CASE 3161: Motion of the OCC to permit So. Union Prod. Co. to show cause why Robert Mims-State Well #1 should not be plugged.

CASE NO. 3161

Application,
Transcripts,
Small Exhibits
ETC.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION UPON ITS OWN MOTION TO PERMIT SOUTHERN UNION PRODUCTION COMPANY AND ALL OTHER INTERESTED PARTIES TO SHOW CAUSE WHY THE ROBERT MIMS-STATE WELL NO. 1 LOCATED IN UNIT M OF SECTION 16, TOWNSHIP 29 NORTH, RANGE 9 WEST, SAN JUAN COUNTY, NEW MEXICO, SHOULD NOT BE PROPERLY REPAIRED OR PLUGGED IN ACCORDANCE WITH A COMMISSION-APPROVED PLUGGING PROGRAM.

CASE No. 3161
Order No. R-2830

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 24, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of December, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 Southern Union Production Company is the owner and operator of the Robert Mims-State Well No. 1 located in Unit M of Section 16, Township 29 North, Range 9 West, NMPM, San Juan County, New Mexico.

(3) That the subject well is permitting natural gas to escape from the strata in which it is originally contained into another stratum or strata.

(4) That in order to prevent waste and protect correlative rights, the subject well should be repaired or plugged in a manner that will prevent natural gas from escaping from the strata in which it is originally contained into another stratum or strata.

IT IS THEREFORE ORDERED:

(1) That Southern Union Production Company is hereby ordered to repair or plug the Robert Mims-State Well No. 1 located in Unit M of Section 16, Township 29 North, Range 9 West, NMPM, San Juan County, New Mexico, in a manner that will prevent natural gas from escaping from the strata in which it is originally contained into another stratum or strata.

(2) That if the well is to be repaired, the operator must have a proposed plan of repairing operations approved by the Commission's Aztec District Office prior to commencing such operations.

(3) That if the well is to be plugged, the operator must have a proposed plan of plugging operations approved by the Commission's Aztec District Office prior to commencing such operations.

(4) That all operations to repair or plug the subject well shall be completed within 60 days following the date of this order, and that Southern Union Production Company shall notify the District Supervisor, Oil Conservation Commission, District 3, Aztec, New Mexico, of the exact date and time repairing or plugging operations are to commence in order that the Commission may witness the same.

(5) 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. L. PORTER, Jr., Member & Secretary

esr/

Copy to well file & place in case file & Clear case file

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

State of New Mexico
Oil Conservation Commission

'65 MAR 22 AM

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

1000 RIO BRAZOS RD.
AZTEC
March 19, 1965

Case 3161
Order R-2830

Mr. James M. Durrett
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: Southern Union Prod. Co.
#1 Robert Mims State
M-16-29N-9W

Dear Mr. Durrett:

This is to advise that the above well has been worked over and successfully recompleted in the Mesaverde formation. The 5½" production casing was perforated at 1750 feet and 600 sacks of cement were squeezed through the perforations and the cement was circulated to the surface. Therefore all oil, gas and water are now being confined to the formation in which they occur.

Yours truly,

Emery C. Arnold
Supervisor, Dist. #3

ECA/bj

cc: SUG PROD.
Attn: Mr. Bill Vanderslice

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

P. O. BOX 871
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

December 7, 1964

Mr. Richard S. Morris
Seth, Montgomery, Federici & Andrews
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. ~~3161~~
Order No. R-2830
Applicant:

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC _____
Artesia OCC _____
Aztec OCC x
OTHER Mr. Jason Kellahin

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 11/30/64

CASE 3161 Hearing Date 9am 11/24/64
DSN ⊙ SF

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

Enter an order requiring Southern Union Producing Company to repair its Mims State Well No. 1, located in SW/4 SW/4 of 16-T 29 N-R 9W Blanco Mesaverde Pool, San Juan County, within 60 days of the date of the order or to properly plug and abandon the same by that date. Provide that in the event of repair work to isolate the gas on the bradenhead, the work shall be done in a manner agreed to by the District Supervisor of ~~the~~ Commission District III and shall upon completion be subject to his approval. In the event of plugging operations, it shall done according to a procedure set forth by the District Supervisor and subject to his inspection and approval. The work, under either alternative should be completed within 60 days following entry of the order.

Case 3161

MATTHEWS, PAYNE, PACE, SANDS & BENNERS
ATTORNEYS AND COUNSELORS
2520 REPUBLIC NATIONAL BANK BUILDING
DALLAS 1, TEXAS

RIVERSIDE 1-3355
AREA CODE 214

ROBERT G. PAYNE
WRIGHT MATTHEWS
JOHN A. PACE
ROBERT K. SANDS
FRED H. BENNERS

November 16, 1964

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Gentlemen:

Re: In the Matter of Mims-State No. 1
Well W/2, Section 16, T.29 N.,
R. 9 W., San Juan County, New Mexico

I am the owner of a portion of the working interest in the above property.

