STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Adopted 3-2-84
Side 1

Case 8609

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator Hondo Drilling Company Contact Party Margaret Longanecker

Address Drawer 2516, Midland, Texas 79702 Phone No. 915-682-9401

Lease UNION TX STATE Well No. 1 UT N Sec. 17 TWP 19-S RGE 29-E

Pool Name TURKEY TRACT MORROW Minimum Rate Requested 722 mcf/day

Transporter Name EL PASO NATURAL GAS CO. Purchaser (if different) _____

Are you seeking emergency "hardship" classification for this well? X yes _____ no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

1) Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)

2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

   a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.

   b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:

      i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

3) Present historical data which demonstrates conditions that can lead to waste. Such data should include:

   a) Permanent loss of productivity after shut-in periods (i.e., formation damage).

   b) Frequency of swabbing required after the well is shut-in or curtailed.

   c) Length of time swabbing is required to return well to production after being shut-in.

   d) Actual cost figures showing inability to continue operations without special relief

4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

   a) Minimum flow or "log off" test; and/or

   b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

7) Submit any other appropriate data which will support the need for a hardship classification.

8) If the well is in a prorated pool, please show its current under- or over-produced status.

9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

1) Definition of Underground Waste.

> "Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

2) The only acceptable basis for obtaining a "hardship" classification is prevention of waste with the burden of proof solely on the applicant. The applicant must not only prove waste will occur without the "hardship" classification, but also that he has acted in a responsible and prudent manner to minimize or eliminate the problem prior to requesting this special consideration. If the subject well is classified as a "hardship" well, it will be permitted to produce at a specified minimum sustainable rate without being subject to shut-in by the purchaser due to low demand. The Division can rescind approval at any time without notice and require the operator to show cause why the classification should not be permanently rescinded if abuse of this special classification becomes apparent.

3) The minimum rate will be the minimum sustainable rate at which the well will flow. If data from historical production is insufficient to support this rate (in the opinion of the Director), or if an offset operator or purchaser objects to the requested rate, a minimum flow ("log off") test may be required. The operator may, if he desires, conduct the minimum flow test, and submit this information with his application.

4) If a minimum flow test is to be run, either at the operator's option or at the request of the Division, the offset operators, any protesting party, the purchaser and OCD will be notified of the date of the test and given the opportunity to witness, if they so desire.

5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.

6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 20 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.

7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.

8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.

9) After a well receives a "hardship" classification, it will be retained for a period of one year unless rescinded sooner by the Division. The applicant will be required to certify annually that conditions have not changed substantially in order to continue to retain this classification.

10) Nothing here withstanding, the Division may, on its own motion, require any and all operators to show cause why approval(s) should not be rescinded if abuse is suspected or market conditions substantially change in the State of New Mexico.

11) A well classified as a "hardship well" will continue to accumulate over and under production (prorated pools). Should allowables exceed the hardship allowable assigned, the well will be permitted to produce at the higher rate, if capable of doing so, and would be treated as any other non-hardship well. Any cumulative overproduction accrued either before or after being classified "hardship" must, however, be balanced before the well can be allowed to produce at the higher rate.

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

March 27, 1985

Energy & Minerals Department
Oil Conservation Division
Drawer DD
Artesia, NM 88210

Re: Application for Classification
as Hardship Gas Well
Lease: UNION TX STATE
Well No.: 1, SEC. 17, T-19-S, R-29-E
Pool Name: TURKEY TRACT MORROW

Gentlemen:

Ir reference to the well as captioned above, we are respectfully requesting that the well be classified as a hardship gas well under Rule 409 and/or Rule 410.

The purchaser/gatherer on this well is El Paso Natural Gas. The gathering system pressure now exceeds our contract limitation. El Paso Natural Gas Company has raised and lowered their line pressure on numerous occassions over the past twelve months to a point that this well (1) will no longer produce or (2) after being shut-in the well when opened cones water out of the reservoir which kills the well. If this well is allowed to produce on a continual basis the coning of water does not take place in the reservoir and the well will continue to flow. On a non-flowing well this situation has caused a 100% loss of revenue and has caused gas to be left in the reservoir never to be recovered which constitutes waste of hydrocarbons.

Enclosed please find our bottom hole diagram of the well. No downhole problems are indicated in this well and remedial work is not indicated downhole. The use of smallbore tubing, plunger lifts or rod pumping units would not be effective if the well is subjected to periods of shut-in. Due to the low productivity of this well it is not economically feasible to install a compressor. If the gathering system line pressure was at the contract pressure or below, this would not be necessary.

In cases where we have swabbed our wells back, in this area, they have not been capable of producing the previous amount of gas due to the intrusion of water into the reservoir which permanently damages and restricts the flow of gas to the wellbore. We have enclosed a copy of our latest swabbing invoice for an area well. At the rate at which

El Paso Natural Gas raises and lowers the line pressure, it would be necessary to retain a swabbing unit in the area, for our wells, almost full time.

In the event a hardship gas well classification is not received on this well, we feel it would result in premature abandonment of this well. We estimate this well would continue to produce at a rate of 722 MCF per day for a minimum of 10 years. In the event we cannot produce the well at this rate, the economics of operating a non-producing well would force premature plugging and abandonment causing gas to be left in the reservoir never to be recovered.

The minimum flow rate we are requesting for this well is 722 MCF per day. This minimum flow rate was derived from well production history, the latest six months producing rate average. It is difficult to determine the production rate before and after shut-in periods as El Paso Natural Gas frequently raises and lowers the line pressure during a month's period of time.

We were notified this date that El Paso Natural Gas intends to cut this well off effective this date for an indefinate period of time. We feel we have done everything feasible as a prudent operator to minimize or eliminate damage to the reservoir and permanent loss of gas. We have checked our well for downhole problems and swabbed the well when it was indicated we could produce the well into El Paso's line. We have made numerous requests to El Paso Natural Gas to allow our wells to produce at a minimum rate and have received no cooperation from them.

All of the information submitted with this application is true and correct to the best of my knowledge. One copy of this application has been submitted to the appropriate Division District office at Artesia, New Mexico. Notice of the application has been given to El Paso Natural Gas Company and all offset operators, as per the plat enclosed with this application.

