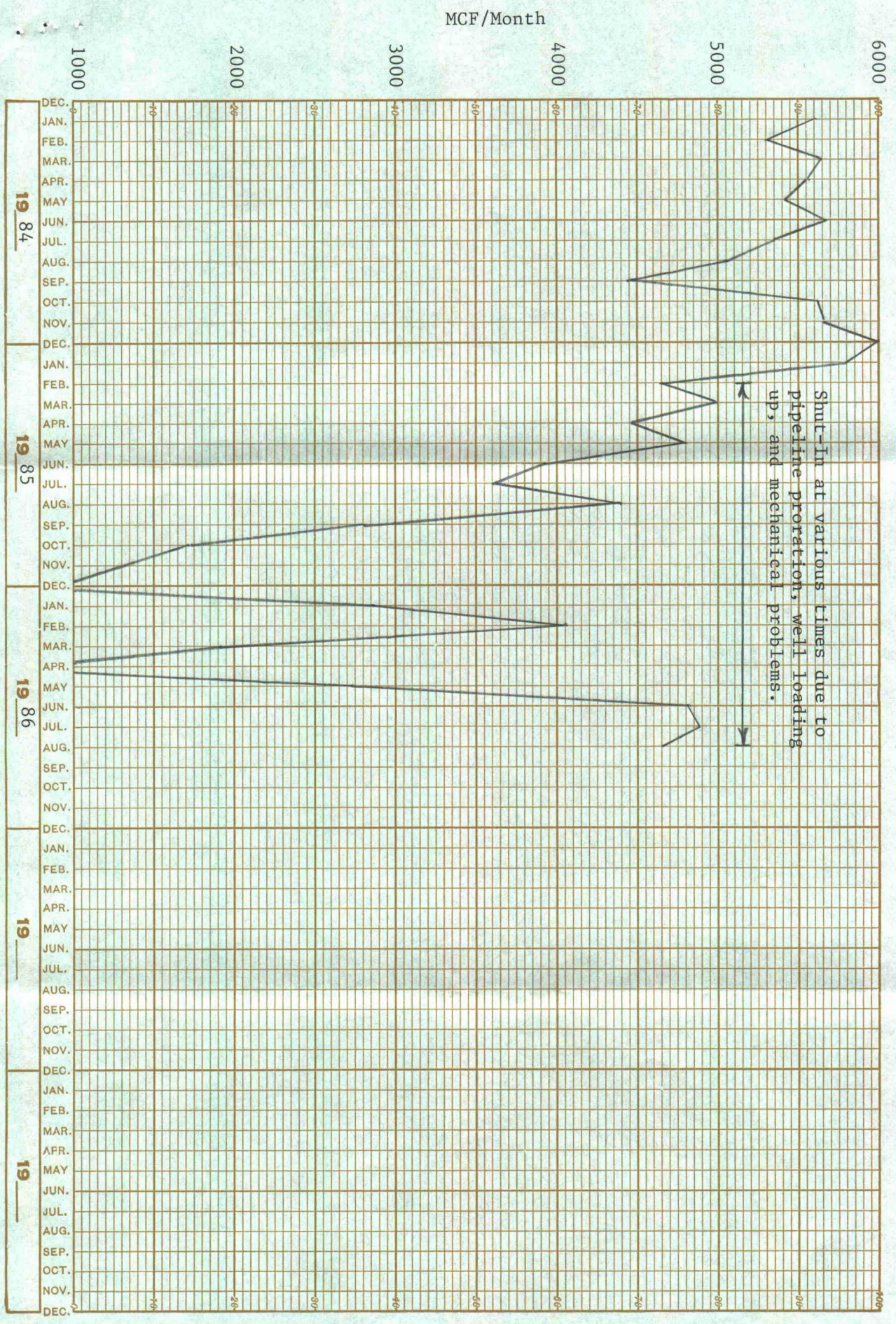
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed _____

Registered Professional Engineer and/or Land Surveyor _____

Certificate No. _____

FEDERAL 11-20-34 Well No. 1
Lea Penn (Gas) Field
Lea County, New Mexico



John. Shockley - Swabbing Service, Inc.

P. O. BOX 1857
EUNICE, NEW MEXICO 88231PHONES:
394-3435
393-1088

JOHN SHOCKLEY, PRESIDENT

INVOICE N^o 4332

TO: National Cooperative Refinery Assoc.
2215 Wilco Building
Midland, Texas 79701
Attention: Floyd Steed

Date May 23, 1986

Contract No.

AFE No.

Req. or

Purchase Order No.

Lease & Well No. Federal 11-20-34 #1 Swab Unit # 14

05/22/86 # 9297 Roaded unit to location, Rigged up, 50# on casing, 40# on tubing, First fluid at 4600', Swabbed 44 bbl. of fluid to tank, 24 oil, 20 water, Light gas, Last fluid scattered, Left tubing open to sales at 280#, 0# on casing, Rigged unit down.

Two Man Crew	9½ Hrs.	@ 63.25	600.88
Swab Cups	8	@ 15.50	124.00
OSR	2	@ 9.75	19.50

	744.38
.0475% NM Tax	35.36
	779.74

Job Complete

Thank You

TERMS: NET. DUE IN 30 DAYS.