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plication, Transcript,  
and Exhibits, Etc.

# Memo

From

A. L. PORTER, JR.  
SECRETARY-DIRECTOR

To Dan,

I think we should  
cut this week back  
to 36 bps per day.  
If they want to  
have a paper, I  
think they can  
afford it.

Called Perkins 11/10/63  
and advised him the  
we would have to go back  
to 36 bps on Jan 14 pending  
a hearing.



PHILLIPS PETROLEUM COMPANY  
3d Floor Permian Building  
Midland, Texas

*Don Nutter*  
3311

January 7, 1963

Re: Application of Phillips Petroleum Company  
For a Special Allowable for the Phillips  
Mexco "A" Well No. 2, Lea County, New Mexico  
Case No. 2690, Order No. R-2362

New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention Mr. D. C. Nutter

Dear Sir:

The New Mexico Oil Conservation Commission Order R-2362 dated November 14, 1962 authorized Phillips Petroleum Company to produce its Mexco "A" Well No. 2 at its maximum capacity for a period not to exceed 60 days from the date of the order. This special allowable was consistent with the evidence presented at the November 8, 1962 hearing and the Commission's findings that the temporary capacity allowable should be granted to avert the possibility of unrecoverable loss of oil presently being swept toward the well by the Boller-Nichols waterflood project. The Mexco "A" Well No. 2 has been operated at capacity since the date of the order and has produced an average of 57.4 barrels of oil per day as shown on the attached curve. The well currently has a capacity of 36 barrels of oil per day. It can be concluded that the 1130 barrels of oil produced through January 7, 1963 by the Mexco "A" Well No. 2 in excess of its normal allowable would have bypassed the well and would have been unrecoverable in the absence of the special allowable granted by the Commission. Also it can be concluded that reduction of the well's allowable to the normal 36 barrels of oil per day at this time would result in a loss in recovery of 29 barrels of oil per day.

Pursuant to the suggestion in the Commission's order, Phillips has written to Waterflood Associates, Inc., the operator of the Boller-Nichols waterflood project, relative to the possibility of unitizing the Phillips Mexco "A" Well No. 2 tract with the Boller-Nichols acreage to the south. Their reply was that because of the difference in the stage of development this unitization would be very difficult and that they could see no way in which it would be possible. We recognize this problem and agree that an equitable formula for unitization will be very difficult to determine. However, we are sincerely interested in conducting our operations in this area so as to obtain the maximum recovery and will continue to work toward a solution to the problem of the potential loss of oil in this boundary area. We are currently investigating the possibility that other combinations of tracts can be formed into a unit. In the meantime it is believed that the Phillips Mexco "A" Well No. 2 must be operated at capacity to prevent unrecoverable loss of oil.

Phillips has investigated the feasibility of restoring the McLaughlin Well No. 1 located in Unit M of Section 1, Township 17 South, Range 32 East to production and con-

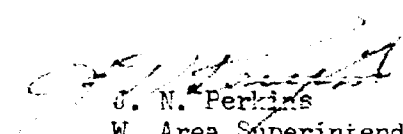
DOCKET MAILED

Date 1-14-63  
*JP*

verting the Phillips Mexco "A" Well No. 3 located in Unit N of Section 1 to water injection as suggested in the Commission's findings. It was concluded that the Phillips Mexco "A" Well No. 3 should not be converted to water injection. This well was cored from 4105-4429' upon initial completion and the only commercial zone was encountered in the San Andres from 4421-4427' as compared to the Grayburg water-flood zone in the Phillips Mexco "A" Well No. 2 of 4140-4196'. The re-entry into the McLaughlin Well No. 1 has been under consideration for some time - the two main factors being the production performance of the Phillips Mexco "A" Well No. 2 and the difficulty in ascertaining the McLaughlin well's condition and the plugging procedure used. A cost estimate and job outline to re-enter this well has been submitted by our Hobbs office and this proposal is currently being considered for approval.

In view of the fact that the Phillips Mexco "A" Well No. 2 is still capable of producing in excess of its allowable, actually increasing slightly in capacity since the date of the hearing, and the lack of success in unitization efforts, the need and reasons for a capacity allowable for Phillips Mexco "A" Well No. 2 are the same as presented at the original hearing and the findings set out in the Commission's Order No. R-2362. For these reasons we respectfully request authorization to continue to operate the Phillips Mexco "A" Well No. 2 at its maximum capacity rate. Under the present circumstances an extension of the present allowable for the Phillips Mexco "A" Well No. 2 is considered to be the only means of preventing unfavorable migration and loss of oil in the boundary area.

Yours truly,

  
J. N. Perkins  
W. Area Superintendent  
Expl. & Production Dept.

DLC/jw

No. 4-63

DOCKET: EXAMINER HEARING - MONDAY - JANUARY 28, 1963

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or  
Elvis A. Utz, as alternate examiner:

CASE 2745:

Application of Phillips Petroleum Company for  
a special allowable, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks an order extending  
the temporary special allowable authorized by Order No. R-2362  
for its Mexco "A" Well No. 2, located in Unit I of Section 2,  
Township 17 South, Range 32 East, Maljamar Pool, Lea County,  
New Mexico. Said well offsets and has received a response  
from the Boller-Nichols Waterflood Project in said Section 2.

274  
BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 2690  
Order No. R-2362

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR A SPECIAL ALLOWABLE,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 8, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 14th day of November, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Phillips Petroleum Company, is the owner and operator of the Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NME4, Maljamar Pool, Lea County, New Mexico.
- (3) That the applicant seeks assignment of special allowable to the subject well authorizing said well to produce at its capacity.
- (4) That the Mexco "A" Well No. 2 is adjacent to the Boller-Nichols Waterflood Project and has received a response from the injection of water into said waterflood project.
- (5) That the Mexco "A" Well No. 2 is now capable of producing in excess of its presently assigned allowable.
- (6) That the applicant should be allowed to produce its Mexco "A" Well No. 2 at its maximum capacity for a temporary

CASE No. 2690  
Order No. R-2362

60-day period in order to avert the possibility of unrecoverable loss of oil presently being swept toward the subject well by the Boller-Nichols Waterflood Project.

(7) That unitization of the NE/4 SE/4 of Section 2, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area would tend to protect correlative rights and to eliminate the possibility of waste as the subject well would then be eligible to share in the Boller-Nichols Waterflood Project allowable.

(8) That the applicant should investigate the feasibility of restoring the McLaughlin Well No. 1, located in Unit M of Section 1, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, to production and converting the Mexco "A" Well No. 3, located in Unit N of said Section 1 to water injection in order to achieve greater ultimate recovery of oil underlying the SW/4 of Section 1, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(1) That the applicant, Phillips Petroleum Company, is hereby authorized to produce its Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NMPM, Maljamar Pool, Lea County, New Mexico, at its maximum capacity for a temporary period not to exceed 60 days from the date of this order.