I am writing this letter to you to advise that the proposal of Southern Union Production Company to the owners of other portions of the working interest with reference to reworking the well has my approval. I will either bear my proportionate cost of the reworking or Southern Union may obtain payment from my portion of the working interest until the cost of the rework is recouped by it as set out in its "Consent to Rework."

Yours very truly,

John A. Pace

JAP/ja

OIL CONSERVATION COMMISSION
1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO

April 17, 1964

Southern Union Gas Company
P.O Box 808
Farmington, New Mexico

1964 APR 20 AM 8 21

Gentlemen:

Reference is made to past correspondence regarding required remedial action on your #1 Robert Mims State well in Unit E, Section 16-29N-9W. Tests conducted on this well indicated the presence of significant amounts of water and gas which indicated that oil, gas and water are not being confined to the strata in which they were encountered, as required by our rules.

In the event remedial action has not been commenced within 60 days it is our intention to call for a hearing to have the company show cause why this well should not be repaired as required by our rules.

Yours very truly

Emery C. Arnold
Supervisor, District #3

ECA:ks

cc: Oil Conservation Commission
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION
1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO

June 21, 1963

Southern Union Production Company
Box 808
Farmington, New Mexico

Gentlemen:

Bradenhead surveys recently completed indicate gas is present in considerable quantities in the surface casing annulus on the following wells:

#1 Robert Nims State, M-16-29N-9W	(1)	#8 Seymour, C-14-31N-9W	(5)
#6 Seymour, M-14-31N-9W	(2)	#5 Seymour, M-23-31N-9W	(6)
#7 Seymour, A-23-31N-9W	(3)	#2 Payne, K-21-32N-10W	(7)
#1 Seymour, B-25-31N-9W	(4)	#2 Quinn, L-19-31N-8W	(8)

Although pressures measured on these tests do not indicate communication between the production and surface casing, the presence of gas in these quantities on the bradenhead indicates either that the casing has failed or that gas from other higher formations behind the production casing is not being confined to the formation in which it occurred. The only other possible explanation would be that the gas has accumulated in shallow sands from older casing failures which have been repaired, or from undetected casing leaks on other wells in the area. Therefore the Commission sees no alternative but to require remedial action on these wells in order to prevent the movement of gas behind the production casing. This is necessary in order to prevent the possible waste of recoverable gas and also to prevent charging of shallow water sands with gas.

The wells are listed in the order in which we believe action should be instituted. Form C-102 should be filed in this office describing your plans for remedial action prior to commencement of operations. If you do not agree with the order in which the wells are listed or if you wish to discuss proposed corrective measures, please contact this office.

Yours very truly

ECA:ks

Emery C. Arnold
Supervisor, District #3

cc: OCC, Santa Fe, N.M.

set for hearing NW24

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

State of New Mexico
Oil Conservation Commission

MAIN OFFICE OCC
'64 Oct 23 PM 1 4

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO

October 22, 1964

ma 3161

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

Attn: Mr. James M. Durrett

Re: Remedial Action, Southern Union Production
#1 Robert Mims-State, M-16-29N-9W

Dear Mr. Durrett:

On June 21, 1963 a letter was written in this office to Southern Union Production Company directing that remedial action be taken on the above well in such a way that gas which we had found to be present on the bradenhead would be confined to its original source bed. This action was taken based upon the results of a bradenhead test which had been conducted on this well on April 19, 1963 which showed an estimated flow of 1500 MCFPD from the bradenhead. This test did not indicate casing failure in the well. It was, therefore, presumed that the gas was coming from some higher formation such as the Pictured Cliffs formation which had not been properly covered with cement during the original completion.

Subsequent to June 21, 1963 on various occasions I had conversations with employees of the Southern Union Production Company regarding this matter and was told that they were attempting to secure the consent of working interest owners in the well to perform the remedial work. On April 17, 1964 a second letter was written to Southern Union Production Company informing them that unless the well was worked over within 60 days it would be necessary that the matter be set for hearing to have all interested parties show cause why the well should not be worked over. Subsequent to this we had further conversations with employees of Southern Union indicating their belief that progress was being made toward securing the consent of other owners in the well.

Due to the fact that the 60-day period has expired and no further action has been taken, I am requesting that you advertise a hearing at your earliest convenience to have the operator show cause why this well should not be worked

over in such a way as to confine all oil and gas behind the production string to the formations in which it originally occurred, pursuant to Rule 107 of the New Mexico Oil Conservation Commission Rules and Regulations.

