

ECONOMICS OF SELLING CASINGHEAD GAS
PAN AMERICAN PETROLEUM CORPORATION
JICARILLA 35 NO. 1
OTERO GALLUP FIELD

SUMMARY OF GAS-OIL RATIO TESTS

<u>Date of Test</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>Gas-Oil Ratio</u>
10-9-58	29	39	1345
3-14-59	26	110	4231
3-22-60	27	88	3259
6-4-60	23	76	3304
9-14-60	21	75	3571
5-27-61	22	74	3364
6-4-62	18	64	3556
7-19-63	18	59	3278
8-6-63	17	58	3410
7-12-64	17	62	3700
7-12-65	15	65	4333

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

September 27, 1961

C
O
P
Y

Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico

Attention: Mr. T. M. Curtis

Gentlemen:

Reference is made to your letter of August 17, 1961, requesting an extension of time in which to flare casinghead gas produced from your Jicarilla 35 No. 1 Well in Otero-Gallup Pool, Rio Arriba County, New Mexico.

Authority is hereby granted to flare or vent casinghead gas from the subject well for a period of one year from September 21, 1961, at which time the reserves, GOR's, and economics of which will again be reviewed.

Please furnish the Commission with the necessary data to make such an evaluation prior to September 21, 1962.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/DSN/ig

cc: Oil Conservation Commission
Aztec, New Mexico

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
August 17, 1961

File: N-358-986.510.1

Subject: Request for Extension to
No-Flare Exception
Administrative Order No.
R-1451-A (7-21-60)
Jicarilla 35 No. 1
Otero Gallup Pool
Rio Arriba County, New Mexico

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

This refers to previous correspondence on our request for extension to the no-flare exception of Order No. R-1451-A to permit the continued flaring of gas from Pan American's Jicarilla 35 No. 1, Otero Gallup Pool, Rio Arriba County, New Mexico, ending with your letter of July 21, 1961. We have contacted Skelly Oil Company and requested their compliance with your request for certain data concerning the capacity of their Otero Field compressor, and they now inform us that approximately 500 MCF of gas per day excess compressor capacity is available for Pan American's use.

However, we have again reviewed the economics of laying approximately 9000 feet of pipeline to tie the Jicarilla 35 No. 1 to Skelly's Otero Field compressor and find that this is also uneconomical. The estimated cost of labor and materials to construct 9000 feet of two-inch buried pipeline is \$12,500. As discussed in our letter of June 13, 1961, File: N-174-986.510.1, a buried pipeline would be required in order to eliminate freezing problems in view of the low temperatures experienced in this area, and the salvage value of the pipe, after abandonment of the well, does not warrant any recovery efforts. As the estimated value of the 67,500 MCF gas reserves is \$7,050, construction of the above pipeline would result in an economic loss of \$5,450.

Therefore, it is requested that Pan American Petroleum Corporation be granted an extension to Order No. R-1451-A, dated July 21, 1960, in excess of 60 days as granted by your letter of July 21, 1961, to permit the continued flaring of gas from the Jicarilla 35 No. 1, Otero Gallup Pool.

Yours very truly

PAN AMERICAN PETROLEUM CORPORATION



T. M. Curtis
District Superintendent

FHH:en

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

July 21, 1961

Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico

Attention: Mr. T. M. Curtis

Gentlemen:

Reference is made to your letter of June 13, 1961, wherein you request permission to continue the flaring of gas produced from your Jicarilla 35, Well No. 1, Otero-Gallup Oil Pool, Rio Arriba County, New Mexico.

It would appear from the economic picture presented that it is infeasible to lay the required gas flow line and install the compressor. The Commission is, therefore, hereby granting a 60-day extension to the provisions of Order No. R-1451-A.

Prior to the expiration of the 60-day period, we will appreciate receiving written evidence of Skelly Oil Company's inability to handle this gas in its field gathering and compression facilities. The data should include the capacity of the Skelly system, the volumes of gas presently handled through it, and the volumes of gas which it is expected that this system will have to handle within the next five years.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/DSH/esr

cc: Skelly Oil Company
3701 East Main
Farmington, New Mexico

Oil Conservation Commission - Aztec

C
O
P
Y

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
June 13, 1961

File: N-174-986.510.1

Subject: Request for Extension to
No-Flare Exception
Administrative Order No.
R-1451-A (7-21-60)
Jicarilla 35 No. 1
Otero Gallup Pool
Rio Arriba County, New Mexico

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Pan American Petroleum Corporation respectfully requests 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 Provision of Rule 4 of Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959.

We have reviewed the economics of connecting the Jicarilla 35 No. 1, located in the SW/4 of Section 35, T-25-N, R-5-W, Rio Arriba County, New Mexico, to the nearest available gas pipeline facility in the area of the well for collection of casinghead gas. Attachment I is a summary of the well's production and all gas-oil ratio tests that have been taken. As can be seen from the summary of gas-oil ratio tests, a total of only about 74 MCF of gas daily is presently being produced from the well. As the well has a fire tube separator installed that is used approximately six months of the year for an estimated 20 MCF of gas daily, an average of 10 MCF of gas daily for the entire year is utilized to operate the separator.

We have been verbally informed by a representative of Skelly Oil Company that they plan to utilize all of their Otero Field compressor capacity in the future so that no additional gas can be handled in their system. Therefore, in order to cease flaring of the casinghead gas from the subject well, it will be necessary to install a two-stage compressor and approximately 3500 feet of connecting pipeline to compress the gas into the nearest pipeline facility. The estimated cost of this compressor is \$6,000, and the cost of labor and material to construct a two-inch buried pipeline is \$4,900, for a total cost of \$10,900. In view of the low temperatures experienced in the area of the Jicarilla 35 No. 1, a buried pipeline would be required in order to eliminate freezing problems; and the salvage value of this pipe, after abandonment of the well, does not warrant any recovery efforts. Attachment II is a summary of the estimated economics for construction and operation of the system.

Mr. A. L. Porter, Jr.

-2-

June 14, 1961
N-174-986.510.1

Based on the decline in gas and oil production being experienced, and an estimated remaining five years of economical productive life, the remaining gas reserves for the Jicarilla 35 No. 1 are calculated to be 67,500 MCF as of June 1, 1961, assuming a gas compressor fuel consumption of 4 MCF per day. These gas reserves are estimated to have a value of \$7,050.

Assuming a minimum operating expense of \$50 monthly for the above compressor, a loss of \$6,850 would be incurred in an attempt to compress the gas being flared from the Jicarilla 35 No. 1. 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 Provision of Rule 4 of Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION



T. M. Curtis
District Superintendent

FHH:en
Attach.