(2) That the Mexco "A" Well No. 2 shall be eligible to share in the Boller-Nichols Waterflood Project allowable at the termination of the temporary 60-day maximum capacity production period authorized in this order, provided the NE/4 SE/4 of Section 2, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, has been unitized with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area, and provided that said unitization agreement has been approved by the Commission.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

S E A L

EDWIN L. MECHEM, Chairman

esr/

R. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 2690  
Order No. R-2362

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR A SPECIAL ALLOWABLE,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 8, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 14th day of November, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Phillips Petroleum Company, is the owner and operator of the Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NMPM, Maljamar Pool, Lea County, New Mexico.

(3) That the applicant seeks assignment of special allowable to the subject well authorizing said well to produce at its capacity.

(4) That the Mexco "A" Well No. 2 is adjacent to the Boller-Nichols Waterflood Project and has received a response from the injection of water into said waterflood project.

(5) That the Mexco "A" Well No. 2 is now capable of producing in excess of its presently assigned allowable.

(6) That the applicant should be allowed to produce its Mexco "A" Well No. 2 at its maximum capacity for a temporary

CASE No. 2690  
Order No. R-2362

60-day period in order to avert the possibility of unrecoverable loss of oil presently being swept toward the subject well by the Boller-Nichols Waterflood Project.

(7) That unitization of the NE/4 SE/4 of Section 2, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area would tend to protect correlative rights and to eliminate the possibility of waste as the subject well would then be eligible to share in the Boller-Nichols Waterflood Project allowable.

(8) That the applicant should investigate the feasibility of restoring the McLaughlin Well No. 1, located in Unit M of Section 1, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, to production and converting the Mexco "A" Well No. 3, located in Unit N of said Section 1 to water injection in order to achieve greater ultimate recovery of oil underlying the SW/4 of Section 1, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(1) That the applicant, Phillips Petroleum Company, is hereby authorized to produce its Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NMPM, Maljamar Pool, Lea County, New Mexico, at its maximum capacity for a temporary period not to exceed 60 days from the date of this order.

(2) That the Mexco "A" Well No. 2 shall be eligible to share in the Boller-Nichols Waterflood Project allowable at the termination of the temporary 60-day maximum capacity production period authorized in this order, provided the NE/4 SE/4 of Section 2, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, has been unitized with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area, and provided that said unitization agreement has been approved by the Commission.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

S E A L

EDWIN L. MECHEM, Chairman

esr/

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

**BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:**

**CASE No. 2748  
Order No. R-2362-A**

**APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR A SPECIAL ALLOWANCE,  
LEA COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on January 28, 1963, at Santa Fe, New Mexico, before Daniel S. Matter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 1st day of February, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Matter, and being fully advised in the premises,

**FINDS:**

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

(2) That the applicant, Phillips Petroleum Company, is the owner and operator of the Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, SWPM, Maljamar Pool, Lea County, New Mexico.

(3) That the Mexco "A" Well No. 2 is adjacent to the Boller-Nichols Waterflood Project and is receiving a response from the injection of water into said waterflood project.

(4) That, by Order No. R-2362 issued in Case No. 2690, the applicant was authorized to produce its Mexco "A" Well No. 2 at its maximum capacity for a temporary period not to exceed 60 days from the date of Order No. R-2362.

(5) That Order No. R-2362 further provided that the Mexco "A" Well No. 2 would be eligible to share in the Boller-Nichols Waterflood Project allowable at the termination of the temporary 60-day maximum capacity production period provided its acreage

-2-

CASE No. 2745

Order No. R-2362-A

had been unitized with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area.

(6) That the applicant has failed to establish that all reasonable efforts have been made to include the subject well in the Boller-Nichols Waterflood Project Area or to secure a new waterflood project area to enhance the efficiency of the Boller-Nichols Waterflood Project and provide the Mamco "A" Well No. 2 with an increased allowable based on a waterflood project area.

(7) That the applicant should be allowed to produce its Mamco "A" Well No. 2 at a maximum allowable of 42 barrels of oil per day in order to reduce the possibility of loss that might result from oil being swept past the subject well by the Boller-Nichols Waterflood Project.

(8) That wells in the Boller-Nichols Waterflood Project Area receive a project allowable credit of 42 barrels of oil per day; that approval of an allowable greater than 42 barrels of oil per day for the Mamco "A" Well No. 2 would violate the correlative rights of persons owning an interest in the Boller-Nichols Waterflood Project.

(9) That the Mamco "A" Well No. 2 should be assigned an allowable of 42 barrels of oil per day.

**IT IS THEREFORE ORDERED:**

(1) That the applicant, Phillips Petroleum Company, is hereby authorized to produce its Mamco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NEPM, Maljamar Pool, Lea County, New Mexico, at the rate of 42 barrels of oil per day.

(2) That the Mamco "A" Well No. 2 shall be eligible to share in the Boller-Nichols Waterflood Project allowable provided the NE/4 SE/4 of Section 2, Township 17 South, Range 32 East, NEPM, Lea County, New Mexico, has been unitized with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area, and provided that said unitization agreement has been approved by the Commission.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-  
CASE No. 2745  
Order No. R-2362-A

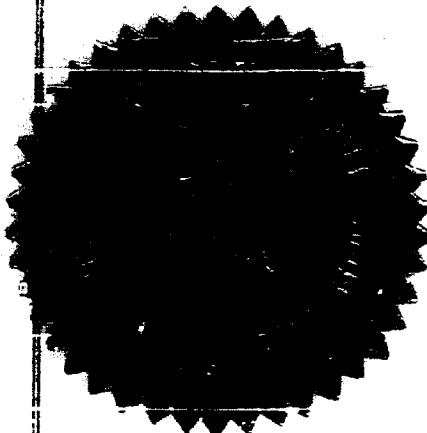
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
CIVIL COMMISSIONER

*Jack M Campbell*  
JACK M. CAMPBELL, Chairman

*E. S. Walcott*  
E. S. WALCOTT, Member

*A. L. Porter, Jr.*  
A. L. PORTER, JR., Member & Secretary



EST.

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 1/30/63

CASE 2745

Hearing Date 9am 1/28/63  
25N @ 5C

My recommendations for an order in the above numbered cases are as follows:

I would recommend that the Commission enter an order in this case fixing the allowance for Phillips Petroleum Company Mexico "A" Well No 2, located in Unit 1 of Sec 2 Twp 17 S Rge 32 E Lea Maljamar Pool, Lea County, N.M. at a rate of 42 BOPD

- ① Find that although this well is not within a designated water flood project it has received a ~~gross~~ production stimulation from the Baller Nichols Proj directly south of it. I find further that the wells in said project each receive a project allowance credit of 42 barrels of oil per day and that to assign more than that to the subject well would be conducive to the violation of correlating rights. I also find that the applicant has failed to show that all reasonable effort has been made to include the subject well in the existing W.F. Proj area or to form a new proj area

in which the subject well would receive a share of the allowance

*State of New Mexico*  
**Oil Conservation Commission**



**STATE GEOLOGIST  
A. L. FORTY, JR.  
SECRETARY - DIRECTOR**

Re: Case No. 3745  
Order No. B-2362-A  
Applicant:  
Phillips Petroleum

**OTHER:** \_\_\_\_\_

DRAFT

JMD/esr  
February 1, 1963

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 2745

Order No. R- 2362-A

APPLICATION OF PHILLIPS PETROLEUM  
COMPANY FOR A SPECIAL ALLOWABLE,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 28, 1963, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this February day of February, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Phillips Petroleum Company, is the owner and operator of the Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NMPM, Maljamar Pool, Lea County, New Mexico.

