CASE 6623: PENROC OIL CORPORATION FOR APPROVAL OF INFILL DRILLING AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO

CASE NO.

6623

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 6623
ORDER NO. R-6098

Applicant:

Penroc Oil Corporation

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6623
Order No. R-6098

APPLICATION OF PENROC OIL
CORPORATION FOR APPROVAL OF INFILL
DRILLING AND SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 8, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of September, 1979, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Penroc Oil Corporation, seeks a waiver of existing well spacing requirements and a finding that the recompletion in the Winchester-Morrow Gas Pool of its Dero "A" Federal Com Well No. 1 located in Unit N of Section 35, Township 19 South, Range 28 East, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

(3) That the applicant further seeks to simultaneously dedicate an existing 320-acre spacing and proration unit consisting of the S/2 of said Section 35 to said Dero A Federal Com Well No. 1 and to its Dero Federal Com Well No. 1 located in Unit P of said Section 35, Winchester-Morrow Gas Pool.

(4) That provided the applicant renames and renumbers said well in a logical and orderly manner, said simultaneous dedication should be approved.

(5) That the applicant's request for dismissal of that part of this case seeking findings that the recompletion of said Dero A Federal Com Well No. 1 is necessary to effectively and efficiently drain the proration unit should be granted.

IT IS THEREFORE ORDERED:

(1) That the applicant, Penroc Oil Corporation, is hereby authorized to simultaneously dedicate its Dero A Federal Com Well No. 1 located in Unit N and its Dero Federal Com Well No. 1 located in Unit P, both in Section 35, Township 19 South, Range 28 East, to a standard 320-acre gas spacing unit consisting of the S/2 of said Section 35, Winchester-Morrow Gas Pool, Eddy County, New Mexico.

PROVIDED HOWEVER, that prior to such simultaneous dedication the applicant shall rename and renumber said wells in a logical and orderly manner as may be approved by the supervisor of the Division's district office in Artesia.

(2) That the portion of the subject application seeking a finding that the recompletion of said Dero A Federal Com Well No. 1 is necessary to drain the proration unit is hereby dismissed.

(3) That 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

JOE D. RAMEY
Director

S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
8 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico. CASE 6623

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: W. Thomas Kellahin, Esq.
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

I N D E X

STERLING TALLEY

E X H I B I T S

MR. STAMETS: We'll call next Case 6623.

MR. PADILLA: Application of Penroc Oil Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant and I have one witness to be sworn.

(Witness sworn.)

STERLING TALLEY

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name, by whom you're employed, and in what capacity?

A. My name is Sterling Talley. I'm President of Penroc Oil Corporation, Midland, Texas.

Q. And, Mr. Talley, have you previously testified before the Oil Conservation Division?

A. Yes, I have.

Q. Have your qualifications as an expert wit-

ness been accepted and made a matter of record?

A. Yes.

MR. KELLAHIN: We tender Mr. Talley as an expert witness.

MR. STAMETS: In what field, please? You are --

A. I'm a geologist, a geological engineer.

MR. STAMETS: Thank you. The witness is considered qualified.

Q. (Mr. Kellahin continuing.) Mr. Talley, would you refer to what we're marked as Exhibit Number One, identify that, and state what Penroc is seeking to accomplish?

A. Exhibit One is a plat on a 1-inch equal to 4000-foot scale, which shows lease ownership and all the wells spudded thereon in the Winchester-Morrow Gas Field and the area surrounding it.

What Penroc is wanting to do, of course, is to seek a waiver of existing well spacing requirements and find that a recompletion of our Dero Federal A No. 1 Well would be necessary to effectively and efficiently drain this proration unit, which the present well is producing from the Morrow; our Dero Federal No. 1 Well, will not adequately do, and we hope to produce adequate information and statistics to prove that point.

Q. What is the proration assigned to the existing well that currently produces from the Morrow?

A. Well, to go ahead and explain what's on this exhibit I think will take care of that question.

The south half of Section 35, 19 South, 28 East, which is outlined in yellow, is the proration unit assigned to the Dero Federal No. 1, which is located 660 out of the south and east corner.

We also see on this plat seven wells which are indicated, two of those being Penroc's. The other five are the only Morrow wells that have drilled offsetting this half section.

You'll notice that all the wells, all seven of them, have been circled in red, and those which do not have color inside were drilled to the Morrow, and they were not completed as Morrow well, being dry in that zone.

Those which have a green color were completed as Morrow producers and two of those which have some red whiskers on the outside have been abandoned Morrow producers since they were completed, which leaves only two wells that are still active producing from the Morrow.

We also have on this plat a dotted line which kind of zigzags through all the wells, but is essentially a northwest/southeast cross section that we'll use in our

testimony, being labeled as A-A'.

Q. Okay. The No. 1 Well was first completed for production from the Morrow on what date, do you recall? Approximately when it was?

A. In 1972.

Q. Now the 1-A Well was drilled and completed for production approximately when?

A. In late 1973; actually completed in early '74.

Q. From what formations has the 1-A produced?

A. Well, it was drilled to the Morrow; pipe was set, and then it was dually completed in the Strawn and the Wolfcamp.

Q. Was the Morrow formation at the time the well was completed tested?

A. Yes, it was.

Q. And it's now your desire to open up the Morrow zone in the 1-A Well and produce it simultaneously with the No. 1 Well?

A. That is correct.

MR. KELLAHIN: May we go off the record for a moment?

(Thereupon a discussion was had off the record.)

Q. (Mr. Kellahin continuing.) All right, Mr.

Talley, would you refer now to what we have marked as Exhibit Number Two and identify that cross section?

A. Exhibit Number Two is the cross section I referred to earlier in discussing the plat as being A-A'. It runs essentially northwest/southeast through the Winchester-Morrow Gas Pool.

You'll see that we have put on there the logs from all seven of those wells that the cross section cuts through. The vertical scale being 2-1/2 inches equal 100 feet and there is no scale horizontally; they're just equidistant apart.

We've put some correlation marks across the upper part of those logs, being a little green tic on there and then a blue one below that to show some similar markers in those wells.

The wells themselves are hung on a datum of the Morrow Shale, which is labeled, and then at the bottom of the logs there you'll see the Barnett Shale, which occurs at the base of the Morrow Sand/Shale section.

Within the Lower Morrow we have some other correlations. You'll see one is colored purple, which carries in all the wells, but the one that we want to pay particular attention to and emphasize is the sand that's colored yellow, and you'll see that it does go through all the wells but is not nearly as well developed in any well

with the exception of the Penroc Dero A Federal No. 1.

For further information you'll note, too, that in the wellbores we have indicated the DST that was taken in each of these wells by the vertical line labeled as a DST.

And then on the righthand side of the wellbore we have shown perforations that were put in the wells when they were in the process of being completed. Those that are colored red are those that were actually completed in the Morrow. Other perforations were tried but were unsuccessful and were abandoned for one reason or another.

So if we go on to Exhibit Number Three, we'll use this in conjunction with this cross section, because Exhibit Three is a well information sheet of all these wells showing primarily the DST information that was taken in the Morrow section and also then the perforated sections, the treatments, and the results, as we progress across the cross section from east to west.

