

Case No. 1234. Appl. of PENNBOIL CO.
FOR A DEED CONVEYANCE, EDDY
COUNTY, NEW MEXICO.

CASE No.
4940

Application,
Transcripts,
Small Exhibits
ETC.

dearnley, meier & mc cormick

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, April 11, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Pennzoil Company for a
dual completion, Eddy County, New Mexico.

Case No. 4940

BEFORE: Elvis A. Utz,
Examiner

TRANSCRIPT OF HEARING

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1 MR. UTZ: Call Case 4940.

2 MR. CARR: Case 4940, application of Pennzoil
3 Company for a dual completion, Eddy County, New Mexico.

4 MR. KELLAHIN: If the Examiner please, Jason
5 Kellahin, Kellahin and Fox, Santa Fe, appearing on behalf of
6 the applicant. We have one witness we'd like to have sworn.

7 MR. UTZ: It's my understanding that Mr. Grace was
8 concerned about the advertisement inasmuch as it referred to
9 the South Carlsbad Canyon Pool extension. I asked Mr. Nutter
10 with regard to this and he thought it might be an extension to
11 an already established South Carlsbad Canyon gas pool which
12 consists of the south half of Section 18, 23 South, 27 East,
13 since this well is, I don't know, approximately a mile and a
14 quarter from this well and he considered it might be an
15 extension. But, he didn't infer that we were going to make
16 that extension in this case and the case does not call for an
17 extension to that Canyon grounds. It is made a part of the
18 already existing pool of the south half of 18. It then, will
19 be under the nomenclature case later on, probably next month.

20 MR. WATKINS: Lon Watkins, Carlsbad, appearing for
21 Mr. Grace. Mr. Examiner, do I understand from your statement
22 that the Commission at this time has nothing in its mind nor
23 does it propose to make a new pool called the Canyon Pool?

24 MR. UTZ: We already have a pool called the Canyon
25 Pool, Mr. Watkins.

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1 MR. WATKINS: But, do I understand you that this
2 Canyon Pool is a part of the hearing today?

3 MR. UTZ: No, sir, it is not.

4 MR. WATKINS: The extension has nothing to do with
5 this today? May I ask you, is the Canyon Pool advertised
6 anywhere? Has any official proclamation been made about it?

7 MR. UTZ: Yes, it's established, the south half of
8 Section 18. Order R-4437, 1/19/72.

9 MR. WATKINS: Thank you. Is the Panagra Well in
10 there?

11 MR. UTZ: I don't know. I really don't know what
12 well it is.

13 MR. KELLAHIN: I believe that's Phillips Well.
14 That's one of the Phillips Drag Wells.

15 MR. UTZ: Does your map show that?

16 MR. KELLAHIN: Yes, sir.

17 MR. WATKINS: Does your map, Mr. Kellahin, have any
18 of the Panagra Wells in there?

19 MR. KELLAHIN: We show no other completion in the
20 Canyon.

21 MR. UTZ: I assure you, Mr. Grace, that any time
22 we prorate a gas pool, you'll have plenty of time because
23 we'll have a full-fledged hearing. You may proceed.

24 *****

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J. C. RANEY,

a witness, having been first duly sworn according to law, upon
his oath, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A J. C. Raney.

Q Is that R-a-n-e-y?

A Yes, sir.

Q By whom are you employed and in what position, Mr. Raney?

A I'm employed by Pennzoil at Midland, Texas, as a
Petroleum Engineer.

Q Have you testified before the Oil Conservation Commission
and made your qualifications as a Petroleum Engineer a
matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness' qualifications
acceptable?

MR. UTZ: Yes, sir, they are.

Q (By Mr. Kellahin) Mr. Raney, are you familiar with the
application of Pennzoil in Case 4940?

A Yes, sir.

Q What is proposed by the applicant in this case?

A Pennzoil Company respectfully requests approval to
recomplete their Mobile "12" Federal Number 1 from an

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- 1 Atoka-Morrow gas-gas dual to a Canyon-Morrow gas-gas
2 dual.
- 3 Q Now, referring to what has been marked as Applicant's
4 Exhibits, a series of exhibits, 1, 2, and 3, would you
5 discuss those exhibits in that order, please?
- 6 A These are the structure maps of the three zones of
7 interest in this particular well. These exhibits are
8 intended to show the structural position of the zones in
9 this well in relation to the remainder of the pool and
10 is an ownership map. On the Exhibit 1, which is marked
11 1, there is a red arrow pointing to the Mobile "12"
12 Federal Number 1 located in the north half of Section 12;
13 and, on Exhibit Number 3, the Canyon Structure Map, this
14 is noted with a red arrow and as a proposed recompletion.
- 15 Q Now, then, there was some discussion of the South
16 Carlsbad Canyon Pool. What well is in that pool,
17 according to your information?
- 18 A To my knowledge, that's reported, the only well that has
19 been completed in the Canyon Zone is the Phillips Drag
20 1-B located in the south half of Section 18, Township 23
21 South, Range 27 East.
- 22 Q To your knowledge, this is the only well that has been
23 completed in the Canyon Zone?
- 24 A And the multiple completion was granted by the Oil
25 Conservation Commission Order Number R-4396.

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- 1 Q Do you have anything to point out in particular with
2 these three exhibits?
- 3 A No, sir, these are strictly for information as to the
4 structural position and the ownership and the leases in
5 the area. I might point out that the area on all three
6 maps as outlined in yellow, these are the acreage which
7 Pennzoil owns in whole or partially with other people.
- 8 Q Referring to what has been marked as Exhibit Number 4,
9 would you identify that exhibit?
- 10 A Yes, sir. Exhibit Number 4 is the USGS Form 9-331,
11 requesting their approval of this recompletion.
- 12 Q Has that been acted on by the USGS as yet?
- 13 A No, sir, it has not. I submitted it to them yesterday.
- 14 Q Referring to Exhibits 5-A, 5-B, and 5-C, would you
15 discuss those three exhibits?
- 16 A Yes, sir. Exhibit 5-A is a detailed sketch of the
17 current wellbore installation, and, as will be noted, in
18 the right-hand side of Exhibit 5-A, Item Number 16, this
19 is a Baker Model "G" Loc. Seal Assembly. This particular
20 item is in the Morrow Formation, which we believe to be
21 very susceptible to damage from the introduction of
22 foreign waters. This precludes any other type of
23 recompletion than the one which we propose to use.
- 24 Q Why is that?
- 25 A The Loc. Seal Assembly will not hold pressure from below,

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1 and as the pressure in the Morrow Formation builds up,
2 should we go in and attempt to pull the tubing, the long
3 string or Morrow tubing string, and without weight down
4 on the Loc. Seal Assembly, as the pressure builds up in
5 the Morrow, it would blow the Loc. Seal Assembly out and
6 blow all the water; thus, creating the possibility of
7 very severe damage to the Morrow and the loss of
8 recoverable hydrocarbons.

9 Q What zones are you presently producing in this well?

10 A Well, currently, production from the Morrow Formation
11 through the long string of tubing, and through the Atoka
12 Zone, and the perforations of each are shown on the left.
13 The Atoka is from 10,842 to 10,868; and, the Morrow is
14 from 11,453 to 11,539.

15 Q Now, you intend to continue producing the Morrow, as I
16 understand it.

17 A Yes.

18 Q Do you intend to abandon the Atoka?

19 A We intend to -- whether it's semantics or not -- we would
20 like to temporarily abandon or abandon the Atoka at this
21 time because of low productivity and higher gas-line
22 pressure there. At some future date, at the time the
23 pressure in the Canyon Zone, which on Drill Stem Test was
24 5900 psi, on initial and final shut-in, reaches the
25 current Atoka shut-in pressure, which we recently ran of

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1 1493 pounds of 72-hour shut-in, when those pressures
2 equalize, then we will request from the New Mexico Oil
3 Conservation Commission and the USGS approval to
4 commingle production downhole in order to improve the
5 total recovery from this well.

6 Q So you only intend to temporarily abandon the Atoka?

7 A Yes.

8 Q On Exhibit 5-B, what is shown on that exhibit?

9 A Exhibit 5-B is a general sketch of the current wellbore
10 installation, and, as said awhile ago, this shows the
11 Atoka and Morrow perforations also. It shows the
12 treatment record of each interval.

13 Q That's the Atoka and the Morrow?

14 A Yes, sir.

15 Q And that's essentially the same exhibit as Exhibit 5-A,
16 without the detail, is that correct?

17 A Yes.

18 Q Now, 5-C, would you discuss that exhibit?

19 A 5-C is a general sketch of the wellbore installation after
20 the recompletion. The little circles you see between the
21 two Packers opposite the Atoka perforations, this is the
22 plugging material which we intend to pump into the Atoka
23 perforations to plug this off while the work is in
24 progress of recompletion.

25 Q Will that, in your opinion, hold the Atoka Formation?

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1 A Yes.