(3) That the Mexco "A" Well No. 2 is adjacent to the Boller-Nichols Waterflood Project and <sup>is receiving</sup> ~~has received~~ a response from the injection of water into said waterflood project.

(4) That, by Order No. R-2362 issued in Case No. 2690, the applicant was authorized to produce its Mexco "A" Well No. 2 at its maximum capacity for a temporary period not to exceed 60 days from the date of Order No. R-2362.

(5) That Order No. R-2362 further provided that the Mexco "A" Well No. 2 would be eligible to share in the Boller-Nichols



Waterflood Project allowable at the termination of the temporary 60-day maximum capacity production period provided its acreage had been unitized with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area.

(6) That the applicant has failed to establish that all reasonable efforts have been made to include the subject well in the Boller-Nichols Waterflood Project Area or to form a new waterflood project area to enhance the efficiency of the Boller-Nichols Waterflood Project and provide the Mexco "A" Well No. 2 with an increased allowable based on <sup>3</sup>the waterflood project area.

(7) That the applicant should be allowed to produce its Mexco "A" Well No. 2 at a maximum allowable of 42 barrels of oil per day in order to <sup>reduce</sup> ~~prevent~~ the possibility of ~~unrecoverable~~ loss ~~of~~ <sup>that might result in oil being swept past</sup> ~~and prevent it from being swept toward~~ the subject well by the Boller-Nichols Waterflood Project.

(8) That wells in the Boller-Nichols Waterflood Project Area receive a project allowable credit of 42 barrels of oil per day; that approval of an allowable greater than 42 barrels of oil per day for the Mexco "A" Well No. 2 would violate the correlative rights of persons owning an interest in the Boller-Nichols Waterflood Project.

(9) That the Mexco "A" Well No. 2 should be assigned an allowable of 42 barrels of oil per day.

IT IS THEREFORE ORDERED:

(1) That the applicant, Phillips Petroleum Company, is hereby authorized to produce its Mexco "A" Well No. 2, located in Unit I of Section 2, Township 17 South, Range 32 East, NMPM, Maljamar Pool, Lea County, New Mexico, at the rate of 42 barrels of oil per day.

(2) That the Mexco "A" Well No. 2 shall be eligible to share in the Boller-Nichols Waterflood Project allowable provided the NE/4 SE/4 of Section 2, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, has been unitized with acreage lying directly south thereof and in the Boller-Nichols Waterflood Project Area, and provided that said unitization agreement has been approved by the Commission.

-3-  
CASE No. 2745

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. D. PORTER, Jr., Member & Secretary

No. 4-63

DOCKET: EXAMINER HEARING - MONDAY - JANUARY 28, 1963

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or  
Elvis A. Utz, as alternate examiner:

CASE 2745:

Application of Phillips Petroleum Company for  
a special allowable, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks an order extending  
the temporary special allowable authorized by Order No. R-2362  
for its Mexco "A" Well No. 2, located in Unit I of Section 2,  
Township 17 South, Range 32 East, Maljamar Pool, Lea County,  
New Mexico. Said well offsets and has received a response  
from the Boller-Nichols Waterflood Project in said Section 2.

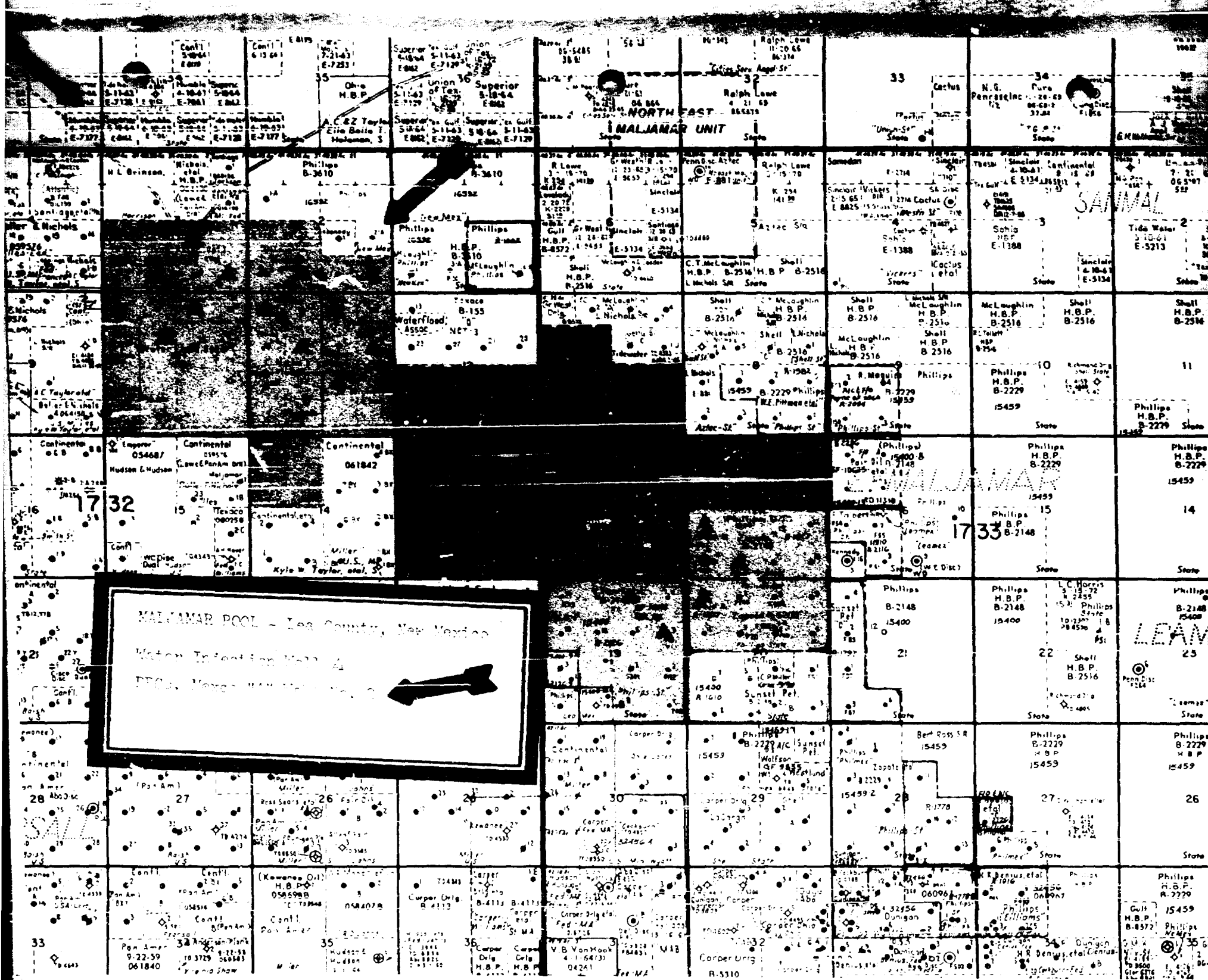
PHILLIPS PETROLEUM COMPANY'S APPLICATION FOR A CAPACITY  
ALLOWANCE FOR THE PHILLIPS' MEXICO "A", WELL NO. 2, UNIT  
I, SECTION 2, TOWNSHIP 17-S, RANGE 32-E, MALJANAR POOL,  
LEA COUNTY, NEW MEXICO

