

NMOCD

Page No. 2

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3. Prior to the shut-in period, Federal 34 No. 1 produced at a daily average rate of 510 MCF, 13 BO, and 1000 BW. The production test following the shut-in period was 480 MCFPD, 4 BOPD, and 1042 BWPD. A decrease of 30 MCFPD and 9 BOPD.
4. The possibility of underground waste is evident in Conoco's Federal 34 No. 2, located in Unit H, Section 34, T-20S, R-26E, Springs Upper Penn (Gas) Pool, Eddy County, New Mexico. This well is located 0.5 mile from the Federal 34 No. 1 well and is completed similarly. During the recent shut-in period, water accumulated in and around the wellbore. Production was restored after jetting 2,652,750 SCF of nitrogen for 4 continuous days for a total cost of \$68,000. Conoco was unable to restore a production rate equivalent to the rate being maintained prior to the shut-in period. Federal 34 No. 2 produced 555 MCFPD, 4 BOPD, and 2000 BWPD prior to the shut-in period. After the shut-in period, the production test was 290 MCFPD and 0 BOPD. The quantity of water lifted from the wellbore was not sufficient enough to reduce the water saturation at the wellbore. Therefore, the Federal 34 No. 2 well loaded up with fluid and died after 13 days of production. Based on the production rate maintained during the 13 day period, the coil tubing and nitrogen job would have paid-out in 1 year and 2 months had production been maintained. No further attempts will be made to restore production unless Hardship Classification is obtained. If the well is prematurely abandoned, an estimated 616 MMCFG of recoverable reserves will be lost.

The recent loss of the Federal 34 No. 2 well has prompted Conoco to apply for an emergency Hardship Classification in order to prevent any further loss of reserves from the Springs Upper Penn Gas Pool. Conoco understands that the emergency Hardship Classification is for a period of 90 days. Additional well data is being assembled to complete all of the requirements of the Oil Conservation Division's Rules and Regulations outlined in Article F-409. A formal application and request for an Examiner Hearing will be submitted as soon as this data is assembled. Conoco requests the emergency classification as a Hardship Gas Well for the Federal 34 No. 1 well to prevent any shut-in periods which may occur while the formal application is being processed.

Yours very truly,



BLB:mlb

cc: V. T. Lyon, NMOCD, Santa Fe
Gas Company of New Mexico