2 Q Have you had experience with these Unibeads before?

3 A Yes, and these are graded for size, and, as far as
4 temperature, the melting point of them.

5 Q In your proposed completion, in your opinion, will you
6 get effective separation between the Morrow and Atoka and
7 the Canyon?

8 A Yes, the separation between the Canyon and the Morrow,
9 the two proposed recompletion intervals, will be
10 separated by Packers and by tubing plugs, and this will
11 be determined by regular and routine packer leakage tests
12 which is required by the Oil Conservation Commission.

13 There are methods of determining the communication
14 between the Atoka Zone and the two proposed recompleted
15 intervals. That can be determined; but, because of the
16 possibility of the mechanical problems with the Sliding
17 Sleeves, and we are referring back to Exhibit Number 5-A,
18 these are mechanical devices and with continued operation
19 there is a very good possibility that these would fail
20 and we would have communications between the intervals.
21 We would propose not to do this because of the
22 possibility of permanent communication, and the only way
23 that it could be repaired, then, would be for a complete
24 shutoff of all zones and pull everything out of the
25 hole.

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1 Q Could that possibly result in damage to the three
2 formations?

3 A Yes, more especially to the Morrow Formation.

4 Q Now, referring to Exhibit Number 6, would you identify
5 that exhibit, please?

6 A Yes, sir. This Exhibit Number 6 is a planned recompletion
7 procedure. This is not a detailed procedure, but one
8 that we feel will suffice, or, if additional information
9 is desired, I will be glad to furnish it. Item Number 5
10 is the pulling of the tubing and perforating the Canyon
11 Zone while the Morrow tubing string is in place. This
12 will be done with an established perforating technique,
13 and we have a trade name, it's a Schlumberger Perforating
14 Gun with a kicker arm and a magnet, and this will prevent
15 the possibility of damage to the two or entry into the
16 Morrow string of the perforations, and the perforating
17 gun has a safety device that will not allow the gun to
18 fire until the kicker arm is fully extended and has the
19 perforating gun jammed against the side of the casing,
20 and it has to be completely extended and this will assure
21 us that we are not against the Morrow tubing string. The
22 gun will be jammed against the casing and will be
23 opposite from the Morrow tubing string.

24 Q Item Number 13, you say you are going to run a 4-point
25 back pressure test on the Canyon Zone and a packer

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1 leakage test?

2 A Yes, sir. These are required by the OCC rules and
3 regulations, and the packer leakage tests are for
4 multiple purpose, not only for the Commission but for us,
5 too; and the back pressure test tells us the results of
6 our work.

7 Q Now, all three of those zones are gas productive, are
8 they not?

9 A Yes, sir. The Canyon Zone produces in the only known
10 well in the area, in the Phillips Drag 1-B, produces
11 right now at a rate of approximately two and a half
12 million cubic feet per day, plus from 25 to 50 barrels
13 of high-gravity condensate. They have what I consider
14 an unconventional dual in that they are lifting the
15 Canyon Zone through the annulus of the tubing casing,
16 which, to me, is a very inefficient way to lift the gas
17 zone that makes the condensate or oil because of the
18 large cross sectional area. What our proposed procedure
19 will be will be to lift the Canyon Zone, which we think
20 will make condensate through the short tubing string
21 through the use of the Sliding Sleeves, and this is the
22 Item Number 6 on the left-hand side of Exhibit Number
23 5-A. This will be checked for mechanical operation prior
24 to any work at all in the well.

25 Q Does the Morrow make any fluids?

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1 A No, sir. We test all of our wells in South Carlsbad on
2 a monthly basis to determine the total volume of fluid
3 that they make.

4 Q Referring to Exhibit Number 7, will you identify that?

5 A Yes, sir. Exhibit Number 7 is the New Mexico Oil
6 Conservation Commission Form C-102, Well Location and
7 Acreage Dedication Plat. This plat was originally
8 submitted when the well was completed in 1968 for the
9 Morrow and Atoka Zones. We are preparing a
10 Communitization Agreement for the Canyon Zone. This is
11 in the process of being prepared now.

12 Q Now, referring to Exhibit Number 8, would you identify
13 that exhibit?

14 A This is New Mexico Oil Conservation Commission's Form
15 C-107, application for a multiple completion. In
16 Question Number 1, the question is as to whether or not
17 the Commission has heretofore authorized a multiple
18 completion in the same pools or in the same zones within
19 one mile of the subject well. The previously discussed
20 Phillips Drag 1-B has been authorized by Order Number
21 R-4396, but this well is located 1.68 mile southeast.
22 It's south of the limits of what is considered in the
23 question. Item Number 3 showed the proposed perforations,
24 the proposed temporary or abandoned perforations, and
25 the remaining producing interval.

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1 Q Referring to what has been marked as Exhibit Number 9,
2 would you identify that exhibit?

3 A Yes, sir. This is a Rate-Time plot of the Atoka Zone
4 in the Mobile "12" Federal Number 1 in the South
5 Carlsbad-Atoka Pool. The production in February was
6 18,000,000 cubic feet of gas or an average of approximately
7 625 Mcf a day. I have estimated that in March it would
8 be making approximately 15,000,000, but it appears that
9 this is a little bit high. The zone in this well has
10 taken a drastic drop since the Phillips Drag 1-A was
11 put on production. Their production is very similar to
12 ours, their pressures and all, in the Atoka, and in their
13 Phillips Drag 1-A in the north half of Section 18, and
14 with the continued decline which I have estimated here
15 and the continued current line pressure, which I suppose
16 will drop in the future, but at current line pressure now
17 it is estimated that the maximum or ultimate recovery
18 from this zone in this well will be 2.9 billion cubic
19 feet and as of 3/1/73, the cumulative gas production was
20 2.4 billion cubic feet of gas with the remaining
21 recoverable reserves of approximately .5 billion. This
22 might be a little bit low on the estimated reserves, but
23 it depends on the line pressure. On continued production,
24 as well, we will get down to about 100 Mcf a day.

25 Q Now, was the Canyon Zone Drill Stem Tested?

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- 1 A Yes, we ran an extensive Drill Stem Test on it, and this
2 particular zone and the Atoka Zone was part of the
3 reason that this well has 7-inch casing in it. The
4 stabilized flow rate on Drill Stem Test raised from a
5 flow of 6.6 million cubic feet, 158 barrels, at a
6 flowing pressure of 2,000 psi on a 3 5/8 - inch choke.
7 Plus, 154 barrels of condensate on a half-inch choke with
8 a flowing tubing pressure of 1400 psi.
- 9 Q What was your final shut-in pressure?
- 10 A The initial and final shut-in pressure was 5900 psi.
- 11 Q What will the pressure differential be across the Packer?
12 What is the Morrow pressure?
- 13 A The Morrow pressure is approximately 3100 psi. This was
14 a pressure measured on Drill Stem Test, and, as I have
15 previously testified, they are sometimes a little bit
16 hard to put your finger on whether they are correct or
17 not, but this was a measured bottomhole pressure.
- 18 Q In your opinion, will the pressure differential between
19 the two zones cause any problems?
- 20 A No, not with our mechanical setup which we have in the
21 wellbore now.
- 22 Q Now, as you have testified, you do later plan to again
23 produce the Atoka?
- 24 A Yes, sir, with proper approval from the Oil Conservation
25 Commission and the USGS, which, this is a Federal lease.

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1 Q In your opinion, will the approval of this application
2 have any adverse effect on any offsetting operator?

3 A No, it will not.

4 Q Will it prevent waste?

5 A Yes, sir. It will prevent waste and will improve our
6 current income from this lease and will probably offer
7 some information that will be valuable in evaluating
8 other leases. And, as originally planned by Pennzoil,
9 prior to the time I came to work for them, it was their
10 plan at that time to recomplete in the Canyon Zone when
11 the Atoka Zone was depleted, as is now the case.

12 Q Were Exhibits 1 through 9 inclusive prepared by you or
13 under your supervision?

14 A Yes, sir.

15 MR. KELLAHIN: At this time, I would like to offer
16 into evidence Applicant's Exhibits 1 through 9.

17 MR. WATKINS: May it please the Examiner.

18 MR. UTZ: Do you have an objection to the exhibits?

19 MR. WATKINS: Yes, I have an objection, particularly
20 to all of the maps and specifically to Exhibit 2, wherein it
21 is depicted on the map that the Grace Panagra Well is in the
22 Morrow, whereas it is in the Cisco Canyon; and the Antweil, as
23 depicted on the exhibit, shows that it is in the Morrow, when,
24 in fact, and in truth, it is in the Strawn.

25 THE WITNESS: Which well, the Antweil?

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1 MR. KELLAHIN: Section 21.

2 MR. UTZ: And you say it is in the Strawn?

3 MR. WATKINS: Cisco Canyon.

4 MR. UTZ: Are you saying the Grace Gopogo Number 2
5 is --

6 MR. WATKINS: No, that's Grace Panagra.

7 MR. UTZ: Where is it?

8 MR. WATKINS: In the Cisco Canyon. The Panagra is
9 in Section 11, Mr. Examiner.

10 MR. KELLAHIN: If the Examiner please, if the
11 records of the Commission so show that those are as he states,
12 we have no objection to changing them. I don't feel that it has
13 any bearing on the application being heard at this time.

