



Production Department
Hobbs Division
North American Production

Conoco Inc.
P.O. Box 460
726 East Michigan
Hobbs, NM 88240
(505) 393-4141

January 14, 1987

New Mexico Oil Conservation Division
Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 9086

Attention Michael Stogner

Gentlemen:

Request for Hearing - Hardship Gas Well Classification - Federal 34 Well
No. 1, Springs Upper Penn (Gas) Pool, Eddy County, New Mexico

Attached are three (3) copies of the subject Application for Examiner Hearing. Per Mr. Les A. Clement's letter dated January 12, 1987, this matter has been scheduled for Examiner Hearing on February 18, 1987.

A copy of this Application has been sent to all known offset operators.

Yours very truly,

H. A. Ingram
Conservation Coordinator

:tr

Attachments

cc: Tom Kellahin - Santa Fe
Gas Company of New Mexico, Albuquerque
Chevron U.S.A. Inc. - Hobbs
Cities Service O & G Corp. - Midland
NAPECO - Houston
Yates Petroleum Corp. - Artesia
Les A. Clements - NMOCD - Artesia

BEFORE THE OIL CONSERVATION DIVISION
OF THE
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF
CONOCO INC. FOR HARDSHIP GAS WELL CLASS-
IFICATION FOR ITS FEDERAL 34 WELL NO. 1,
LOCATED IN UNIT N, SECTION 34, T20S, R26E,
EDDY COUNTY, NEW MEXICO, SPRINGS UPPER
PENN (GAS) POOL

Case 9050

A P P L I C A T I O N

Applicant, CONOCO INC., respectfully requests HARDSHIP GAS WELL CLASSIFICATION for its Federal 34 Well No. 1, Springs Upper Penn (Gas) Pool, located in Unit N, Section 34, T20S, R26E, Eddy County, New Mexico, and in support thereof will show:

1. Applicant is owner and operator of the Federal 34 Lease consisting of Section 34, T20S, R26E, Eddy County, New Mexico.
2. That the Federal 34 Well No. 1 is an Upper Penn gas well located in Section 34, T20S, R26E, Eddy County, New Mexico, which under normal producing conditions flows approximately 480 MCFG, 4BO, and 1042 BW per day, with the reservoir drive mechanism of the Upper Penn gas zone being water.
3. That water encroachment during periods of shut-in reduces the total recoverable gas reserves and increases the risk of watering out the Upper Penn gas zone in this well.
4. That water encroachment in and around the wellbore could cause premature abandonment and waste of recoverable gas and oil reserves.
5. That the Federal 34 Well No. 1 is located 960' FSL and 1980' FWL of said Section 34, a standard location for a gas well, with the S/2

APPLICATION
January 14, 1987
Federal 34 Well No. 1

of the section being dedicated as the proration unit for the well.

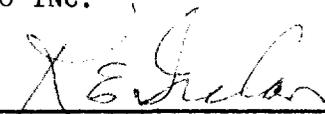
6. That Conoco Inc. operates the only wells in the Springs Upper Penn (Gas) Pool.
7. That the granting of this Application will prevent waste and will not impair the correlative rights to any party.

WHEREFORE, Applicant respectfully requests that this application be set for hearing before the Division's duly appointed Examiner, and upon hearing, an order be entered designating the Federal 34 Well No. 1 as a HARDSHIP GAS WELL.

