

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO

October 7, 1966

C
O
P
Y
Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Dear Sir:

Reference is made to Commission Order No. R-3131, recently entered in Case No. 3464, approving the Continental Reed-Sanderson Waterflood Project.

Injection is to be through the 13 authorized water injection wells which shall be equipped with tubing and with packers, said packers being set at approximately 3700 feet.

According to our calculations, when all of the authorized injection wells have been placed on active injection, the maximum allowable which this project will be eligible to receive under the provisions of Rule 701-E-3 is 1092 barrels per day when the Southeast New Mexico waterflood allowable factor is 42.

Please report any error in this calculated maximum allowable immediately, both to the Santa Fe office of the commission and the appropriate district proration office.

In order that the allowable assigned to the project may be kept current, and in order that the operator may fully benefit from the allowable provisions of Rule 701, it behooves him to promptly notify both of the aforementioned commission offices by letter of any change

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in the status of wells in the project area, i.e., when active injection commences, when additional injection or producing wells are drilled, when additional wells are acquired through purchase or unitization, when wells have received a response to water injection, etc.

Your cooperation in keeping the commission so informed as to the status of the project and the wells therein will be appreciated.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

cc: Mr. Frank Irby
State Engineer Office
Santa Fe, New Mexico

Oil Conservation Commission
Hobbs, New Mexico

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

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

P. O. BOX 2088
SANTA FE

October 4, 1966

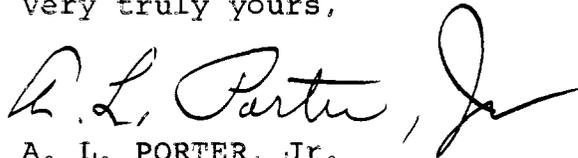
Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 3464
Order No. R-3131
Applicant:
Continental Oil Company

Dear Sir:

Enclosed herewith is a copy of the above-referenced Commission order recently entered in the subject case. Letter pertaining to conditions of approval and maximum allowable to follow.

Very truly yours,


A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC

Other Mr. Frank Irby



STATE OF NEW MEXICO

STATE ENGINEER OFFICE

SANTA FE

S. E. REYNOLDS
STATE ENGINEER

September 27, 1966

ADDRESS CORRESPONDENCE TO:
STATE CAPITOL
SANTA FE, NEW MEXICO 87501

Case 3464

Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

Reference is made to the application of Continental Oil Company dated September 22, 1966 which seeks approval of the Reed-Sanderson Unit Agreement and approval to install and operate a waterflood within the boundaries of said unit.

I have reviewed the application and the exhibits submitted therewith and presented questions to Continental's attorney, Jason Kellahin, concerning the completion of the well shown on Exhibit 4-13. In answer to my questions, Mr. V. T. Lyon addressed a letter to his attorney, Mr. Kellahin on September 21, 1966 explaining their plan of completion on this specific well and their plan to remedy any problems resulting from the plan set forth, and also stated that the surface casing was circulated by use of 175 sacks rather than 250 sacks shown on the original Exhibit 4-13.

Having reviewed the application and exhibits attached thereto and Mr. Lyon's letter above referred to, this office offers no objection to the granting of the application, provided a copy of Mr. Lyon's letter is made a part of the record. By telecon I have discussed this with Mr. Kellahin and he has agreed to enter a copy of Mr. Lyon's letter into the record.

FEI/ma
cc-Jason Kellahin
V. T. Lyon
F. H. Hennighausen

Yours truly,

S. E. Reynolds
State Engineer

By: *Frank E. Irby*
Frank E. Irby, Chief
Water Rights Division



CONTINENTAL OIL COMPANY

P. O. BOX 460
HOBBS, NEW MEXICO

PRODUCTION DEPARTMENT
HOBBS DISTRICT

L. P. THOMPSON
DISTRICT MANAGER
G. C. JAMIESON
ASSISTANT DISTRICT MANAGER

1001 NORTH TURNER
TELEPHONE: EX 3-4141

September 21, 1966

Mr. J. W. Kellahin
54 1/2 San Francisco
Santa Fe, New Mexico

Dear Mr. Kellahin:

Thank you for your letter dated September 16, 1966, calling to my attention the questions raised by Mr. Frank Irby. I have verified that the information shown on Exhibit 4 is correct and have furnished corrected copies of Exhibit 4-13 to those parties receiving the application.

I can understand Mr. Irby's concern about the open hole packer which is proposed to be used in the Two States' Etcheverry well. Actually we do not, at this time, expect to use this well for injection purposes. Two States has informed us informally that they do not expect to commit this tract to the unit. Since their wells are classified as Eumont oil wells, we do not consider it wise to leave them out of the unit area. Since the lease is to be included in the unit area, it also appears logical to treat the injection pattern as it would be if the lease were committed. Therefore, although we do not expect to use the well, we should clarify the record as to this situation since it is a part of our case.

In converting the Two States Etcheverry No. 1 for injection purposes, it will be necessary to caliper the well bore in an attempt to establish a packer seat. The packer is desirable in order to isolate zones which we consider to be gas productive. Assuming that a suitable packer seat can be found, subsequent tracer surveys will

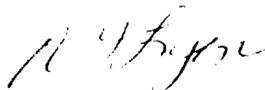
Mr. J. J. Kellahin
Page 2

indicate if fluid is by-passing the packer. Should a suitable packer seat not be found or if fluid is found to be by-passing the packer, it will be necessary that we evaluate whether or not the loss of water to the gas zone is sufficiently injurious to our injection program to justify remedial action. Remedial action would involve either selecting an alternate packer seat which would prevent fluid by-pass or setting and cementing a liner and then perforating the intervals into which we desire to inject water.

There is no reason to believe that water injected into the open hole portion would channel behind the casing to formations above the casing seat; therefore, it is believed that this will constitute no greater hazard to formations other than the unitized formation, than do the other injection wells.

Please express my sincere gratitude to Mr. Irby for calling these matters to our attention prior to the hearing and inform him that we shall be happy to give him any further information that he desires.

Yours very truly,



V. T. LYON

VTI-13

REF GW

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME

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NEW MEXICO OIL CONSERVATION COMMISSION=

STATE LAND OFFICE BLDG SANTA FE NMEX=

MAIN OFFICE

CC: CONTINENTAL OIL COMPANY

66 SEP 27 PM 3 48

HOBBS, NEW MEXICO

ATTENTION: MR A L PORTER, JR., SECRETARY AND DIRECTOR

IN RE CASE 3463 AND CASE 3464, APPLICATIONS OF CONTINENTAL OIL COMPANY FOR APPROVAL OF THE REED SANDERSON UNIT AGREEMENT AND FOR PERMISSION TO INSTALL AND OPERATE A WATERFLOOD WITHIN SAID UNIT IN LEA

THE COMPANY WILL APPROVE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

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COUNTY, NEW MEXICO. STANDARD OIL COMPANY OF TEXAS IS
 A MAJOR WORKING INTEREST OWNER IN THE PROPOSED UNIT
 AND HEREBY CONCURS WITH CONTINENTAL'S APPLICATIONS=
 STANDARD OIL CO OF TEXAS PAUL HULL=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE