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ATTORNEYS AT LAW  
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POST OFFICE BOX 2285  
SANTA FE, NEW MEXICO 87504-2285

W. THOMAS KELLAHIN\*  
\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW  
JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

**FACSIMILE COVER SHEET**

DATE: August 13, 1996

NUMBER OF PAGES: -2-  
(including cover sheet)

TIME: 1:55 PM

TO: FLORENE DAVIDSON  
OF: NMOCD

FROM: W. THOMAS KELLAHIN, Esq.

FAX NO: (505) 827-8177

REF: NMOCD Order R-10639  
Penroc's Harris State Waterflood Project  
Lea County, New Mexico

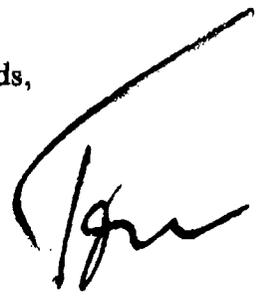
**MESSAGE:**

Dear Florene:

I would appreciate your assistance in having a Nunc Pro Tunc Order issued to correct a mistake in the project description in the referenced order. See Attached page 5 from the order and a copy of the plat showing the project area.

Please call me if you have any questions.

Regards,



\*\*\*

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Case No. 11543  
Order No. R-10639  
Page 5

(b) the Harris State Well No. 4 (API No. 30-025-21394), located at a standard oil well location 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 23, is temporarily abandoned with perforations from approximately 4,176 feet to 4,260 feet.

(2) The waterflood project in the Mescalero-San Andres Pool is hereby designated the "State Harris-AD-II-23 Cooperative Leasehold Waterflood Project" and shall comprise the following described 480 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM

Section 22: SE/4 NE/4 and SE/4  
Section 23: SW/4 NW/4, SW/4, and W/2 NE/4.

W/2SE/4

(3) Penroc, as operator, shall take all steps necessary to ensure that the injected water only enters and remains confined to the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(4) Injection shall be accomplished through 2-3/8 inch internally plastic-lined tubing installed in a packer set approximately within 100 feet of the uppermost injection perforation; the casing-tubing annulus in each well shall be filled with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

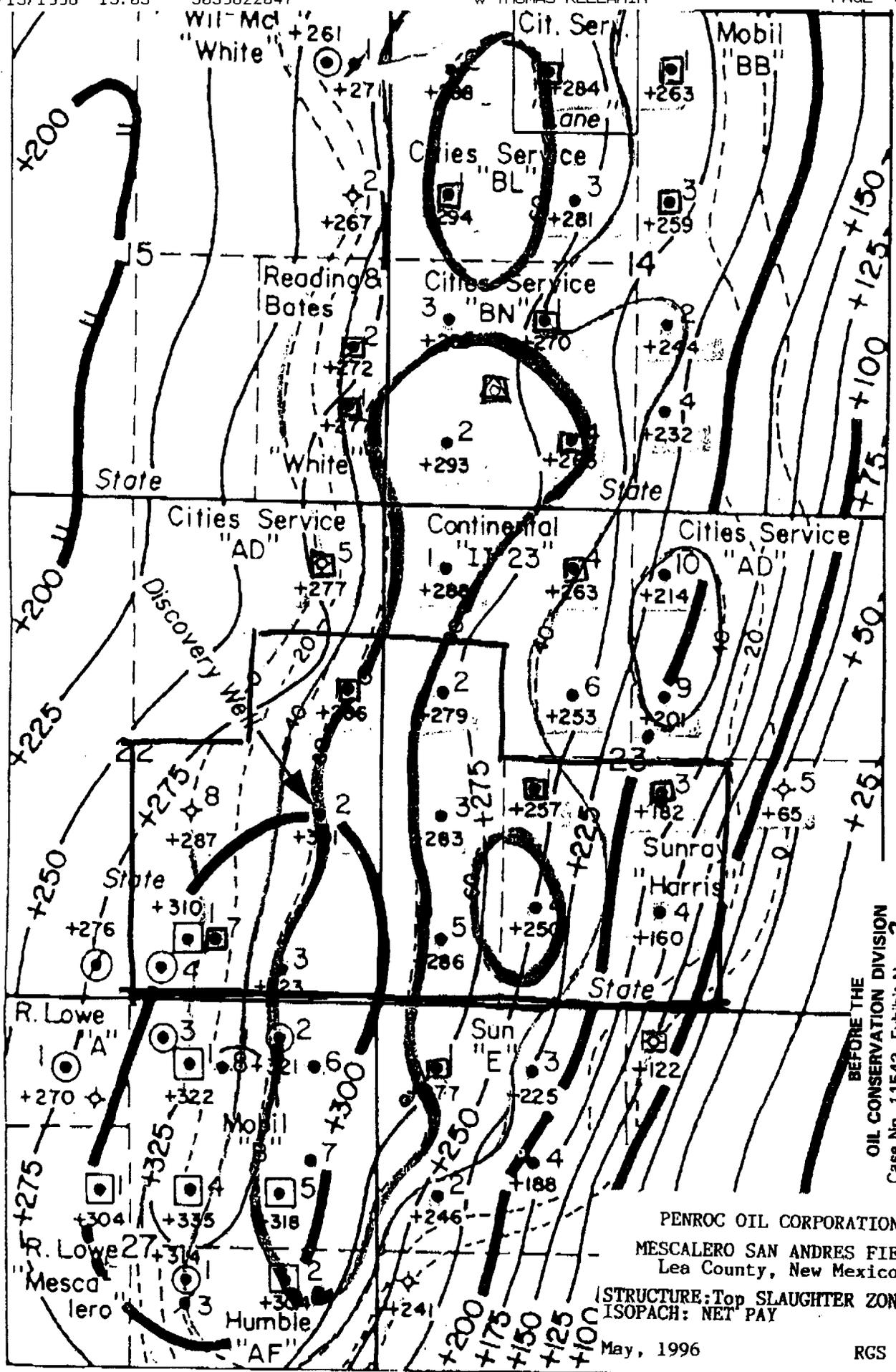
(5) The Division Director shall have the authority to administratively authorize an increase in the injection pressure limitation placed upon any well upon a proper showing by the operator that such higher pressure will not result in the migration of the injected water from its respective interval or fracture the confining strata.

