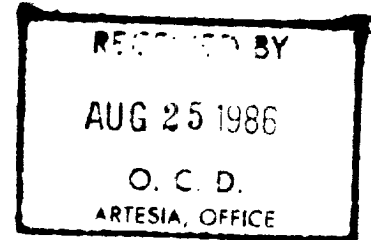


# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

August 22, 1986

Mr. R. L. Stamets, Director  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501



Re: Hardship Gas Well Application  
Walker No. 1  
Carlsbad Morrow, So. Pool

Gentlemen:

We request administrative approval of a Hardship Gas Well classification for the Walker No. 1 well located in Unit I, Section 21-22S-27E Eddy County, New Mexico. This action is necessary in order to prevent loss of gas reserves.

On February 25-27, 1986 and March 2-13, 1986 Llano, Inc., the gas purchaser, ordered the Walker No. 1 shut-in due to lack of market demand. The well was damaged both times it was shut-in. Production on February 24 was 757 MCF, 39 BW, 0 BO with 900 psi tubing pressure. Production after the first shut-in, on March 1, 1986, was 425 MCF, 34 BW, 0 BO with 850 psi tubing pressure. From March 13-26, 1986, attempts to unload the well and return it to production failed. Finally a \$50,000 workover, from May 6-27, 1986, to change out the tubing string and to unload formation water from the near wellbore area succeeded in returning the well to production at 620 MCF, 19.5 BW, 0 BO at 600 psi tubing pressure.

Because of the effort spent on this well, we are convinced that shutting in the Walker No. 1 allows water to displace gas in the near wellbore area, reduces permeability for the gas phase, and will result in the watering out and loss of the well. We are also convinced that the well needs to be produced at a rate high enough to prevent slugging of the produced water. That minimum rate is 400 MCF/GPD through 2-3/8" tubing into a 750 average psi sales line.

Llano, Inc., now has a market for all the gas we can produce and Llano has been nominating at 100% of deliverability. Furthermore, Llano has been cooperating with us to avoid the shut-in of this specific well since March of 1986. Given Santa Fe's desire to produce and Llano's desire to purchase, perhaps it is possible to have the allowables in the Carlsbad Morrow, South gas pool raised such that we would not be in violation of Rule 11(b) of OCD order No. R-8170.

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915/687-3551

OVER 220K  
191715 MCF  
55 MAFG  
11 NOV MAFG