

## MEMORANDUM GO-144

TO: DAVID CATANACH

VIVIAN #8

FEBRUARY 25 1987

FROM: BYRON HEBERT

LEA CO., N.M.

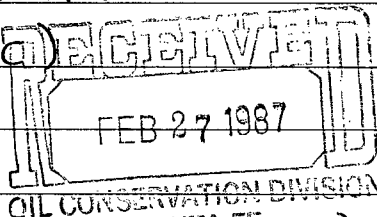
SUBJECT: ECONOMIC FEASIBILITY OF DUALY

OUR FILE:

COMPLETING WELL IN DRINKARD &amp; ABO

YOUR FILE:

(CORRECT COMMUNICATION VS. DHC)

BEST CASE ECONOMICS (i.e. ASSUMING NO FRAC WORK)

TANGIBLE COST - \$15,000 (ADDITIONAL TUBING)

INTANGIBLE COST - \$65,000 (RIG TIME, CEMENTING SERVICES, PERFORATING, ACID, RENTALS)

OPERATING COST - \$10/DAY (OCCASSIONAL SWABBING, INCREASED CORROSION TREATMENT)

DHC'd PRODUCTION: 300 MCFGPD &amp; 2 BOPD

DUAL COMPL. PRODUCTION: 500 MCFGPD & 2 BOPD

DIFFERENTIAL PRODUCTION : 200 MCFGPD w/ 14% DECLINE

HURDLE RATESPROJECT ECONOMICSROR  $\geq$  15%

ROR = 15%

DPI  $\geq$  1.2

DPI = 1.14

PAYOUT  $\leq$  4.0 YEARS

PAYOUT = 4.06 YEARS

REMARKS - THE ECONOMIC ASSESSMENT IS CONSERVATIVE AT BEST FOR THE FOLLOWING REASONS:

1) THERE IS A GOOD POSSIBILITY THAT IT WILL TAKE SEVERAL ATTEMPTS TO SQUEEZE OFF THE CHANNEL. CAN ADD APPROXIMATELY \$10K PER EACH ADDITIONAL SQUEEZE (RIG TIME, RENTALS, CEMENTING SERVICES).

2) THERE IS THE POSSIBILITY THAT FRACTURE STIMULATION WILL BE

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FROM: \_\_\_\_\_

SUBJECT: \_\_\_\_\_ OUR FILE: \_\_\_\_\_

YOUR FILE: \_\_\_\_\_

REQUIRED TO REMOVE DAMAGE CAUSED BY CEMENT INVASION. THIS COULD POTENTIALLY RECREATE THE COMMUNICATION THAT CURRENTLY EXISTS,

3) THE POSSIBILITY OF NOT RESTORING PRODUCTION TO THE CURRENT LEVEL ALSO EXISTS.

4) THERE IS ALWAYS THE RISK OF MECHANICAL PROBLEMS IN EXTENDED DRILLING & STIMULATION OPERATIONS.

CONCLUSION: RECOMPLETING THE WELL AS A DUAL PRODUCER IN THE DRINKARD & ABO (BY CORRECTING THE COMMUNICATION BETWEEN ZONES) IS NOT A VIABLE ALTERNATIVE. IT SHOULD BE NOTED THAT \$137K HAS BEEN SPENT TO DATE & HAS BEEN TREATED AS A SUNKEN COST FOR THIS ECONOMIC EVALUATION.

Byron P. Heberg