(6) Each injection well or respective pressurization system shall be equipped with a pressure-limiting switch or other acceptable device which will limit the wellhead pressure on the injection well to no more than 810 psi. for the State "AD" Well No. 2 and 835 psi. for the Harris State Well No. 4.

(7) Prior to commencing injection operations, the casing in each injection well shall be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(8) The applicant shall immediately notify the supervisor of the Hobbs District Office of the Division of the failure of the tubing, casing or packer in either one of the

S  
O  
T



BEFORE THE  
 OIL CONSERVATION DIVISION  
 Case No. 11543 Exhibit No. 2  
 Submitted By:  
 Penroc Oil Corporation  
 Hearing Date: May 30, 1996

PENROC OIL CORPORATION  
 MESCALERO SAN ANDRES FIELD  
 Lea County, New Mexico  
 STRUCTURE: Top SLAUGHTER ZONE(P1)  
 ISOPACH: NET PAY

May, 1996

RGS 1966



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION COMMISSION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

WILLIAM J. LeMAY  
Chairman

WILLIAM W. WEISS  
Commissioner

JAMI BAILEY  
Commissioner

August 12, 1996

RE: Case No. 11543  
Order No. R-10639

Mr. Thomas Kellahin  
Kellahin & Kellahin  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

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

Sincerely,

*Florene Davidson*

Florene Davidson  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD   x  

Artesia OCD   x  

Aztec OCD           

BLM - Carlsbad

---

**KELLAHIN AND KELLAHIN**  
ATTORNEYS AT LAW  
EL PATIO BUILDING  
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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 6, 1996

**HAND DELIVERED**

Mr. Michael E. Stogner  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

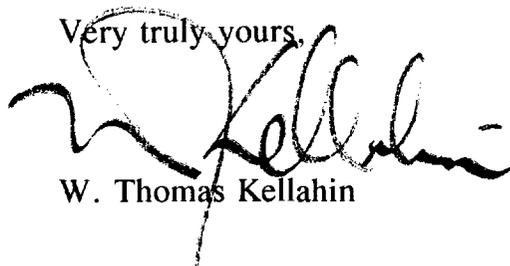
*Re: NMOCD Case 11543  
Application of Penroc Oil Corporation  
Application for approval of a leasehold  
pilot waterflood project and EOR tax credit  
Eddy County, New Mexico*

Dear Mr. Stogner:

At the hearing of this case held on May 30, 1996, you granted our request to supplement Exhibit 8 with a rate vs time production plot for the producing wells in the Project Area to be used as the "base line". Please find that supplemental exhibit enclosed. In addition, we are also enclosing a copy of the water analysis of the Devonian water which will be used for injection.

