

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. 9081
Order No. R-8412

APPLICATION OF CONOCO INC. 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 February 18, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of March, 1987, 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 the law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) Division Case Nos. 9079, 9080, and 9081 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, Conoco Inc., seeks a determination that its Federal 34 Well No. 2, located 2310 feet from the North line and 1290 feet from the East line (Unit H) of Section 34, Township 20 South, Range 26 East, NMPM, Eddy County, New Mexico, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.
- (4) Said Federal 34 Well No. 2 was completed in the Springs-Upper Pennsylvanian Gas Pool in August, 1982, and has produced considerable amounts of water since that time.
- (5) The applicant replaced the original tubing string at the time of completion to obtain better flow characteristics from the formation.
- (6) Due to low market demand for gas, the well has been shut-in several times since its completion.

-2-

Case No. 9081

Order No. R-8412

(7) Subsequent to the most recent shut-in period, which occurred from approximately June through October, 1986, extensive workover operations, including nitrogen injection, had to be conducted on the well in order to remove the accumulated liquids from the wellbore.

(8) The applicant testified that subsequent to the workover operations the well flowed for approximately 13 days, loaded up and died again, and remains at the current time shut-in.

(9) The applicant further testified that due to the considerable expense required to bring the well back on production after periods of shut-in, the well could not be economically produced if not granted hardship classification.

(10) Gas reserves in the amount of 350-360 million cubic feet may be lost should the well be plugged and abandoned, thereby causing waste.

(11) The applicant presented engineering calculations at the hearing that indicates that the minimum producing rate for the well should be 350 Mcf/day.

(12) These calculations correlate very well to the actual flow data obtained from the well subsequent to the workover operations and prior to logging-off.

(13) The applicant further requested that a provision be included in the order allowing administrative approval of an increase in the minimum flow rate for the well upon a proper showing to the Director of the Division that said increase is necessary and justified.

(14) To prevent waste, applicant's Federal 34 Well No. 2 should be designated a hardship gas well and be given priority access to the available market for gas.

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

IT IS THEREFORE ORDERED THAT:

(1) The Federal 34 Well No. 2, located 2310 feet from the North line and 1290 feet from the East line (Unit H) of Section 34, Township 20 South, Range 26 East, NMPM, Springs-Upper Pennsylvanian 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 350 Mcf/day;

-3-

Case No. 9081

Order No. R-8412

(c) The hardship classification shall be retained only through April 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) The Director of the Division may grant an increase in the minimum flow rate for the well upon a proper showing by the applicant that said increase is necessary to maintain production in the well and the following conditions are met:

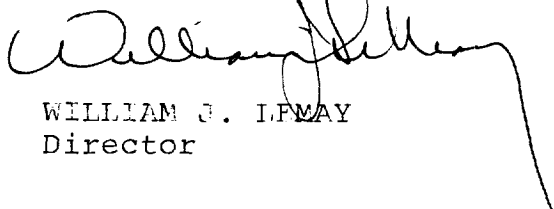
(a) All offset operators and the transporter are notified by certified or registered mail of the applicant's intention to apply for an increase in the minimum flow rate for the well; and,

(b) No objection to the proposed increase is entered within a period of 15 days.

(3) Jurisdiction 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



WILLIAM J. IFMAY
Director

SEAL