Yours truly,

Lamar Eschberger

Lamar Eschberger
Consulting Registered
Professional Engineer
Hondo Drilling Company

LE:sg
Enclosure

HONDO DRILLING COMPANY
POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

March 29, 1985

Hondo Drilling Company
Union TX State #1
Sec. 17, T-19-S, R-29-E, NMPM
Eddy County, New Mexico

Sales Month	Total MCF	Average/Day MCF	
August, 84	23,315	752.1	
September	21,194	706.5	
October	20,414	658.5	
November	22,136	737.9	
December	22,810	735.8	
January, 85	22,893	738.5	
Total Six Months	132,762	721.6	Average/Day

Note:

The high line pressure has effected this well, but it does not load up with water yet. New completion of offsetting well to the south will cause drainage so that shut-in will effect this well.

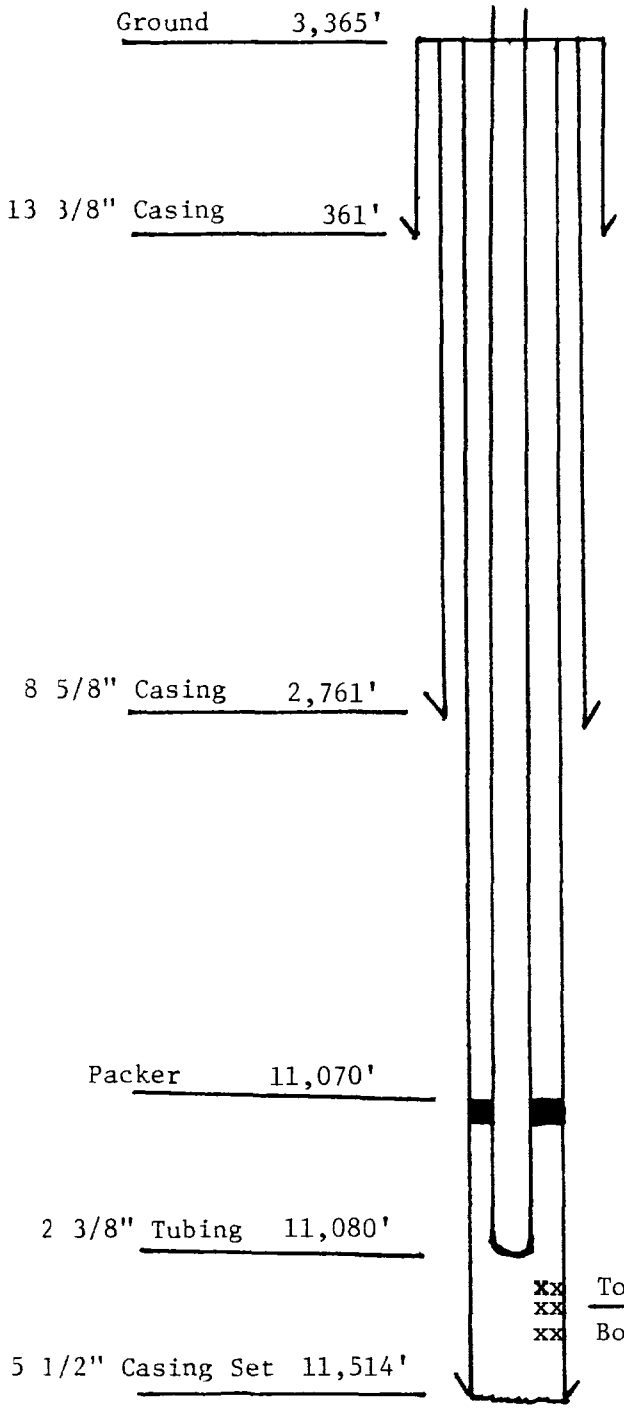
HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

Lease Union TX State Com. Well Number 1

Location S/2 of Section 17, T-19-S, R-29-E, N.M.P.M. - 320 acres, more or less

County Eddy, New Mexico. State Lease #K-0493



360
Coronado Expl.
"Alscott-Fed"
Yates Nates Drlg.
HEY 70 Fed Westn-Fed
U.S.
Anadarko
Anadarko & So. Roy
Yates
"Alscott Fed"
Yates HBP 56426
(Depco, etal) Hondo Drlg.
WRIGHT
Trigg Fed-Sivley TD9262
H.E. Yates
56426
J.H. Trigg 030752
Kersey
Yates Pet Dixon Yates Fed
J.H. Trigg, etal HBP 030752
"Denton" "Empire-Fed."
30
Trigg & Sivley 56426
29
HONDO
Wright-Fed
U.S.
Kincaid
E. Watson
28
Kersey & Harris 030752
"Fed" Parry
Hondo Trigg-Jennings
Fed Sivley Jennings
Depco
27
Rubenstein
Plains Prod. Massie TD 3245
Depco & NICOR
"Turkey Track-St"
Anadarko
Abo Pet
Trigg Sivley
31
Trigg & Sivley
Trigg & Sivley 56426
Hondo Drlg. Alscott-Fed
(J.H. Trigg) C. Forister K 4795
Forister Alscott
WC Disc.
So. Roy Palmillo-St
32
Forister Aztec-St
Superior
"S&T St"
"Aztec-St" State
(Yates Pet)
C. Forister
Yates Turkey Tr N Fed
Hanson
Davoust
Forister S&T St
Nix & Curtis
Wilson
Nix
33
Cit. Serv. (Bassett & Birney)
"Govt."
McKee Wilson
34
So. Roy Empire-Fed.
(Cities Serv.)
No Nat Gas
H.E. Yates
(Bass)
Dual
6
(P/B)
Bass Ent. (Cit. Serv)
Palmillo-St
Shamrock
Nix & Curtis Sivley
Perm. Disc.
Yates
"St. NE.C." State
Amoco
Moroilco Guajalote St
Miller
St Jones
5
(Bearing Serv., etal)
(Jones, etal) Cont'l St
Moroilco Guajalote St
(Amoco)
Moroil Co
TURKEY TRACK
"Guajalote" State
Hondo
Depco etal
McKee, etal Spencer TD 3896
4 Cities Serv.
HBP
E/2 HBC
"Turkey St"
State
(McKee)
N/2 HBC
Cities Serv
(McKee)
McKee McGowen State
Sun
Mitchell Ener. (Conoco)
B 8096
Mitchell Ener.
7
J.A. Yates St
Conoco-St.
Mitchell Ener
Mitchell Ener. Conoco-St
J.A. Yates Eliz. Dundas
State "Conoco St"
Jones Cont'l-Del
Continental HBP B 8096
8
PALMILLO
State
Anadarko B 8096
Getty
Mitchell Ener Conoco-St.
9
Harold Kersey HBP B 8096
Anadarko B 8096
"Cont'l-St" State
Anadarko
Conoco-A-Stevens
Reed & Stevens
Cont'l-St
10
Bearing Se St
Anadarko HBP
Anadarko
HBC W/2
Pennzoil
Mitchell Ener. Pennzoil et Exxon
Exxon LG 637
(Atoka Disc.)
Penn Disc.
Pennzoil
18
Pogo Prod
E E Kinney State
State "NM-St"
Exxon
R.D. Mann etal
Hondo Exxon-St
HBC
So. Roy. (Union)
17
R.D. Mann, etal
HBC
Hondo
"Parkway-St"
So. Roy (Pennzoil)
Kersey State
Anadarko
N/2 HBC
Overland Drlg & Expl Lowe St
16
Pennzoil
So. Roy
S/2 HBC
Marolo Inc.
Cont'l St
1929 St.
So. Roy
Dickey Sullivan St
(Summit Ener.)
Cont'l
"Parkway St"
Pennzoil
15
So. Roy
Morrow Disc
So. Roy
"Parkway-St"
Parkway St.
Marnel Pipe & Supply
Pogo Prod
Pennzoil
Pet Corp Parkway West
H.E. Chiesel
Swift State
Petco
Superior
Spears
(Superior) Pet Corp
Dalco
(H. Chiesel etal)