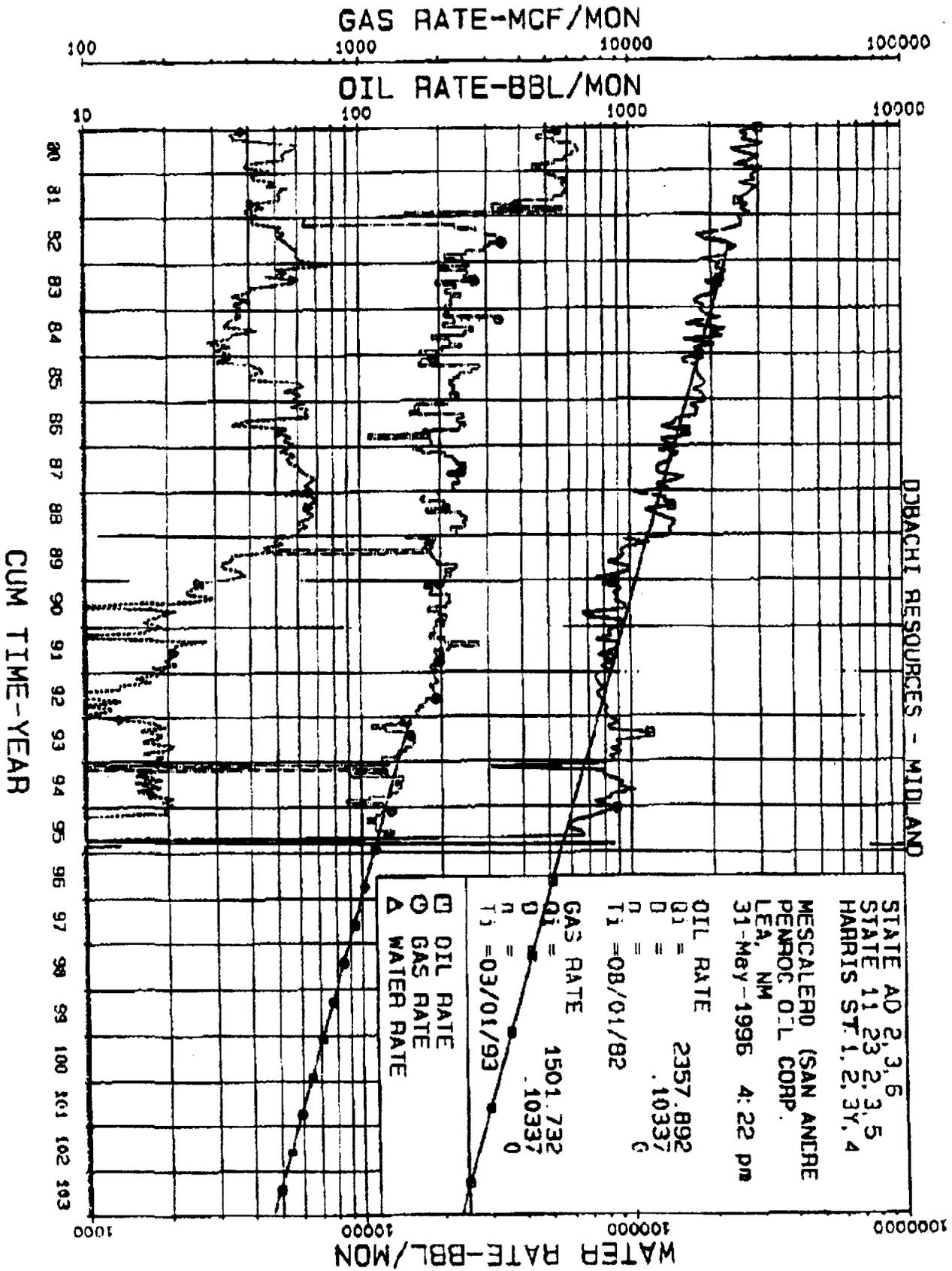
Finally, I have enclosed a draft order for your consideration.

Very truly yours,



W. Thomas Kellahin

cc: Penroc Oil Corporation  
Attn: Merch Merchant



**HALLIBURTON ENERGY SERVICES  
WATER ANALYSIS REPORT  
HOBBS, NEW MEXICO**

Company: Penroc Oil

Project : 96-0191

Date : June 02, 1996

District: Hobbs

Submitted By: Buddy Walker from well head

Well: New Mexico B'Sy. # 2 Depth: 9800' Formation: Devonian

County: Lee, NM Field: \_\_\_\_\_ Source: Wellhead

Sample----- Off Set Well

Resistivity, --- 0.146 @ 70 °F °F °F °F

Specific Gr----- 1.035

pH----- 6.27

Calcium ----- 2650 mg/l mg/l mg/l

Magnesium ----- 1800 mg/l mg/l mg/l

Chloride ----- 25500 mg/l mg/l mg/l

Sulfates ----- Moderate mg/l mg/l mg/l

Bicarbonates --- 1031 mg/l mg/l mg/l

Soluble Iron --- Nil mg/l mg/l mg/l

Oil Gravity----- ° 60° F ° 60° F ° 60° F

Remarks; \_\_\_\_\_

N/P = Not Run  
1 = Ohm/cm/2/n

Analyst; ALUMMI

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**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 11543  
ORDER NO. R-\_\_\_\_\_**

**APPLICATION OF PENROC OIL CORPORATION  
FOR A LEASEHOLD PILOT WATERFLOOD PROJECT  
AND QUALIFICATION FOR THE RECOVERED OIL  
TAX RATE PURSUANT TO THE "NEW MEXICO  
ENHANCED OIL RECOVERY ACT",  
LEA COUNTY, NEW MEXICO**

**PENROC OIL CORPORATION'S  
PROPOSED ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on May 30, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of June, 1996 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

