

JOHN SHULTS LEASE
Lea County, New Mexico

Re: AFE 724602 - John Shults No. 1
Install New Equipment

Gentlemen:

ARCO Oil and Gas Company, as Operator of the John Shults Lease, recommends approval of the attached AFE 724602 for \$78,000 to install new lift equipment and tanks on the John Shults No. 1.

This is a single well lease. Presently, we are jet pumping approximately 70 BOPD and 550 BWPD using a power oil system. The 1500 bbl. power oil tank and 1000 bbl. sales tank have been repaired several times in the recent past. To continue operations we anticipate the replacement of the power oil tank and stock tank before the end of 1984. The estimated cost of replacing the tanks is \$50M. No benefit in reducing the operating cost would result. The Ajax triplex pump being used is overloaded and operating costs are high as a result. The maximum recommended operating pressure for that triplex is 3050 PSI. To maintain production at its current level, the triplex is operated at 3700 PSI. This causes excessive downtime and cost to replace plungers and repair stuffing boxes periodically. Lowering the discharge pressure to 3050 PSI would result in approximately 10 BOPD less production.

We propose to improve the system by setting a Unidraulic jet pump system and by replacing the power oil and 1000 bbl. sales tanks with two smaller tanks. This new system would more efficiently provide the rate and pressure requirements to produce the No. 1 well. The new pump equipment recommended is designed to operate at a maximum pressure of 4075 PSI. We would therefore be able to operate in the 3700-3900 PSI range safely. Downtime and repair cost would be lowered.