Yours very truly

Emery C. Arnold
Supervisor, District #3

ECA:ks

cc: Southern Union Production Co.
Farmington, New Mexico

[illegible] sign Carryl

3.8% of WI have agreed to join,

other WI would agree if the ORRI

$36,000 to work well over —

present
daily
100 MCF
Day

Wed Jan 6

30	29	28
31	32	33
6	5	4

187 circ
3798 S/2 250xH 4.4 ft/sack 1100
filmop
calc top 2798

base of
1155 Ojo Al
1233 top Fruitland
1925 Pictured Cliffs
2170 PC
2270 Lewis
3795 Cliff House
4175 PL
4700 Pinnacle

[illegible] gas & wtr flow [illegible]
[illegible] gas flow down csg
coal & flow wtr - no comm
tested prod wtr & breakdown indicated
5-14-62 gas & wtr on breakdown - gas
to surface -
4-19-63 steady flow gas & wtr at 1500
MCF/day rate indicated

conducted formation - Section 4 Page
and cited Vap of ... were charged.

conducted this gas from Fruitland
via replay to ltr dtd 6/21/63
contacted by phone - had conversation
procedure - to determine distribution of
workover costs

wrote again 4/17/64
further conversations - still negotiating
needed more time.

gas should be confined wherever wells
plugged or repaired.

opr may need time to contact other opns
should allow 60 days.

would furnish plugging proy to opr at
cond of 60 days if work is not approved

ECA recommend for repair, pay @ PC or
Fruitland & Opr will sell Gas to
cover all AC Fruitland form.
min cost to provide 300 Billings

Gas Measurements - 2 OC Connection
Well shown Not registered or plugged -
60 % WI Sec 16 - 2 N
27 1/2 % ORRI
12 1/2 % Roy

Any OC Well found on lease in WI owner responsible
must be done prior to Assignment per E. Proc

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

November 24, 1964

EXAMINER HEARING

IN THE MATTER OF:

In the Matter of the hearing called by the Oil Conservation Commission upon its own motion to permit Southern Union Production Company and all other interested parties to show cause why the Robert Mims-State Well No. 1 located in Unit M of Section 16, Township 29 North, Range 9 West, San Juan County, New Mexico, should not be properly repaired or plugged in accordance with a Commission approved plugging program.

Case No. 3161

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 24, 1964

EXAMINER HEARING

IN THE MATTER OF:

In the Matter of the hearing called by the Oil Conservation Commission upon its own motion to permit Southern Union Production Company and all other interested parties to show cause why the Robert Mims-State Well No. 1 located in Unit M of Section 16, Township 29 North, Range 9 West, San Juan County, New Mexico, should not be properly repaired or plugged in accordance with a Commission approved plugging program.

CASE NO. 3161

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please. We are now going to skip over and call Case 3161.

MR. DURRETT: In the Matter of the hearing called by the Oil Conservation Commission upon its own motion to permit Southern Union Production Company and all other interested parties to show cause why the Robert Mims-State Well No. 1 located in Unit M of Section 16, Township 29 North, Range 9

West, San Juan County, New Mexico, should not be properly repaired or plugged in accordance with a Commission approved plugging program.

MR. NUTTER: I will call for appearances in this case.

MR. MORRIS: Richard S. Morris, Seth, Montgomery Federici & Andrews, appearing for Southern Union.

MR. DURRETT: Jim Durrett, appearing for the Commission and its staff.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, appearing for Brookhaven Oil Company.

MR. DURRETT: I have one witness, if you desire to have the Commission proceed.

(Witness sworn)

EMERY ARNOLD,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DURRETT:

Q Will you please state your name and position for the record?

A Emery Arnold, Supervisor of District 3 of the New Mexico Oil Conservation Commission.

Q Are you familiar, Mr. Arnold, with the subject matter of Case Number 3161?

A Yes.

Q Would you please state to the Examiner the pertinent facts concerning this well, particularly your comments concerning a casing program and when it was drilled, background information?

A Well, the Robert Mims-State Well No. 1 located in the Southwest quarter of Section 16, Township 29 North, Range 9 West was completed February 25, 1953 at a total depth of 4750 feet. The well has ten hundred and three quarter casing at 187 feet with the cement circulated.. Five and one half inch casing was run in an 8 3/4 hole of 2798 feet with 250 sacks of cement, the calculated fill-up at 4.4 feet per sack would be 11 feet so we calculate the top of the cement would be 2698 feet. The formation tops are at Farmington, 1233; Fruitland, 1925; Picture Clifts, 2170; Louis, 2270, Cliff House, 3795; Point Lookout, 4475; Pacos, 4700.

Q Mr. Arnold, the figures that you just presented to the Examiner, did you obtain those figures from the official well file of the Commission concerning this well?

A Yes, I did.

Q And when did you state that the wells were drilled?

A 1953.

Q And who was the operator who originally drilled

the well?

A Southern Union Gas Company.

Q And was it subsequently transferred to Southern Union Production Company?

A That's right, in April, 1961, it was transferred to Southern Union Production Company.

Q And is that reflected in the official well file, Mr. Arnold?

A Yes, it is.

Q And what are you requesting here?