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

(2) The applicant, Penroc Oil Corporation ("Penroc") is the current operator of three State of New Mexico oil and gas leases, the Harris State Lease, the State AD Lease and the State II-23 Lease, and seeks authority to institute a pilot waterflood project within portions of these leases on a cooperative leasehold basis in a "Project Area" described as:

Township 10 South, Range 32 East, NMPM  
Section 22: SE/4 and SE/4NE/4  
Section 23: SW/4; W/2SE/4 and SW/4NW/4

by the injection of water into the San Andres formation of the Mescalero-San Andres Pool through the following two existing wells located:

(a) State AD Well No. 2 ((API No. 30-025-00024), located 3300 feet from the North line and 660 feet from the East line (Unit I) of Section 22, is a currently producing oil well in the subject pool (perforations from 4063 feet to 4200 feet, this well is to be converted from a producing well to a water injection well with no change in the perforated interval; and

(b) Harris State Well No. 4 ((API No. 30-025-21331), located 2310 feet from the South line and 990 feet from the East line (Unit O) of Section 23, is a temporarily abandoned oil well in the subject pool (perforations from 4176 feet to 4260 feet, this well is to be converted from a temporarily abandoned well to a water injection well with no change in the perforated interval.

(3) Penroc also seeks an order pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification of Recovered Oil Tax Rates, as promulgated by Division Order No. R-9708, qualifying said Project Area for the recovered oil tax rate under the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

4063  
12  
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8126  
  
4176  
12  
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8352

(4) Penroc testified that cumulative primary oil recovery from the active producing wells in the Project area has been approximately 883,140 barrels of oil and that the current rate of production from the project area is 12 BOPD and 15 BWPD; therefore these wells can be considered to be in an advanced state of depletion and should therefore be properly classified as "stripper wells".

(5) Based upon a geologic analysis of the project area and by analogy to its waterflood project in the SW/4 of Section 14, Penroc testified that approximately 411,018 barrels of additional incremental oil production is expected to be recovered from the project area by spending an estimated \$80,000 to convert two wells to water injection and continuing production of 8 producing oil wells in the project area.

(6) The proposed waterflood project should result in the recovery of otherwise unrecoverable oil thereby preventing waste, exhibits sound engineering practices, is in the best interest of conservation and will not impair correlative rights.

- (7) Based on the testimony presented in this case:
- (a) the waterflood injection well pattern in the Project Area should result in a substantial increase in the amount of crude oil ultimately recovered therefrom;
  - (b) the Project Area has been so depleted that it is prudent to implement a waterflood injection well pattern reduction to maximize the ultimate recovery of crude oil from the project area; and,
  - (c) the proposed enhanced oil recovery project is economically and technically feasible and has not been prematurely filed.

(8) The evidence presented meets all of the criteria for approval of the subject waterflood project as an "Enhanced Oil Recovery Project" (EOR) pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(9) The approved "project area" to be designated the "State Harris-AD-II-23 Leasehold Waterflood Project should comprise the Mescalero-San Andres Pool underlying the SE/4 and SE/4NE/4 of Section 22, SW/4; W/2SE/4 and SW/4NW/4 of Section 23, Township 10 South, Range 32 East, NMPM.

(10) To be eligible for the EOR credit, prior to commencing injection operations, the operator must request from the Division a Certificate of Qualification, which certificate shall specify the proposed project area as described above.

(11) The application should be approved and the EOR Project should be governed by the provision of the "Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects" and "Certification for Recovered Oil Tax Rate" as promulgated by Division Order No. R-9708.

(12) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(13) The injection authority granted herein for the proposed injection wells should terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(14) The applicant submitted data on the proposed injection wells, water wells in the area, and all other wells (including plugged wells) which penetrate the zone of interest within the 1/2 mile "area-of-review" of the two subject injection wells. This data shows that wells in the area are cased and plugged so as to protect fresh water and proven fluid migration from the injection zone, and includes testimony indicating n

evidence of open faults or any other hydrologic connection between the injection zone and the fresh water resources in the area.

(15) Penroc, as operator, should take all steps to ensure that the injected water enters only the proposed injection interval and is not permitted to escape into other formations or onto the surface from injection, production or plugged and abandoned wells.

(16) Injection into each of the two wells should be accomplished through 2-3/8 inch internally plastic-lined tubing installed in a packer set no higher than 100 feet above the top of the uppermost perforations; the casing-tubing annulus in each well should be filled with an inert fluid; and a pressure gauge or approved lead-detection device should be attached to the annulus in order to determine leaks in the casing, tubing or packer.

(17) The injection wells or pressurization system for each well should be initially equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure at the wellhead to no more than 0.2 psi per foot of depth to the top most perforations.

(18) Prior to commencing injection operations, the casing in each of the subject injection wells should be pressure tested through the interval, from the surface down to the proposed packer-setting depth, to assure integrity of such casing.