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

Oil Conservation Division

Drawer DD

Artesia, NM 88210

Re: Lease: UNION TX STATE
Well & Location: 1, SEC. 17, T-19-S, R-29-E
Pool: TURKEY TRACT MORROW
County: EDDY COUNTY, NM

Copies of the "Application for Classification as Hardship Gas Well" for the well captioned above have been sent on this the 18th day of APRIL 1985 to the following parties:

1. Pennzoil Company
   P. O. Drawer 1828
   Midland, TX 79702

2. Southland Royalty
   21 Desta Drive
   Midland, Texas 79702

3. Exxon, USA
   P. O. Box 3116
   Midland, Texas 79702

4. Union Oil of California
   P. O. Box 3100
   Midland, Texas 79702

5. El Paso Natural Gas Co.
   Box 1492
   El Paso, TX 79978

Lamar Eschberger

Lamar Eschberger
Consulting Petroleum ENgineer
HONDO DRILLING COMPANY

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

April 12, 1985

Re: Application for Classification
as Hardship Gas Well
Lease: UNION TX STATE
Well & Location: 1, SEC 17, T-19-S, R-29-E
Pool: TURKEY TRACT MORROW
County: EDDY COUNTY, N.M.

Gentlemen:

According to our records you are a diagonal offset operator to the captioned well operated by Hondo Drilling Company. The proration unit assigned to this well includes the SOUTH HALF OF SECTION 17, BEING 320 acres more or less.

Please be advised that Hondo has filed application with the New Mexico Oil Conservation Division for the UNION TX STATE NO. 1 well to be placed in the Hardship Gas Well Classification. This would allow the well not to be completely shut-in during periods of low gas demand. It is difficult to keep this well producing normally with the frequent purchaser shut-ins. It has already suffered formation damage because of previous shut-in periods.

If you have any questions let us hear from you.

Very truly yours,

Lamar Eschberger

Lamar Eschberger, Consulting Petroleum Engineer
HONDO DRILLING COMPANY

LE/aer

John Shockley - Swabbing Service, Inc.

P. O. BOX 1857
EUNICE, NEW MEXICO 88231

PHONE
394-3435
393-1088

JOHN SHOCKLEY, PRESIDENT

RECEIVED
DEC 6 1984
Ans'd.....

INVOICE № 3446

TO: Hondo Drilling Co.
P.O. Drawer 2516
Midland, Texas 79702
Attention: George Bullard

Date December 5, 1984

Contract No.

AFE No.

Req. or
Purchase Order No.

Lease & Well No. Wright #1 Swab Unit #14

11-30-84	#7819	Roaded unit to location, Rigged up, 0# on Csg.,0# on Tbg., First fluid at 9200', Swabbed appx. 8 Bbl. of water to pit, Very light gas, Last fluid at 11,000', 0# on Csg., Closed well in, Rigged down.			
		Two Man Crew	7½ Hrs.	@ 63.25	474.38
		Swab Cups	6	@ 15.50	93.00
		OSR	2	@ 9.75	19.50
					586.88
				4⅛% NM Tax	24.94
					611.82

Job Complete
Thank You

TERMS: NET. DUE IN 30 DAYS.

HONDO DRILLING COMPANY
410 NORTH LORAINE • DRAWER 2516 • MIDLAND, TEXAS 79702 • (915) 682-9401

February 14, 1985

Mr. Mennine called 2-15-85 about hardship well - juris. question - signed by jurisdiction - will leave wells SI for now -

Mr. Bill G. Lane
Systems Dispatching
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Re: Shut-in of Union TX State, Alscott #1, Alscott #2, Alscott #3, Wright #1, Wright #2, and Trigg-Jennings wells.

Dear Mr. Lane:

Enclosed is a copy of the exemptions on the above captioned wells from the State of New Mexico Energy and Minerals Department as per our conservation today. These reports were signed by Joe B. Murray, Field Well Testing Supervisor on August 24, 1984.

If there is any further information, please let me know.

Yours truly,

HONDO DRILLING COMPANY

George D. Bullard

George D. Bullard
Production Superintendent

GDB/ml

Enclosures

Exempt from shutting wells in to test them -
Jerry Sexton
Oil Conservation Division
Hobbs, NM

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. Box 2088
Santa Fe, New Mexico 87501

Side 1

Case 8609

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

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Pool Name TURKEY TRACT MORROW Minimum Rate Requested 722 mcf/day

Transporter Name EL PASO NATURAL GAS CO Purchaser (if different) _____

Are you seeking emergency "hardship" classification for this well? X yes _____ no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

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Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.

b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:

i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

Present historical data which demonstrates conditions that can lead to waste. Such data should include:

a) Permanent loss of productivity after shut-in periods (i.e., formation damage).

b) Frequency of swabbing required after the well is shut-in or curtailed.

c) Length of time swabbing is required to return well to production after being shut-in.

d) Actual cost figures showing inability to continue operations without special relief

If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

a) Minimum flow or "log off" test; and/or

b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

Submit any other appropriate data which will support the need for a hardship classification.

If the well is in a prorated pool, please show its current under- or over-produced status.

Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

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1) Definition of Underground Waste.

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HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

March 27, 1985

Energy & Minerals Department
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Drawer DD
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All of the information submitted with this application is true and correct to the best of my knowledge. One copy of this application has been submitted to the appropriate Division District office at Artesia, New Mexico. Notice of the application has been given to El Paso Natural Gas Company and all offset operators, as per the plat enclosed with this application.