14 MR. UTZ: As far as this case is concerned, I agree
15 with you. Insofar as the Texaco Panagra Number 1 is concerned,
16 we have already changed that in our proration schedule and
17 recognized it as a Cisco completion; so, the Examiner is aware
18 that as far as that well is concerned, this map is in error,
19 Mr. Raney. As far as the Cisco argument, as well as the
20 Antweil in Section 21, we will recognize the objection with
21 the fact that we don't think that it has any bearing on this
22 dual completion in any way.

23 MR. WATKINS: Well, I want to let my objections go
24 to all of the exhibits offered by the applicant.

25 THE WITNESS: Sir, the color code production legend

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1 down here is not shown for anything but identification
2 purposes, and it does not play in any way on the structure
3 maps. These were interpreted as to the zones and it is
4 strictly for informational purposes as to what wells are
5 producing.

6 MR. UTZ: It's for the purposes of showing that you
7 have a Canyon completion here on the dual completion, is that
8 correct?

9 THE WITNESS: Yes, sir, and that was the only one
10 that I knew of.

11 MR. UTZ: Applicant's Exhibits 1 through 9 will be
12 entered into the record. The objection of Mr. Watkins will be
13 so noted in the record also.

14 CROSS-EXAMINATION

15 BY MR. WATKINS:

16 Q Mr. Raney, this well you are talking about --

17 MR. UTZ: On which exhibit?

18 MR. WATKINS: I am talking about Exhibit 5-A, I
19 believe it is.

20 MR. KELLAHIN: That's Number 1, I think.

21 Q (By Mr. Watkins) Referring to Exhibit 1, Mr. Raney,
22 with particular reference to the Grace Panagra in Section
23 11 and the Pennzoil Mobile Federal in Section 12, now,
24 the distance between those two wells is less than a mile,
25 is it not?

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- 1 A No, it is at least one mile.
- 2 Q All right, sir.
- 3 A Assuming that they are at standard locations.
- 4 Q Referring to Exhibit Number 7, who is this Communitization
- 5 Agreement with?
- 6 A It's with our owners within this tract, which we have in
- 7 existence a Communitization Agreement for the Morrow and
- 8 Atoka Zones already in effect. These wells have been
- 9 producing since August of '69. All this Communitization
- 10 Agreement that is being prepared, it is being amended to
- 11 include the proposed completion interval.
- 12 Q I assume that such agreement is of record with the Oil
- 13 and Gas Commission?
- 14 A Yes, sir, you can bet your bottom dollar that it is, it's
- 15 on the record.
- 16 Q Now, with reference to Exhibit Number 8, Mr. Raney, in
- 17 which is listed the offset operators to the lease on
- 18 which this well is located, did you write each of them
- 19 about that?
- 20 A Yes, and in Question Number 6 on here, "Were all
- 21 operators listed in Item 5 above notified and furnished
- 22 a copy of this application? Yes or no." The answer is
- 23 yes. Then, "If answer is yes, give date of such
- 24 notification." The date is shown as 4/9/73.
- 25 Q Which was last Monday?

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1 A Monday.

2 MR. UTZ: How did you notify them, Mr. Raney?

3 THE WITNESS: By mail.

4 Q (By Mr. Watkins) Registered mail?

5 A No, sir.

6 MR. UTZ: You mailed it on the 9th?

7 THE WITNESS: Yes, sir.

8 Q (By Mr. Watkins) Did you mail it yourself, sir?

9 A No, sir, I don't mail stuff. I wrote the letter and
10 signed it, the secretary mailed it.

11 Q You don't know whether she mailed it or not, do you?

12 A Well, she is pretty efficient.

13 Q Mr. Raney, please bear with me, sir.

14 A Yes, sir.

15 Q You testified awhile ago as to pressure under the
16 Unibeads.

17 A Yes, sir.

18 Q What pressure were you referring to?

19 A The pressure in the Atoka Zone now, 72-hour shut-in
20 pressure, was 1493 psi on 2/15/73. This was a 72-hour
21 build-up to determine if there was anything that we
22 could do to this zone to maybe restimulate it to check
23 for damage, and the pressure which we -- If you would
24 like to get into a more detailed discussion of our
25 recompletion procedure, we plan to pump these Unibeads in

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1 and displace them with ten pounds of brine, take them to
2 a shut-in wellhead pressure of 1,000 pounds; the purpose
3 in this is very detailed and it's a very technical
4 reason for doing this, but I would be glad to discuss it.

5 Q If you would, discuss it.

6 A The reason for doing this is to eliminate the possibility--
7 When we open up this Canyon Zone, assuming it is 5900
8 pounds and that's all we can assume, we want this
9 pressure to be high enough when we displace this ten
10 pounds of brine out of the hole with 11.3 pounds per
11 gallon mud, that the difference in the rate of the 11.3
12 pounds per gallon mud and the ten pounds brine water will
13 not be overcome and drive these Unibeads back into there
14 and break down the Atoka Formation. And, at that time
15 we have calculated this to be 1,000 pounds surface
16 pressure plus the hydrostatic. But, this is a little
17 bit more than is needed, but we need a safety factor in
18 there because we are looking at some pretty high pressure,
19 but, from information which I have received from
20 Phillips, this pressure will probably not be there when
21 we perforate the Canyon. However, we want to be in a
22 position that we can hold it.

23 The Canyon requires treatment before it will come
24 on around, and we have a good cement job up over this
25 and we shouldn't come around; but, we want to make sure

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1 of this. This is not a spur-of-the-moment thing. I've
2 been working on this since the 1st day of October.

3 MR. WATKINS: Mr. Examiner, I am just advised by
4 Mr. Grace that we have not been allowed to adequately defend
5 or present our side of this matter, nor have our engineers been
6 given the opportunity to go over these various things, and we
7 would request at this time a week's adjournment.

8 MR. KELLAHIN: If the Examiner please, Mr. and Mrs.
9 Grace have had notice of this hearing, the same notice that is
10 required by law. Now, insofar as any notice shown on the form
11 on Exhibit 8, I believe that pertains solely to a situation in
12 the rule of the Commission where you are applying for
13 administrative approval. There is no requirement on any
14 operator who has a hearing set before the Commission and
15 advertised as such to give notice to anyone. The Commission
16 gives notices through its publication of notices in Santa Fe
17 and in the county where the land is situated.

18 Now, to say they haven't had an opportunity would
19 only be based on the fact of lack of notice; but, if they had
20 a lack of notice, it certainly is no fault of Pennzoil.

21 MR. WATKINS: I might add, Mr. Examiner, in line
22 with this, that we certainly have not been furnished with any
23 of these exhibits prior to this hearing, and, as was pointed
24 out awhile ago, one of them at least is an erroneous exhibit,
25 shows the formations in which two of the wells are purportedly

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1 in.

2 MR. UTZ: In that respect, Mr. Watkins, I can say
3 I have not been furnished copies of these exhibits, nor is it
4 a requirement of an applicant to furnish the exhibits before the
5 time of hearing. So, I am sitting here just as cold as you are
6 with no --

7 MR. WATKINS: No, sir, not that cold.

8 MR. UTZ: In as far as notification is concerned,
9 do we need to check our mailing list to see if Mr. Grace is on
10 the mailing list?

11 MR. CARR: We can do that if you want.

12 MR. UTZ: Why don't we do that.

13 MR. KELLAHIN: If the Examiner please, in connection
14 with that, that is not an official notice, I point out under
15 the statutes.

16 MR. UTZ: Well, we will see if he is on the mailing
17 list. I have been informed, Mr. Watkins, that this was
18 advertised in the Eddy County paper; that is an official notice.

19 THE WITNESS: Mr. Examiner, this is not anything
20 that we feel will hurt anyone in any way either by procedure or
21 at the producing rate or anything else. We are not begging,
22 all we came to do was show what our case was and request
23 approval for this because it was my understanding that we were
24 further away than one mile from the existing well which had
25 been approved. We are not trying to hide anything. I worked

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1 with four different companies on working up this procedure,
2 and everything is aboveboard; it is a legal location for all
3 three intervals. So, we have nothing at all to hide in this
4 thing; and, the reason this was only sent out Monday, the
5 notification, and this was not required, as is my understanding
6 from talking with Mr. Kellahin on previous occasions, this was
7 sent out as a courtesy and that's all. We weren't trying to
8 hide anything from not notifying or anything else. If I had
9 any idea that it was supposed to be out, then it would have
10 gone out sometime way back in March; but everything we have
11 done here is strictly aboveboard on this thing.

12 Q (By Mr. Watkins) I ask this question, Mr. Raney: Do
13 you propose to flare this well?

14 A No, sir, we don't get much for our gas, we want it to go
15 down the line.

16 Q You mean, to sell it?

17 A Yes, sir, we have a pipeline connection and it will
18 probably never be flared.

19 MR. UTZ: And you can clean it up into the line?

20 THE WITNESS: Yes, sir, with the separation
21 equipment there. It will be necessary to set up surface
22 production tanks.