CASE NO. 2745

January 28, 1963

### Summary of Exhibits

- Exhibit No. 1 - A plat of the Midjamar area of Lea County showing the waterflood projects, and the injection wells in the vicinity of the Phillips' Mexco "A" Well No. 2.
- Exhibit No. 2 - A plat of the Midjamar area in the vicinity of the Phillips' Mexco "A", Well No. 2, showing the waterflood projects and the injection wells in operation. This plat also shows the cumulated production from the wells in this area as of January 1, 1961.
- Exhibit No. 3 - A schematic sketch showing the oil producing rates and water injection rates of wells in the vicinity of the Phillips' Mexco "A" Well No. 2.
- Exhibit No. 4 - A cross section through the Phillips' Mexco "A" Well No. 2, and the wells to the south showing the common completion intervals of these wells.
- Exhibit No. 5 - A decline curve for the Phillips' Mexco "A" Well No. 1.
- Exhibit No. 6 - A decline curve for the Phillips' Mexco "A" Well No. 2.
- Exhibit No. 7 - A decline curve for the Phillips' Mexco "A" Well No. 3.
- Exhibit No. 8 - Core analysis summary, Phillips' Mexco "A" Wells No. 2 and No. 3.
- Exhibit No. 9 - Phillips' letter of November 28, 1962 to Waterflood Associates, Inc., relative to inclusion of Phillips' Mexco "A" Well No. 2 in the Boller-Nichold waterflood project.
- Exhibit No. 10 - Waterflood Associates, Inc., letter of December 17, 1962 relative to unitization of Phillips' Mexco "A" Well No. 2 with the Boller-Nichols waterflood.



T.J. Jackson

Seahy  
252

ATI

HA  
2048

165922  
HCF

16592  
HCF

Mexico

Vaughn  
2054  
State

16592

16592

State

State

State

State

L. Nichols

State

L. Nichols

State

State

Shell Water  
State

POOL

Water Inlet  
Cump. 01  
DEP

A. Name

444

EXACO

Fel

Hudson Fed





U.S. GEOLOGICAL SURVEY  
WATER RESOURCES DIVISION

Phillips  
Mexico "A" 2

Depth	Permeability MD	Porosity %
4101-02	0	3.9
4102-03	0	6.8
4103-04	0	7.0
4104-05	0	8.9
4105-06	208.0	26.0
4106-07	17.0	24.1
4107-08	10.0	14.8
4108-09	25.0	19.0
4109-10	138.0	23.3
4110-11	156.4	23.4
4111-12	3.6	17.0
4112-13	0	13.7
4113-14	.7	13.5
4114-15	5.6	23.4
4115-16	1.0	15.7
4116-17	0	17.0
4117-18	0	5.1
4118-19	0	6.7
4119-20	0	6.1
4120-21	0	3.9
4121-22	0	0.6
4122-23	0	1.7
4123-24	.4	10.7
4124-25	.5	5.3
4125-26	0	3.3
4126-27	0	3.5
4127-28	0	10.6
4128-29	0	10.7
4129-30	0	10.9
4130-31	.1	11.4
4131-32	.7	

13.0' with measurable permeability  
permeability less than .1 md shown as 0

Phillips  
Mexico "A" 3

Depth	Permeability MD	Porosity %
4105-06	0	6.2
4106-07	0	7.3
4107-08	0	4.5
4108-09	0	7.3
4109-10	.1	11.2
4110-11	0	9.0
4111-12	0	10.3
4112-13	0	6.7
4113-14	0	6.2
4114-15	0	6.6
4115-16	0	2.2
4116-17	0	3.2
4117-18	0	4.9
4118-19	0	6.7
4119-20	0	7.6
4120-21	0	12.3
4121-22	0	9.0
4122-23	.1	10.3
4123-24	0	7.1
4124-25	0	5.0
4125-26	0	5.0
4126-27	0	3.3
4127-28	0	7.2
4128-29	0	0.0
4129-30	0	10.5
4130-31	.1	9.6
4131-32	0	8.0
4132-33	0	9.4
4133-34	0	4.7
4134-35	0	3.0
4135-36	0	10.5
4136-37	.1	11.6
4137-38	7.4	16.1
4138-39	20.0	17.5
4139-40	.5	10.0
4140-41	1.5	11.9
4141-42	5.1	15.0
4142-43	.1	12.0
4143-44	0	6.7
4144-45	0	7.5

10' with measurable permeability  
permeability less than .1 md shown as 0

Perkins

November 22, 1962

RECEIVED  
NOV 22 1962

Water Flood Associates, Inc.  
2211 Continental National Bank Building  
Fort Worth 2, Texas

Attention Mr. Curtis McCrean

Wiljamar Pool,  
Lea County, New Mexico  
Proposed Inclusion of Phillips  
No. 2 Lease "A", NE 1/4 SE 1/4  
Sec. 2-T7S-32E, in Reller-Nichols  
Waterflood Project

Gentlemen:

On October 22, 1962, Mr. W. C. Taylor of Water Flood Associates, Inc., and Mr. Robert Kennedy of Wiljamar Oil Company met with Mr. J. B. Taylor of Phillips' Hobbs District Office to discuss various possibilities of cooperative action to accomplish equitable water flooding of our separate properties in the subject pool. At the time, Phillips Lease No. 2 had responded to water injection in the Nichols-Phillips Lease State Lb. 2, SE 1/4 SW 1/4 Section 2-T7S-32E, and Phillips had sought relief from the New Mexico Oil Conservation Commission in granting a special oilfield lease this well to prevent loss of oil to the depleted edge of the reservoir to the north. Subsequent to our hearing on November 8, 1962, the Commission issued Order No. 8-2363 granting our company maintenance for a period of 60 days on the Lease "A" No. 2. The order also provided "That the Lease No. 2 shall be eligible to share in the Reller-Nichols Waterflood Project all or part of the termination of our company 60-day primary operating period authorized in this order, provided the NE 1/4 SE 1/4 of Section 2-T7S-32E, T7S, R. 2, Lea County, New Mexico, has been included with water flooding directly south thereof and in the Reller-Nichols Waterflood Project Area, and provided that said termination agreement has been approved by the Commission."

We recognize that inclusion of the Lease "A" No. 2 and the primary Lease No. 2-T7S, NE 1/4 SE 1/4 Section 2-T7S-32E, with the Reller-Nichols Water Flood Project would be desirable, but at this stage of the operational operation it may be very difficult to accomplish on the basis of the usual parameters.

Water Flood Associates, Inc.  
Julian Pool  
November 28, 1962  
Page No. 2

We will appreciate receiving your comments as to the possibility of  
utilizing our properties, and any suggestions you may have as to some  
equitable basis of participation.