Yours truly,

Lamar Eschberger

Lamar Eschberger
Consulting Registered
Professional Engineer
Hondo Drilling Company

LE:sg
Enclosure

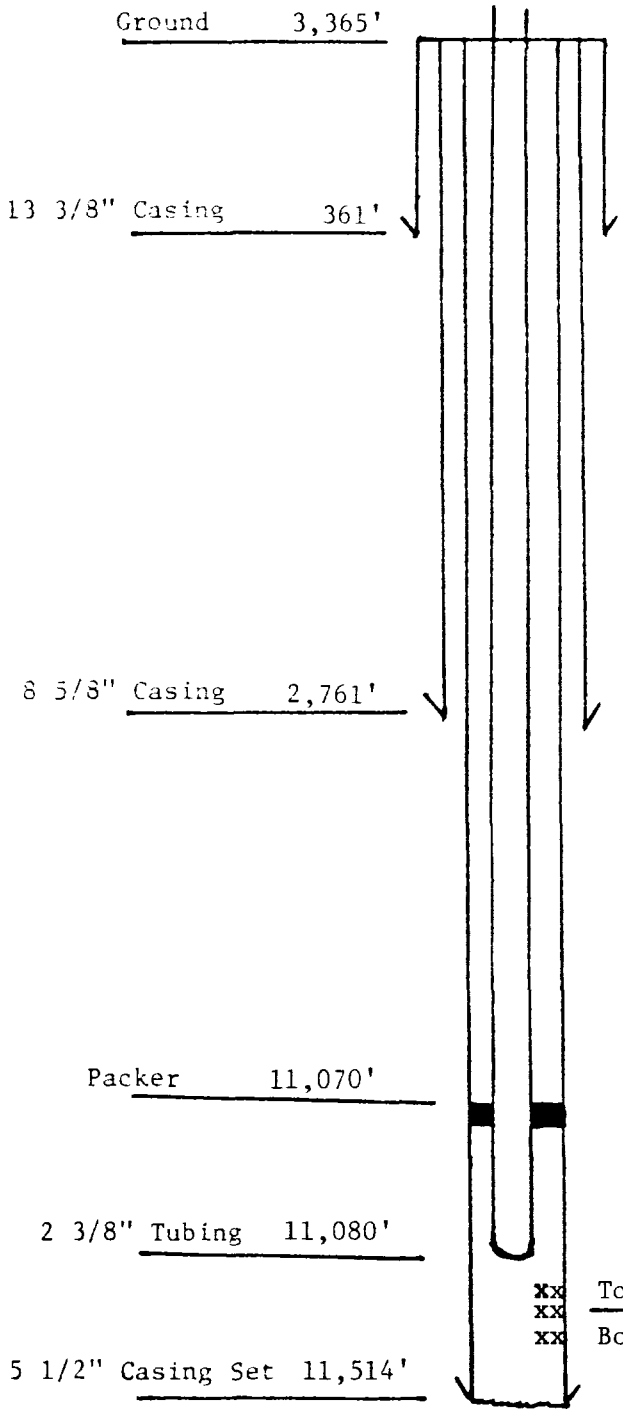
HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-3401

Lease Union TX State Com. Well Number 1

Location S/2 of Section 17, T-19-S, R-29-E, N.M.P.M. - 320 acres, more or less

County Eddy, New Mexico. State Lease #K-0493



25' one shot per foot

HONDO DRILLING COMPANY
POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

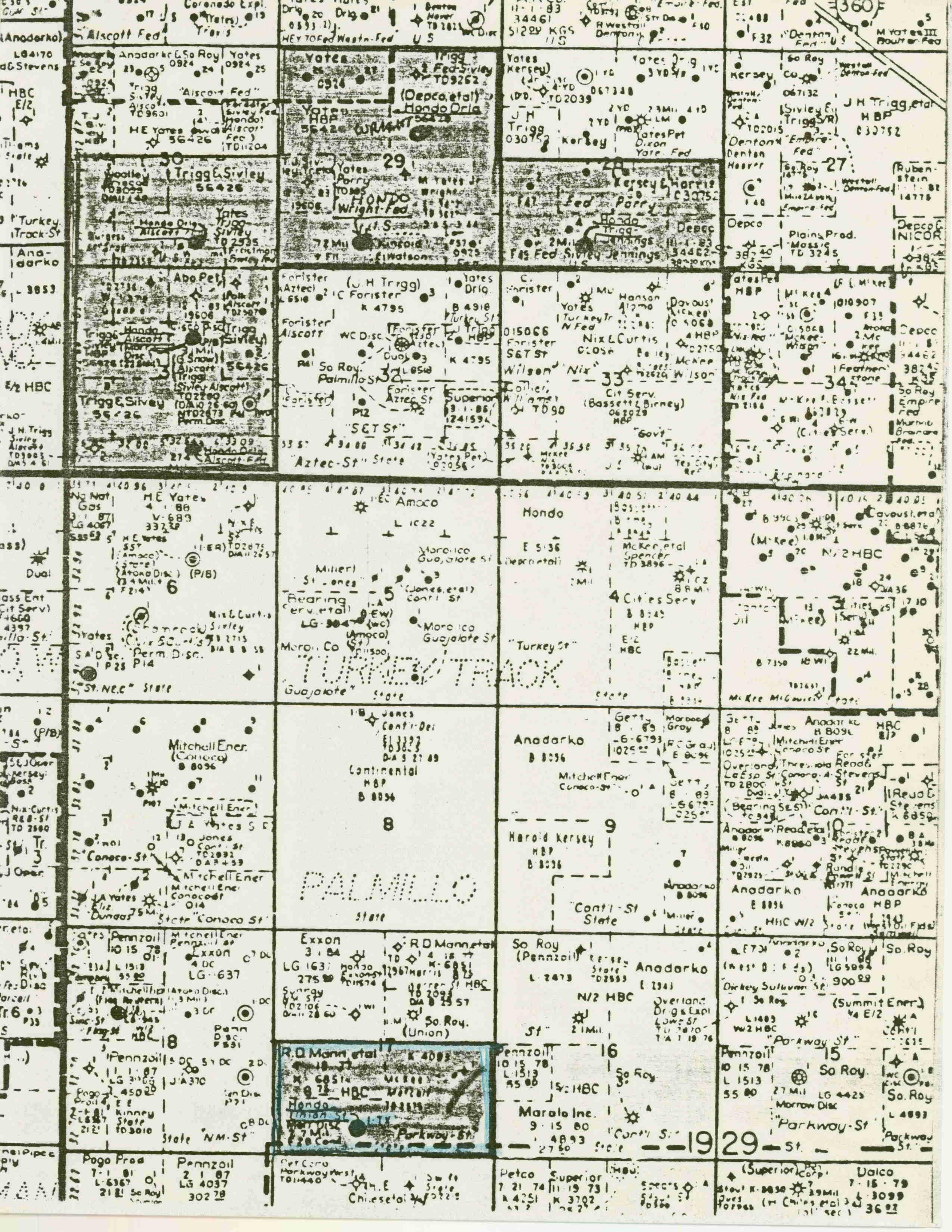
March 29, 1985

Hondo Drilling Company
Union TX State #1
Sec. 17, T-19-S, R-29-E, NMPM
Eddy County, New Mexico

