

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. 9080
Order No. R-8427

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 9th day of April, 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 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. 1, located 960 feet from the South line and 1980 feet from the West line (Unit N) 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. 1 was originally drilled to and completed in the Morrow formation in January, 1979, and was recompleted in the Springs-Upper Pennsylvanian Gas Pool in August, 1981.

(5) The well has produced considerable amounts of water from the Pennsylvanian formation since its completion.

(6) The applicant replaced the original tubing string at the time of completion in the Pennsylvanian formation to obtain better flow characteristics from the formation.

(7) Due to low market demand for gas, the well has been shut-in several times since its completion.

(8) Subsequent to periods of shut-in, it is necessary for the applicant to conduct workover operations on the well, including nitrogen injection, in order to remove the accumulated liquids from the wellbore.

(9) The applicant's witness testified that each time the well is shut-in, it takes longer for the well to restore itself to its producing rates prior to shut-in.

(10) Testimony by the applicant's witness indicates 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.

(11) Gas reserves in the amount of 250 million cubic feet may be lost should the well be plugged and abandoned, thereby causing waste.

(12) The applicant presented engineering calculations at the hearing that indicate that the minimum producing rate for the well should be 300 Mcf/day.

(13) The applicant presented no actual production data from the well which support the minimum producing rate calculations presented at the hearing.

(14) The applicant should be required to conduct a log-off test on the well in order to substantiate the minimum producing rate calculations presented at the hearing.

(15) 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.

(16) To prevent waste, applicant's Federal 34 Well No. 1 should be designated a hardship gas well and be given priority access to the available market for gas.

(17) 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. 1, located 960 feet from the South line and 1980 feet from the West line (Unit N) 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 temporary minimum approved flow rate for the well shall be 300 Mcf/day;
- (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 shall be subject to all terms and provisions of Division Rule 412.

(2) The applicant shall conduct a log-off test on the well within 120 days after the effective date of this order and shall notify the supervisor of the Artesia District Office of the Division of the date and time of the commencement of said test so that it may be witnessed.

(3) The applicant shall further report the results of said log-off test to the Santa Fe Office of the Division upon completion of the test, whereupon the Director of the Division may adjust the minimum producing rate for the well after review of the test data.

(4) The Director of the Division may grant an increase in the minimum flow rate for the well at any time upon a proper showing by the applicant that said increase is necessary to maintain production in the well and the following conditions are met:


-4-

Case No. 9080
Order No. R-8427

- (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.
- (5) 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


WILLIAM J. LEMAY
Director

S E A L

fd/