Yours very truly,

*Jack Farmer*  
Jack Farmer, Manager  
Engineering Division

TAM:PTC

cc: Mr. Leonard Nichols  
Newcastle Division Bldg.  
Dallas, Texas

Mr. H. C. Porter  
Water Flood Associates, Inc.  
301 Becker Bldg.  
Artesia, New Mexico

Mr. Robert W. Kennedy  
New Mexico Oil Company  
P. O. Box 358  
Artesia, New Mexico

New Mexico Oil Conservation Commission  
P. O. Box 121  
Santa Fe, New Mexico  
Attn: Mr. D. E. Potter

bcc: Messrs. J. N. Perkins  
W. C. Rodgers

**WATER FLOOD ASSOCIATES, INC.**

301 BOOKER BLDG.  
ARTESIA, NEW MEXICO

PHONE SH 6-6032

DECEMBER 17, 1962

PHILLIPS PETROLEUM COMPANY  
BARTLESVILLE, OKLAHOMA

ATTENTION: JACK TARNER

RE: MALJAMAR POOL, LEA COUNTY,  
NEW MEXICO. UNITIZATION  
PROPOSAL OF PHILLIPS NO. 2  
MEXCO A, NE/4 SE/4, SECTION  
2-17-32 WITH THE BOLLER  
NICHOLS FLOOD

GENTLEMEN:

OUR FORT WORTH OFFICE HAS REFERRED YOUR LETTER OF NOVEMBER 28, 1962,  
TO ME FOR HANDLING.

AS YOU HAVE MENTIONED THE UNITIZATION OF THIS LEASE AND THE KENNEDY STATE  
NO. 2 (NW SE SECTION 2) WITH OUR DEVELOPED AREA WOULD BE VERY DIFFICULT.  
WE CAN SEE NO WAY IN WHICH IT WOULD BE POSSIBLE.

KENNEDY OIL COMPANY HAS CONTACTED YOUR HOBBS OFFICE REGARDING A UNITIZA-  
TION OF YOUR WELL WITH HIS SINGLE WELL WHEREIN THE CONVERSION OF HIS WELL  
TO INJECTION WOULD BE POSSIBLE. WE ARE IN FAVOR OF THIS TYPE ARRANGEMENT  
DUE TO THE SIMPLICITY OF BEING BETWEEN ONLY TWO OPERATORS, AND NOT  
INCLUDING THE AGREEMENT ALREADY UNDER FLOOD.

IF THERE IS ANY FURTHER PLAN YOU WISH TO DISCUSS, PLEASE LET US KNOW.

VERY TRULY YOURS,

WATER FLOOD ASSOCIATES, INC.

  
H. C. PORTER  
SUPERINTENDENT

HCP:EL

CC: ROBERT B. KENNEDY - ARTESIA, NEW MEXICO  
PHILLIPS PETROLEUM COMPANY - HOBBS, N. M.  
OIL CONSERVATION COMMISSION - SANTA FE, N. M.  
CURTIS MCBROOM - FORT WORTH, TEXAS  
ROBERTS CORRESPONDENCE FILE

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 28, 1963

*Samany*

IN THE MATTER OF:

Application of Phillips Petroleum  
Company for a special allowable, Lea  
County, New Mexico.

Applicant in the above-styled cause  
seeks an order extending the temporary  
special allowable authorized by Order No.  
R-2362 for its Mexco "A" Well No. 2,  
located in Unit I of Section 2, Township  
17 South, Range 32 East, Maljama: Pool,  
Lea County, New Mexico. Said well off-  
sets and has received a response from the  
Boller-Nichols Waterflood Project in said  
Section 2.

Case No. 2745

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order. The  
first case will be Case 2745.

MR. KELLAHIN: Jason Kellahin of Kellahin and Fox,  
Santa Fe, representing the applicant. We have one witness we  
would like to have sworn.

(Witness sworn.)

MR. KELLAHIN: Before we start the testimony, I would  
like to state that this is, in effect, a continuation or renewal

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of the original case which was presented before the Commission Examiner, I believe, the same Examiner, on November 8, 1962, in Case Number 2640, which resulted in the Commission's Order R-2362, granting a capacity allowable for a temporary period of 60 days. I believe it will expedite matters if we were to offer the record in the other case. Do I have that number right?

MR. CZIRR: Case 2690.

MR. KELLAHIN: We would like then, to offer the record of Case 2690 as a part of the record in this proceeding.

MR. NUTTER: The record of 2690, without objection, will be incorporated into the record of this hearing.

(Whereupon, record of Case 2690 was admitted to the record.)

D. L. CZIRR

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Don L. Czirr.

Q By whom are you employed and in what capacity?

A Area Reservoir Engineer, for Phillips Petroleum Company, Area Office Engineer.

Q Have you testified before the Commission and made your qualifications as an engineer a matter of record?

A Yes, sir.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. NUTTER: They are.

Q (By Mr. Kellahein) Mr. Czirr, are you familiar with the application of Phillips in the case that is before the Commission at this time?

A Yes, sir.

Q Would you state briefly what is proposed by Phillips?

A Phillips proposes, or requests authorization to operate its Mexco "A" Well No. 2 at its capacity rate as a means of preventing the loss of oil that is being forced in this direction by the adjacent water flood. The operation of the well at the capacity rate is the only means, solely in the control of the operation, for reducing or eliminating the possibility that oil will bypass the well into the edge and non-commercial portion of the area. The exhibits that we have submitted today are similar, and in many cases identical to the exhibits presented at the November hearing, and which were incorporated into the record; but were furnished again today as a matter of convenience and to show the more recent production information that has become available since the initial hearing.

The situation is that the Boller-Nichols Waterflood which is shown as blue in Exhibits 1 and 2 is an approved waterflood project and is operating successfully. The operation of the water injection on the Boller-Nichols Waterflood Project has

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caused oil to migrate, not only to the producing wells but also stimulated the Phillips Mexco "A" Well No. 2.

(Whereupon, Applicant's Exhibits No. 1 and 2 were marked for identification.)

Q Mr. Czirr, you are discussing the fact that the Phillips Mexco A Well No. 2 has received a substantial response as a result of the Boller-Nichols Waterflood Project, is that correct?

A That is correct. As shown on Exhibit 2, the wells designated by the arrow is on the edge of the field and along the commercial limits of the field, so that in our judgment it is not economical to extend development to the north by drilling wells, and at the same time this reservoir does not determinate by fault or any positive field at that point; it is a gradual reduction in permeability. So, over a large area that you would have on the edge of a field, that way you do have migration of fluid; so without the prospect of being able to drill wells to the north of our Number 2A, the only way we can prevent this migration and loss of oil to the extremities of the structure, is by operating that well at capacity, and preventing the oil from migrating past the well. Now, in the next exhibit it is the same exhibit that has been submitted previously, to show the Boller-Nichols project was operating successfully, and that it has received substantial response.

Q To which exhibit?

A That is a schematic sketch of the wells of the Boller-

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Nichols waterflood area and includes the Phillips Mexco "A" Well No. 2; the curves are put on the sheet in accordance with each well's location, which shows the Mexco "A" Well No. 2 has received substantial response from the pressure maintenance and waterflood operation of the Nichols Project. Also the Nichols Project is operating successfully.