23 MR. UTZ: He is on the general mailing list?

24 MR. CARR: Yes.

25 MR. UTZ: Let the record show that the Graces are

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1 on the general mailing list, which includes the docket, as well
2 as Mrs. Harvey, which I understand is an employee here.

3 MR. GRACE: No, she is not.

4 MR. UTZ: Mr. Watkins, I am somewhat at a loss as to
5 how you feel that dually completing this well or opening up the
6 Canyon might affect Mr. Grace.

7 MR. WATKINS: I believe I am through with the
8 witness.

9 MR. UTZ: The witness may be excused. Did I
10 understand that you had a witness?

11 MR. WATKINS: I believe I want to call Mr. Grace.

12 MICHAEL P. GRACE,

13 a witness, having been first duly sworn according to law, upon
14 his oath, testified as follows:

15 DIRECT EXAMINATION

16 BY MR. WATKINS:

17 Q State your name, please.

18 A Michael Grace.

19 Q You are interested, together with your wife Corrine
20 Grace, in operating gas wells in what is known as the
21 South Carlsbad Pool?

22 A Yes.

23 Q Mr. Grace, you have several wells in this pool, do you
24 not?

25 A Yes, sir.

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1 Q And you have been operating for some time?

2 A In this pool, yes, sir.

3 Q Now, you heard the testimony of Mr. Raney concerning the
4 pressures that they propose to put on this well that is
5 the subject of this hearing today, and you also heard Mr.
6 Utz ask me what our position was or how we would be
7 damaged by the completion of this dual well. Will you
8 please answer that?

9 A Yes, sir, he evaded, in my opinion, the question on what
10 the bottomhole pressure would be in pushing these
11 Unibeads into the formation. If that is what he is
12 considering doing, the 5900 pounds on the Canyon, and we
13 have encountered 6500 pounds in the Atoka, he is going to
14 have a bottomhole pressure of an extremely high figure,
15 I don't know what it is; and, again, the engineer, Mr.
16 Johnson, is here, and I am sure anybody would hazard a
17 guess in these -- It seems the usual procedure around
18 here is to throw papers that require engineering
19 background on the table and expect people to give off-the-
20 cuff opinions as to what is going on, and I just say,
21 honestly, we have not drilled successful wells because we
22 did it that way, and I think we should have the
23 opportunity to discuss with Mr. Raney -- and, as a
24 gentleman, he should have discussed this with us before
25 we came here -- and, to discuss with him at least what

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1 type of pressures he is going to use, what the danger to
2 the formation will be. He claims that this well, which
3 is not in the same producing formation as the Humble
4 Grace, he has complained bitterly that we are draining
5 his gas and puts charts in showing that, and yet, again,
6 he is within a reasonable area -- if you want to consider
7 this type of erroneous draining theory, that he could
8 definitely do damage to this formation in the Cisco
9 Canyon. There is no indication here, he has made no
10 attempt, there has been no effort to show what formation
11 damage could be, what could be the possible error in a
12 miscalculation.

13 The general spirit of this room is that everybody
14 seems to believe if they spend \$400,000, they are going
15 to come up with a producer. Mr. Bush and all the people
16 on Wall Street would be much happier. There are
17 mistakes constantly in this business, there are all kinds
18 of unpredictable happenings, and I just think we ought to
19 have the opportunity to examine these maps, to examine
20 the very complicated completion procedure which he
21 indicated he had worked on since, I think, last October,
22 and I think Mr. Raney is a very competent engineer and
23 I just don't think anyone in this room -- and there are
24 some very competent people here, I'm not talking about
25 lawyers now, I am talking about engineers -- who would

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1 consider themselves competent to give you an answer on
2 whether this procedure is practicable, is dangerous,
3 what are going to be the possibilities of liability that
4 you should insure against.

5 I don't want to prove anything on this kind of
6 notification, whether it was advertised in the Artesia
7 or Carlsbad paper, and I feel that we ought to at least --
8 in my opinion, my feeling as an American, is that we
9 ought to have a little time to look into this thing, and
10 the engineer is going to need a little time anyway before
11 he gets finished. And, I just feel that maybe it would
12 be nice if the free winds of America blew in this room
13 for awhile and everybody breathed fresh air. And, that's
14 what I feel that we definitely need to do. Nobody could
15 give the Commission a qualified opinion from the exhibits
16 presented here; but, were we in a court that is
17 suspicious, it's awfully funny that he has the offset
18 well producing in the wrong zone, which is the only well
19 that is necessary to this case, and it's awfully funny --
20 I don't know whether Superior ever received their
21 notification or Texas Gas and Oil, but I can almost say
22 that we didn't receive this correspondence.

23 We are not, I hope, in a suspicious court yet; but,
24 it seems to me we should be able to examine his
25 engineering prospectus and come to some estimate of it,

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1 a decent analysis.

2 CROSS-EXAMINATION

3 BY MR. UTZ:

4 Q As I understand it, Mr. Grace, you are fearful of
5 harming the Cisco Formation or Canyon Formation?

6 A Yes, sir.

7 Q In the north half of Section 11, where your Panagra Well
8 is, do you have that formation present and capable of
9 producing?

10 A We have been producing from it for eight months. In
11 Artesia, they have it that we are producing and we have
12 all those exhibits certified.

13 Q We have a Panagra Well, at your request, classified as
14 a Cisco Well.

15 A Cisco Canyon. I believe Mr. Steinhorst wrote out and
16 somebody in the Commission has written in the Morrow and
17 they crossed off Canyon and so forth, and we have no
18 control over those things.

19 Q We have it in the proration unit as a Morrow Well, this
20 has been corrected, Mr. Grace.

21 A We are grateful in that it makes the divisory a little
22 less when you start passing the gas back out again. And,
23 the Antweil Well is not a Morrow Well either.

24 Q I really don't think that has any bearing on this hearing
25 at all.

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1 A No, nor is the Antweil Well close enough, in my opinion,
2 except I think this map is so wrong that we could go to
3 our files out of the Artesia office, and I think you
4 would find two more Canyon Wells in this file besides the
5 one that they have admitted to. So, I don't know, maybe
6 you don't like facts and the truth doesn't make you free,
7 but we do feel it would be better to have all the facts
8 on the table and maybe have a little time to put them
9 there.

10 Q Let us say that he did ruin his Canyon or Cisco Formation
11 in this well. How would that harm you?

12 A I don't know the pressures he is using. Now, you have a
13 well that the Union of California drilled a dry hole over
14 there next to it; when Mr. McKnight and Brunson, I think,
15 just within the hearing lately, were very low pressures
16 from this well -- it's this kind of thing, it's like
17 building Ford cars out of stables. I don't think that if
18 he wrecks this formation like Union wrecked its, I don't
19 know what's going to happen to a well a mile or a mile
20 and a half away. I don't know what he would do if he
21 wrecked the formation. We don't really know what this
22 Unibead procedure is. I gather Mr. Raney is an engineer.
23 We have an engineer, we are very glad to sit down and
24 talk to him about this; but, Mr. Kellahin would like it
25 swept through to where it goes through. I think we ought

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1 to have an opportunity to do a business-like job.

2 MR. UTZ: Do you have any further testimony, Mr.
3 Watkins?

4 MR. WATKINS: Do you have anything further, Mr.
5 Grace, that you would like to say to the Examiner?

6 THE WITNESS: No, I think you have already
7 presented it in a lawyer-like fashion, the fact that we feel
8 that time is necessary and we have to go to the court to get
9 time if we don't get it from administrative procedures here.

10 MR. WATKINS: I believe that's all that we have.

11 MR. UTZ: Are there questions of the witness?

12 CROSS-EXAMINATION

13 BY MR. KELLAHIN:

14 Q Mr. Grace, do you understand which zone these Unibeads
15 will be pumped into?

16 A As I understand it, as I understood it from his map, I
17 think they were being pumped to the Atoka Zone because I
18 think I testified to the fact that we have found 6500
19 pounds of pressure.

20 Q You say your Panagra is completed in the Canyon Zone. Is
21 it being produced?

22 A I have testified already, sir, that it has.

23 Q Is it currently being produced?

24 A Is there any more ways to say it? I mean, you ask it,
25 is it being produced? Yes. Is it currently being

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1 produced? That is the same thing as you asked before.
2 It is producing and has been produced for six months.

3 Q For six months?

4 A At least. I don't say that's the entire amount, but I
5 am not giving that testimony of this nature here.

6 MR. KELLAHIN: That's all I have.

7 MR. WATKINS: You may step down, Mr. Grace.

8 MR. UTZ: The witness may be excused. Are there
9 statements in the case?

10 MR. KELLAHIN: I'd like to recall Mr. Raney briefly.

11 J. C. RANEY,

12 a witness, having been previously duly sworn according to law,
13 upon his oath, testified further as follows:

14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Mr. Raney, you heard Mr. Grace's testimony. In your
17 opinion, will your operations in any way hurt him?

