

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9079
ORDER NO. R-8425

Applicant:

Conoco Inc.

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9079
Order No. R-8425

APPLICATION OF CONOCO INC. FOR
HARDSHIP GAS WELL CLASSIFICATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of April, 1987, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 9079, 9080, and 9081 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Conoco Inc., seeks a determination that its Levers Federal Well No. 1, located 1594 feet from the North line and 660 feet from the West line (Unit E) of Section 2, Township 21 South, Range 25 East, NMPM, Eddy County, New Mexico, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

(4) Said Levers Federal Well No. 1 was originally drilled to and completed in the Springs-Upper Pennsylvanian Gas Pool in December, 1968.

(5) According to well records, the well was temporarily abandoned in December, 1973, due to excessive water production.

(6) The applicant replaced the original tubing string during 1975 to obtain better flow characteristics from the formation.

(7) Since 1984, the well has been shut-in several times due to low market demand for gas.

(8) Subsequent to the latest shut-in period, it was necessary for the applicant to conduct workover operations on the well, including nitrogen injection, in order to remove the accumulated liquids from the wellbore.

(9) Testimony by the applicant indicates that due to the considerable expense required to bring the well back on production after periods of shut-in, the well could not be economically produced if not granted hardship classification.

(10) The applicant further testified that subsequent to the most recent shut-in period, which occurred during July-October, 1986, the well did not restore itself to the rate it was producing prior to being shut-in, indicating a probable permanent loss of gas reserves.

(11) Gas reserves in the amount of 418 million cubic feet may be lost should the well be plugged and abandoned, thereby causing waste.

(12) The applicant presented engineering calculations at the hearing that indicates that the minimum producing rate for the well should be 250 Mcf/day.

(13) The applicant presented no actual production data from the well which support the minimum producing rate calculations presented at the hearing.

(14) The applicant should be required to conduct a log-off test on the well in order to substantiate the minimum producing rate calculations presented at the hearing.

(15) The applicant further requested that a provision be included in the order allowing administrative approval of an increase in the minimum flow rate for the well upon a proper showing to the Director of the Division that said increase is necessary and justified.

(16) To prevent waste, applicant's Levers Federal Well No. 1 should be designated a hardship gas well and be given priority access to the available market for gas.

(17) Such classification should be subject to the limitations described in Rule 412 of the Division's Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) The Levers Federal Well No. 1, located 1594 feet from the North line and 660 feet from the West line (Unit E) of Section 2, Township 21 South, Range 25 East, NMPM, Springs-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, is hereby designated a hardship gas well subject to the following terms and conditions:

- (a) The well will be given priority access to the available gas market;
- (b) The temporary minimum approved flow rate for the well shall be 250 Mcf/day;
- (c) The hardship classification shall be retained only through April 1, 1988, unless the operator obtains an extension thereof under the terms of Division Rule 412 A; and,
- (d) The well should be subject to all terms and provisions of Division Rule 412.

(2) The applicant shall conduct a log-off test on the well within 120 days after the effective date of this order and shall notify the supervisor of the Artesia District Office of the Division of the date and time of the commencement of said test so that it may be witnessed.

(3) The applicant shall further report the results of said log-off test to the Santa Fe office of the Division upon completion of the test, whereupon the Director of the Division may adjust the minimum producing rate for the well after review of the test data.

(4) The Director of the Division may grant an increase in the minimum flow rate for the well at any time upon a proper showing by the applicant that said increase is necessary to maintain production in the well and the following conditions are met:

- (a) All offset operators and the transporter are notified by certified or registered mail of the applicant's intention to apply for an increase in the minimum flow rate for the well; and,

-4-

Case No. 9079
Order No. R-8425

(b) No objection to the proposed increase is entered within a period of 15 days.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY
Director

fd/