

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9031
Order No. R-8378

APPLICATION OF YATES PETROLEUM
CORPORATION FOR HARDSHIP GAS
WELL CLASSIFICATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 17, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

Now on this 31st day of December, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation, seeks a determination that its Mescal "SE" Federal Well No. 1, located 660 feet from the North line and 1750 feet from the West line (Unit C) of Section 18, Township 21 South, Range 22 East, NMPM, Eddy County, New Mexico, is a hardship gas well that should be granted priority access to pipeline takes in order to avoid waste.

(3) The well is completed in the Little Box Canyon-Morrow Gas Pool which is not currently a prorated gas pool.

(4) Said Mescal "SE" Federal Well No. 1 was completed in February, 1982, and produced no water until October, 1983, whereupon the well began to produce water in substantial quantities.

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(5) The applicant testified at the hearing that after the well has been shut-in, extensive swabbing and venting of the gas to the atmosphere is required to return it to production.

(6) The applicant presented evidence in the form of deliverability curves derived from tests performed on the well in 1984 and 1985, which show that the well has experienced a decline in deliverability during this period as a result of formation damage due to water loading.

(7) Due to the current low market demand for natural gas, said well is shut-in by the transporter for all but one day each month.

(8) The applicant testified that in view of the small amount of gas that the well would be allowed to produce under current market conditions, it would be uneconomical to install plunger lift or rod pump equipment on the well.

(9) The applicant presented further evidence that shows that if the well is not granted hardship well status, gas reserves in the amount of 750 million cubic feet of gas may be lost.

(10) At the time of the hearing, the applicant requested a minimum producing rate for the well of 650 MCF/Day.

(11) A log-off test conducted on the well indicates that the well should be able to be produced at a rate of 330 Mcf/day without logging off.

(12) Should the rate of 330 MCF/Day prove to be insufficient to keep the well from logging off, the applicant should be allowed to administratively obtain an increase in said rate upon presentation of further testing or production history data on the well justifying such increase to the Director of the Division.

(13) To prevent waste, applicant's Mescal "SE" Federal Well No. 1 should be designated a hardship gas well and be given priority access to the available market for gas.

(14) Such classification should be subject to the limitations described in Rule 412 of the Division's Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

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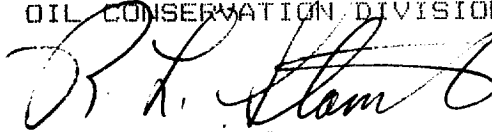
(1) The Mescal "SE" Federal Well No. 1, located 660 feet from the North line and 1750 feet from the West line (Unit C) of Section 18, Township 21 South, Range 22 East, NMPM, Little Box Canyon Morrow Gas Pool, Eddy County, New Mexico, is hereby designated a hardship gas well subject to the following terms and conditions:

- (a) The well will be given priority access to the available gas market;
- (b) The minimum approved flow rate for the well shall be 330 Mcf/day;
- (c) The hardship classification shall be retained only through January 1, 1988, unless the operator obtains an extension thereof under the terms of Division Rule 412 A; and,
- (d) The well should be subject to all terms and provisions of Division Rule 412.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

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