So if you'll look at that most easterly well, that being the Underwood and Williams Shell Federal No. 1, it was spudded in 1973 and then plugged and abandoned also in 1973.

But during the course of the drilling of the well you see that they took three drill stem tests, one

in the Upper Morrow, and two in the Lower Morrow. The first one recovered only mud and the one in the yellow sandstone, as I refer to it, had gas too small to measure, and then the one right below it also recovered mud.

But then in 1974 Estoril Production Company re-entered this well and perforated in the Lower Morrow from 11,234 to 242, that yellow sandstone section, and recovered only a slight show of gas.

It was completed in the Upper Morrow, where you see the red perforations, for a calculated open flow of 3.797-million cubic feet, and we have some cumulative production figures we'll go on to after we get through with this part of it.

Then the next well to the west, is the Penroc Dero Federal No. 1. It was spudded in April of 1972. It was the discovery well for the Winchester-Morrow Field.

Now you'll note there that two drill stem tests were taken, the first one being rather long, took in all the Morrow lime section and most of the Upper Morrow sandstone section. It flowed at the rate of 3.135-million cubic feet per day.

And then a subsequent drill stem test of the Lower Morrow showed that it flowed only 93,900 cubic feet of gas per day, and a particular significance in

this is that the flow pressures were only 186 to 350, and even though that the final shut-in pressure was 4437 after three hours, the initial shut-in pressure of one hour was 3564.

It, coupled with the logs, will indicate that this sand was fairly tight.

Now, in the completion process of the well, this yellow sand was perforated by itself, it was fracd and it was swab-tested and all it ever recovered was a weak flow of gas.

Then progressing up the hole into the Upper Morrow, you'll see the next set of red perforations were also fracd and swabbed and gas too small to measure.

Then the perforations up in the Morrow lime were treated and they flowed 1.4-million cubic feet of gas.

All three sets of perforations were combined for a completion and the open flow of the well was 1,419-million cubic feet.

So I think the evidence right there shows that there's very little gas coming from the Lower Morrow sands or the Upper Morrow sands, and in my opinion, nearly all the gas that this well has made has come from the Morrow limestone.

Then we move to the west one location to

the Penroc 1-A Federal and we note that during the course of the drilling that two drill stem tests were made in the Morrow section, in the Upper and the Lower.

The Upper one we gauged 27,760 cubic feet per day at low flow pressures and low shut-in pressures.

The second test, though, which did include the Upper Morrow -- the Lower Morrow sand that's colored yellow there, the upper part of it, you'll see that the flow was 3.697-million; flow pressure ranging from 875 to 2934 and the initial and final shut-in pressures were the same, 4473, which is about the highest shut-in pressure that you'll find out here in the Morrow in this particular field.

This well had pipe run to the Morrow but was dually completed in the Strawn and the Wolfcamp. At this date the Wolfcamp is expired and the Strawn is a very weak well. It's on a compressor and has been for quite a long time.

Now we go on to the Hillin Well, which is south offset to this Penroc Well and we find that he ran two drill stem tests, the most significant one being in the Upper Morrow sandstone section, which flowed 14-million. And he drilled it on to TD. He started his completion program. The Lower Morrow was perforated below the yellow sand. You'll see four feet of perforations there at about

11,200; recovered oil-water, squeezed those perforations, came on up to the yellow sand, four feet of perforations. He says, and the records show that 1.2-million cubic feet of gas flowed with a lot of water, and that's the way it's entered in the records.

The well was completed in this red set of perforations in Upper Morrow sand. Calculated open flow, 13.369-million cubic feet per day.

That well, by the way, ceased to produce in 1974 from the Morrow. It was dually completed from the Morrow and the Strawn. It does still produce from the Strawn.

Okay, the next well on the cross section to the west of the Hillin Well is Cities Service 1-S Government, being located there in the east half of Section 34. You'll note that it had no drill stem test, they made no completion attempt in the Morrow.

And the next well west of that one is the Hillin DWU Federal No. 1; ran two drill stem tests in the Morrow, one in the upper, one in the lower, and the upper one recovered 38,300 cubic feet per day on flow, and the next one below that in the Upper Morrow, the yellow sand again, recovered 450 feet of water-cut mud.

They did perforate that yellow -- I beg your pardon. They did not perforate the yellow sand. They

came on up to the Upper Morrow sand where you see the red perforations. It was completed for a calculated open flow of 1.77-million and it ceased to produce late last year, '78.

The last well on the cross section would be the north offset to Penroc's half section in 35, and we see that it ran two drell stem tests, one of which did cover the yellow sandstone, recovered only drilling fluid on both cases.

And that's pretty much the story as what you see as far as the testing and completing of these wells were concerned.

Q. What's the current status of the production from the Strawn and Wolfcamp in the Dero A Federal No. 1 Well?

A. Well, as I pointed out a moment ago, the Wolfcamp no longer produces and the Strawn has become very weak and it's on a compressor and has been for quite some time.

Q. What is it currently making under compression?

A. About 2-million a month.

Q. How will you recomplete the well in order to obtain the Morrow production?

A. We would squeeze the Wolfcamp perforations

and go down and try the Morrow and if we possibly could, we'd see if we could produce the Morrow through the casing and the Strawn through the tubing, although I doubt seriously if the Strawn will ever come back once we kill it. It will probably wind up being a single producer, and if it does, we'll have to squeeze those Strawn perforations.

Q. Is the Morrow zone to be produced out of the Dero A No. 1 Well the same Morrow zone that has produced out of the Dero No. 1 Well?

A. Well, yes. We pointed out that the -- in earlier testimony on this cross section, that that yellow sand was perforated and treated but had a very weak flow of gas, so in my opinion, there's hardly any gas that's come from this Lower Morrow sand.

Q. In your opinion will the 1-A Well recover Morrow gas production that has not been, nor will be, produced from the No. 1 Well?

A. Very definitely.

Q. Do you have any recommendations to the Examiner about how you will produce the Morrow production from both wells?

A. Not at this time. I think that would come after we have perforated and treated the well to see what it would do on initial potential and perhaps produce, say, for thirty days and see what -- what the percentage factor

might be there.

Q. Is the Winchester-Morrow a prorated gas pool?

A. No.

Q. Is it your desire to produce the Morrow formation from both wells either simultaneously or separately?

A. Simultaneously.

Q. Would you refer to Exhibits Number Four and Five and identify those for us?

A. Okay, Exhibit Number Four is a cumulative production chart of the four Morrow wells, the first one being the Dorchester Well located in Section 34, the east half, and as I pointed out earlier, this well ceased to produce in July of '78, and up to that period of time it had made 247,159,000 cubic feet of gas.

The Estoril Production well, Shell Federal No. 1, which is in the west half of Section 1, 20 South, 28, has made 138,345,000 cubic feet of gas up to April the 1st of this year, and you may note there that in January, February, and March it was making 2-1/2 million about, or less, per month.

The Hillin Production Company well, JCW State in the north half of Section 2, which last produced from the Morrow in November of '74, did make, well, let's say 1.665-billion cubic feet of gas.