Q Now, you say that exhibit is identical to the one that is issued in the previous hearing, is that correct?

A It is the same exhibit that has been up-dated to include the performance of the Mexco "A" Well No. 2; and, for example, shows the production increase that was allowed by the Commission's previous order. This also shows the production on the Mexco "A" Well No. 2 is above the allowable that would have been the normal allowable of 37 barrels for November and December, and 35 for the latter part of January.

MR. PORTER: How far is that exhibit brought up to date?

A In the case of our well, where we had the information to the first of the year, it is brought up to the first of the year, and the Boller-Nichols well is also shown to the first of the year. I obtained that information from the operators responsible for the Commission records for the month of December.

MR. PORTER: So this exhibit in all respects is current through January 1st?

A Yes, sir.

MR. PORTER: Thank you.

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A The other exhibit was submitted previously also, and the next one I would like to refer to, unless there are specific questions, would be the production curve from the Phillips Mexico "A" Well No. 2, which again shows in more detail the fact that the well has clearly received response from the adjacent water injections; that we did, in fact, increase production as a result of the Commission's granting us a capacity allowable for a period of 60 days, and in my judgment this oil would not have been recoverable in the absence of that. The oil allowable would have been on the order of 1,100 barrels per month, and that production that would be above the 1,100 barrels per month, in my judgment, would have been lost to the non-commercial portion of this field.

Q It would not have been producible from any other well than yours, is that right?

A That is my judgment, yes, sir. The problem being, as brought out in part of the previous testimony, this is a "Y" tight rock and gets progressively tighter as you go to the edge of the field, to where a well drill may encounter some porosity and permeability, but it will not be at a commercial rate, or of commercial quality, where the repression going into the well bore are large. So with the low permeability you don't have a commercial rate. But it does not mean there is a complete absence of porosity and permeability; that over a thirteen hundred and some odd foot area, or half a mile, there would be migration

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Our economics of the matter, as presented previously, are that as of November 1 our Mexco "A" Lease had \$116,017 yet to pay out that would not pay out from prior operations and probably will not recover any return to the investment through any secondary efforts we are able to perform. The three Mexco "A" wells were drilled for the sole purpose of trying to find a portion of this field. Then it was drilled as a, not the Maljamar but the Roberts area, to try to extend it into this waterflood area, and we cored two of our wells so we have fairly good control. As to whether or not the commercial limits, or because we were looking to a portion in an area that maybe one of sand structure could be extended may be commercial. Following the drilling of the three wells our judgment was that in none of the three locations could we possibly continue development. So, solely from the factors that will be under the control of Phillips, the only thing we believe that can be done to prevent this migration, or reduce this migration is to operate this well at capacity, and that was anticipated in the language of the 701, or appeared to be. There are other possibilities, as pointed out by the Commission in that order, not that would alleviate the situation as it existed at the time of our November hearing, or for that matter now, but they did make certain suggestions and we pursued those suggestions.

Q Could you discuss just what was done in that connection, Mr. Czirr?

A One possibility in a situation like this, and probably the one Phillips normally follows historically, is to not have isolated tracts in a waterflood area. That has been our position through the years. We do look at this possibility of unitizing from time to time; and in the Commission Order it was suggested that we contact the operator of the Boller-Nichols Project to determine if there was an equitable basis that our Mexco "A" No. 2 could be incorporated into their property and participate in the waterflood, and at the same time it would have the water flood allowable, and at the same time it would have been sufficient to permit the well to operate at capacity.

I have included in with this brochure a copy of a letter to waterflood associates, written by Mr. Jack Carter, who is now a manager of our property acquisition, suggesting, or pointing out that the Commission had suggested that this would be one solution, and asking for waterflood associates comment as to the feasibility and possibility of incorporating the Phillips Mexco "A" No. 2 tract into the Boller-Nichols Project. We received a reply from Mr. H. C. Porter, Superintendant for Waterflood Associates. His letter of December 17th, which is included in the brochure, states that they do not know of any basis in which our Mexco "A" 2 tract could be incorporated with their operation. As I understand it, their tracts are not common throughout their project area, and I am not familiar with the ownership, but I understand that there are numerous owners in the Boller-Nichols

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Project area, and in discussing it with Mr. Porter, his judgment was from that standpoint, the unitization or incorporation of our tracts would be very difficult, and not be practical.

Q In fact he said it would not be possible, did he not?

A That was his judgment, yes. Now, this is also the question that had concerned us, is, when you have a project that is in a rather advanced stage of operation, it is always difficult to evaluate. We could, I think, evaluate it; to find an agreement would be difficult. But if that was the sole problem we could certainly be attacked, but judging from the response of information that we have received from Waterflood Associates, plus our own experience in similar cases, our conclusion was that we cannot make that particular consolidation. So we have asked now to continue to operate our Mexco "A" Well No. 2 at the capacity rate as the only means and full control of the operation preventing this migration.

Q Are you saying then, in effect, that the only means of recovering this oil which is being forced toward your well is to produce your well at capacity?

A Yes, sir, and that we do require capacity allowable if we are to do it in any manner that is under our full control.

Q And if you are not allowed to produce at that capacity would there be a loss of oil in the reservoir, in your opinion?

A In my opinion, the difference between what the well could produce, which is indicative of the migration, and what we

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we would be allowed to produce. If it were restricted the oil would be lost and would not be recoverable commercially.

Q Now, the Commission, in its order, made a suggestion for the conversion of a well to water injection. Did you examine that possibility?

A Yes, sir, we did. The map is a little misleading in that regard, in that the Mexco "A" Well No. 3 was the one suggested for injection, and from the map it would appear to be a good injection prospect. The situation however, is that there are several producing zones in the Maljamar area, and in the Mexco "A" Well No. 3 the Grayburg sand did not have sufficient permeability to be a water injection well. It is, in fact, producing from what we designate as San Andres.

Q Now, your Mexco "A" No. 2 Well, what, originally, does it produce from?

A It produces from the Grayburg.

Q Your No. 3 is producing from the San Andres?

A Yes, sir, which was common in this area by accepted practice. In fact, those are separate sands from the operational standpoint.

Q Now, you referred to capacity allowable throughout, what is the capacity of the well at the present time, Mr. Czirr?

A In the first part of January when we were operating the well at capacity, our capacities were running around 67 barrels per day. We have attempted to find, to take representa-

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tive tests since that date and indications are that the well capacity has actually increased over the 67 barrels. We had one test that was a hundred barrels per day, but the conditions are substantially the same as they were at the previous hearing with the exception the well's capacity and the migration of fluid as it now represents, has actually increased from some 57 barrels the first part of November to in excess of 67 barrels at the present time, and, as I say, it, as of our last test, was a hundred barrels per day. But, having been prorated we cannot be fully certain that that would be a stabilized test, but it is certainly in excess of the 57 barrel rate per day.

Q How long would you anticipate you would need a capacity allowable, assuming you cannot unitize with the operators of the waterflood project?