Sales Month	Total MCF	Average/Day MCF
August, 84	23,315	752.1
September	21,194	706.5
October	20,414	658.5
November	22,136	737.9
December	22,810	735.8
January, 85	22,893	738.5
Total Six Months	132,762	721.6 Average/Day

Note:

The high line pressure has effected this well, but it does not load up with water yet. New completion of offsetting well to the south will cause drainage so that shut-in will effect this well.



Alscott Fed
Anadarko & So Roy
Yates
Trigg Fed-Sivley TD 9262
(Depco, etal) Hondo Drlg
Yates HBP 56426
Wright
Alscott Fed
H E Yates
30
Trigg & Sivley 56426
29
Hondo Wright-Fed
28
L.C. Harris
Fed Parry
Kersey
Fed Sivley Jennings
Depco
J H Trigg, etal HBP
27
Plains Prod. Massie TD 3245
Depco & NICOR
Abo Pet
Trigg & Sivley 56426
(J H Trigg) C Forister K 4795
So Roy Palmillo St
32
Forister Aztec St
Superior
S&T St
Aztec-St State
Yates Drlg
C. Forister
Nix & Curtis
Wilson
33
Cit Serv. (Bassett & Birney)
Govt
McKee
34
Depco
So Roy Empire Fed
(Cities Serv.)
H E Yates
6
(Shamrock) (Nix & Curtis)
Perm. Disc.
St. Ne.C State
Amoco
Marolco Guajalote St
Miller St Jones
5
Bearing Serv. etal
LG 984
Marolco Guajalote St
TURKEY TRACK
Guajalote State
Hondo
E 5136
Depco etal
4 Cities Serv
Turkey St
E/2 HBC
McKee, etal Spencer TD 3896
State
Cavoust, etal
N/2 HBC
McKee McGowan
Mitchell Ener. (Conoco) B 8096
Mitchell Ener.
Conoco-St
Mitchell Ener.
Conoco St
Continental HBP B 8096
8
PALMILLO
State
Anadarko B 8096
Harold Kersey HBP B 8096
9
Cont'l St State
Anadarko
Read & Stevens
Conoco St
Cont'l St
Anadarko
Anadarko HBP
Pennzoil
Exxon LG 637
7
Exxon 3 1 84 LG 1637
R D Mann, etal
So. Roy. (Union)
So Roy (Pennzoil)
Anadarko
N/2 HBC
Overland Drlg & Expl Lowe St
Dickey Sullivan St
(Summit Ener.)
Parkway St
8
Pennzoil
State NM-St
R.D. Mann, etal
HBC
Hondo
Parkway-St
Pennzoil 10 15 78 L 1513 55 00
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So Roy
Marolo Inc. 9 15 80
Cont'l St
State
1929
15
So Roy.
Morrow Disc
Parkway-St
So Roy L 4893
Pogo Prod
Pennzoil LG 4037
Petco
Superior
Dalco 7 15 79

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

Oil Conservation Division

Drawer DD

Artesia, NM 88210

Re: Lease: UNION TX STATE
Well & Location: 1, SEC. 17, T-19-S, R-29-E
Pool: TURKEY TRACT MORROW
County: EDDY COUNTY, NM

Copies of the "Application for Classification as Hardship Gas Well" for the well captioned above have been sent on this the 18th day of APRIL 1985 to the following parties:

1. Pennzoil Company
   P. O. Drawer 1828
   Midland, TX 79702

2. Southland Royalty
   21 Desta Drive
   Midland, Texas 79702

3. Exxon, USA
   P. O. Box 3116
   Midland, Texas 79702

4. Union Oil of California
   P. O. Box 3100
   Midland, Texas 79702

5. El Paso Natural Gas Co.
   Box 1492
   El Paso, TX 79978

Lamar Eschberger
Lamar Eschberger
Consulting Petroleum ENgineer
HONDO DRILLING COMPANY

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

April 12, 1985

Re: Application for Classification
as Hardship Gas Well
Lease: UNION TX STATE
Well & Location: 1, SEC 17, T-19-S, R-29-E
Pool: TURKEY TRACT MORROW
County: EDDY COUNTY, N.M.

Gentlemen:

According to our records you are a diagonal offset operator to the captioned well operated by Hondo Drilling Company. The proration unit assigned to this well includes the SOUTH HALF OF SECTION 17, BEING 320 acres more or less.

Please be advised that Hondo has filed application with the New Mexico Oil Conservation Division for the UNION TX STATE NO. 1 well to be placed in the Hardship Gas Well Classification. This would allow the well not to be completely shut-in during periods of low gas demand. It is difficult to keep this well producing normally with the frequent purchaser shut-ins. It has already suffered formation damage because of previous shut-in periods.

If you have any questions let us hear from you.

Very truly yours,

Lamar Eschberger

Lamar Eschberger, Consulting Petroleum Engineer
HONDO DRILLING COMPANY

LE/aer

John Shockley - Swabbing Service, Inc.

P. O. BOX 1857
EUNICE, NEW MEXICO 88231

PHONE
394-3435
393-1088

JOHN SHOCKLEY, PRESIDENT

RECEIVED
DEC 6 1984
Ans'd.....

INVOICE № 3446

TO: Hondo Drilling Co.
P.O. Drawer 2516
Midland, Texas 79702
Attention: George Bullard

Date December 5, 1984

Contract No.

AFE No.

Req. or
Purchase Order No.