A Form C-110 which was filed on April 10, 1961 for the purpose of changing the ownership of the well.

Q Now, do you have some sort of bradenhead tests that were conducted on this well?

A Yes, we started conducting bradenhead tests in 1961, the first test on this well indicated that gas and water was present on a bradenhead, however, the gas did blow down to an insignificant amount and the well continued to flow water. We didn't at that time take any action. The test did not indicate communication between the production casing and the bradenhead. In 1962 another test was conducted, this time more gas was present and it came out in surges, actually, quite a bit of water with it.

MR. NUTTER: What was the date?

A May 14, 1962.

Q (By Mr. Durrett) And did that gas blow down fairly rapidly on the test?

A Yes, it blew down to not too large a volume. In 1963 we conducted another test and that was conducted on April 19th, 1963, this time the well had a steady flow of gas and water and estimated the volume at about 1500 MCF per day. The production casing pressure again didn't indicate any hole in the casing or any communication,so to our knowledge they do not have a hole in the production casing.

Q Now, the information that you just testified to Mr. Arnold concerning the bradenhead tests, is this information contained in the Commission's file as part of a report?

A Yes, the bradenhead report.

Q Is that a form or just bradenhead?

A It isn't a numbered form, it's a standard form which we use for this purpose.

Q And each of these tests were conducted by the operator, is that correct?

A That's correct, and they were witnessed by Commission personnel.

Q Each test was witnessed?

A Yes.

Q All right, sir. What did you conclude from these

teses, Mr. Arnold, particularly the test in 1963?

A We concluded that the amount of gas that was present on the bradenhead, that very likely formations in the production casing or behind the production casing above the top of the cement were contributing gas which had come up behind the production casing to the bradenhead and which was present in this and escaping from these formations to the surface. In other words, we decided that the gas in these formations were not being confined.

Q And this gas was escaping into the surface, is that correct?

A Of course, the only time it escapes is when we open the bradenhead, its normally contained.

Q So as song as the bradenhead is closed, it hadn't been going into another formation?

A If there are formations present with a continuity to take this gas, it's entirely possible that the gas would move through these shore formations and thereby be lost.

Q Is it your opinion that there would thereby constitute waste?

A Yes, the possibility of waste occurring is very possible.

Q And what action did you take as supervisor of Distirct Number 3 concerning this well?

A Well, this wasn't the only well upon which we discovered this difficulty. Southern Union had about eight wells which had similar circumstances, so we wrote a letter in June of 1963 directing them to take immediate action to confine the gas in the shore formations on these eight wells. This was done, I believe, on all the other eight -- I mean, seven of the wells. However, on the Robert Mims-State we were contacted by telephone by the operater and they informed us that they had some ownership problems on the well that they had to work out in order to try to determine how the cost of the workover would be distributed, and based upon this we agreed to delay action until such time as they made these arrangements.

Q And have you been in communication with them on and off now or approximately one year period since you wrote this letter in June, 1963?

A Yes, that's right. We did write another letter in April of 1964 and informed them that in the event that they didn't take remedial action within 60 days we would have to go ahead and set the matter for hearing and I did have future conversations with them subsequent to that time and they were still negotiating and thought they needed a little more time to negotiate and that's the main reason we delayed until this long in setting a hearing.

Q But it is your opinion that the wells should be

repaired now or in the reasonably near future in order to prevent waste?

A Well, I believe that this gas that is present on the bradenhead should be confined, whether or not the well is plugged or repaired.

Q What would be your specific recommendation, Mr. Arnold? I would assume that you would recommend that the well be repaired if the operater so desired?

A No, I don't have any reason for wanting the well plugged.

Q Except to prevent waste if it is not repaired?

A Right.

Q What would be your recommendation concerning repairing the well, do you have a specific length of time that you feel they should be given to rework the well?

A Well, it's my understanding that the operater may need a little time after the orders have been issued in order to contact the working interests and I should think that 60 days would be a reasonable amount of time to allow in repairing the well?

Q And if it is not repaired, do you have recommendations concerning the plugging of the well in a form that would be in accordance to this formation?

A I don't as of this moment have a plugging

recommendation, however, I will be glad to furnish one to the operator at that time.

Q At the end of what you are recommending as a 60 day period if it is not repaired?

A That's right.

Q And how long would you recommend after that, say, if it is not repaired at the end of 60 days, do you have an additional length of time that you feel they should be given to plug the well?

A I don't necessarily have a recommendation in that regard, perhaps it would be better to question Southern Union Production and see what their plan might be. I believe that it should be plugged, certainly, just as soon as it can be arranged.

MR. DURRETT: Thank you. If the Commission please, I should like to request that the Examiner take administrative notice of the Commission's official well file of this well.

MR. NUTTER: We will take administrative notice of the official well file and the content thereof.

MR. DURRETT: And that would conclude my examination of Mr. Arnold.

MR. NUTTER: Are there any questions of Mr. Arnold?

