



Gary-Williams Oil Producer

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March 13, 1985

Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87499

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OIL CON. DIV.

DIST. 3

RE: Gas Flare Application
Sandoval County, New Mexico

Gary-Williams Oil Producer, Inc., respectfully submits this application to flare associated produced gas from the following oil wells located in Sandoval County, New Mexico:

San Isidro #18-8	SE NE Section 18-20N-3W NM 38576
Chijulla #28-15	SW SE Section 28-21N-2W NM 22834
Johnson #6-16	SE SE Section 6-20N-2W NM 44453

This application is the second supplement to the gas flare application submitted October 18, 1984, and approved October 18, 1984. The first supplement was submitted January 2, 1985 and approved January 7, 1985.

The total gas presently being vented from the above three wells is about 70 mcfpd. Gas being vented from the 15 previously approved wells is 440 mcfpd for a total area gas venting of 510 mcfpd from 18 wells. Cost to gather, measure, dehydrate and compress the gas to get it into a sales line is estimated at \$2,150,750. Exhibit 1 outlines the estimated cost to install the gas sales system, while Exhibit 2 is a map showing a possible route of the gas sales system, as dictated by terrain.

This application contains present worth analysis of the oil production (including the cost to drill, complete and equip the wells), gas production (including only the cost on a prorated "per well" basis to market the gas), and on a combined oil and gas production. The oil and gas prices used in this analysis were \$24.25/bbl and \$2.933/mcf, respectively. Gary-Williams Oil Producer is presently receiving the oil price. On previous applications, the oil prices used were \$28.50 in the original application and \$26.60 in the first supplement. The gas price is the maximum lawful price under Section 103 of the N.G.P.A. in 1978 and it does not represent the gas price in the current delivered market. It was used solely for the purpose of this analysis. GWOP contends that the net back market value of this gas is \$0.05 or less at the wellhead after considering gathering fees or the cost of a system to gather and deliver the gas to an interstate or intrastate market. **APPROVED**

Tabulated below are the results of the present worth analysis. Exhibits 3 through 11 show the detail of the present worth analysis. **MAR 22 1985**

M. MILLENBACH
DATA MANAGER