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APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

FEB - 7 1992

NFO Permit No. 2-845
(For Division Use Only)

O. C. D.
ARTESIA OFFICE

A. Applicant, Southwest Royalties, Inc.

whose address is P.O. Box 953, Midland, Texas 79702

hereby requests an exception to Rule 306 for 365 days or until

 , 19 , for the following described tank battery (or LACT):

Name of Lease Witt Name of Pool Loving East

Location of Battery: Unit Letter P Section 33 Township 23-S Range 28-E

Number of wells producing into battery One

B. Based upon oil production of 15 barrels per day, the estimated* volume

of gas to be flared is 90 MCF; Value See Attached per day.

C. Name and location of the nearest gas gathering facility:

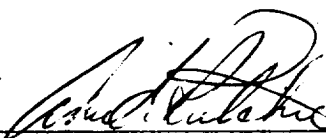
El Paso Natural Gas Company

D. Distance 3800' Estimated cost of connection \$18,000

E. This exception is requested for the following reasons:

Please see attached

F. I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.


(Signature)
Ann E. Ritchie, Agent
(Title)

915 6846381
(Date)
2-6-92 FAX 915 6821458

Gas Must Be Flared

Approved Until Further Notice

NEW MEXICO OIL CONSERVATION DIVISION
ORIGINAL SIGNED BY
By MIKE WILLIAMS
SUPERVISOR, DISTRICT II

Title

Date MAR 10 1993

*Gas-Oil ratio test may be required to verify estimated gas volume.

Southwest Royalties, Inc.
Witt #1
Section 33, T-23-S, R-28-E
Eddy County, New Mexico

**Supplement to Form C-129
Application for Exception to No-Flare Rule 306**

We have looked for all available gas lines in the area. The only available source to sell our gas is El Paso's Donaldson line. They have an existing above ground tap located 3800' southeast of the Witt #1 location. The cost for a tap on this line is \$8,000 as well as a cost of \$8,000 to lay a high pressure steel flowline from our location to the tap.

The Donaldson line currently operates at 400 psi. There are no low pressure lines in the area. To compress our 90 MCFPD of casinghead gas from separator pressure of 35 psi to line pressure will require a 2 stage compressor. The cost to install this machine including fittings is \$2,000 assuming we rent. The total investment to begin gas sales is \$18,000. Monthly rental will be approximately \$1,750 for the compressor and it will use approximately 10 MCFPD in compressor fuel leaving net sales of 80 MCFPD.

Based on current gas pricing of \$.88 per MCF (which includes \$.10/MCF transportation), the 80 MCFPD of sales will generate approximately \$1,650 per month in revenue for the working interest owners in the well. As you can see, this revenue will not even pay the compressor rental fee much less the \$18,000 initial investment. Even with an increase in gas price, it will be very difficult to attain an acceptable return on our initial investment.

During the initial 60 day test period that the Witt #1 produced, oil production and associated gas production declined from 30 BOPD to its level prior to shut-in of 15 BOPD. The well was never stable during the two months it was tested. We anticipate during the next few months that oil and gas production may drop even further. This trend makes the cost of hooking the gas up for sales even more uneconomical. If we are not allowed to produce this well until it is economic to sell gas, we may incur damage to the formation which will cause loss of remaining reserves. Also, the Brushy Canyon is a competitive reservoir and we must protect our correlative rights.

Because of the poor economics, we respectfully request that we be allowed to flare our gas for a period of one year. A gas analysis from the Witt #1 is attached which shows it contains no H₂S.

***** D. JON NATURAL GAS SERVICES, *****
 5025 PRINCETON, SUITE #1
 P.O. BOX 7006 * MIDLAND, TEXAS 79709-0006
 PHONE 915/694-6000

RUN NUMBER...7552

DATE RUN: 11/15/91

STATION NAME: WITT #1

COMPANY NAME: SOUTHWEST ROYALTIES INC.

AT: EDDY CO., NM

SECURED BY: JD

SAMPLING CONDITIONS: PRESS: 20# TEMP: 75F TIME: 12PM DATE: 11/15/91

***** FRACTIONAL ANALYSIS *****
 @ 14.65 PSIA & 60 DEG. F.

	MOL. %		CALC. SP.GR., (REAL)
CARBON			DRY BASIS 0.8442
DIOXIDE	0.03		WET BASIS 0.8404
NITROGEN	4.07		ETHANE CAL GPM 3.166
OXYGEN			PROPANE CAL GPM 2.025
H2S	0.00		BUTANES CAL GPM 1.194
METHANE	69.23	GPM	PENTANES + GPM 1.134
ETHANE	11.87	3.166	BTU/CU.FT., (REAL)
PROPANE	7.40	2.025	DRY BASIS 1393
ISO-BUTANE	0.98	0.319	WET BASIS 1369
N-BUTANE	2.79	0.875	
ISO-PENTANE	0.85	0.309	26 # PRODUCT 2.264
N-PENTANE	0.98	0.353	12 # PRODUCT 1.534
HEXANES PLUS	1.80	0.781	
TOTAL	100.00	7.828	

***** ADDITIONAL DATA AND REMARKS *****

Z = 0.995

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