18 A No, sir. The interval which we plan to pump these
19 Unibeads into, will not, from the information I have,
20 affect any of his wells because he doesn't have any of
21 his producing wells in the Atoka. But, we are talking
22 about in range of the pressure in our well of 1400 to
23 1500 pounds pressure, and we do not intend to pump these
24 into the Canyon at all because this is our proposed
25 recompletion interval; and, we sure don't intend to

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1 damage his in any way, and the pressure that we are
2 talking about will be sufficient to hold the Canyon
3 pressure; and, with these Unibeads pumped into the Atoka,
4 this is a plugging material which can be removed at a
5 later date. But, once they are pumped in there, from the
6 technical information available, then you can't move them
7 and this is what we are trying to assure. Even if we
8 have no idea or knowledge that we will damage the
9 Phillips Well in the north half of Section 18, 23, 27,
10 that sure wouldn't be our intention. We would wind up
11 in a lawsuit if we damage their well. But, the
12 procedure that's planned is a sound technical one and I
13 would be glad to discuss it with anyone; but, the reason,
14 I said, that we had been working with this from the
15 1st of October is the different methods which we have
16 gone through, and it's my personal opinion that this
17 would damage the Atoka in the entire area much less than
18 the cement would.

19 MR. UTZ: Actually, all you want to do is to plug
20 off the Atoka with the Unibeads and perforate the Canyon?

21 THE WITNESS: Yes.

22 Q (By Mr. Kellahin) Which is the zone that the Panagra
23 Well is producing in?

24 A Yes, sir, and the method in which we will isolate the
25 Canyon from the Atoka will be through the use of a

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1 Packer and through tubing plug and that plug will be
2 set and tested prior to doing any work, to make sure
3 that it will hold.

4 MR. UTZ: Are there questions of the witness?

5 MR. WATKINS: I have questions from Mr. Grace but
6 not from this witness. May I recall Mr. Grace briefly?

7 MR. UTZ: Yes.

8 MICHAEL P. GRACE,

9 a witness, having been previously duly sworn according to law,
10 upon his oath, testified further as follows:

11 DIRECT EXAMINATION

12 BY MR. WATKINS:

13 Q Mr. Grace, you have got something further you wish to
14 state to the Examiner about this matter?

15 A Well, I thought in interest of facts here, we do intend
16 to perforate the Atoka and dually complete the Panagra
17 Well and there has been a lot of problems with the
18 Commission and a lot of problems of what the complications
19 of the field are and the result that it hasn't been done.
20 It's our intention, and Mr. Johnson is here and can
21 testify to the fact that we have considered perforating
22 the Atoka in the Panagra and, we asked Mr. Raney for
23 permission on some of these duals and got refused as
24 usual; but, I think for the record it should be known
25 that we are not just talking about the Canyon Zone, we

are interested in the future potential of our Atoka Zone
being hurt.

Q I see.

MR. WATKINS: Thank you, Mr. Grace.


MR. UTZ: Are there statements in the case?

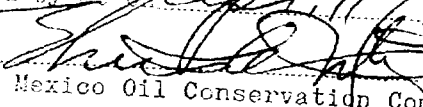
(No response.)

MR. UTZ: The case will be taken under advisement.

R E P O R T E R ' S C E R T I F I C A T E

I, JOHN DE LA ROSA, a Court Reporter, do hereby certify
that the foregoing and attached Transcript of Hearing before
the New Mexico Oil Conservation Commission was reported by me;
and that the same is a true and correct record of the said
proceedings to the best of my knowledge, skill and ability.


COURT REPORTER

I, the undersigned, hereby certify that the foregoing is
a true and correct copy of the transcript of the
the Examiner hearing of case No. 4940
heard by me on September 11, 1973.

Examiner
New Mexico Oil Conservation Commission

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J. C. RANEY

Direct Examination by Mr. Kellahin

5

Cross-Examination by Mr. Watkins

18

MICHAEL P. GRACE

Direct Examination by Mr. Watkins

25

Cross-Examination by Mr. Utz

29

Cross-Examination by Mr. Kellahin

31

J. C. RANEY

Direct Examination by Mr. Kellahin

32

MICHAEL P. GRACE

Direct Examination by Mr. Watkins

34

E X H I B I T SOFFEREDADMITTED

Applicant's Exhibits 1 - 9

16

18



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2068 - SANTA FE
87501

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMJO
MEMBER

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

May 21, 1973

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

Re: Case No. 4940
Order No. R-4525
Applicant:
Pennzoil Company

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.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Mr. Lon Watkins

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. 4940
Order No. R-4525

APPLICATION OF PENNZOIL COMPANY
FOR A DUAL COMPLETION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 11, 1973, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 17th day of May, 1973, 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 the applicant, Pennzoil Company, seeks authority to recomplete its Mobil 12-Federal Well No. 1, located in Unit B of Section 12, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from an apparent extension to the South Carlsbad-Canyon Gas Pool and from the South Carlsbad-Morrow Gas Pool through parallel strings of tubing.

(3) That said well is presently completed as a dual completion (conventional) to produce gas from the South Carlsbad-Atoka Gas Pool and from the South Carlsbad-Morrow Gas Pool, but the Atoka zone production has declined to a low state and applicant proposes to temporarily abandon said zone.

(4) That after recompletion, said well will be produced through two 2 3/8-inch strings of tubing set in packers at approximately 10,799 feet and 11,345 feet.

(5) That the mechanics of the proposed dual completion are feasible and in accord with good conservation practices.

(6) That approval of the subject application will prevent waste and protect correlative rights.

-2-

Case No. 4940
Order No. R-4525

IT IS THEREFORE ORDERED:

(1) That the applicant, Pennzoil Company, is hereby authorized to recomplete its Mobil 12-Federal Well No. 1, located in Unit B of Section 12, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico, as a dual completion (conventional) to produce gas from an apparent extension to the South Carlsbad-Canyon Gas Pool and from the South Carlsbad-Morrow Gas Pool through parallel strings of 2 3/8-inch tubing, with separation of the zones achieved by means of packers set at approximately 10,799 feet and 11,345 feet.

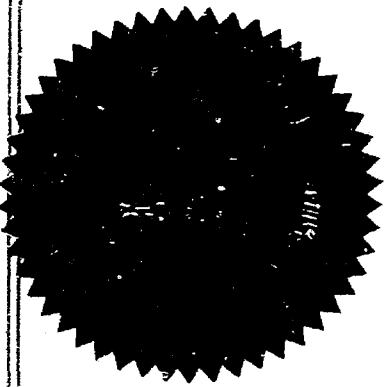
PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order;

PROVIDED FURTHER, that the applicant shall take packer-leakage tests upon completion and annually thereafter during the Annual Shut-in Pressure Test Period for the South Carlsbad Pool.

(2) 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


I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armiño
ALEX J. ARMIÑO, Member

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

S E A L

dr/

Case 11-1

Heard 4-11-73

Rec. 4-24-73

General Permit in permission
to. Plug of the Atoka zone
w/ guide logs + recomple
well in the Canyon area.
The well is now an Atoka - Morrow dual.
This is a conventional two-string
completion. 2 3/8" Hydril tubing
Packer to be set at approx. 10,790'
and at approx. 11,845'.
Usual. Packer test after
recomp.

John D. R.

CASE 4937: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Bell Lake-Bone Spring Pool, Lea County, New Mexico, including a provision for 160-acre proration units.

CASE 4683: (Reopened)

In the matter of Case 4683 being reopened pursuant to the provisions of Order No. R-4286, which order established special rules and regulations for the West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 160-acre proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre units.

CASE 4938: Application of Hanson Oil Corporation for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing oil well at an unorthodox location 990 feet from the South line and 1650 feet from the West line of Section 2, Township 9 South, Range 33 East, Vada-Pennsylvanian Pool, Lea County, New Mexico.

CASE 4939: Application of Penroc Oil Corporation for compulsory pooling, a non-standard proration unit, an unorthodox gas well location, and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Atoka and Morrow formations underlying the E/2 W/2 and the W/2 E/2 of Section 11, Township 24 South, Range 34 East, Antelope Ridge Gas Field extension, Lea County, New Mexico, to form a 320-acre non-standard gas proration unit in said pools to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1980 feet from the West line of said Section 11. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well. Applicant further seeks authority to dually complete said well in the above-named formations.

CASE 4940: Application of Pennzoil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to dually complete its Mobil 12-Federal Well No. 1 located in Unit B of Section 12, Township 23 South, Range 26 East, Eddy County, New Mexico, in such a manner as to produce gas from the South Carlsbad-Canyon Pool extension and from the South Carlsbad-Morrow Gas Pool through parallel strings of tubing.

CASE 4941: Application of Pennzoil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing gas well at an unorthodox location 1980 feet from the North line and 660 feet from the East line of Section 13, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 13 to be dedicated to said well.