(19) Penroc, as operator, should give advance notice to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure-test in order that the same may be witnessed.

(20) The subject application should be approved and the project should be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.

(21) The Commissioner of Public Lands and all affected parties have been properly notified and no objection has been filed.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Penroc Oil Corporation, is hereby authorized to institute a pilot waterflood project within a Project Area described below, by the injection of water into the San Andres formation of the Mescalero-San Andres Pool through the following two existing wells to be converted from oil wells to water injection:

(a) State AD Well No. 2 ((API No. **30-025-00024**), located 3300 feet from the North line and 660 feet from the East line (Unit I) of Section 22; and

(b) Harris State Well No. 4 ((API No. **30-025-21331**), located 2310 feet from the South line and 990 feet from the East line (Unit O) of Section 23.

(2) The waterflood project is hereby approved and designated the "State Harris-AD-II-23 Leasehold Waterflood Project which shall comprise the Mescalero-San Andres Pool underlying the SE/4 and SE/4NE/4 of Section 22, SW/4; W/2SE/4 and SW/4NW/4 of Section 23, Township 10 South, Range 32 East, NMPM.

(3) Penroc, as operator, should take all steps to ensure that the injected water enters only the proposed injection interval and is not permitted to escape into other formations or onto the surface from injection, production or plugged and abandoned wells.

(4) Injection into each of the two wells should be accomplished through 2-3/8 inch internally plastic-lined tubing installed in a packer set no higher than 100 feet above the top of the uppermost perforations; the casing-tubing annulus in each well should be filled with an inert fluid; and a pressure gauge or approved lead-detection device should be attached to the annulus in order to determine leaks in the casing, tubing or packer.

(5) The Division Director shall have the authority to administratively authorize an increase in the injection pressure limitation placed upon any well upon a proper showing by the operator that such higher pressure will not result in the migration of the injected water from its respective interval or fracture the confining area.

(6) Prior to commencing injection operations, the casing in each of the subject wells should be pressure tested through the interval, from the surface down to the proposed packer-setting depth, to assure integrity of such casing.

(7) The applicant, as operator, shall immediately notify the supervisor of the Hobbs District Office of the Division of the failure of the tubing, casing or packer in any of the injection wells, the leakage of water or oil from or around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area, and shall take such steps as may be timely and necessary to correct such failure or leakage.

(8) Should it become necessary, the supervisor of the Hobbs District Office of the Division or the Director may at any time order a decrease of the injection pressure on any of the subject injection wells.

(9) The operator of the State Harris-AD-II-23 Leasehold Waterflood Project shall conduct injection operations in accordance with all applicable Division rules, regulations, order and policies including Division General Rules 701 through 708 and shall submit monthly progress reports in accordance with Division General Rules 706 and 1115.

**IT IS FURTHER ORDERED THAT:**

(10) The subject waterflood project is hereby approved as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), is hereby approved.

(11) The approved "project area" shall initially comprise the following described areas in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM**

Section 22: SE/4 and SE/4NE/4

Section 23: SW/4; SW/4NW/4 and W/2SE/4

(12) To be eligible for the EOR credit, prior to commencing injection operations, the operator must request from the Division a Certificate of Qualification, which certificate shall specify the proposed project area as described above.

(13) The application should be approved and the EOR Project should be governed by the provision of the "Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects" and "Certification for Recovered Oil Tax Rate" as promulgated by Division Order No. R-9708.

(14) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(15) The injection authority granted herein for the proposed injection wells should terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(16) That Penroc Hearing Exhibit 8 shall be used by the Division as the "baseline" data from which to determine a positive production response.

(17) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

# PENROC

VIA FAX (505) 827-8177

JUN - 6 1996

CONSERVATION DIVISION

June 3, 1996

Mr. Michael Stogner  
STATE OF NEW MEXICO  
Oil Conservation Division  
2040 S. Pacheco St.  
Santa Fe, New Mexico 87505

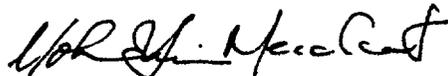
Re: Harris - State AD Co-Op Waterflood  
Mescalero San Andres Field  
Lea County, New Mexico

Dear Mike:

As discussed on May 30, 1996, attached you will find a copy of the production history (decline curves) on the wells which will be within the area of interest for the captioned. Also, you will find attached a water analysis from the Tipperary operated Devonian well in Unit Letter B, Section 27, T-10-S, R-32-E. PENROC's makeup water will be similar from the Devonian zone in the State AD #11 (Unit Letter O, Section 22, T-10-S, R-32-E).

An early approval of the project will be greatly appreciated.

Sincerely,

  
M. Y. (Merch) Merchant  
President

MYM/ddm

attch.

cc: Mr. Tom Kellahin w/attch.  
Mr. Francis Roth w/attch.