Lease & Well No. Wright #1 Swab Unit #14

11-30-84	#7819	Roaded unit to location, Rigged up, 0# on Csg.,0# on Tbg., First fluid at 9200', Swabbed appx. 8 Bbl. of water to pit, Very light gas, Last fluid at 11,000', 0# on Csg., Closed well in, Rigged down.			
		Two Man Crew	7½ Hrs.	@ 63.25	474.38
		Swab Cups	6	@ 15.50	93.00
		OSR	2	@ 9.75	19.50
					586.88
				4¼% NM Tax	24.94
					611.82

Job Complete
Thank You

TERMS: NET. DUE IN 30 DAYS.

1

HONDO DRILLING COMPANY

410 NORTH LORAINE • DRAWER 2516 • MIDLAND, TEXAS 79702 • (915) 682-9401

February 14, 1985

Mr. Menning called 2-15-85 about hardship well - jurisdiction signed by agency - will leave wells in as now -

Mr. Bill G. Lane
Systems Dispatching
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Re: Shut-in of Union TX State, Alscott #1, Alscott #2, Alscott #3, Wright #1, Wright #2, and Trigg-Jennings wells.

Dear Mr. Lane:

Enclosed is a copy of the exemptions on the above captioned wells from the State of New Mexico Energy and Minerals Department as per our conservation today. These reports were signed by Joe B. Murray, Field Well Testing Supervisor on August 24, 1984.

If there is any further information, please let me know.

Yours truly,

HONDO DRILLING COMPANY

George D. Bullard

George D. Bullard
Production Superintendent

GDB/ml

Enclosures

Exempt from shutting wells in to test them -

Jerry Sexton
Oil Conservation Division
Hobbs, NM

STATE OF NEW MEXICO
ERGY AND MINERALS DEPARTMENT

P. O. Box 2088
Santa Fe, New Mexico 87501

Side 1

Case 8609

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

erator Hondo Drilling Company Contact Party Margaret Longanecker

dress Drawer 2516, Midland, Texas 79702 Phone No. 915-682-9401

ase UNION TX STATE Well No. 1 UT N Sec. 17 TWP 19-S RGE 29-E

ol Name TURKEY TRACT MORROW Minimum Rate Requested 722 mcf/day

ansporter Name EL PASO NATURAL GAS CO. Purchaser (if different) _____

e you seeking emergency "hardship" classification for this well? X yes _____ no

plicant must provide the following information to support his contention that the subject ll qualifies as a hardship gas well.

Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)

Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.

b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:

i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

Present historical data which demonstrates conditions that can lead to waste. Such data should include:

a) Permanent loss of productivity after shut-in periods (i.e., formation damage).

b) Frequency of swabbing required after the well is shut-in or curtailed.

c) Length of time swabbing is required to return well to production after being shut-in.

d) Actual cost figures showing inability to continue operations without special relief

If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

a) Minimum flow or "log off" test; and/or

b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

Submit any other appropriate data which will support the need for a hardship classification.

If the well is in a prorated pool, please show its current under- or over-produced status.

Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

1) Definition of Underground Waste.

> "Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

2) The only acceptable basis for obtaining a "hardship" classification is prevention of waste with the burden of proof solely on the applicant. The applicant must not only prove waste will occur without the "hardship" classification, but also that he has acted in a responsible and prudent manner to minimize or eliminate the problem prior to requesting this special consideration. If the subject well is classified as a "hardship" well, it will be permitted to produce at a specified minimum sustainable rate without being subject to shut-in by the purchaser due to low demand. The Division can rescind approval at any time without notice and require the operator to show cause why the classification should not be permanently rescinded if abuse of this special classification becomes apparent.

3) The minimum rate will be the minimum sustainable rate at which the well will flow. If data from historical production is insufficient to support this rate (in the opinion of the Director), or if an offset operator or purchaser objects to the requested rate, a minimum flow ("log off") test may be required. The operator may, if he desires, conduct the minimum flow test, and submit this information with his application.

4) If a minimum flow test is to be run, either at the operator's option or at the request of the Division, the offset operators, any protesting party, the purchaser and OCD will be notified of the date of the test and given the opportunity to witness, if they so desire.

5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.

6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 20 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.

7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.

8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.

9) After a well receives a "hardship" classification, it will be retained for a period of one year unless rescinded sooner by the Division. The applicant will be required to certify annually that conditions have not changed substantially in order to continue to retain this classification.

10) Nothing here withstanding, the Division may, on its own motion, require any and all operators to show cause why approval(s) should not be rescinded if abuse is suspected or market conditions substantially change in the State of New Mexico.

11) A well classified as a "hardship well" will continue to accumulate over and under production (prorated pools). Should allowables exceed the hardship allowable assigned, the well will be permitted to produce at the higher rate, if capable of doing so, and would be treated as any other non-hardship well. Any cumulative overproduction accrued either before or after being classified "hardship" must, however, be balanced before the well can be allowed to produce at the higher rate.

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

March 27, 1985

Energy & Minerals Department
Oil Conservation Division
Drawer DD
Artesia, NM 88210

Re: Application for Classification
as Hardship Gas Well
Lease: UNION TX STATE
Well No.: 1, SEC. 17, T-19-S, R-29-E
Pool Name: TURKEY TRACT MORROW

Gentlemen:

In reference to the well as captioned above, we are respectfully requesting that the well be classified as a hardship gas well under Rule 409 and/or Rule 410.

The purchaser/gatherer on this well is El Paso Natural Gas. The gathering system pressure now exceeds our contract limitation. El Paso Natural Gas Company has raised and lowered their line pressure on numerous occassions over the past twelve months to a point that this well (1) will no longer produce or (2) after being shut-in the well when opened cones water out of the reservoir which kills the well. If this well is allowed to produce on a continual basis the coning of water does not take place in the reservoir and the well will continue to flow. On a non-flowing well this situation has caused a 100% loss of revenue and has caused gas to be left in the reservoir never to be recovered which constitutes waste of hydrocarbons.

Enclosed please find our bottom hole diagram of the well. No downhole problems are indicated in this well and remedial work is not indicated downhole. The use of smallbore tubing, plunger lifts or rod pumping units would not be effective if the well is subjected to periods of shut-in. Due to the low productivity of this well it is not economically feasible to install a compressor. If the gathering system line pressure was at the contract pressure or below, this would not be necessary.

In cases where we have swabbed our wells back, in this area, they have not been capable of producing the previous amount of gas due to the intrusion of water into the reservoir which permanently damages and restricts the flow of gas to the wellbore. We have enclosed a copy of our latest swabbing invoice for an area well. At the rate at which

El Paso Natural Gas raises and lowers the line pressure, it would be necessary to retain a swabbing unit in the area, for our wells, almost full time.