4/9/40-

to 4216

and - 11536 approval for approval

currently produce from Oloba

is known 11483 - 11539

want to show from
Oloba (Imprary)

then coming

to left

Imprary - 11483 - 11539

11483 - 11539

3900 - 11483 - 11539

~~X Von Watkins~~

Mr. Grace - 11483 - 11539
pushing knife beads

far of hand to Cisco

Read 10 - 11483 - 11539

CASE 4937: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Bell Lake-Bone Spring Pool, Lea County, New Mexico, including a provision for 160-acre proration units.

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CASE 4941: Application of Pennzoil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing gas well at an unorthodox location 1980 feet from the North line and 660 feet from the East line of Section 13, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 13 to be dedicated to said well.

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEYSUBMIT IN TRIPPLICATE
(Other instructions on re-
verse side)Form approved
Budget Bureau No. 42 R1421
5. LEASE DESIGNATION AND SERIAL NO.

NM 027994-D

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT" for such proposals.)

1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	7. UNIT AGREEMENT NAME
2. NAME OF OPERATOR Pennzoil Company	8. FARM OR LEASE NAME Mobil -12- Federal
3. ADDRESS OF OPERATOR P. O. Drawer 1828 - Midland, Texas 79701	9. WELL NO. 1
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface 660 FNL & 1980 FEL of Sec. 12, T-23-S, R-26-E	10. FIELD AND POOL, OR WILDCAT So. Carlsbad Morrow & Atoka
14. PERMIT NO.	15. ELEVATIONS (Show whether DF, RT, GR, etc.) 3238' GL
	12. COUNTY OR PARISH Eddy
	13. STATE N. M.

16.

Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF	<input type="checkbox"/>	PULL OR ALTER CASING	<input type="checkbox"/>
FRACTURE TREAT	<input type="checkbox"/>	MULTIPLE COMPLETE	<input type="checkbox"/>
SHOOT OR ACIDIZE	<input type="checkbox"/>	ABANDON*	<input type="checkbox"/>
REPAIR WELL	<input type="checkbox"/>	CHANGE PLANS	<input type="checkbox"/>
(Other) Re-completion (See below)	<input checked="" type="checkbox"/>		

SUBSEQUENT REPORT OF:

WATER SHUT-OFF	<input type="checkbox"/>	REPAIRING WELL	<input type="checkbox"/>
FRACTURE TREATMENT	<input type="checkbox"/>	ALTERING CASING	<input type="checkbox"/>
SHOOTING OR ACIDIZING	<input type="checkbox"/>	ABANDONMENT*	<input type="checkbox"/>
(Other)	<input type="checkbox"/>		

(NOTE: Report results of multiple completion on Well
Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Re-complete from dual Morrow-Atoka to dual Morrow-Canyon.

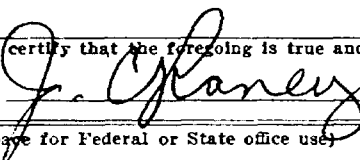
Estimated starting date 5-15-73. See attached recommended procedure.

When the flowing bottom hole pressure in the Canyon zone (proposed re-completion) declines to the present flowing bottom hole pressure in the Atoka zone (proposed zone to be temporarily abandoned), Pennzoil will attempt to commingle the production down hole (with proper approval).

RECEIVED
OIL & GAS DIVISION
Pennzoil PERMIT NO. 4
4940
Submitted by L. C. Raney
Hearing Date 4-11-73

18. I hereby certify that the foregoing is true and correct

SIGNED



TITLE

Petroleum Engineer

DATE

4-9-73

(This space for Federal or State office use)

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

Installation

TUBING INSTALLATION Mobil 12 FELLING No 1

ATOKA - UPPER TUBING

① RKB - THF	18.00'
② Cameron DC-B Hanger	0.64'
③ X-over 2 3/8" CS Hyd. Pin x Pin	0.46'
④ 2 3/8" CS HYDRIL Tbg subs	3.41
⑤ 327 Jts - 2 3/8" CS Hydrl,	
4.70# Tubing -	10762.30
⑥ Baker Mod "L" SLIDING	
Sleeve (1.87" ID)	2.67'
⑦ 2 3/8" CS HYD Tbg sub	9.95'
⑧ Baker Mod "F" Setting Nipple	0.97
⑨ Baker Mod "S" SNAP Latch Seal	
Nipple.	0.30
Seal Nipple below T/PR	<0.95'
Totals	10798.70'
Less 8000# WT on PKR	6.20
⑩ Baker Mod "K" PKR	10792.50'

10842'
(10 holes)
10868'

Weight: SHORT STRING - 44000#
Pull REQ'D. TO Pull SNAP
LATCH SEAL NIPPLE OUT OF PKR - 14000#

TORQUE: 560 psi - Low Gear
≅ 1500 FT. LB.

API MODIFIED HIGH PRESSURE 11453'
Thd Lubricant. (14 holes)
11539'

MORROW - LOWER TUBING

① RKB - THF	18.00'
② CAMERON DC-B HANGER	0.64
③ X-Over 2 3/8" CS HYD. PIN x PIN	0.45'
④ 2 3/8" CS HYDRIL Tbg subs	26.87
⑤ 332 Jts - 2 3/8" CS HYD TEG	10748.15
⑥ BAKER Mod "K" SHORT STRING SET PKR	9.68'
⑦ 1 JT. 2 3/8" CS HYD. tubing	32.67'
⑧ X-Over 2 3/8" CS HYD. Box x 2 3/8" Eve Pin	0.47'
⑨ 2 - BLAST JOINTS	40.64'
⑩ X-Over 2 3/8" Eve Box x 2 3/8" CS HYD Pin	0.47'
⑪ Baker Mod "L" SLIDING SLEEVE (1.87" ID)	2.66'
⑫ 2 3/8" CS HYD. Tbg. Sub.	7.67'
⑬ Baker Mod "F" Setting Nipple (1.81" ID)	0.97'
⑭ 14 Jts - 2 3/8" CS HYD tubing	456.20'
⑮ X-Over 2 3/8" CS HYD Pin x 2 3/8" Eve Pin	0.52'
⑯ BAKER Mod "G" Loc. Seal Assembly	0.53
⑰ SEAL ASSY. Below T/PR	(2.65)
Totals	11354.15
Less: 8000# WT. ON PKR.	9.15
⑳ Baker Mod "D" Ret. Press. PKR	11345.00'

Weight - LONG STRING - 49000#

* Calculated.

CRITICAL SECTION
Pennzoil JOB NO. 5-A
4940
J. C. Roney
Hearing Date 1-11-73

General

Pennzoil Company
Mobil "12" Federal #1
Eddy County, New Mexico

DEPT. OF ENERGY GIL CO. OPERATIONS DIVISION
Pennzoil Co. S-B
CASE NO. 4940
Submitted by J.C. Roney
Measuring Date 4-11-73

Treatment Record

500 Gals MSA
10,000 ✓ 15% Pent. Acid
20,000 ✓ ✓ CRA

10,842'
10 holes
10,868'

500 Gals 15% MSA
20,000 ✓ Mod Brine
Frac

Morrow
11,453
14 holes
11,539'

20' @ 52'

3 3/8" @ 359'
350 SX

Top Cement
@ 2750'