A This is not a large problem. In terms of the total oil output, or time, around five or six months would probably represent the length of capacity allowable that would be required to allow this well to recover all the oil, that it can reduce this migration. After that period of time we think that it would be on a decline, based on our observation of our properties and other properties in this Maljamar area.

Q Is this well presently making any water?

A It is not making any measurable water at the present time that would be indicative of water breakthrough, but at the

same time, with just the one well for control, insofar as we

are concerned, there is no way for us to place the waterflood with any assurance or accuracy, to know whether in this particular area we are flooding the full section, or whether the well could be subject to being watered out within a short time.

MR. KELLAHIN: Off the record.

(Whereupon an off the record discussion was held.)

Q (By Mr. Kallahin) Mr. Czirr, was Exhibit "A" prepared by you or under your direct supervision?

A Yes, sir.

Q MR. KELLAHIN: At this time I would like to offer into evidence Exhibit A.

MR. NUTTER: Without objection, Phillip's Exhibit A will be admitted.

(Whereupon, Applicant's Exhibit A was admitted in evidence.)

Q (By Mr. Kallahin) Do you have a summary comment to make in connection with this case?

A More by way of summary, we definitely feel that we cannot drill additional wells based on the information we have or take any other particular action that would be solely within our own control; that we would request the capacity allowable for the reasons we have set out, and our suggestion would be that, rather than attempt to predict the time that this capacity allowable would be required, either from a mechanical standpoint or administrative standpoint, would be to make it subject to

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cancellation in the event the circumstances were to change; and Phillips could, and would be happy to furnish the Commission with any information on a periodic or monthly basis, that would be required to show that we were operating this well correctly and in accordance with their desires. As I say, then should circumstances change, that in the Commission's judgment the allowable should not be continued, it could be terminated; but at this time it would be difficult for us to predict accurately how long that the performance would require the operating of this well at capacity to prevent waste. Also, it would not be possible for us to predict, timewise, any administrative procedures or negotiations that Phillips might have in this area, to increase the efficiency of this portion of the Maljamar water flood.

MR. KELLAHIN: That completes my direct examination, Mr. Nutter.

MR. NUTTER: Does anyone have any questions of Mr. Czirr?

#### CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Czirr, I am interested in the well that directly offsets your Mexco "A" Well No. 2, to the west. I believe it is designated on your first map in your exhibit as the Kennedy Well No. 1 and on the second map I believe it is listed as Vaughn State Well No. 1. It is directly west of your Mexco Well No. 2.

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A Yes, sir. It is carried in the New Mexico Commission records as the Kennedy State No. 1, and I know from having talked with the operators that as the correct designation, it was drilled the Vaughn State, and certain of our files carry it as such.

Q Referring now to your exhibit concerning the accumulated production, that I believe is designated as well performance

A Yes, sir.

Q The Kennedy State Well No. 1 does not seem to have had a response from the water flood. Is that correct?

A It would appear to be correct. That is the tabulation of the monthly production as shown by the Commission's records.

Q Would you have any opinion or reason that you might believe that could cause this to happen?

A It would be difficult for me to give a final opinion, not having the information from the operators of the well. There is no obvious reason as to why it should not have acted much the same manner as any other well, but again there being many reasons that it would take a thorough study, having all the operations in it.

Q Would you have an opinion as to the possibility of a communitization agreement with the Kennedy operators concerning the operation of this well in conjunction with yours?

A Yes, I think it is possible. It has been considered for some time. It was considered prior to the initiation of Boller-Nichols waterflood as a matter of fact. I would think,

however, that this particular application, from our standpoint anyway, is separate and apart. There is no question but we are continuing working with all our property to try to arrange the operation where it is more profitable and most efficient, but I believe that it would be, or would make our position more difficult if we tied the two problems together to make any continuity from one to the other. It would make any negotiations on our part more lengthy and difficult. Our proposal today is that we do have this situation, and this is out best and only means that we have at hand at the moment to reduce or prevent this waste is to operate our well and produce the oil. As a matter of fact we are trying to increase the efficiency in this area, as we are in other areas, but I really believe that from our standpoint they should not be tied together, but that the situation as it concerns the operation of our Mexco "A" No. 2 is a distinct problem, and we have only one alternative at the moment.

Q You have not had any recent negotiations with Kennedy Oil Company concerning this well?

A Yes, sir, we have been in contact with Mr. Payne.

Q Has he indicated anything to you concerning his desires recently?

A Yes, we have had recent correspondence the starting of this fall with Mr. Kennedy; we have not concluded any negotiations with him, we have not determined anything. Still, as far as our normal operation would be concerned, we are still

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working towards that.

Q Do you think that there is a good possibility that you might work something out with the Kennedy Oil Company?

A I think it is logical from everyone's standpoint: so when that situation exists, normally you are able to find an equitable and fair way to do what is the best for everyone; so that is the only way I would have to say what the chances are. Negotiations between independent parties can be unpredictable.

MR. DURRETT: That, I believe is all I have.

By MR. NUTTER:

Q Mr. Czirr, one of the suggestions made in the finding of the Commission Order was that you consider the feasibility of water injection in the Mexco 3, and restoration of production in the McLaughlin 1, and you recall on January 7th you did state that the company had been investigating the McLaughlin 1, and cost estimates and job outlines had been submitted by the Hobbs Office, and was under consideration by the company for approval. What was the establishment of the job estimate by the Hobbs Office?

A It is in our Roswell Office at the moment. We have not received approval for it, nor has Bartlesville.

Q Have they given any indication as to what they are thinking along those lines?

A No, sir.

Q So you don't know what the status is along those lines?

A No, sir.

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Q What is the cost estimate for restoration of the well to production in dollars?

A We believe that if we are fortunate in reentry we can re-enter it for around \$19,000.00. Of course, if we are unfortunate there is no upper limit, and that's our problem, and one that we had to spend a lot of thought about, and I am sure one that has caused our other office some concern. Should you gamble \$19,000.00 on going into shot-pipe, or should you drill a new well? It is a difficult problem.

Q In attempting to read this production performance curve on your Mexico "A" No. 2, it would appear that this well probably had its lowest rate of production in 1962. If you would refer to that draft there, Mr. Czirr, at about April of '62, is that about the time?

A You said lowest?

Q The lowest in '62.

A Oh, yes.

Q Was that about April?

A Yes.

Q Do you know how much oil that well has made since that date? Do you have it?

A Yes, sir, I have the production sheet. Would you like to have me read it into the record?

Q Yes, sir, I would like to have the monthly production throughout 1962.

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A Starting with January, 242; 207; 218; 269; 326; 351; 441; 993; 894; 1,435; 1,622; 1,799. That's throughout December.

Q Now, what was the production in the year, 1961? Just the total production for the year, if you can find it.

A 3,342 barrels.

Q 3,342?

A Yes, sir.

Q Well, now, from your monthly production in 1962, it would appear that possibly the stimulation from the waterflood first made itself evident in the month of April with 269. Would you agree with that?

A That would be the best point to pick, judging from the amount of production.

Q Well, then, assuming, Mr. Czirr, that you had a total of 667 barrels in the months of January, February and March, and that the production for the remainder of the year was 7,463 barrels it would be evident that the well has produced since response to waterflood more than twice as much as it produced in all of 1961, making that assumption, is that correct?

