

7 THE FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
WASHINGTON, D. C. 20535

Continued

to

October 32

6640

Application

Transcripts.

Small Exhibits

ETC.

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2. **ARTICLE ADDRESSED TO:**
 Miles Production Company
 P. O. Box 154
 Carrollton, Texas 75006

3. **ARTICLE DESCRIPTION:**

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 886355

(Always obtain signature of addressee or agent)

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W. Butler

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No. 1

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 Miles Production Co.
 STREET AND NO.
 P. O. Box 154
 P.O., STATE AND ZIP CODE
 Carrollton, Texas 75000

CONSULT POSTMASTER FOR FEES		POSTAGE
OPTIONAL SERVICES	CERTIFIED FEE	\$
	SPECIAL DELIVERY	¢
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RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
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TOTAL POSTAGE AND FEES		\$

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OIL CONSERVATION DIVISION

(Name of Sender)

POST OFFICE BOX 2088

(Street or P.O. Box)

SANTA FE, NEW MEXICO 87501

(City, State, and ZIP Code)

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Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in item 1 of form 3811.

Save this receipt and present it if you make inquiry.

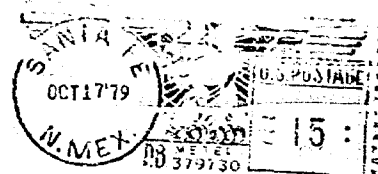
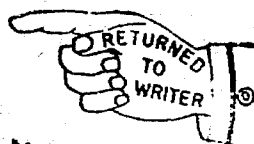
ENERGY and MINERALS DEPARTMENT

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

WNF

MOVED, NOT FORWARDABLE

Mr. J. B. Fuller
Miles Production Company
P. O. Drawer E
Wooster, Ohio 44691





BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 18, 1979

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

Mr. J. B. Fuller
Miles Production Company
P. O. Drawer E
Wooster, Ohio 44691

Re: CASE NO. 6640
ORDER NO. R-6143

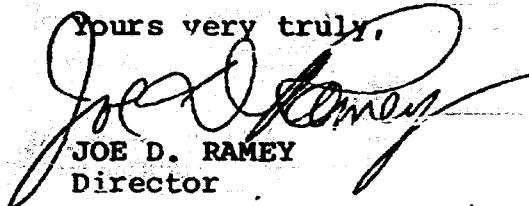
Applicant:

OCD (Miles Production Company)

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	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	<u>x</u>

Other National Surety Corporation

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. 6640
Order No. R-6143

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO PERMIT MILES PRODUCTION COMPANY,
NATIONAL SURETY CORPORATION AND ALL OTHER INTERESTED PARTIES
TO APPEAR AND SHOW CAUSE WHY THE THOMAS DROUGHT WELL NO. 1
LOCATED IN UNIT A OF SECTION 4, TOWNSHIP 15 NORTH, RANGE 6
WEST, MCKINLEY COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND
ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING
PROGRAM.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 2, 1979,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 18th day of October, 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 Miles Production Company is the owner and operator
of the Thomas Drought Well No. 1, located in Unit A of Section
4, Township 15 North, Range 6 West, NMPM, McKinley County, New
Mexico.
- (3) That National Surety Corporation is the surety on
the Oil Conservation Division plugging bond on which Miles Pro-
duction Company is principal.
- (4) That the purpose of said bond is to assure the state
that the subject well will be properly plugged and abandoned
when not capable of commercial production.

-2-

Case No. 6640
Order No. R-6143

(5) That in order to prevent waste and protect correlative rights said Thomas Drought Well No. 1 should be plugged and abandoned in accordance with a program approved by the Aztec District Office of the New Mexico Oil Conservation Division on or before February 1, 1980, or be properly plugged back to the Gallup formation if such well is to be continued on production therefrom.