Mr. Kellahin, go ahead.

MR. KELLAHIN: Would it be possible to plug this well in the usual fashion that wells are plugged in the Canyon

Basin and prevent the leaks that are occurring now?

A Yes, we are requiring on all wells that when a well is plugged any gas producing formations behind the production casing be sealed off with cement because normally the production casing would be, oh, shot off at some point, possibly at about the top of the cement and, of course, then the plug would be placed in the open hole.

Q Would it be less expensive to repair the well than to plug it?

A I believe it possibly would. Actually, all that would be necessary to repair the well would be to perforate the casing and I would recommend that that be done at about the Pictured Cliffs or Fruitland formations, then squeezed with sufficient cement to cover all the Pictured Cliff-Fruitland formation. And, of course, if the well was going to be plugged and the casing was going to be left in the hole that would be necessary anyway, plus the fact that if you were going to plug is you would have to squeeze off the deeper perforation, and as I say, it is entirely possible that it would run more than to repair it.

Q Do you have any information on the last well test on this well?

A The last deliverability test?

Q Yes.

A I'm not sure I have that information in this file, I don't believe I do, Jason, but we can find that information.

CROSS-EXAMINATION

BY MR. NUTTER:

A Now, Mr. Arnold, I want to be sure I have these tops right, you say the Lovington was 1155?

A That's the base of it.

Q And what's the 1253?

A 1233 is the top of the Farmington.

Q 1925, the top of the Fruitland; 2270, the Louis; 3795, the Cliff House, and 4700, the Pacos?

A Right.

Q Now, the Robert Mims-State would have 500 1/2 inch casing with 250 sacks of cement and your calculated fill-up would be 2798, is that correct?

A I calculated 2698.

Q So, that would put the top of the cement in the Louis?

A That's right, below the Pictured Cliffs.

Q Below the Pictured Cliffs. Now, your bradenhead tests indicated that gas was coming between the surface pipe and the casing was 5 1/2 inches?

A Right.

Q So there is gas present above the cement and clear

up to the surface, is this correct?

A Well, I don't think there is any way of knowing definitely that it's present all the way to the top of the cement but we do know it is present on the bradenhead.

Q So, all of these formations down to the Louis however could be exposed to this gas either the source of the gas or a zone which could take the gas?

A That's right.

Q And this would be Lovington, Farmington, Cliff House, Pictured Cliffs and the Louis?

A Right. Actually, if the gas were even confined below the top of the Kirkland due to the very nature of the Fruitland shield then I don't believe that gas would move. Actually, some wells also in the basin have been worked over by perforating some place in the Kirkland formation and putting a block squeeze which then confines Fruitland-Pictured Cliffs gas.

Q And it would be your recommendation?

A Yes.

Q Now, in your own opinion, Mr. Arnold, is this gas that's present in this annular space from the Pictured Cliffs or the Fruitland or the Mesa Verde sections or just where?

A From studying it, I believe that it is coming

from Pictured Cliffs-Fruitland.

Q The two zones?

A Right.

Q And it would be your recommendation then that the casing be perforated at the Pictured Cliffs or the Fruitland?

A Well, I would allow a little flexibility either at Pictured Cliffs-Fruitland or in the Kirkland formation above there in order that all the temporary sections above are separated from the Pictured Cliffs-Fruitland zone.

Q And you wouldn't have any recommendations as to the minimum quantity of cement that would be used, that would just be determined on the job, is that it?

A Well, I believe that enough cement should be used for a minimum of two or three hundred feet of fill-up in that annulus at least. Actually, some operators in repairing these wells because of the fact that we've developed a corrosion problem up there, they've attempted to circulate cement from perforations when they do repair them in order to head off future difficulties again. So, an operator might want to attempt to circulate cement from the perforations anyway.

Q Clear back to the surface?

A Yes, but we haven't been requiring it.

Q Now, you wrote Southern Union on June 21, 1963, and also again on April 17th of '64. It's not a matter which

they ignored these letters when they contacted you by phone and said that they had to negotiate with the other owners and needed some time?

A Right.

Q But the first letter requesting the repair was 6/31 of '63?

A That's right.

MR. NUTTER: Does anyone else have any questions of Mr. Arnold? You may be excused. Do you have anything further, Mr. Durrett?

MR. DURRETT: No sir, the Commission has nothing else.

MR. MORRIS: Southern Union Production Company would like to offer some testimony.

MR. NUTTER: Proceed.

MR. MORRIS: I have one witness, Mr. Muennick.

(Witness sworn)

LEONARD MUENNICK,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Muennick, please state your name, by whom you are employed and in what capacity and where you are located?

A My name is Leonard Muennick and I am employed by Southern Union Production Company as Manager of Exploration located in Dallas, Texas.

Q Are you familiar with the Southern Union Production Company Robert Mims-State Well No 1 which is the subject of this hearing?

A Yes, I am.