In the event a hardship gas well classification is not received on this well, we feel it would result in premature abandonment of this well. We estimate this well would continue to produce at a rate of 722 MCF per day for a minimum of 10 years. In the event we cannot produce the well at this rate, the economics of operating a non-producing well would force premature plugging and abandonment causing gas to be left in the reservoir never to be recovered.

The minimum flow rate we are requesting for this well is 722 MCF per day. This minimum flow rate was derived from well production history, the latest six months producing rate average. It is difficult to determine the production rate before and after shut-in periods as El Paso Natural Gas frequently raises and lowers the line pressure during a month's period of time.

We were notified this date that El Paso Natural Gas intends to cut this well off effective this date for an indefinate period of time. We feel we have done everything feasible as a prudent operator to minimize or eliminate damage to the reservoir and permanent loss of gas. We have checked our well for downhole problems and swabbed the well when it was indicated we could produce the well into El Paso's line. We have made numerous requests to El Paso Natural Gas to allow our wells to produce at a minimum rate and have received no cooperation from them.

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Yours truly,

Lamar Eschberger

Lamar Eschberger
Consulting Registered
Professional Engineer
Hondo Drilling Company

LE:sg
Enclosure

HONDO DRILLING COMPANY
POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

March 29, 1985

Hondo Drilling Company
Union TX State #1
Sec. 17, T-19-S, R-29-E, NMPM
Eddy County, New Mexico

Sales Month	Total MCF	Average/Day MCF
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January, 85	22,893	738.5
Total Six Months	132,762	721.6 Average/Day

Note:

The high line pressure has effected this well, but it does not load up with water yet. New completion of offsetting well to the south will cause drainage so that shut-in will effect this well.

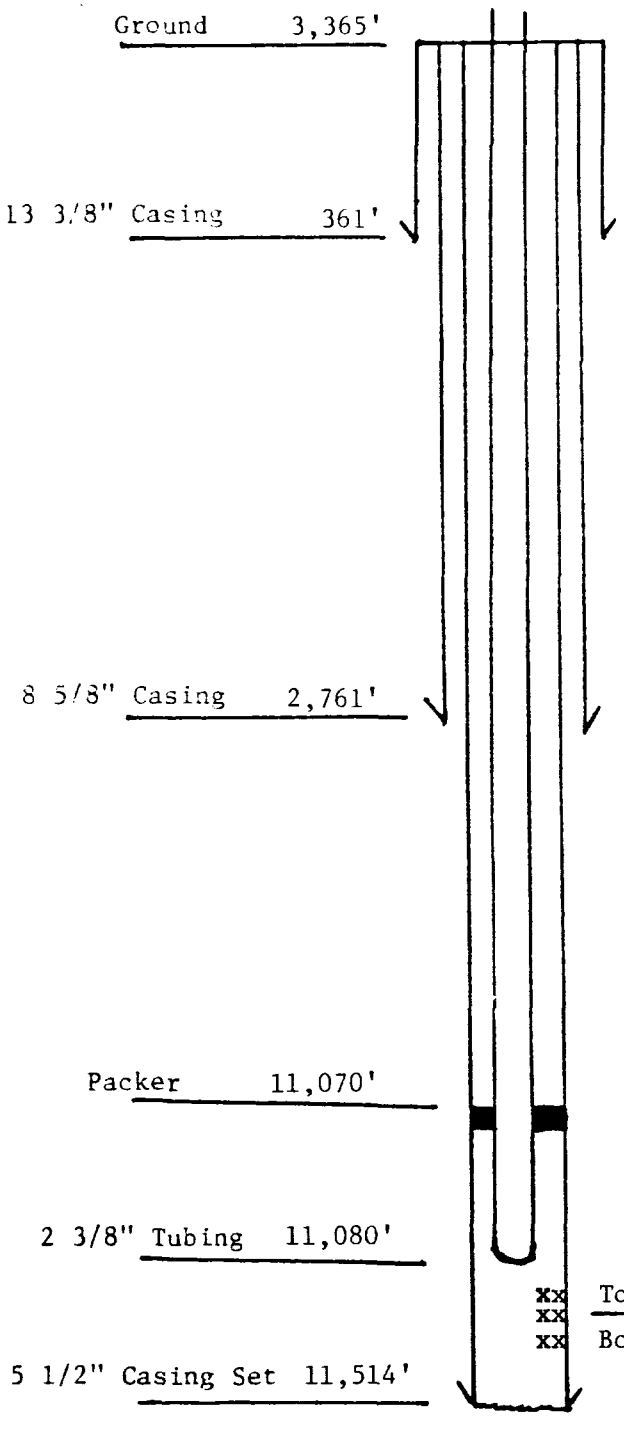
HONDO DRILLING COMPANY

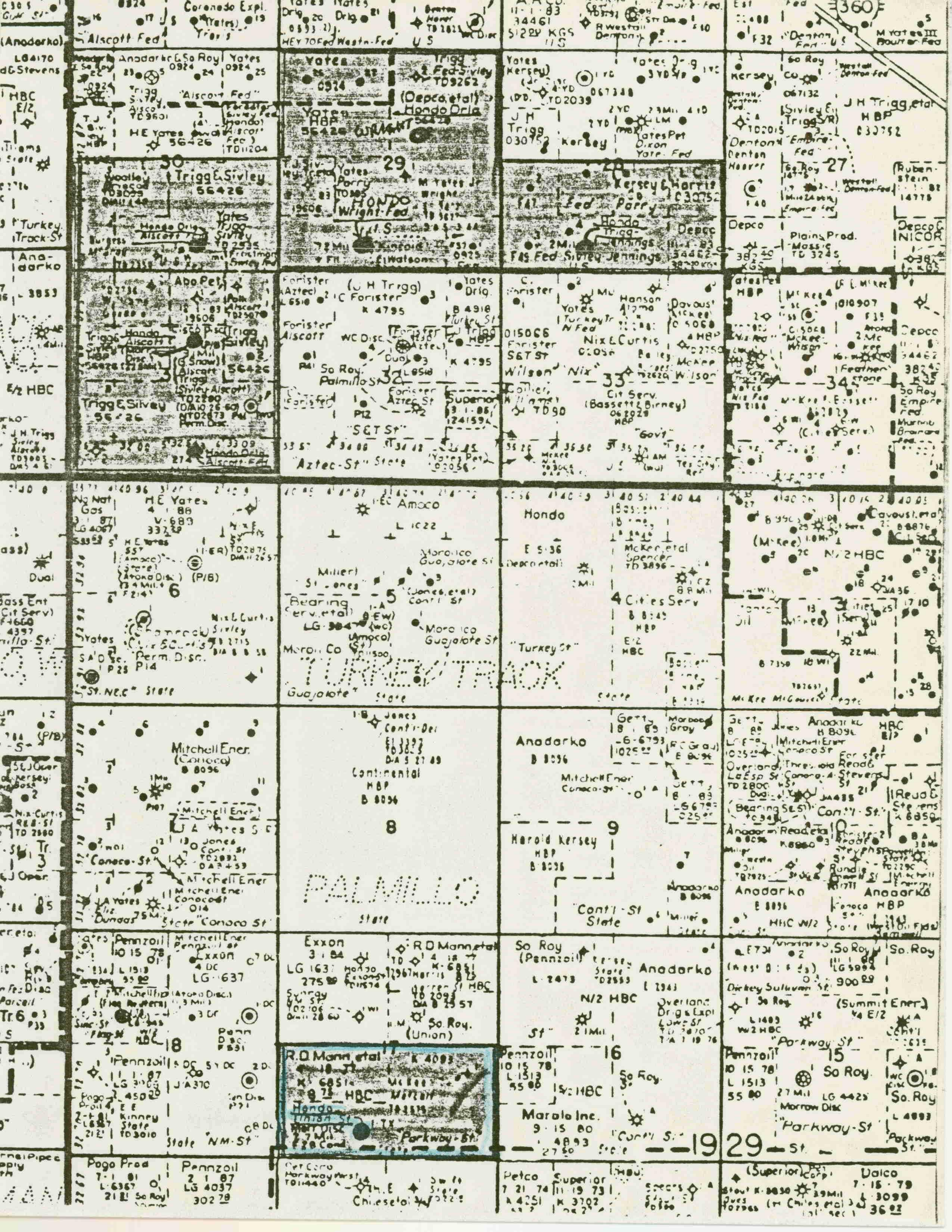
POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