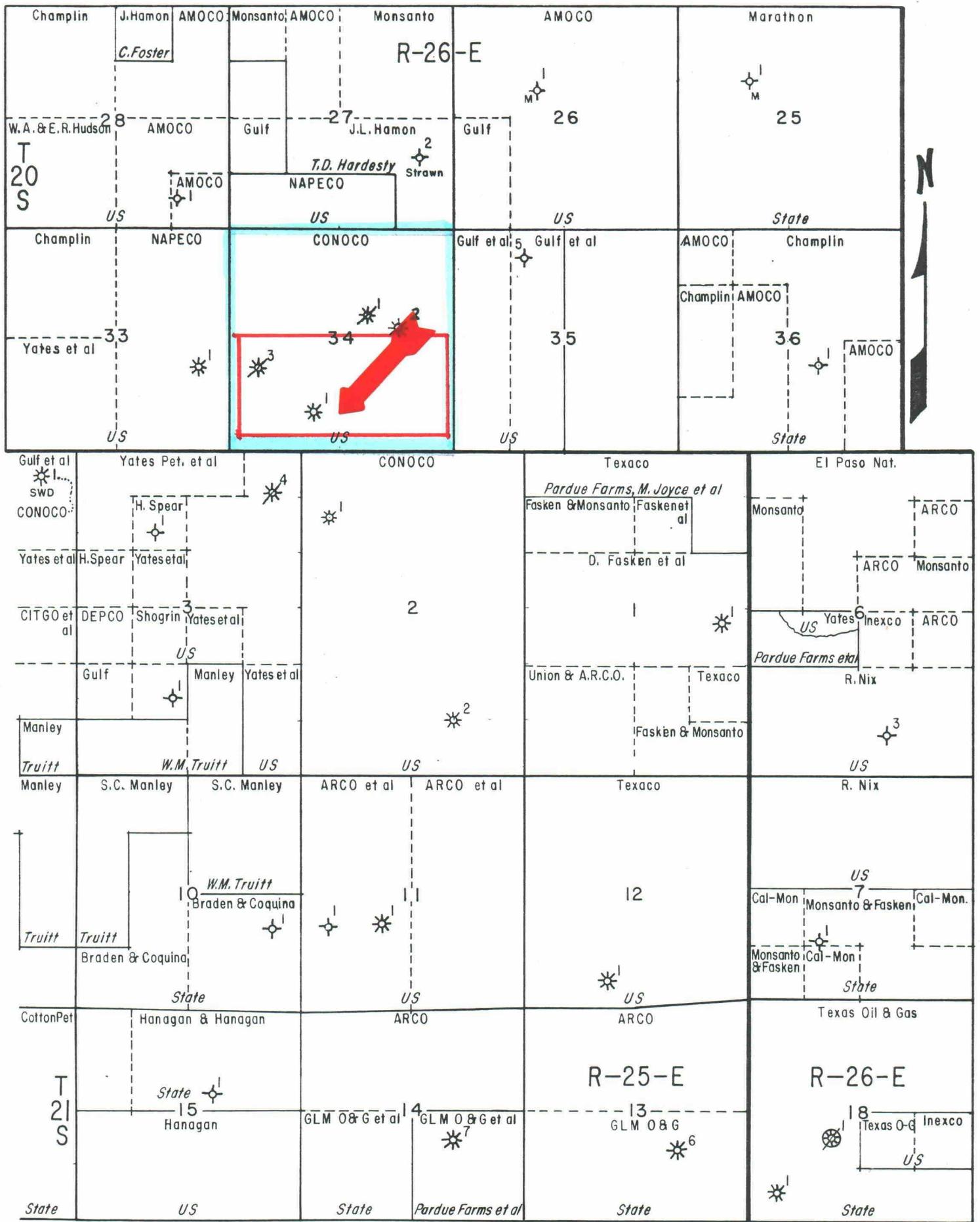
Respectfully submitted,

CONOCO INC.

BY



R. E. Irelan
DIVISION MANAGER OF PRODUCTION
HOBBS DIVISION



— Federal 34 Lease
— Proration Unit - Federal 34 No. 1



R. E. Irelan
Division Manager
Production Department
Hobbs Division
North American Production

Conoco Inc.
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January 8, 1987

New Mexico Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210

Attention Les Clements

Case 9080

Gentlemen:

Application for Emergency Classification as Hardship Gas Well -
Federal 34 Well No. 1, Eddy County, New Mexico

Conoco Inc. respectively requests emergency Hardship Gas Well Classification for the Federal 34 Well No. 1, located in Unit N, Section 34, T-20S, R-26E, Springs Upper Penn (Gas) Pool, Eddy County, New Mexico. This well has been shut-in in recent months due to market curtailment. The permanent waste of recoverable reserves incurred by shutting-in this well warrants a Hardship Classification, and is demonstrated by the following evidence:

1. During periods of shut-in, water encroaches toward the wellbore. The cost to restore production is significant because nitrogen and coil tubing are needed to return the well to its flowing status. The Federal 34 No. 1 production was recently restored after an extended shut-in period. It was necessary to use 2,625,000 SCF of nitrogen during a continuous period of 3 days to lift water from the wellbore. The total cost of the work was \$56,500. At current market prices, the work will payout in 4.6 months.
2. In addition to the cost factor, the permanent loss of reserves is a primary concern. Due to the large quantity of water produced from the reservoir, water will accumulate in and around the wellbore during shut-in periods. In the past, we have been able to economically unload enough water to allow the well to flow on its own. However, efforts to restore production were much more difficult this year than in past years. The amount of nitrogen increased by 3 times and the required jetting hours increased by 2 times from the past year. The cost to restore production in 1986 was 3.5 times the cost in 1985. A time will come when it will not be economical or feasible to restore production after a shut-in period. This may cause Conoco to prematurely abandon the well, and the remaining gas reserves will be lost (as is the case with Conoco's Federal 34 No. 2).