And the Penroc Dero Federal No. 1 in the southeast corner of 35, 19 South, 28 East, to date, or rather to April the 1st, 1979, it produced 1,358,906,000 cubic feet of gas. You'll note it runs about 13 -- actually, the later months than March, it's shown it's down to about 12-million per month now on a compressor.

Now the next exhibit, we asked for waiver letters from all the offset operators. The only one we actually heard from was Cities Service, which did give one.

Q. The closest offset well is the Hillin well to the south in Section 2.

A. Right.

Q. That also produced in the Morrow formation but from the cross section it appears as if it produced from a different sand?

A. Yes, it did, but it no longer produces.

Q. In your opinion, then, will the No. 1-A Well recover gas from the Winchester-Morrow Gas Pool that has not been produced either by the Hillin offset well to the south or the No. 1 Well in the southeast/southeast of Section 35?

A. You'll have to run that question by me again.

Q. All right. Does the No. 1-A Well have potential Morrow production from a Morrow sand that was not

produced in the Hillin Production Well in Section Number 2?

A. Yes.

Q. All right. In addition, does the 1-A Well, or will the 1-A Well recover Morrow gas production that has not been, nor will be recovered from the No. 1 Well?

A. In my opinion this is true.

Q. Were Exhibits One through Five prepared by you directly or compiled under your direction and supervision?

A. Yes, they were.

Q. And will approval of this application be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A. I think so, yes.

Q. Do you have an opinion with regards to the amount of additional gas to be recovered from the Morrow formation by this well that will not be recovered by any other well?

A. From a volumetric calculation standpoint only, I would estimate 1.1 to 1.4 billion cubic feet of gas.

Q. Would you summarize briefly what the parameters used were in your volumetric calculation?

A. Taking thickness of the pay sand and the bottom hole pressures as evidenced by drill stem tests and

also experience factor of these other wells, of what they recovered from similar type sands.

MR. KELLAHIN: We move the introduction of Exhibits One through Five.

MR. STAMETS: These exhibits will be admitted.

MR. KELLAHIN: That concludes our examination.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Talley, if you are successful in getting both the Strawn and the Morrow to produce in this well, you do understand it will be necessary to gain approval of that dual completion or downhole commingling, whichever you --

A. Yes.

Q. -- finally achieve? And you should also understand that it will be necessary that both of these wells will have the same lease name in order for them to be simultaneously dedicated to the same acreage.

A. Labeled as how, possibly?

Q. Let's see if there are any other questions.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6623, heard by me on 8-8 19 79.
Richard L. Stamets, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
8 August 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico.

CASE 6623

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

I N D E X

STERLING TALLEY

E X H I B I T S

SALLY WALTON BOYD
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3020 Plaza Blanca (505) 471-2462
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MR. STAMETS: We'll call next Case 6623.

MR. PADILLA: Application of Penroc Oil Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant and I have one witness to be sworn.

(Witness sworn.)

STERLING TALLEY

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name, by whom you're employed, and in what capacity?

A. My name is Sterling Talley. I'm President of Penroc Oil Corporation, Midland, Texas.

Q. And, Mr. Talley, have you previously testified before the Oil Conservation Division?

A. Yes, I have.

Q. Have your qualifications as an expert wit-

ness been accepted and made a matter of record?

A. Yes.

MR. KELLAHIN: We tender Mr. Talley as an expert witness.

MR. STAMETS: In what field, please? You are --

A. I'm a geologist, a geological engineer.

MR. STAMETS: Thank you. The witness is considered qualified.

Q. (Mr. Kellahin continuing.) Mr. Talley, would you refer to what we're marked as Exhibit Number One, identify that, and state what Penroc is seeking to accomplish?

A. Exhibit One is a plat on a 1-inch equal to 4000-foot scale, which shows lease ownership and all the wells spudded thereon in the Winchester-Morrow Gas Field and the area surrounding it.

What Penroc is wanting to do, of course, is to seek a waiver of existing well spacing requirements and find that a recompletion of our Dero Federal A No. 1 Well would be necessary to effectively and efficiently drain this proration unit, which the present well is producing from the Morrow, our Dero Federal No. 1 Well, will not adequately do, and we hope to produce adequate information and statistics to prove that point.

Q. What is the proration assigned to the existing well that currently produces from the Morrow?

A. Well, to go ahead and explain what's on this exhibit I think will take care of that question.

The south half of Section 35, 19 South, 28 East, which is outlined in yellow, is the proration unit assigned to the Dero Federal No. 1, which is located 660 out of the south and east corner.

We also see on this plat seven wells which are indicated, two of those being Penroc's. The other five are the only Morrow wells that have drilled offsetting this half section.

You'll notice that all the wells, all seven of them, have been circled in red, and those which do not have color inside were drilled to the Morrow, and they were not completed as Morrow well, being dry in that zone.

Those which have a green color were completed as Morrow producers and two of those which have some red whiskers on the outside have been abandoned Morrow producers since they were completed, which leaves only two wells that are still active producing from the Morrow.

We also have on this plat a dotted line which kind of zigzags through all the wells, but is essentially a northwest/southeast cross section that we'll use in our

testimony, being labeled as A-A'.

Q. Okay. The No. 1 Well was first completed for production from the Morrow on what date, do you recall? Approximately when it was?

A. In 1972.

Q. Now the 1-A Well was drilled and completed for production approximately when?

A. In late 1973; actually completed in early '74.

Q. From what formations has the 1-A produced?

A. Well, it was drilled to the Morrow; pipe was set, and then it was dually completed in the Strawn and the Wolfcamp.

Q. Was the Morrow formation at the time the well was completed tested?

A. Yes, it was.

Q. And it's now your desire to open up the Morrow zone in the 1-A Well and produce it simultaneously with the No. 1 Well?

A. That is correct.

MR. KELLAHIN: May we go off the record for a moment?

(Thereupon a discussion was had off the record.)

Q. (Mr. Kellahin continuing.) All right, Mr.

Talley, would you refer now to what we have marked as Exhibit Number Two and identify that cross section?

A. Exhibit Number Two is the cross section I referred to earlier in discussing the plat as being A-A'. It runs essentially northwest/southeast through the Winchester-Morrow Gas Pool.

You'll see that we have put on there the logs from all seven of those wells that the cross section cuts through. The vertical scale being 2-1/2 inches equal 100 feet and there is no scale horizontally; they're just equidistant apart.

We've put some correlation marks across the upper part of those logs, being a little green tic on there and then a blue one below that to show some similar markers in those wells.

The wells themselves are hung on a datum of the Morrow Shale, which is labeled, and then at the bottom of the logs there you'll see the Barnett Shale, which occurs at the base of the Morrow Sand/Shale section.

Within the Lower Morrow we have some other correlations. You'll see one is colored purple, which carries in all the wells, but the one that we want to pay particular attention to and emphasize is the sand that's colored yellow, and you'll see that it does go through all the wells but is not nearly as well developed in any well

with the exception of the Penroc Dero A Federal No. 1.

For further information you'll note, too, that in the wellbores we have indicated the DST that was taken in each of these wells by the vertical line labeled as a DST.

And then on the righthand side of the wellbore we have shown perforations that were put in the wells when they were in the process of being completed. Those that are colored red are those that were actually completed in the Morrow. Other perforations were tried but were unsuccessful and were abandoned for one reason or another.