Lease Union TX State Com. Well Number 1

Location S/2 of Section 17, T-19-S, R-29-E, N.M.P.M. - 320 acres, more or less

County Eddy, New Mexico. State Lease #K-0493





Alscott Fed
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Trigg & Sivley
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Hondo Drlg
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Sivley Jennings
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Wilson
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Cit Serv.
(Bassett & Birney)
Amoco
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Cities Serv
Turkey St
TURKEY TRACK
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Mitchell Ener.
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Parkway St
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Pogo Prod
Petco
Superior
Dalco

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

Oil Conservation Division

Drawer DD

Artesia, NM 88210

Re: Lease: UNION TX STATE
Well & Location: 1, SEC. 17, T-19-S, R-29-E
Pool: TURKEY TRACT MORROW
County: EDDY COUNTY, NM

Copies of the "Application for Classification as Hardship Gas Well" for the well captioned above have been sent on this the 18th day of APRIL 1985 to the following parties:

1. Pennzoil Company
   P. O. Drawer 1828
   Midland, TX 79702

2. Southland Royalty
   21 Desta Drive
   Midland, Texas 79702

3. Exxon, USA
   P. O. Box 3116
   Midland, Texas 79702

4. Union Oil of California
   P. O. Box 3100
   Midland, Texas 79702

5. El Paso Natural Gas Co.
   Box 1492
   El Paso, TX 79978

Lamar Eschberger

Lamar Eschberger
Consulting Petroleum ENgineer
HONDO DRILLING COMPANY

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

April 12, 1985

Re: Application for Classification
as Hardship Gas Well
Lease: UNION TX STATE
Well & Location: 1, SEC 17, T-19-S, R-29-E
Pool: TURKEY TRACT MORROW
County: EDDY COUNTY, N.M.

Gentlemen:

According to our records you are a diagonal offset operator to the captioned well operated by Hondo Drilling Company. The proration unit assigned to this well includes the SOUTH HALF OF SECTION 17, BEING 320 acres more or less.

Please be advised that Hondo has filed application with the New Mexico Oil Conservation Division for the UNION TX STATE NO. 1 well to be placed in the Hardship Gas Well Classification. This would allow the well not to be completely shut-in during periods of low gas demand. It is difficult to keep this well producing normally with the frequent purchaser shut-ins. It has already suffered formation damage because of previous shut-in periods.

If you have any questions let us hear from you.

Very truly yours,

Lamar Eschberger

Lamar Eschberger, Consulting Petroleum Engineer
HONDO DRILLING COMPANY

LE/aer

John Shockley - Swabbing Service, Inc.

P. O. BOX 1857
EUNICE, NEW MEXICO 88231

PHONE
394-3435
393-1088

JOHN SHOCKLEY, PRESIDENT

RECEIVED
DEC 6 1984
Ans'd.....

INVOICE № 3446

TO: Hondo Drilling Co.
P.O. Drawer 2516
Midland, Texas 79702
Attention: George Bullard

Date December 5, 1984

Contract No.

AFE No.

Req. or Purchase Order No.

Lease & Well No. Wright #1 Swab Unit #14

11-30-84	#7819	Roaded unit to location, Rigged up, 0# on Csg.,0# on Tbg., First fluid at 9200', Swabbed appx. 8 Bbl. of water to pit, Very light gas, Last fluid at 11,000', 0# on Csg., Closed well in, Rigged down.			
		Two Man Crew	7½ Hrs.	@ 63.25	474.38
		Swab Cups	6	@ 15.50	93.00
		OSR	2	@ 9.75	19.50
					586.88
				4⅛% NM Tax	24.94
					611.82

Job Complete
Thank You

TERMS: NET. DUE IN 30 DAYS.

1

HONDO DRILLING COMPANY

410 NORTH LORAINE • DRAWER 2516 • MIDLAND, TEXAS 79702 • (915) 682-9401

February 14, 1985

Mr. Manning called 2-15-85 about hardship well - jurisdiction signed by agency - will leave wells in for now -

Mr. Bill G. Lane
Systems Dispatching
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Re: Shut-in of Union TX State, Alscott #1, Alscott #2, Alscott #3, Wright #1, Wright #2, and Trigg-Jennings wells.

Dear Mr. Lane:

Enclosed is a copy of the exemptions on the above captioned wells from the State of New Mexico Energy and Minerals Department as per our conservation today. These reports were signed by Joe B. Murray, Field Well Testing Supervisor on August 24, 1984.

If there is any further information, please let me know.

Yours truly,

HONDO DRILLING COMPANY

George D. Bullard

George D. Bullard
Production Superintendent

GDB/ml

Enclosures

Exempt from shutting wells in to test them -

Jerry Sexton
Oil Conservation Division
Hobbs, NM