MAILING ADDRESS:  
PO Box 5970  
Hobbs, NM  
88241-5970

DELIVERY ADDRESS:  
5014 Carlsbad Hwy.  
Hobbs, NM  
88240-1118

(505) 397-3596 Phone  
(505) 393-7051 FAX

**HALLIBURTON ENERGY SERVICES  
WATER ANALYSIS REPORT  
HOBBS, NEW MEXICO**

Company: Penroc Oil Project : 96-0191  
 Date : June 02, 1996  
 District: Hobbs

Submitted By: Buddy walker from well head

Well: New Mexico B'S4. # 2 Depth: 9800' Formation: Devonion

County: Lea, NM Field: \_\_\_\_\_ Source: Wellhead

|                  |                      |            |            |
|------------------|----------------------|------------|------------|
| Sample-----      | <u>Off Set Well</u>  | _____      | _____      |
| Resistivity, --- | <u>0.146 @ 70 °F</u> | _____ °F   | _____ °F   |
| Specific Gr----- | <u>1.035</u>         | _____      | _____      |
| pH-----          | <u>6.27</u>          | _____      | _____      |
| Calcium -----    | <u>2650 mg/l</u>     | _____ mg/l | _____ mg/l |
| Magnesium -----  | <u>1800 mg/l</u>     | _____ mg/l | _____ mg/l |
| Chloride -----   | <u>25500 mg/l</u>    | _____ mg/l | _____ mg/l |
| Sulfates -----   | <u>Moderate mg/l</u> | _____ mg/l | _____ mg/l |
| Bicarbonates --- | <u>1031 mg/l</u>     | _____ mg/l | _____ mg/l |
| Soluble Iron --- | <u>Nil mg/l</u>      | _____ mg/l | _____ mg/l |
| _____            | _____                | _____      | _____      |
| _____            | _____                | _____      | _____      |

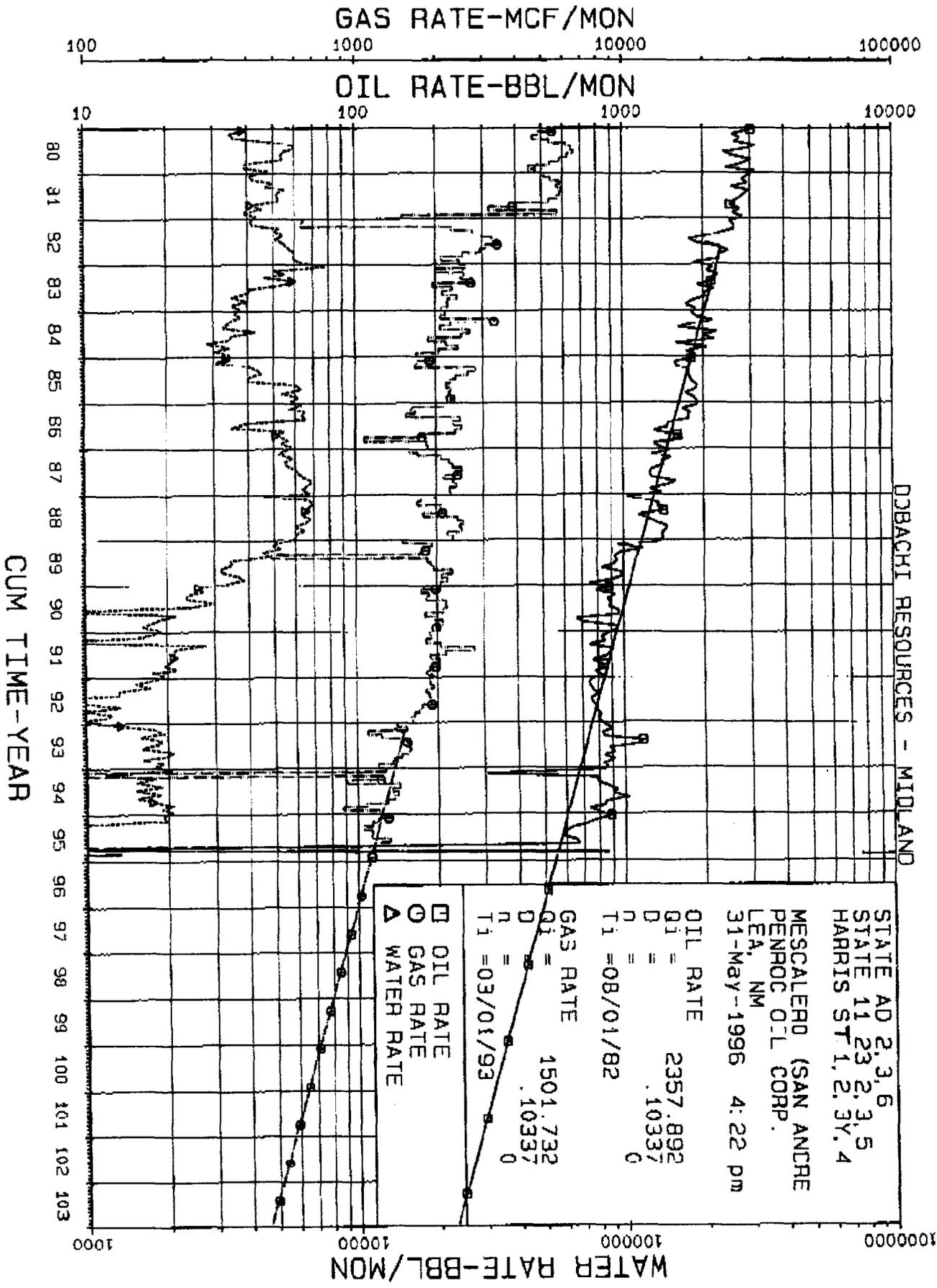
Oil Gravity----- @ 60° F \_\_\_\_\_ @ 60° F \_\_\_\_\_ @ 60° F \_\_\_\_\_