Q Does that well come within your area of responsibility?

A Yes, it does.

Q At the outset, Mr. Muennick, let me ask you if you have any dispute with Mr. ARnold concerning his basic recommendations or do you concur that the wells should either be repaired, reworked or plugged?

A I agree with Mr. Arnold that the well should be reworked or that the well should be plugged and Southern Union Production Company is in negotiations attempting to get our non-operating partners to join us in this rework.

Q Why hasn't the well been repaired or reworked to this time?

A Basically, first, briefly, the working interest ownership -- Southern Union Production Company owns 21.875% of the well, the other working interest ownership is decided among various parties. Also, out of the non-operators interest

there is approximately 27 1/2% overriding royalty interest.

Q Is this 27 1/2% overriding in addition to the usual 12 1/2% State royalty?

A That is in addition to the usual 12 1/2% State royalty. This has made the non-operating working interest reluctant due to their small percentage of the production to join Southern Union in this rework.

Q Were these overriding royalty interests constituting some 27 1/2%, you say, were they created out of Southern Union's working interest or were they created out of other working interests?

A They were created out of other working interests, not any of Southern Union working interest.

Q Have you been in touch with the persons who are the present owners of working interests in the well concerning the expenses that would be incurred in the process of repairing or reworking this well?

A Yes, after Mr. Arnold's letter in, I believe, April of '64, on August the 6th of 1964, we sent a cost estimate for reworking the Robert Mims well to our working interest owners of record that we had available to us. We went a little further on this particular cost estimate in that the well is a rather poor well and we were going to, in addition to shutting off the flow behind the bradenhead, go ahead and

drain the well out and perforate it.

Q Do you feel that would be necessary, Mr. Meunnick, to rework the well rather than merely to repair it in the manner that Mr. Arnold outlined?

A We could repair it in the manner Mr. Arnold outlined. The well is deep as Mr. Arnold stated, about 3890 feet of 5 1/2 inch tubing, this tubing, of course, is down that open hole. From experience in other reworks, if we squeeze above it and have to plug it to drill it out, we are naturally going to have to go into that open hole and the cost will go up. If you were to proceed further and get a liner you don't incur this additional cost, but you still have to clean it out and that is the reason we are recommending in going through it and trying to improve the well itself.

Q Does it amount to this, Mr. Muennick, that in order to be sure that you recover the costs of repairing, completely repairing the well, you feel that you should go further and work it fully and fracture it in order to put the well in really tip-top shape?

A Yes, that is our feeling, to do everything that is feasible to make a better well out of it.

Q Now, what reception have you received from the other working interest owners to this sort of a proposal?

A The working interests, two of the working interests,

they are small working interests totaling about 3.8%, agreed to join us. Of course, the other working interests who have indicated they would like to join us if they would get some of the overriding royalty, let's say, discontinued until payoff. I better clarify that a little bit. Southern Union indicated to the non-operating interest owners that we would rework the well and carry the non-operating interests for 125% if we could get the overriding royalty interest. So, we could see a reasonable payoff but with the heavy overriding royalty interests that leavs about 60% production to the working interests and Southern Union only 21.9%. We did not feel we could carry the balance without overriding or some negotiations with them taking place.

Q Have you continued to negotiate with the working interests and overriding royalty interests in this matter from the time this problem was originally called to your attention up to the present time?

A Yes, we have been in correspondence by phone and in person and also by letters and recently we sent a letter to all the overriding interests and all the working interest owners along with an agreement.

MR. MORRIS: Would you mark these please.

(Whereupon, Exhibits A and B marked for identification.)

Q (By Mr. Morris) Referring to two letters, both

dated November 13, 1964 which have been marked as Southern Union Production Company's Exhibits A and B, are those the letters which you just referred?

A Yes, those were the letters where we contacted both of the overriding royalty interests. Previously, we had been in contact with the working interest owners.

Q Without reading these letters, just what is the general effect and intention?

A The intention of these letters was to inform the overriding royalty interest owners, as well as the working interest owners present, who were previously aware of that a hearing was being called by the Oil Conservation Commission that Southern Union Production Company would like to ask the working interest owners to join and also to ask the royalty owners to relinguish their proceedings until such time as the Production Company could recover 125% of their cost if they are to carry the non-operating parties. That basically is what we were covering.

Q Now, what is the present status of your negotiations with the working interest and the overriding interests?

A The present status, as I mentioned previously, we've received agreements from two of the working interests totaling about 3.8%. We have been in verbal contact the last two days with the other working interest owners and we're still continuing

our negotiations. We hope we can work out something favorable with our partners.

Q Do you intend to continue these negotiations even after the Commission enters an order as the result of this hearing?

A Yes, we would like to after an order is written, and we will continue to until we finalize the matter in one manner or the other.

Q Well, Mr. Arnold has recommended to the Examiner that Southern Union be given 60 days to repair this well if it is to be repaired and reworked. Is that 60 day period satisfactory to you?