So if we go on to Exhibit Number Three, we'll use this in conjunction with this cross section, because Exhibit Three is a well information sheet of all these wells showing primarily the DST information that was taken in the Morrow section and also then the perforated sections, the treatments, and the results, as we progress across the cross section from east to west.

So if you'll look at that most easterly well, that being the Underwood and Williams Shell Federal No. 1, it was spudded in 1973 and then plugged and abandoned also in 1973.

But during the course of the drilling of the well you see that they took three drill stem tests, one

in the Upper Morrow, and two in the Lower Morrow. The first one recovered only mud and the one in the yellow sandstone, as I refer to it, had gas too small to measure, and then the one right below it also recovered mud.

But then in 1974 Estoril Production Company re-entered this well and perforated in the Lower Morrow from 11,234 to 242, that yellow sandstone section, and recovered only a slight show of gas.

It was completed in the Upper Morrow, where you see the red perforations, for a calculated open flow of 3.797-million cubic feet, and we have some cumulative production figures we'll go on to after we get through with this part of it.

Then the next well to the west, is the Penroc Dero Federal No. 1. It was spudded in April of 1972. It was the discovery well for the Winchester-Morrow Field.

Now you'll note there that two drill stem tests were taken, the first one being rather long, took in all the Morrow lime section and most of the Upper Morrow sandstone section. It flowed at the rate of 3.135-million cubic feet per day.

And then a subsequent drill stem test of the Lower Morrow showed that it flowed only 93,900 cubic feet of gas per day, and a particular significance in

this is that the flow pressures were only 186 to 350, and even though that the final shut-in pressure was 4437 after three hours, the initial shut-in pressure of one hour was 3564.

It, coupled with the logs, will indicate that this sand was fairly tight.

Now, in the completion process of the well, this yellow sand was perforated by itself, it was fracd and it was swab-tested and all it ever recovered was a weak flow of gas.

Then progressing up the hole into the Upper Morrow, you'll see the next set of red perforations were also fracd and swabbed and gas too small to measure.

Then the perforations up in the Morrow lime were treated and they flowed 1.4-million cubic feet of gas.

All three sets of perforations were combined for a completion and the open flow of the well was 1.419-million cubic feet.

So I think the evidence right there shows that there's very little gas coming from the Lower Morrow sands or the Upper Morrow sands, and in my opinion, nearly all the gas that this well has made has come from the Morrow limestone.

Then we move to the west one location to

the Penroc 1-A Federal and we note that during the course of the drilling that two drill stem tests were made in the Morrow section, in the Upper and the Lower.

The Upper one we gauged 27,760 cubic feet per day at low flow pressures and low shut-in pressures.

The second test, though, which did include the Upper Morrow -- the Lower Morrow sand that's colored yellow there, the upper part of it, you'll see that the flow was 3.697-million; flow pressure ranging from 875 to 2934 and the initial and final shut-in pressures were the same, 4473, which is about the highest shut-in pressure that you'll find out here in the Morrow in this particular field.

This well had pipe run to the Morrow but was dually completed in the Strawn and the Wolfcamp. At this date the Wolfcamp is expired and the Strawn is a very weak well. It's on a compressor and has been for quite a long time.

Now we go on to the Hillin Well, which is south offset to this Penroc Well and we find that he ran two drill stem tests, the most significant one being in the Upper Morrow sandstone section, which flowed 14-million. And he drilled it on to TD. He started his completion program. The Lower Morrow was perforated below the yellow sand. You'll see four feet of perforations there at about

11,200; recovered oil-water, squeezed those perforations, came on up to the yellow sand, four feet of perforations. He says, and the records show that 1.2-million cubic feet of gas flowed with a lot of water, and that's the way it's entered in the records.

The well was completed in this red set of perforations in Upper Morrow sand. Calculated open flow, 13.369-million cubic feet per day.

That well, by the way, ceased to produce in 1974 from the Morrow. It was dually completed from the Morrow and the Strawn. It does still produce from the Strawn.

Okay, the next well on the cross section to the west of the Hillin Well is Cities Service 1-S Government, being located there in the east half of Section 34. You'll note that it had no drill stem test, they made no completion attempt in the Morrow.

And the next well west of that one is the Hillin DWU Federal No. 1; ran two drill stem tests in the Morrow, one in the upper, one in the lower, and the upper one recovered 38,300 cubic feet per day on flow, and the next one below that in the Upper Morrow, the yellow sand again, recovered 450 feet of water-cut mud.

They did perforate that yellow -- I beg your pardon. They did not perforate the yellow sand. They

came on up to the Upper Morrow sand where you see the red perforations. It was completed for a calculated open flow of 1.77-million and it ceased to produce late last year, '78.

The last well on the cross section would be the north offset to Penroc's half section in 35, and we see that it ran two drell stem tests, one of which did cover the yellow sandstone, recovered only drilling fluid on both cases.

And that's pretty much the story as what you see as far as the testing and completing of these wells were concerned.

Q. What's the current status of the production from the Strawn and Wolfcamp in the Dero A Federal No. 1 Well?

A. Well, as I pointed out a moment ago, the Wolfcamp no longer produces and the Strawn has become very weak and it's on a compressor and has been for quite some time.

Q. What is it currently making under compression?

A. About 2-million a month.

Q. How will you recomplete the well in order to obtain the Morrow production?

A. We would squeeze the Wolfcamp perforations

and go down and try the Morrow and if we possibly could, we'd see if we could produce the Morrow through the casing and the Strawn through the tubing, although I doubt seriously if the Strawn will ever come back once we kill it. It will probably wind up being a single producer, and if it does, wo'll have to squeeze those Strawn perforations.

Q. Is the Morrow zone to be produced out of the Dero A No. 1 Well the same Morrow zone that has produced out of the Dero No. 1 Well?

A. Well, yes. We pointed out that the -- in earlier testimony on this cross section, that that yellow sand was perforated and treated but had a very weak flow of gas, so in my opinion, there's hardly any gas that's come from this Lower Morrow sand.

Q. In your opinion will the 1-A Well recover Morrow gas production that has not been, nor will be, produced from the No. 1 Well?

A. Very definitely.

Q. Do you have any recommendations to the Examiner about how you will produce the Morrow production from both wells?

A. Not at this time. I think that would come after we have perforated and treated the well to see what it would do on initial potential and perhaps produce, say, for thirty days and see what -- what the percentage factor

might be there.

Q. Is the Winchester-Morrow a prorated gas pool?

A. No.

Q. Is it your desire to produce the Morrow formation from both wells either simultaneously or separately?

A. Simultaneously.

Q. Would you refer to Exhibits Number Four and Five and identify those for us?

A. Okay, Exhibit Number Four is a cumulative production chart of the four Morrow wells, the first one being the Dorchester Well located in Section 34, the east half, and as I pointed out earlier, this well ceased to produce in July of '78, and up to that period of time it had made 247,159,000 cubic feet of gas.

The Estoril Production well, Shell Federal No. 1, which is in the west half of Section 1, 20 South, 28, has made 138,345,000 cubic feet of gas up to April the 1st of this year, and you may note there that in January, February, and March it was making 2-1/2 million about, or less, per month.

