

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
July 27, 1965

File: N-493-986.510.1

Subject: Request for Extension to
No-Flare Exception
Administrative Order No.
R-1451-A
Jicarilla 35 No. 1
Otero Gallup Pool
Rio Arriba County, New Mexico

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

Dear Sir:

Pan American Petroleum Corporation respectfully requests an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from Pan American's Jicarilla 35 No. 1 in exception to the no-flare provisions of Rule 4, Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959. Your letter of August 18, 1964, authorized the flaring of casinghead gas from this well until September 21, 1965.

Attached herewith is a summary of pumping tests for the Jicarilla 35 Well No. 1. Although the gas producing rate slightly exceeds the 1964 test rates, it is less than the rates obtained in 1960 and 1961. The oil producing rate has continued to decline gradually; thus, the well is definitely on decline and probably in the latter stages of depletion.

Jicarilla 35 Well No. 1 produces into a tank battery which serves only the one well as it is our only well in the Otero Gallup Pool and the only well on the lease. To connect Jicarilla 35 Well No. 1 to Skelly Oil Company's Otero Gallup Field compressor, requiring 9000 feet of buried pipeline (to prevent freezing), as shown in our letter of August 17, 1961, File: N-358-986.510.1, will cost approximately \$12,500. To connect to El Paso's gas gathering system, it will be necessary to install a two-stage compressor and 3500 feet of buried pipeline, as shown in our letter of June 13, 1961, File: N-174-986.510.1, at a cost of \$14,800. This cost estimate is different than that shown in our letter of June 13, 1961, as two items have been revised. First, the compressor is assumed to have a salvage value of \$3,000. Secondly, the compressor operating cost is increased to \$6,300, based on a remaining life of the lease of 11½ years, as shown by the attached rate-versus-time decline curve.

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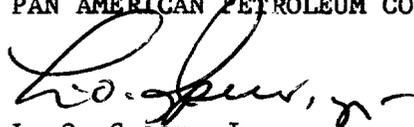
N-493-986.510.1

Payout of either gas facility at a gas rate of 32 MCFPD for 11½ years, based on an average of the present gas rate of 65 MCFPD and an abandonment gas rate of 27 MCFPD, less 10 MCFPD for separator fuel and 4 MCFPD for the compressor (where applicable), is over 20 years. Since the remaining life of the well is less than 12 years, there would be no payout.

In view of the above, an economic loss would result from the installation of gas gathering facilities for the subject well. Therefore, it is requested that Pan American Petroleum Corporation be granted an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from the Jicarilla 35 No. 1 in exception to the no-flare provisions of Rule 4 of Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION


L. O. Speer, Jr.
Area Superintendent

JRK:en
Attach.

cc w/attach: Mr. E. C. Arnold
New Mexico Oil Conservation Commission
Aztec, New Mexico