A Yes, I feel that 60 days after the order will be sufficient.

Q Would you require additional time in which to plug the well if it is to be plugged?

A No, I don't believe so. I believe that within 60 days we will commence either reworking or plugging?

Q Do you have anything further you'd like to add?

A No, I don't believe so.

MR. MORRIS: We offer Southern Union's Exhibit A and B into evidence and that's all we have.

MR. NUTTER: Southern Union's Exhibits A and B will admitted in evidence. Are there any questions of Mr. Muennick?

MR. DURRETT: I have a question, please.

CROSS-EXAMINATION

BY MR. DURRETT:

Mr. Muennick, do you have an estimate or can you make a rough estimate as to approximately what it would cost to repair the well in the manner that Mr. Arnold suggested?

A I do not have one estimated at the present, the cost would vary considerably. We might get away with one squeeze job if the tubing would come out of that thousand feet of open hole without washing over clean out the bottom. Again, without a bunch of trouble, the cost could vary considerably and we made an initial estimate, by running a liner, of $36,000 that included a liner and perforator.

Q And is that the proposed plan that you submit?

A That's right.

Q Let me ask you this, if you reworked it in the manner that Mr. Arnold has suggested, would it be considerably cheaper assuming you don't run into a bunch of trouble or is it going to be substantially the same or what?

A I would say it could be considerably less, yes.

Q And the cost that you are submitting, what was it, 36,000?

A 36,000.

Q And that you figured would put the well in tip-top

shape?

A Well, the well at best is capable of 100 MCF if it's single shot hole. If we went in or repaired the well as Mr. Arnold stated, we certainly would not increase our payoff out or by not attempting to fully perforate it and make it considerably better and leaving that single shot hole itself.

Q And your proposal is to rework that well?

A That's correct.

Q And I believe you stated that you would feel that 60 days would be a sufficient length of time to either rework it or plug it?

A That's correct.

MR. DURRETT: Thank you.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Muennick, the deliverability is about 100 MCF a day?

A I believe that was our '64 estimate.

Q That's from the tubing?

A Yes, that's the blow rate through the tubing.

Q They estimated 1500 a day from the bradenhead?

A Yes sir.

Q Maybe a repair on the casing might confine more gas to the tubing, is that a possibility?

A The well has not indicated that we have a casing leak. In other words, the gas is confined.

Q No, the total interest of the well is 100 per cent.

A That's correct.

Q The State has 12½ per cent, the overriding royalties have 27½ per cent. This leaves 60 per cent working interest, is that correct?

A I believe that's approximately right.

Q And of the 60 per cent working interest Southern Union owns approximately 21 per cent?

A Right.

Q And of the other working interests, only 3.8 per cent to date have agreed to share the cost of the rework?

A That's right, as of today.

Q Have the others, whatever percentage it is, declined or you just haven't heard from them yet?

A They have not fully declined, they are trying to talk to their overriding royalty interests. They have not indicated they would join us fully, they would let us carry them and we stated we would carry them only if we got more production out of the well to recover our costs.

Q Now, is the entire 87½ per cent of the interests in the well, which is everything except the State, covered by these parties on Exhibits A and B?

A Yes, from our records that covers the entire 87 per cent.

Q If you have the figures available there, tell me what per cent each of these various parties own.

A 21.875 per cent, Southern Union.

Q How about Mr. Munch?

A Mr. Munch has 19.875 per cent.

Q And then Betty Jean Munch?

A Has 15.375 per cent.

Q Rosie Lopez?

A Has 1.288 per cent. And John C. Pace has 1.291 per cent. The overriding royalty interests, Doris Mims Henderson, 6.562 per cent, Harriet Duheneu, 3.281.

Q Brookhaven Oil Company?

A 2.562 per cent, and Texas Pacific Oil Company, 12.5 per cent.

Q Mr. Muennick, in your opinion, Southern Union couldn't repair this well or couldn't work this well without bringing these overriding royalties in, you've got 60 per cent represented by Exhibit A, wouldn't 125 per cent of the costs shared by these other people in the 60 per cent pay for the workover?

A If the other working interests would share this, yes.

Q Then, you wouldn't have to bring the overriding

royalty interests in?

A That's correct.

Q Then, you have the consent from all except Mr. Munch and Mrs. Shall?

A That's correct, unless they assigned part of their working interest to someone in this group, this is what our records indicate.

MR. NUTTER: Are there any further questions of Mr. Muennick?

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Do you have an operating agreement with the other working interest owners?

A Yes.

Q Does it make any provisions for the cost of workover repairs to the well?

A I have not studied the operating agreement but I have looked it over and there is a provision for an operator's lien. However, there is also a provision that the operator cannot spend over $1,000 without the consent of the nonoperating partners.

Q And they have not consented up to the present?

A Right.

MR. NUTTER: Any further questions? The witness may

be excused. Does anybody have anything further in Case 3161?