The Hillin Production Company well, JCW State in the north half of Section 2, which last produced from the Morrow in November of '74, did make, well, let's say 1.665-billion cubic feet of gas.

And the Penroc Dero Federal No. 1 in the southeast corner of 35, 19 South, 28 East, to date, or rather to April the 1st, 1979, it produced 1,358,906,000 cubic feet of gas. You'll note it runs about 13 -- actually the later months than March, it's shown it's down to about 12-million per month now on a compressor.

Now the next exhibit, we asked for waiver letters from all the offset operators. The only one we actually heard from was Cities Service, which did give one.

Q. The closest offset well is the Hillin well to the south in Section 2.

A. Right.

Q. That also produced in the Morrow formation but from the cross section it appears as if it produced from a different sand?

A. Yes, it did, but it no longer produces.

Q. In your opinion, then, will the No. 1-A Well recover gas from the Winchester-Morrow Gas Pool that has not been produced either by the Hillin offset well to the south or the No. 1 Well in the southeast/southeast of Section 35?

A. You'll have to run that question by me again.

Q. All right. Does the No. 1-A Well have potential Morrow production from a Morrow sand that was not

produced in the Hillin Production Well in Section Number 2?

A. Yes.

Q. All right. In addition, does the 1-A Well, or will the 1-A Well recover Morrow gas production that has not been, nor will be recovered from the No. 1 Well?

A. In my opinion this is true.

Q. Were Exhibits One through Five prepared by you directly or compiled under your direction and supervision?

A. Yes, they were.

Q. And will approval of this application be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A. I think so, yes.

Q. Do you have an opinion with regards to the amount of additional gas to be recovered from the Morrow formation by this well that will not be recovered by any other well?

A. From a volumetric calculation standpoint only, I would estimate 1.1 to 1.4 billion cubic feet of gas.

Q. Would you summarize briefly what the parameters used were in your volumetric calculation?

A. Taking thickness of the pay sand and the bottom hole pressures as evidenced by drill stem tests and

also experience factor of these other wells, of what they recovered from similar type sands.

MR. KELLAHIN: We move the introduction of Exhibits One through Five.

MR. STAMETS: These exhibits will be admitted.

MR. KELLAHIN: That concludes our examination.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Talley, if you are successful in getting both the Strawn and the Morrow to produce in this well, you do understand it will be necessary to gain approval of that dual completion or downhole commingling, whichever you --

A. Yes.

Q. -- finally achieve? And you should also understand that it will be necessary that both of these wells will have the same lease name in order for them to be simultaneously dedicated to the same acreage.

A. Labeled as how, possibly?

Q. Let's see if there are any other questions.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2452
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

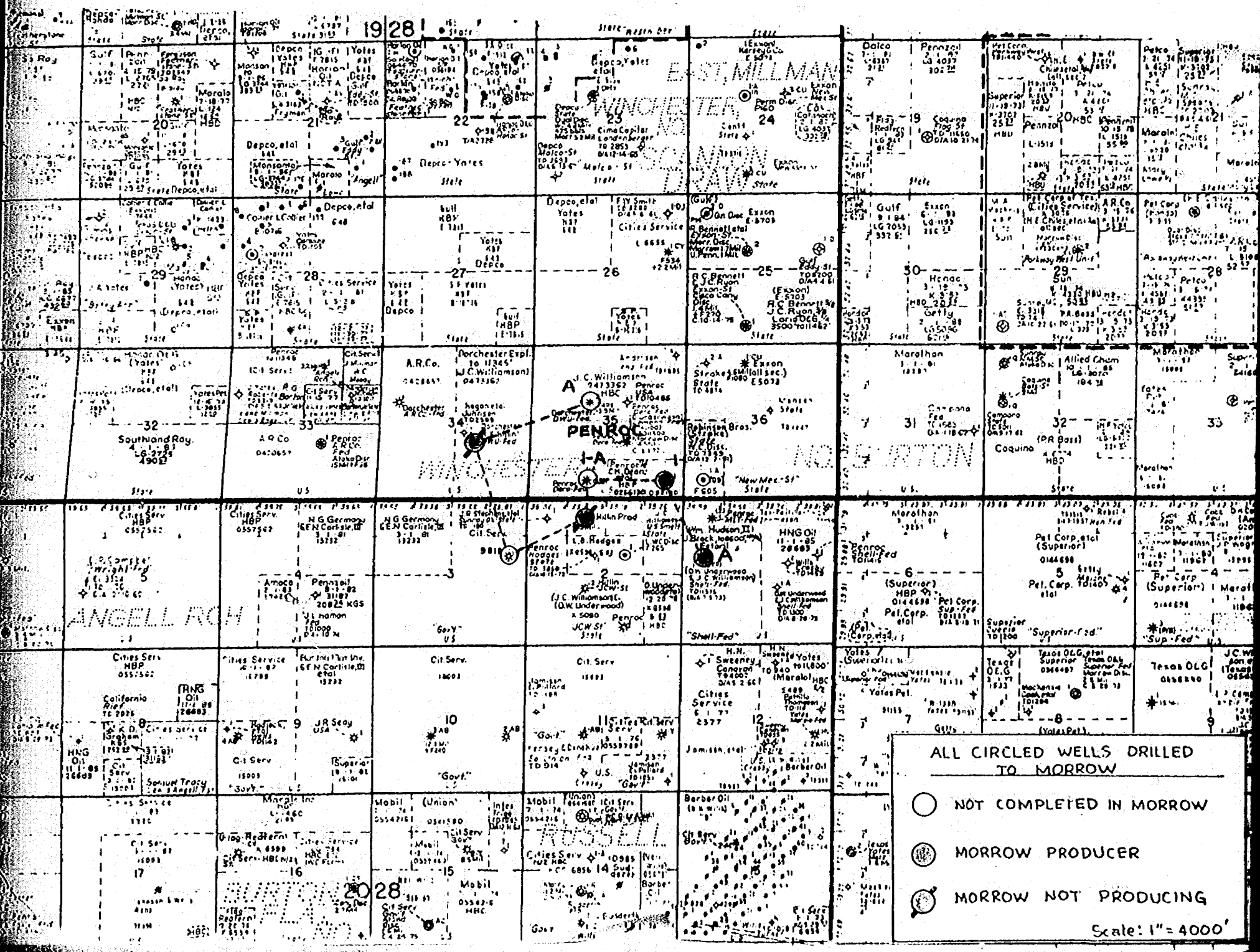
I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501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WINCHESTER
SCANTON DRAW
NORTON
PENROC
ROSELL
ANGELL RCH
MINCHESTER
HANSON 2028
ALL CIRCLED WELLS DRILLED TO MORROW
NOT COMPLETED IN MORROW
MORROW PRODUCER
MORROW NOT PRODUCING
Scale: 1" = 4000'

COMMISSION HEARING
August 8, 1979

CASE NO. 6623

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
Penroc EXHIBIT NO. 3
CASE NO. 6623
Submitted by
Hearing Date

PENROC OIL CORPORATION
Dero "A" Federal No. 1 Well

WELL INFORMATION

1. Underwood & Williamson

Shell Federal No. 1 - SW NW 1-20S-28E
Spud 5/4/73. P&A 6/23/73.
DST 10980-11177 (Upper Morrow). Rec. 282' drlg. mud.
*DST 11225 - 11250 (Lower Morrow). GTS 29" TSTM, Rec. 710' drlg. mud & salt wtr. FP 275-266, ISIP-4365, FSIP-4465
DST 11270-11317 (Lower Morrow). Rec. 280' mud, 3350' salt water.