NMOCD

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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 BHPD. 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 BHPD 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.

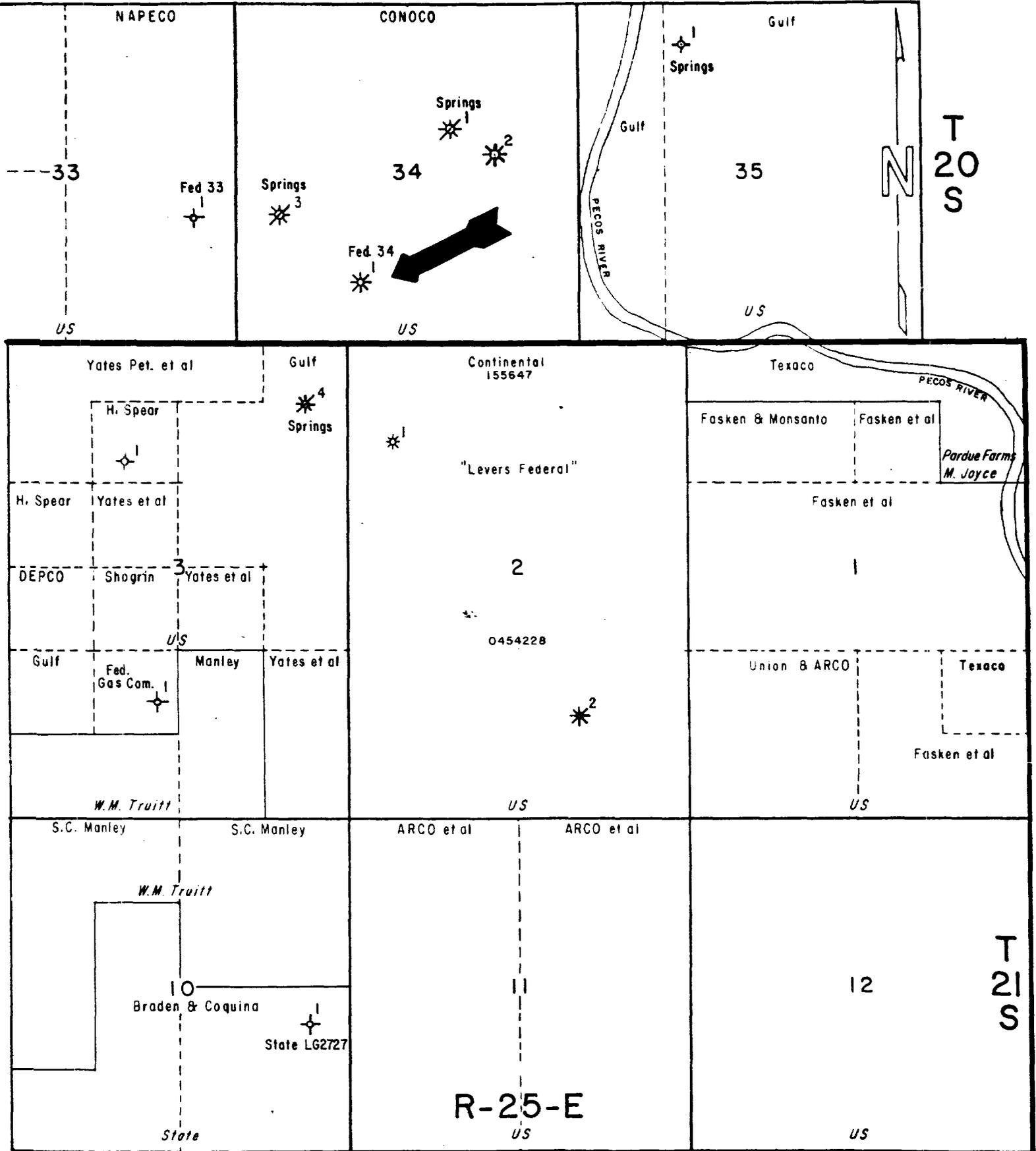
Yours very truly,



BLB:mlb

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

R-26-E



PRODUCTION DEPARTMENT		HOBBS DIVISION
<h2 style="margin: 0;">FEDERAL 34</h2> <p style="margin: 0;">EDDY COUNTY, NEW MEXICO</p> <p style="margin: 0; font-size: small;">SCALE</p>		
LEGEND ○ LOCATION ● OIL WELL * GAS WELL	⊕ DRY HOLE ⊕ INJECTION WELL ✱ ABANDONED WELL ⊕ SHUT-IN WELL	⊕ SALT WATER DISPOSAL WELL ⊕ DEEPER WELL ⊕ ZONE UNTESTED