A It sounds in the proper order and magnitude, I did not add up the numbers.

Q Then, tentatively you reseek an exception to an order of this type, that capacity allowable would be necessary for approximately five or six months?

A Yes, sir, I believe that the well will be capable of

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producing in excess of the scheduled allowable for five or six months, but again, without control of injection that is certainly a rough estimate.

Q So, if the Mexco "A" No. 2 responds in this manner and the McLaughlin No. 1 would respond in a similar manner, it is a good possibility in case of work-over and restoration of McLaughlin No. 1, that it would be a paying proposition, is that correct?

A That's correct. Our thinking is that we would not have considered anymore drilling or re-entry or expenditures in that area without the response from the wells in that area..

Q Now, referring to the performance chart of Phillip's Mexco State No. 2, I see that it received a ~~kick~~ in the last part of 1962. Would that be attributable to the water injection program, do you think, or is this a similar ~~kick~~ to the one in 1961, which came right back down?

A The Mexco State No. 2?

Q Yes, sir.

A There, of course, it is up to the operator of a lease to make, and by his judgment, it would appear that that well was offset by input, and should have responded, the production has increased. So knowing no more than the production, that would be what I assume.

Q This well is operated by the waterflood?

A Yes, sir.

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Q And it includes the waterflood project?

A Yes, sir.

Q Now, in order to efficiently operate a waterflood project and counteract drainage with counter-drainage, it would appear that the most equitable type of injection program here would call for Kennedy State No. 1 to go on injection to offset the Lexco 2, is that correct, which is directly south of your Mexco 2A?

A You are talking about the Kennedy State 1?

Q That is ~~correct~~, it is a continuation? Is that the proposal in your negotiations with Kennedy, that that well would be put on injection?

A That would be my judgment for the best thing to do, but again I feel that from our own standpoint that to tie this application with any of our negotiations would certainly help our progress.

Q Well, in your Exhibit Number 10 the letter from Waterflood Associates, Mr. Porter states that Kennedy Oil Company has contacted your Hobbs Office regarding unitization of your well with his well. Did he make any proposal when he contacted your Hobbs Office?

A Yes, sir.

Q Was his proposal simply that his well could go on injection --

A Yes, sir.



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Q -- and that the unitization would be between your Mexco "A" No. 2 and his well?

A That's correct.

Q Yours would be a producer and his an injection?

A That's correct.

Q I never did understand, in response to the questioning by Mr. Durrett, exactly what the status of those present negotiations is.

A A negotiation is being handled by our Acquisition Department, and we are attempting to make a counter offer, would be my judgment, but I can't quote what our department is doing at this moment.

Q Have you made any determination -- I presume that is all State acreage here in Section 2?

A Yes, sir.

Q Have you made any determination as to whether the State benefits are the same under the various leases?

A I am sorry, I don't have that information with me.

Q In your opinion, is all of the oil that is being produced, and will be produced from the Mexco "A" No. 2 going to come to the Mexco "A" No. 2 Lease, or will some of that oil come from the lease directly to the south?

A In any group of leases like that I don't think you could say that all the oil from any particular well comes from

this particular 40-acre tract. All you are contending is that if we don't recover it where the oil is that is not now being produced from No. 2 "A", if we do not recover it, it will not be recovered by any other operator.

Q You would not even hazard a guess that some of the oil might come from the lease to the south?

A No.

MR. NUTTER: Are there any other questions of Mr. Czirr?

#### REDIRECT EXAMINATION

BY MR. KELLAHIN:

Mr. Czirr, in your opinion has the Mexico State 2 "A" well reached its, or approximately reached its peak of production? Do you think it will continue to increase before it declines?

A I think it is about at its peak, but again we ran out of testing room about the time we got this hundred barrel test, so I would say that the well has increased from November 8th and probably will peak out in the order of 80 to 100 barrels per day.

Q Now, would you say you need perhaps five or six months in order to produce at that capacity, or that the well will produce in excess of allowable for five or six months? Do you mean by that that it will produce at its present rate?

A No, it will produce in the excess of 1,100, roughly, barrels per month. that would be the allowable rate; this is

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based just on our experience of the performance in that area and similar areas, and it is just evaluation of like cases. We do not have any performance that would give us a firm judgment on that matter.

Q Isn't it true that in this area the wells peak out and then re-decline rather rapidly?

A Yes, sir, I believe that is shown by our sketch of the production, that your peak is of a rather short duration.

Q And you would expect the same thing on your well?

A Yes, sir, that is where the estimate came from

MR. KELLAHIN: That is all I have.

RE-CROSS EXAMINATION

BY MR. NUTTER:

Q What has the normal rate of allowable been in this area, approximately 1,100 barrels per month?

A Yes, 36 barrels is the January rate, I believe, for 31 days. That is 1,116 barrels, I believe.

Q Well, now, on your well performance chart, referring to the Nichols Taylor "A" No. 1, which is second from the bottom and second from the left, how many months has that well produced in excess of 1,100 barrels?

A Quite some time, in excess of a year, just glancing at it. This is a center, and has good injection response all the way around, and should have a higher rate.

Q As a matter of fact, it is actually surrounded by four

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injection well?

A Yes, sir.

MR. NUTTER: Are there any other question? Mr. Czirr you may be excused.

(witness excused.)

MR. NUTTER: Do you have anything further?

MR. KELLAHIN: I would just like to make a very brief statement, and point out that while we are attempting to work out some utilization both to the south and to the west, the problem in New Mexico is that you have no utilization. All we can do is negotiate, and certainly Phillips is negotiating in good faith; but the immediate problem is that in our opinion and the testimony before the Commission, shows that unless this is granted, waste will occur. In other words, there is going to be oil swept by this well that will never be recovered by mere operation, on that basis, and that is our primary concern, to produce this oil and prevent waste. Our case is based on prevention of waste, and we submit that the Commission should give full consideration to that factor, simply because we do not and the commission doe not want to leave oil in the reservoir that will never be recovered by mere operation.

The witness has already testified that their well has been an uneconomic well and to go beyond there and drill any wells and recover any oil that is swept in that direction, it is just uneconomical and will not be done, the witness has also pro-

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posed rather than have a definite time limit as was done before, in this order, if the Commission sees fit to grant it, it should be of an indefinite nature, reserving the right to cancel it for good cause. We certainly would not have any objection to that. If we disagree with the cause we can ask for a hearing. We are willing to furnish the Commission any reports at any intervals they so specify and want on this section, and determine whether the order is needed or not as the production continues.

MR. NUTTER: Does anyone else have anything to offer in Case 2745? The case will be taken under advisement and the hearing is adjourned.

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STATE OF NEW MEXICO )  
 ) ss  
 COUNTY OF BERNALILLO)

I, BILL LANGFORD, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

*Bill Langford*  
 Court Reporter

I do hereby certify that the foregoing is a complete and correct transcript of the proceedings in the above entitled case No. 2745-1963 heard by me on 1/25/63.  
*[Signature]*  
 Examiner  
 New Mexico Oil Conservation Commission

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