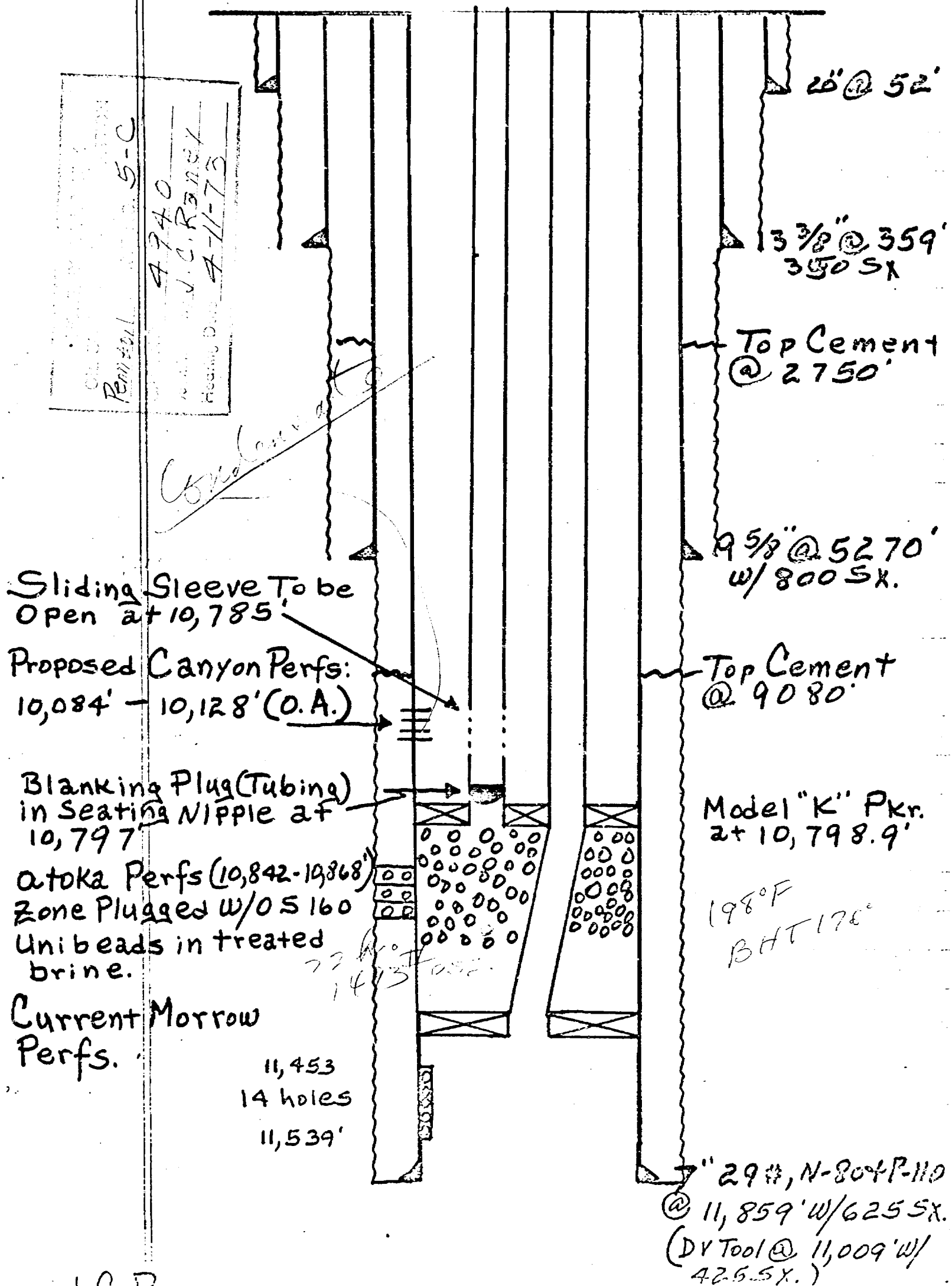
9 5/8" @ 5270'
w/ 800 SX.

Top Cement
@ 9080'

7" 29#, N-80+P-110
@ 11,859' w/ 625 SX.
(DV Tool @ 11,009' w/
425 SX)

(After Re-Completion)

Pennzoil Company
Mobil "12" Federal #1
Eddy County, New Mexico



MOBIL -12- FEDERAL NO. 1
RE-COMPLETION
(FROM ATOKA-MORROW DUAL TO CANYON-MORROW DUAL)
SOUTH CARLSBAD POOLS
EDDY COUNTY, NEW MEXICO

Re-completion procedure:

1. Blank off Morrow and Atoka tubing strings with tubing plugs.
2. Install 5000# W.P. blowout preventers.
3. Check operation of sliding sleeve in Atoka tubing string.
4. Plug off Atoka perforations (10,842' to 10,868') with blocking material.
5. Pull Atoka tubing string to 10,050' and perforate the Canyon zone w/1 shot per foot @ 10,084-10,090', 10,100-10,105', 10,110-10,115', 10,121-10,128'.
(Perforating will be done with a gun that has a kicker arm and magnet that will prevent the possibility of damage to or entry into the Morrow tubing string).
6. Re-run Atoka (or short string) tubing string and set into the packer.
7. Set a tubing plug in the seating nipple at 10,797' in the short tubing string.
8. Remove B.O.P. and install well head.
9. Open the sliding sleeve in the short string at 10,784'.
10. With casing valve open, treat the Canyon perforations with 2,000 gallons of acid. (Close casing valve when acid is across the Canyon perfs).
11. Swab the Canyon perforations thru the short string of tubing. If necessary, re-treat with 5,000 gallons of acid.
12. Retrieve the tubing plug from the Morrow tubing string.
13. Run 4-point back pressure test on Canyon zone and a packer leakage test.

J. C. Raney
Pennzoil Company
Petroleum Engineer
April 10, 1973

BUREAU OF MINERAL & UTX	
OIL COMPLETION PERMIT	
Pennzoil	PERMIT NO. 6
CASE NO.	4940
DATE	J. C. Raney
HEARD DATE	4-11-73

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator Pennzoil Company			Lease Mobil "12" Federal		Well No. 1
Unit Letter B	Section 12	Township 23-S	Range 26-E	County Eddy	
Actual Footage Location of Well: 660 feet from the North line and 1980 feet from the East line					
Ground Level Elev. 3238	Producing Formation Canyon		Pool South Carlsbad Area		Dedicated Acreage: 320 N/2 Sec. 12, / Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?
☒ Yes ☐ No If answer is "yes," type of consolidation Communitization Agreement being prepared
 If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

	<p align="center">CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>J. C. Raney</i> Name J. C. Raney</p> <p>Position Petroleum Engineer</p> <p>Company Pennzoil Company</p> <p>Date 4-9-73</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p> <p>Date Surveyed 6-22-68</p> <p>Registered Professional Engineer and/or Land Surveyor John West</p> <p>Certificate No. 676</p>
--	---

ON OIL & GAS CONSERVATION COMMISSION Pennzoil Section No. 4940 Surveyed by J. C. Raney Hearing Date 4-11-73	CIT NO. 7
---	------------------

0 330 660 990 1320 1650 1980 2310 2640 2970 3300 3630 3960 4290 4620 4950 5280 5610 5940 6270 6600

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
APPLICATION FOR MULTIPLE COMPLETION

5-1-61

Operator Pennzoil Company		County Eddy	Date April 9, 1973
Address P. O. Drawer 1828-Midland, Texas/ 79701		Lease Mobil -12- Federal	Well No. 1
Location of Well B	Unit 12	Township 23-S	Range R-26-E

1. Has the New Mexico Oil Conservation Commission heretofore authorized the multiple completion of a well in these same pools or in the same zones within one mile of the subject well? YES ☒ NO ☐ (1.68 miles southeast) Phillips Petr. Co.
2. If answer is yes, identify one such instance: Order No. **R-4396**; Operator Lease, and Well No.: **Drag 1-B**

	Proposed Perforation	Proposed Temp. Abn'd.	Producing
3. The following facts are submitted:	Upper Zone	Intermediate Zone	Lower Zone
a. Name of Pool and Formation	Canyon	Atoka	Morrow
b. Top and Bottom of Pay Section (Perforations)	10,084 - 10,128'	10,842' - 10,868'	11,453' - 11,539'
c. Type of production (Oil or Gas)	Gas & Condensate	Gas	Gas
d. Method of Production (Flowing or Artificial Lift)		Flowing	Flowing

4. The following are attached. (Please check YES or NO)

- | Yes | No | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | a. Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location and type of packers and side door chokes, and such other information as may be pertinent. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | b. Plan showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | c. Waivers consenting to such multiple completion from each offset operator, or in lieu thereof, evidence that said offset operators have been furnished copies of the application.* |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | d. Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed it shall be submitted as provided by Rule 112-A.) |