Take the case under advisement.

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

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

John Orfanides
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3161, heard by me on 11/24, 1964.

....., Examiner
New Mexico Oil Conservation Commission

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E X H I B I T S

NUMBER	MARKED FOR IDENTIFICATION	OFFERED	ADMITTED
Exhibit A	19	21	21
Exhibit B	19	21	21

SOUTHERN UNION PRODUCTION COMPANY 21.875%
FIDELITY UNION TOWER
DALLAS 1, TEXAS

November 13, 1964

Mr. E. W. Mudge, Jr. 19.21875%
2931 Republic Bank Building
Dallas, Texas 75201

Mrs. Betty J. M. Stahl 15.375%
Box 12182
Dallas, Texas

Mr. John A. Pace 1.92188%
2520 Republic Bank Building
Dallas, Texas 75201

Mr. Wroe C. Owens 1.92188%
1206 Perry Brooks Building
Austin, Texas

In the Matter of Mims-State No. 1 Well
W/2, Section 16, T. 29 N., R. 9 W.,
San Juan County, New Mexico

Dear Sirs and Madam:

The Oil Conservation Commission of the State of New Mexico has given notice to Southern Union Production Company, as Operator, to show cause why the captioned well should not be reworked or plugged and abandoned because of the accumulation of water and gas in the bradenhead. The date for the hearing on the order to show cause has now been set for the 24th of this month in Santa Fe.

The position of Southern Union continues to be that it is willing to bear the entire cost of reworking the well if the remaining working interest owners and overriding royalty interest owners will waive all rights to production accruing to their interests until such time as Southern Union has recovered from production 125% of all its costs incurred in the work-over. It is not economically feasible for Southern Union to bear the cost of a work-over since it owns only 25% of the unit production and without the support of all owners of the working and overriding royalty interests, Southern Union would have no alternative but to plug and abandon this well in accordance with such an order. If Southern Union is ordered by the Commission to plug the well, then it would necessarily look to you as a working interest owner for your share of the costs of plugging the well.

You are therefore asked to consider Southern Union's offer to rework this well as suggested or contribute your pro rata working interest share of the cost of reworking. Enclosed is a Consent to Rework for your signature in the event you desire to accept Southern Union's offer to rework the well.

You are also urged to attend the hearing before the New Mexico Oil Conservation Commission on November 24, 1964, in Santa Fe, on the order to show cause why the Mims-State #1 Well should not be reworked or plugged and abandoned.

Very truly yours,

Len S. Muennink

LSM:fg
Enclosure

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. A
CASE NO. 2161

SOUTHERN UNION PRODUCTION COMPANY

FIDELITY UNION TOWER

DALLAS 1, TEXAS

November 13, 1964

Mrs. Harriet M. Buchenau 3.28125 %
4545 Glenwick Lane
Dallas, Texas 75205

Texas Pacific Oil Company 12.5 %
2700 Fidelity Union Building
Dallas, Texas 75201
Attention: Mr. James H. Scott,
Land Department

Mrs. Doris M. Henderson 6.5625 %
4102 Potomac
Abilene, Texas

Brookhaven Oil Company 1.5625 %
P. O. Box 1267
Scottsdale, Arizona
Attention: Mr. Thomas B. Scott, Jr.,
President

Mrs. Sally Mims 3.28125 %
c/o Walter M. Collie, Jr.
920 Fidelity Union Life Bldg.
Dallas, Texas

In the Matter of Mims-State No. 1 Well,
W/2, Section 16, T. 29 N., R. 9 W.,
San Juan County, New Mexico

Overriding Royalty Owners:

The Oil Conservation Commission of the State of New Mexico has given notice to Southern Union Production Company, as Operator, to appear and show cause why the captioned well should not be reworked or plugged and abandoned because of the accumulation of water and gas in the bradenhead. The date for the hearing on the order to show cause has now been set for the 24th of this month in Santa Fe.

The working interest owners in this well have been contacted and asked to join with Southern Union to share the cost of reworking, or to relinquish their interests in the proceeds of production to Southern Union until such time as Southern Union has recovered 125% of all its costs incurred in the work-over. To make this project economically feasible, it will also be necessary that all overriding royalty interest owners waive all rights to their interests in the proceeds of production until such time as these costs have been recovered.

Unless this proposal is adopted, Southern Union has no alternative but to plug and abandon the well if the order is issued. You are therefore asked to consider Southern Union's offer to rework the well as suggested by waiving your right to the proceeds from production until said costs are recovered.

In addition, Southern Union urges you to attend the hearing on the order to show cause before the Oil Conservation Commission, November 24, 1964, in Santa Fe.

Very truly yours,

Len S. Muennink

LSM:fg

BEFORE EXAMINER NUTT
OIL CONSERVATION COMMISSIO
SU EXHIBIT NO. 8
CASE NO. 3161