Remarks; \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

n/r = not run  
 1 = Ohm/m2/n

Analyst; [Signature]

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**PENROC**

11543

VIA FAX (505) 827-8177

June 3, 1996

Mr. Michael Stogner  
STATE OF NEW MEXICO  
Oil Conservation Division  
2040 S. Pacheco St.  
Santa Fe, New Mexico 87505

Re: Harris - State AD Co-Op Waterflood  
Mescalero San Andres Field  
Lea County, New Mexico

Dear Mike:

As discussed on May 30, 1996, attached you will find a copy of the production history (decline curves) on the wells which will be within the area of interest for the captioned. Also, you will find attached a water analysis from the Tipperary operated Devonian well in Unit Letter B, Section 27, T-10-S, R-32-E. PENROC's makeup water will be similar from the Devonian zone in the State AD #11 (Unit Letter O, Section 22, T-10-S, R-32-E).

An early approval of the project will be greatly appreciated.

Sincerely,

  
M. Y. (Merch) Merchant  
President

MYM/ddm

attch.

cc: Mr. Tom Kellahin w/attch.  
Mr. Francis Roth w/attch.

MAILING ADDRESS:  
PO Box 3970  
Hobbs, NM  
88241-3970  
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5014 Carlbad Hwy.  
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(505) 397-3596 Phone  
(505) 393-7051 FAX