5. List all offset operators to the lease on which this well is located together with their correct mailing address.

The Superior Oil Company - P. O. Box 1900 - Midland, Texas 79701

Corinne Grace - P. O. Box 1418 - Carlsbad, New Mexico 88220

Texas Oil & Gas Corporation - P. O. Box 222 - Midland, Texas 79701

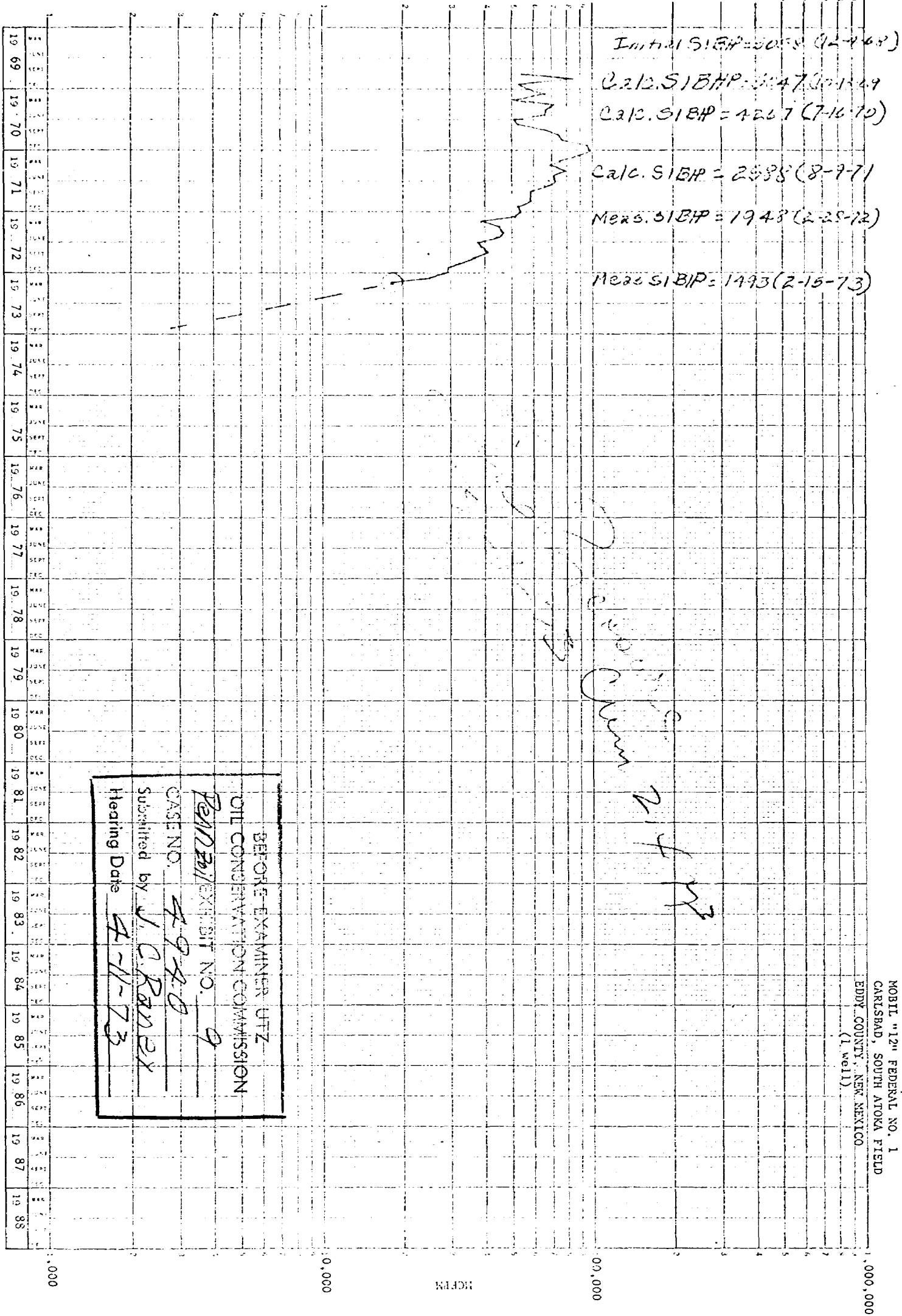
6. Were all operators listed in Item 5 above notified and furnished a copy of this application? YES ☒ NO ☐. If answer is yes, give date of such notification **4-9-73**

CERTIFICATE: I, the undersigned, state that I am the **Pennzoil** **4940** **8** **J. C. Raney** **4-11-73** of the **Pennzoil Company** (company), and that I am authorized by said company to make this report; and that this report was prepared under my supervision and direction and that the facts stated therein are true, correct and complete to the best of my knowledge.

J. C. Raney
Signature **J. C. Raney**

*Should waivers from all offset operators not accompany an application for administrative approval, the New Mexico Oil Conservation Commission will hold the application for a period of twenty (20) days from date of receipt by the Commission's Santa Fe office. If, after said twenty-day period, no protest nor request for hearing is received by the Santa Fe office, the application will then be processed.

NOTE: If the proposed multiple completion will result in an unorthodox well location and/or a non-standard perforation unit in one or more of the producing zones, then separate application for approval of the same should be filed simultaneously with this application.



JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1789
SANTA FE, NEW MEXICO 87501

OIL CONSERVATION COMMISSION
Santa Fe

TELEPHONE 982-4315
AREA CODE 505

Case 4948

March 23, 1973

Oil Conservation Commission
of New Mexico
P. O. Box 2008
Santa Fe, New Mexico 87501

Attention: Ida Rodriguez

Dear Ida:

Enclosed is the Pennzoil Application
for approval of a dual completion, South
Carlsbad Field, Eddy County, New Mexico.

Yours very truly,

KELLAHIN & FOX

BY *R. K. Fox*
Secretary

:ks

Enclosures

To Jason

DOCKET MAILED

Date *3/28/73*

BEFORE THE OIL CONSERVATION COMMISSION

OF

NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PENNZOIL COMPANY FOR APPROVAL
OF A DUAL COMPLETION, SOUTH
CARLSBAD FIELD, EDDY COUNTY,
NEW MEXICO

Sheet 940

A P P L I C A T I O N

COMES NOW Pennzoil Company and applies to the Oil Conservation Commission of New Mexico for approval of the recompletion of its Mobil 12 Federal Well No. 1, located 660 feet from the North line, and 1980 feet from the East line of Section 12, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, for production from the South Carlsbad Morrow Pool, and the undesignated Canyon Pool, an extension of the South Carlsbad Canyon Pool.

Recompletion of the well will be in such manner as to effectively prevent communication between the two producing horizons, and will result in a greater ultimate recovery of oil and gas from the two pools. No waste will occur, and the correlative rights of all owners, including offset owners will be fully protected.

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order approving the dual completion as prayed for.

Respectfully submitted;

PENNZOIL COMPANY

By *James W. Kellahin*
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DOCKET MAILED

3/28/73

DRAFT

dr/

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. 4940

Order No. R-4525

APPLICATION OF PENNZOIL COMPANY
FOR A DUAL COMPLETION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
April 11, 1963, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 11th day of April, 1963, 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 the applicant, Pennzoil Company,
seeks authority to ^{RECOMPLETE} ~~complete~~ its Mobil 12-Federal
Well No. 1, located in Unit B of Section 12, Township

23 South, Range 26 East, NMPM, Eddy County, New
~~North~~ Mexico, as a dual completion (conventional) ~~to produce gas~~
(~~an apparent extension to~~) ~~from the South Carlsbad-Canyon Pool~~ ~~pool through~~ ~~extension~~
and from the South Carlsbad-Morrow Gas Pool through parallel strings of tubing.

(3) That said well is presently completed as a dual
completion (conventional) to produce gas from the South
Carlsbad-Atoka gas pool and from the South Carlsbad-
Morrow gas pool, but the Atoka zone production has
declined to a low state and applicant proposes to
temporarily abandon said zone.

(4) ~~THAT~~ AFTER RECOMPLETION,
SAID WELL WILL BE PRODUCED
THROUGH TWO 2 $\frac{3}{8}$ INCH ~~STRINGS~~
STRINGS OF TUBING SET IN
PACKERS AT APPROXIMATELY
10,799 FEET AND 11,345 FEET.

(5) ~~THAT~~ That the mechanics of the proposed dual completion
are feasible and in accord with good conservation practices.

(6) ~~THAT~~ That approval of the subject application will prevent
waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Pennzoil Company,
is hereby authorized to ~~complete~~ ^{RECOMPLETE} its Mobil 12-Federal
Well No. 1, located in Unit B of Section 12, Township

23 ~~South~~ ^{South} Range 26 East ~~West~~ ^{West} NMPM, Eddy County, New

Mexico, as a dual completion (conventional) ~~combination~~ ^{xxxx} to produce gas
(~~tubingless~~)

~~an apparent extension to gas~~
from the South Carlsbad-Canyon Pool ~~through extension~~
and from the South Carlsbad-Morrow Gas Pool through parallel strings of tubing ^{2 3/8 inch}

*with separation of the zones achieved by
means of packers set at approximately
10,799 feet and 11,345 feet,*

PROVIDED HOWEVER, that the applicant shall complete, operate,
and produce said well in accordance with the provisions of Rule
112-A of the Commission Rules and Regulations insofar as said rule
is not inconsistent with this order;

PROVIDED FURTHER, that the applicant shall take packer-leakage
tests upon completion and annually thereafter during the Annual ~~Shut-in~~ ^{Pressure}
~~Gas-Oil Ratio~~ ^{Pressure} Test Period for the SOUTH CARLSBAD Pool.
Deliverability

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

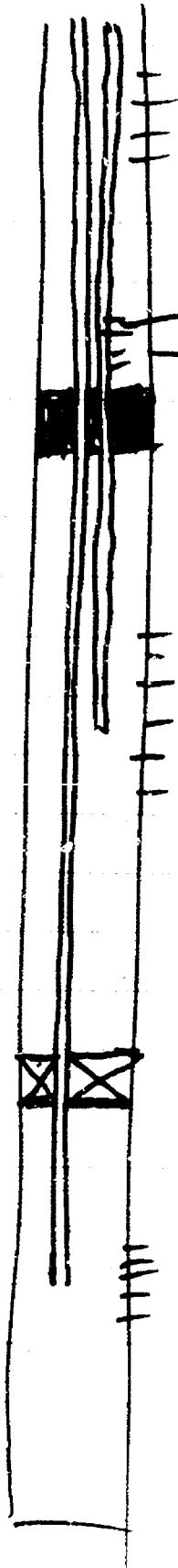
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

Marrow Atoka *Pennington*

Mobil Fed. 12
Mobil 12 Fed
B 12 23 26
660 P
1980 L

abd Atoka

attempt recompile in Canyon
(above top packer)



10084 Canyon
10128

Pull short
string

10785 SS
Seating nipple
Model K 10799

10842 Atoka
10868

10# brine
& micaceous
paraffin bases
7000 # BHP

11345 Mod D

11453 Marrow
11539