

PAN AMERICAN PETROLEUM CORPORATION

SECURITY LIFE BUILDING
DENVER, COLORADO 80202

*Well
file*

33-28N-12W

November 2, 1970

File: AMR-1828-986,511

Re: Load Gas During Workover
Gallegos Canyon Unit No. 185
Basin Dakota Field
San Juan County, New Mexico

Mr. A. L. Porter, Jr. (3)
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501



Dear Mr. Porter:

In recent correspondence with Mr. Elvis Utz of your office, our Area Superintendent in Farmington, New Mexico, Mr. L. O. Speer, advised you of the circumstances surrounding the use of 18,111 MCF as "load gas" during a workover of the above referenced well. While in Santa Fe on October 28 to attend the hearing on another case in which Pan American was involved, we were advised by Mr. Utz that a hearing would probably be required to properly act upon our request that the subject well be entitled to produce an equivalent "load gas" volume after workover, tax and royalty free, and that the recovery of this "load gas" not be applied against the well's normal gas allowable.

In a phone conversation with Mr. Utz on Thursday, October 29, Mr. Charles Boyce of this office further discussed this matter and Mr. Utz indicated the case would be set for hearing on the November 18 docket. This letter will serve to confirm our request for a hearing of this matter.

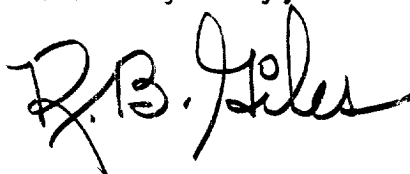
The gas which was obtained from El Paso Natural Gas Company, compressed and injected into Well No. 185 prior to a water frac workover was intended to pressure up the formation surrounding the wellbore to a level higher than normal shut-in pressure in order to improve the frac efficiency by faster and more complete return of the frac water. In several past workover attempts of older producing Dakota gas wells, the partial or in some cases nearly complete flooding out of the formation has resulted in workover failure. The gas which was injected and retained in the reservoir prior to the sand water fracture treatment of Well No. 185 consisted of 19,311 MCF, less 1,200 MCF which was flared, leaving a net "load gas" volume of 18,111 MCF. Since taxes and royalty would have already been paid on this amount of gas when originally produced and delivered to El Paso, Gallegos Canyon Unit No. 185 should be entitled to produce an equivalent

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volume after workover free of tax and royalty. In addition, this amount of gas should not be applied against the well's normal allowable after workover.

Although the injection of gas into Well No. 185 for workover purposes was the first case of this kind that Pan American is aware of, the workover treatment proved to be highly successful and we expect to perform additional treatments of this type with the injection of varying amounts of "load gas" preceding the sand water fracturing treatment or other well repair operations. It is requested, therefore, that a procedure for administrative approval of "load gas" usage and subsequent production be established similar to that now used for well operations where "load oil" is utilized in conjunction with well repairs.

Yours very truly,



cc: Mr. E. C. Arnold (2)
New Mexico Oil Conservation Commission
1000 Rio Brazos Road
Aztec, New Mexico 87401

Mr. L. O. Speer, Jr.
Pan American Petroleum Corporation
501 Airport Drive
Farmington, New Mexico 87401

United States Geological Survey
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Roswell, New Mexico 88201

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