HALLIBURTON ENERGY SERVICES  
WATER ANALYSIS REPORT  
HOBBS, NEW MEXICO

Company: Penroc Oil

Project : 96-0191

Date : June 02, 1996

District: Hobbs

Submitted By: Buddy walter from well head

Well: New Mexico B'Sy. # 2 Depth: 9800' Formation: Devonian

County: Lea, NM Field: \_\_\_\_\_ Source: Wellhead

Sample----- Off Set Well

Resistivity, --- 0.146 @ 70 °F °F °F °F

Specific Gr----- 1.035

pH----- 6.27

Calcium ----- 2650 mg/l mg/l mg/l

Magnesium ----- 1800 mg/l mg/l mg/l

Chloride ----- 25500 mg/l mg/l mg/l

Sulfates ----- Moderate mg/l mg/l mg/l

Bicarbonates --- 1031 mg/l mg/l mg/l

Soluble Iron --- Nil mg/l mg/l mg/l

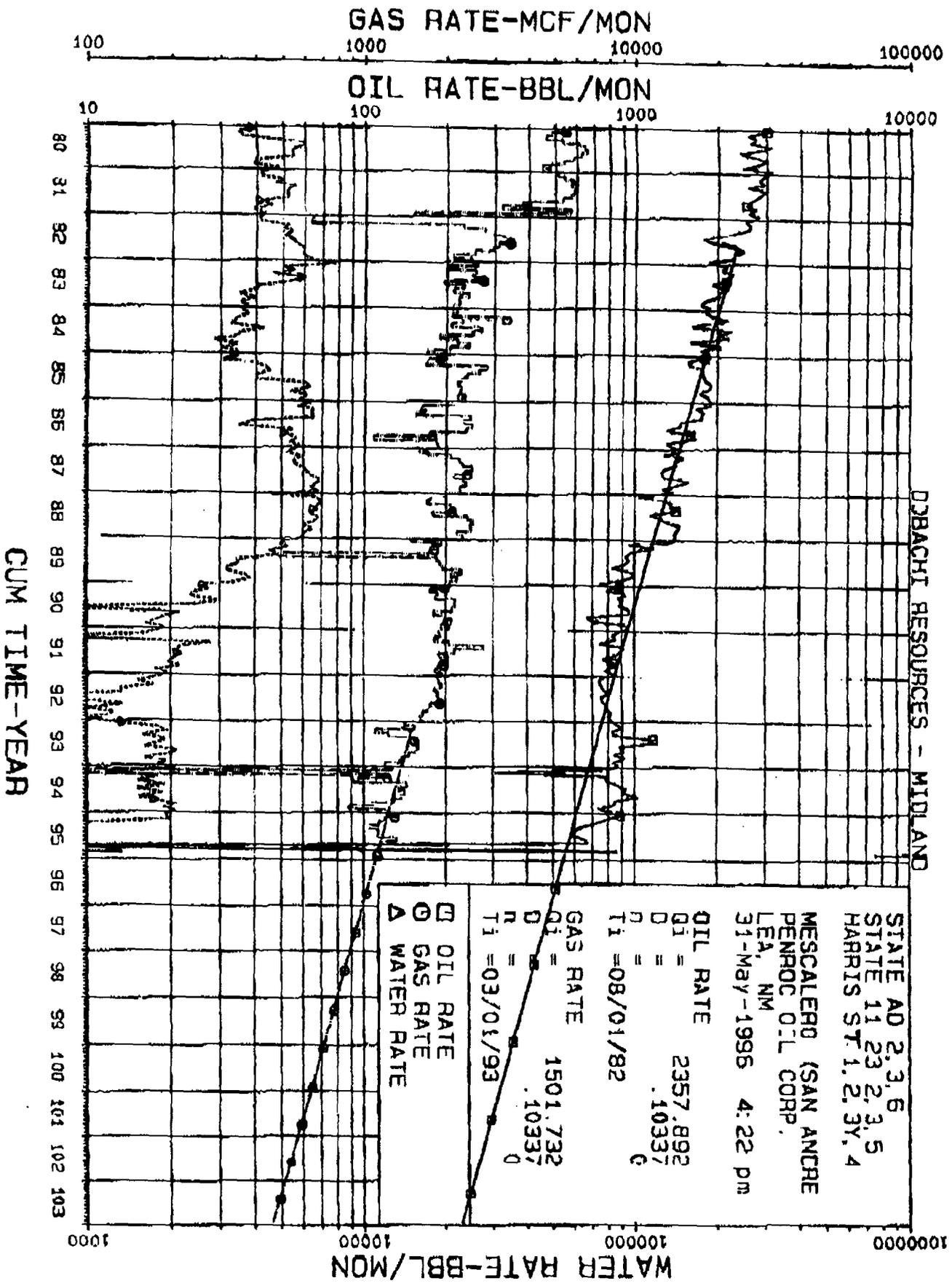
Oil Gravity----- @ 60° F @ 60° F @ 60° F

Remarks; \_\_\_\_\_

n/r = not run  
1 = Ohm/cm2/m

Analyst; [Signature]

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May 17, 1996

Dear Bill,

I've been receiving all of the stuff on Pennco Oil requesting permission to water flood an area on our ranches.

I am protesting because this operator is the worst one that we have at present.

Anywhere Pennco operates becomes an environmental disaster, and it doesn't seem as if the O.C.C. or S.T.O. has any control over Merchant.

The oil that he wants to recover is nearly like asphalt, just <sup>hardly</sup> will go down a pipeline.

Penroe's equipment is usually worn out and patched up and I can see some very large polluted areas with him doing a water flood.

He has a salt water disposal well on me now and there is nearly always a pool of salt water and salt deposits around the high pressure pumps and other equipment.

At his operation below the surface of the ground is the same as on top of the ground there isn't any telling where he will wind up putting this salt water. Very very sloppy in all aspects.

I don't know where he tested the windmill water so can't say if it is correct or not, but generally in this area water sand is between 20'-30' below surface and red bed is about 100'. This is the NW corner of Ogalla in Lea County.

He had a large salt water spill on me, state land Sec 14, and promised to haul off polluted soil and bring in new soil which he didn't do, just scattered some dirt on top of spill.

He also has a disposal well he operates that has oil and water standing around tank batteries in Sec 14.

I really think he should be policed and asked to operate in a manner that is not going to pollute the land and the water.

I have other operators in this same area that don't have these messes all time.

He also has a closed down salt water disposal well that is plugged but tank and fence, and ditches are still there and O.C. can't seem to get him to clean this up either.

10-34 Sec 3,

Just thought you needed to hear from me.

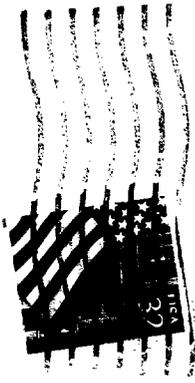
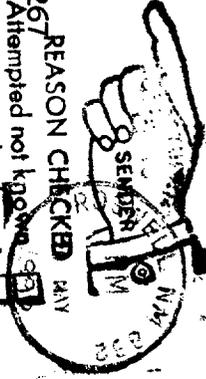
Yours truly,  
Paul J. Johnson

CARL L. JOHNSON

*Cattle*

Box 917

Tatum, New Mexico 88267



REASON CHECKED

SENDEN

Attempted not known

No such number/street

No mail receptacle

Temporarily away

Vacant

Refused

Undelivered

Insufficient address

Forward order expired

Grid of 10 small squares, with the first square checked.

*Conservation District*

*Box 2088*

*ATTN:*

*B. L. Lemay*