Estoril Production Co. re-entered 8/7/74.
*PERF. 11234-11242 (Lower Morrow). After acid & frac swbd sw w/sli sho gas BP@ 11,200'.
PERF. 11067, 069, 071, 073, 081, 105, 107, 109, 113 (Upper Morrow). A/2000. SWF 16,000 x 15,375# COF 3,797 MCFGPD, 10/7/74.

2. Penroc Oil Corporation

Dero Federal No. 1 - SE SE 35-19S-28E
Spud 4/11/72. TD reached 5/24/72.
DST 10,740 - 11,075 (Upper Morrow). GTS 19 min. Flo rate of 3.135 million CFGPD. Rec. 728' GCM, FP 747-981, 60" ISIP 4942, 90" FSIP 4896.
*DST 11,173 - 11,260 (Lower Morrow). GTS 25 min., gauged 93,900 CFPD. Rec. 390' GCM + 400' salt water. 60" ISIP 3564, FP 186-350, 3 hr. FSIP 4437.
*PERF. 11185 - 11208 (Lower Morrow). After water frac had weak blo gas and swbing frac wtr. Otis pkr. w/expendable plug at 11,150'.
PERF. 11033 - 11041'
11058 - 11072' thru tubing w/ 1"/16" ceramic gun
11084 - 11088'
After frac and testing had gas TSTM.

Well Information Cont'd.

PERF. 10769 - 10782', 10792 - 10806', 10811 - 10819' (Upper Morrow Lime). Strong blo gas. Frac & test 1 - 1.4 million CFGPD, combined all zones, flo 1,419 MCFG, potential 6/20/72. 300# FTP. Put on Phillips low press. line 12/19/72. Later put on compressor.

3. Penroc Oil Corporation

Dero "A" Federal No. 1 - SE SW 35-19S-28E
Spud 10/5/73. TD reached 11/18/73. Comp. 2/4/74.
DST 10,910 - 11,085' (Upper Morrow). GTS 40 min. Gauged max. 27,760 CFPD. FP229-321, 60" ISIP - 1537, 4 hr. FSIP 3755
*DST 11,081 - 11,181' (Lower Morrow) GTS 8 min. Max gauge 3.697 Million CFPD. Rec. 440' GCM + 10' condensate + 30' filtrate wtr. FP 875-2934, 90" ISIP 4473, 5 hr. FSIP 4473.
Dual completed in Strawn and Wolfcamp.

4. Hillin Production Company

JCW-State Comm. No. 1 - NE NW 2-20S-28E
Spud 2/21/73.
DST 10790 - 10,956' (Upper Morrow) GTS 5 min. est 435,000 CFPD, Rec. 675' GC drlg. fluid. FP 327-281 90" ISIP 4871, 3 hr. FSIP 4871
DST 10,956 - 11,080' (Upper Morrow). GTS 2 min., flo 14 million 1/2" ch., SFP 2100#, rec. 60' wtr + 30' condensate, FP 3986 - 4023, 60" ISIP 4481, 2 hr. FSIP 4481.
PERF. 11,196 - 11,200 (Lower Morrow). Swbd. SW. Squeezed perfs.
*PERF. 11,158 - 11,162 (Lower Morrow). F/est. 1,200 MCFGPD w/lots wtr.
PERF. 11,038' - 11,050' (Upper Morrow). A/3200, COF 13,369,000 CFGPD. Comp. 4/19/73.
Entered 8/25/74 & completed Strawn. Potential date 9/25/74.
No new work on Morrow.

Well Informa tion Cont'd.

5. Cities Service Company

Government 1-S - SE NE 3-20S-28E
No DST's or perfs in Morrow.
Was completed as Atoka gas well.

6. Dorchester Exploration, Inc.

DWU - Federal No. 1 - NW SE 34-19S-28E
(Formerly reported as Hillin Production Co.)
Spud 12/20/72.
DST 10,976 - 11,046' (Upper Morrow). GTS 75 min.
Max. gauge 38,300 CFPD. Rec. 1100' GCWB + 130' GCM.
FP 64-64, 60" ISIP 2538, 6 hr. FSIP 4413
*DST 11,125 - 11,161' (Lower Morrow) Rec. 450' WCM
FP 160-213, 60" ISIP 4453, 4 hr. FSIP 4453
PERF. 11,031 - 11051' (Upper Morrow) A/4000, Frac 16000 x 13000#, COF 1,770,000 CFPD. Potentialed 5/4/73.

7. Dorchester Exploration, Inc.

DWU - Federal No. 2 - SE NW 35-19S-28E
Spud 6/25/73.
DST 10,996 - 11,136' (Upper Morrow). Rec 420' drlg. fluid.
FP 241-306, 60" ISIP 394, 3 hr. FSIP 2341
*DST 10998 - 11180' (Upper & Lower Morrow). Rec. 540' drlg. fluid. FP 350-372, 60" ISIP 481, 3 hr. FSIP 1355, dry in Morrow.
Completed as Wolfcamp producer.
Potentialed 8/30/73.

WINCHESTER MORROW

COMPANY AND WELL NAME		ACCUMULATIVE PRODUCTION Gas (MCF)	Oil (Bbls)
Dorchester Exploration, Inc.,	DWU Federal No. 1 Sec. 34-T19S-R28E		
	To 1/1/79 (last production shown in 7/78)	247,159	4,085
Estoril Production Corp.,	Shell-Federal No. 1 Sec. 1-T20S-R28E		
	To 1/1/79	131,321	791
	1/79	2,599	8
	2/79	1,721	6
	3/79	2,704	22
	Total to 4/1/79	138,345	827
Hillin Production Co.,	JCW-State No. 1 Sec. 2-T20S-R28E		
	To 1/1/79 (last production date 11/74)	1,665,537	19,330
Penroc Oil Corp.,	Dero-Federal No. 1 Sec. 35-T19S-R28E		
	To 1/1/79	1,316,686	9,671
	1/79	15,068	108
	2/79	13,175	97
	3/79	13,977	86
	Total to 4/1/79	1,358,906	9,962

Now 12000 on Compressor

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
PENROC EXHIBIT NO. 4
CASE NO. 6623
Submitted by:
Hearing Date

July 12, 1979

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
PENROC EXHIBIT NO. 5
CASE NO. 6623
Submitted by:
Hearing Date

Penroc Oil Corporation
P. O. Drawer 831
Midland, Texas 79702

Gentlemen:

Subject: Notice of Waiver

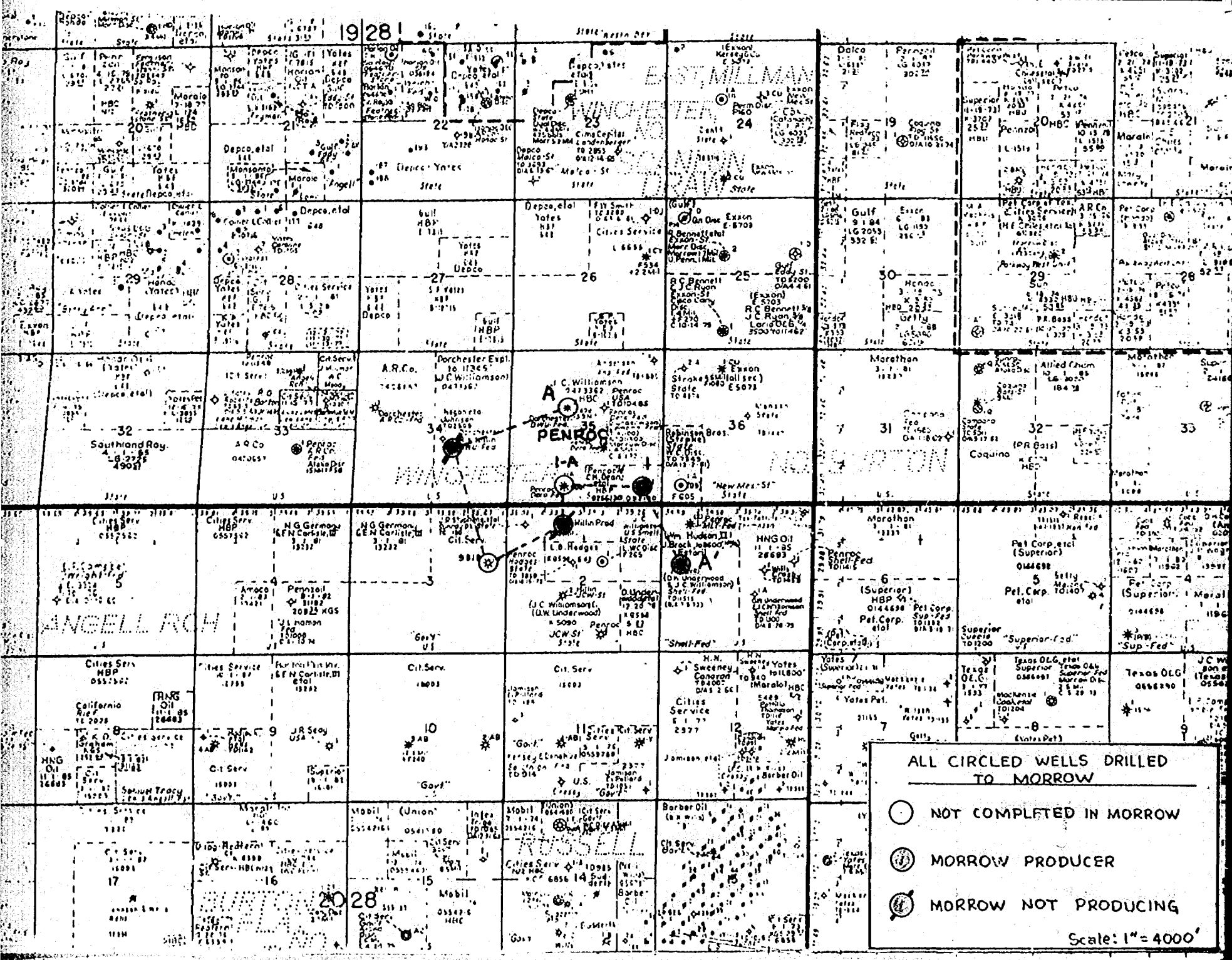
As an offset operator, the undersigned offers no objection to a plan whereby Penroc Oil Corporation proposes to seek by public hearing before the New Mexico Oil Conservation Division, approval to effect completion for gas from a Lower Morrow sand section in Penroc's Dero "A" Federal No. 1 well which is located 1980' FWL and 660' FSL, Section 35, T-19-S, R-28-E, Eddy County, New Mexico.

Very truly yours,

CITIES SERVICE COMPANY

By S. D. Stotts
Title Region Engineering Manager

Executed this 16th day of July, 1979.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SOUTH MILLMAN
ANGELL RCH
RUSSELL
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Depco, etal
Gulf
Yates
Texas
Marathon
Superior
Pennzoil
Cities Service
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Scale: 1" = 4000'

COMMISSION HEARING
August 8, 1979

CASE NO. 6623

Exhibit 3

PENROC OIL CORPORATION
Dero "A" Federal No. 1 Well

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Exhibit 4
case 6623

July 12, 1979

Penroc Oil Corporation
P. O. Drawer 831
Midland, Texas 79702

Gentlemen:

Subject: Notice of Waiver

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Very truly yours,

CITIES SERVICE COMPANY

By S. L. Hatch

Title Region Engineering Manager

Executed this 16th day of July, 1979.

Exhibit 5
case 6623

CASE 6601: (Continued from July 25, 1979, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the E/2 of Section 8, Township 14 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6622: Application of Adams Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Penn formations underlying the N/2 of Section 15, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6623: Application of Penroc Oil Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the recompletion in the Morrow formation of its Dero "A" Federal Well No. 1 located in Unit N of Section 35, Township 19 South, Range 28 East, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6624: Application of Beico Petroleum Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of a well to be located in Unit K of Section 31, Township 9 South, Range 33 East, Flying "M"-San Andres Pool, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6625: Application of Mewbourne Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be located 660 feet from the North line and 1315 feet from the East line of Section 30, Township 20 South, Range 27 East, the E/2 of said Section 30 to be dedicated to the well.

CASE 6603: (Continued from July 25, 1979, Examiner Hearing)

Application of Conoco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Penrose Skelly and Eumont production in the wellbore of its Hawk B-1 Well No. 12 located in Unit O of Section 8, Township 21 South, Range 37 East.

CASE 6587: (Continued and Readvertised)

Application of Caribou Four Corners, Inc., for an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Kirtland Well No. 4 located 1450 feet from the North line and 595 feet from the West line of Section 18, Township 29 North, Range 14 West.

****

Docket No. 31-79

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 15, 1979

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for September, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Dan,

Tom Kellahin called to request that the application of Pennzoil for an NSPA determination also show simultaneous dedication of both wells to the S/2 of Section 35.

This is for the August 8 hearing.

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin

Karen Aubrey

Telephone 982-4285
Area Code 505

July 19, 1979

Mrs. Florene Davidson
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 6623

Re: Penroc Oil Corporation

Dear Florene:

This will confirm our telephone conversation of July 19, 1979, in which I requested that our Application on behalf of Penroc filed for hearing on August 8, 1979 be amended to include a hearing for the simultaneous dedication of the two subject wells to the S/2 of Section 35 for production from the Morrow formation.

Very truly yours,

W. Thomas Kellahin

WTK:eps

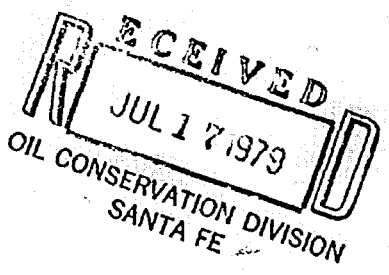
KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin

Karen Aubrey

Telephone 982-4285
Area Code 505

July 13, 1979



Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, NEw Mexico 87501

Re: Penroc Oil Corporation

Dear Joe:

Please set the enclosed application for hearing on August 8, 1979.

Very truly yours,

W. Thomas Kellahin

CC: Mr. Sterling Talley

WTK:kfm

Enclosure

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

Case 6623

IN THE MATTER OF THE APPLICATION OF PENROC OIL CORPORATION FOR WELL-HEAD PRICE CEILING CATEGORY DETERMINATION, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now PENROC OIL CORPORATION and applies to the Oil Conservation Division of New Mexico for an order for well-head price ceiling category determination pursuant to Special Rules of the Division, and Part 271.305(b) Federal Energy Regulatory Commission's Regulations Implementing the Natural Gas Policy Act of 1978 and in support hereof would show the Division:

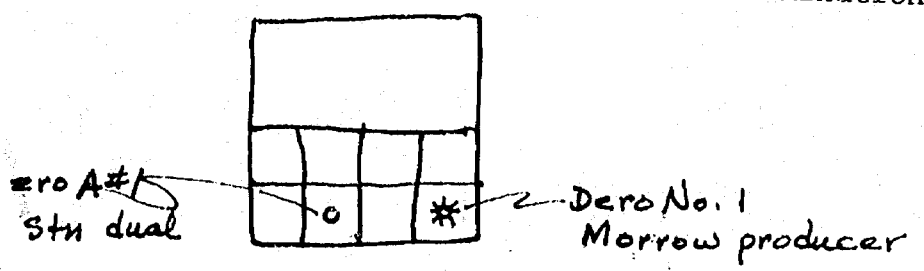
1. Applicant is the operator of the S/2 of Section 35, T19S, R28E, NMPM, Eddy County, New Mexico.

2. Applicant operates the Dero Federal No. 1 well located 660 feet from the East line and 660 feet from the South line of said Section 35, a Morrow producer.

3. Applicant operates the Dero "A" Federal No. 1 well located 1980 feet from the West line and 660 feet from the South line of Section 35, which currently dually completed in the Strawn and Wolfcamp formation.

4. Applicant desires approval to recomplete the Dero "A" Federal No. 1 well in the Morrow formation to be dedicated to the same proration unit as the Dero Federal No. 1 well.

5. Applicant seeks a determination pursuant to F.E.R.C.



Rules, Part 271.305 that the subject well is necessary to effectively and efficiently drain a portion of the Morrow reservoir covered by the existing proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit and will offer evidence in support of that determination.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing at the August 8, 1979 Examiner Hearing and that after notice and hearing as required by law, the Division enter its order making the wellhead price ceiling category determination as requested.

Respectfully submitted,

PENROC OIL CORPORATION

By _____

Kellahin & Kellahin
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

Case 6623

IN THE MATTER OF THE APPLICATION OF PENROC OIL CORPORATION FOR WELL-HEAD PRICE CEILING CATEGORY DETERMINATION, EDDY COUNTY, NEW MEXICO

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Rules, Part 271.305 that the subject well is necessary to effectively and efficiently drain a portion of the Morrow reservoir covered by the existing proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit and will offer evidence in support of that determination.

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Respectfully submitted,

PENROC OIL CORPORATION

By _____

Kellahin & Kellahin
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

Case 6623

IN THE MATTER OF THE APPLICATION OF PENROC OIL CORPORATION FOR WELL-HEAD PRICE CEILING CATEGORY DETERMINATION, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now PENROC OIL CORPORATION and applies to the Oil Conservation Division of New Mexico for an order for well-head price ceiling category determination pursuant to Special Rules of the Division, and Part 271.305(b) Federal Energy Regulatory Commission's Regulations Implementing the Natural Gas Policy Act of 1978 and in support hereof would show the Division:

1. Applicant is the operator of the S/2 of Section 35, T19S, R28E, NMPM, Eddy County, New Mexico.

2. Applicant operates the Dero Federal No. 1 well located 660 feet from the East line and 660 feet from the South line of said Section 35, a Morrow producer.

3. Applicant operates the Dero "A" Federal No. 1 well located 1980 feet from the West line and 660 feet from the South line of Section 35, which currently dually completed in the Strawn and Wolfcamp formation.

4. Applicant desires approval to recomplete the Dero "A" Federal No. 1 well in the Morrow formation to be dedicated to the same proration unit as the Dero Federal No. 1 well.

5. Applicant seeks a determination pursuant to F.E.R.C.

Rules, Part 271.305 that the subject well is necessary to effectively and efficiently drain a portion of the Morrow reservoir covered by the existing proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit and will offer evidence in support of that determination.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing at the August 8, 1979 Examiner Hearing and that after notice and hearing as required by law, the Division enter its order making the wellhead price ceiling category determination as requested.

Respectfully submitted,

PENROC OIL CORPORATION

By _____

Kellahin & Kellahin
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6623

Order No. R-6098

APPLICATION OF PENROC OIL
CORPORATION FOR APPROVAL OF INFILL
DRILLING AND SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 8, 19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of August, 19 79, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Penroc Oil Corporation, seeks a ~~Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a~~ waiver of existing well spacing requirements and a finding that the recompletion in the ~~Morrow formation~~ of its Dero "A" Federal Well No. 1 located in Unit N of Section 35, Township 19 South, Range 28 East, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

Winchester Morrow Gas Pool

Com

~~NMPM,~~ Pool, ~~Eddy County, New~~ ~~Mexico~~,

(3) That the applicant further seeks to simultaneously dedicate ~~the~~ ~~SOO~~ an existing 320-acre spacing ~~and proration~~ unit consisting of the South half of said Section 35 to said Dero A Federal Com Well No. 1 and to its Dero Federal Com Well No 1 located in Unit P of said section 35, Winchester Morrow Gas Pool.

(4) That provided the applicant renames and renumbers said well ~~in~~ in a logical and orderly manner, said simultaneous dedication should be approved.

(5) That the applicant's request for dismissal of that part of this case seeking ~~a root~~ findings that the recompletion of said Dero A Federal Com Well No 1 is necessary to effectively and efficiently drain the ~~SO~~ ~~SOO~~ the proration unit should be granted.

IT IS THEREFORE ORDERED:

(1) That the applicant, Penroc Oil Corporation, is hereby authorize to simultaneously dedicate its Dero A Federal Com Well No. 1 located in Unit N and its Dero Federal Com Well No. 1 located in Unit P, both in Section 35, Township 19 South, Range 28 East, to a standard 320-acre gas spacing Unit consisting of the South half of said Section 35, Winchester-Morrow Gas Pool, Eddy County, New Mexico.

Provided However, That prior to such simultaneous dedication the applicant shall rename and renumber said wells in a logical and orderly manner as may be approved by the supervisor of the Division's district office in Artesia.

(2) That ~~that~~ the portion of the subject application seeking a finding that the recompletion of said Dero A Federal Com Well No. 1 is necessary to drain the proration unit is hereby dismissed.

Jurisdiction ———