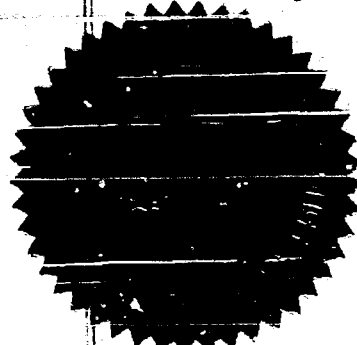
IT IS THEREFORE ORDERED:

(1) That Miles Production Company and National Surety Corporation are hereby ordered to plug and abandon the Thomas Drought Well No. 1, located in Unit A of Section 4, Township 15 North, Range 6 West, NMPM, McKinley County, New Mexico, or in the alternative, properly plug such well back to the Gallup formation if such well is to be continued on production status therefrom on or before February 1, 1980.

(2) That Miles Production Company and National Surety Corporation, prior to plugging and abandoning or plugging back the above-described well, shall obtain from the Aztec office of the Division, a Division-approved program for said plugging and abandoning or plugging back, and shall notify said Aztec office of the date and hour said work is to be commenced whereupon the Division may, at its option, witness such work.

(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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico
2 October 1979

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to permit Miles Production Company, National Surety Corporation, and other interested parties to appear and show cause why the Thomas Drought Well No. 1 should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE
6640

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

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (865) 471-2462
Santa Fe, New Mexico 87501

I N D E X

A. R. KENDRICK

Direct Examination by Mr. Padilla

5

Cross Examination by Mr. Stamets

11

J. B. FULLER STATEMENT

12

E X H I B I T S

Division Exhibit One, File

8

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (S.E.) 171-4405
Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case 6640.

2 Being in the matter of the hearing called
3 by the Oil Conservation Division on its own motion to permit
4 Miles Production Company, National Surety Corporation, and
5 other interested parties to appear and show cause why the
6 Thomas Drought Well No. 1 in Section 4, 15 North, 7 West,
7 McKinley County, New Mexico, should not be plugged and
8 abandoned in accordance with a Division-approved plugging
9 program.

10 Call for appearances in this case.

11 MR. PADILLA: Ernest L. Padilla on behalf
12 of the Oil Conservation Division.

13 Mr. Stamets, I have one witness.

14 MR. STAMETS: I'd like to have him stand
15 and be sworn, please.

16 MR. KENDRICK: Excuse me just a minute.
17 Is Mr. Fuller going to make an appearance?

18 MR. FULLER: Yes.

19 MR. STAMETS: Okay, would you identify
20 yourself for the record, sir?

21 MR. FULLER: Yes, sir. I'm J. B. Fuller
22 for Miles Production Company out of Carrollton, Texas.
23 It's a suburb of Dallas.

24 MR. STAMETS: Okay. Do you plan to present
25 testimony today, sir?

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CERTIFIED SHORTHAND REPORTER
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Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca G857 471-2483
Santa Fe, New Mexico 87501

MR. FULLER: Yes, sir.

MR. STAMETS: And what's your position with the company?

MR. FULLER: I'm a petroleum geologist.

MR. STAMETS: And are you represented by counsel?

MR. FULLER: No, sir.

MR. STAMETS: Okay. The Attorney General a number of years ago said that that was the practice of law, an individual in here representing a corporation, or someone other than himself, and --

MR. FULLER: Well, Miles Production Company is just an independent company. It's not a corporation. I do represent them as part owner of the company, but nevertheless, I do represent them.

MR. STAMETS: You are part owner in the company?

MR. FULLER: Uh-huh.

MR. STAMETS: Okay.

MR. FULLER: Now, I didn't -- that's the first I ever heard about counsel. I didn't realize. This is our first venture in New Mexico that we've ever tried. We took this small deal, which is a shallow, a very shallow well. We drilled the well and --

MR. STAMETS: Well, let's -- let's decide

1 first whether or not you can testify in this particular case.

2 MR. FULLER: All right.

3 MR. STAMETS: Is the is Miles Production
4 Company a corporation?

5 MR. FULLER: No.

6 MR. STAMETS: Is it a partnership?

7 MR. FULLER: It is a single ownership with
8 well, there's about three of us that own partnerships, yes.
9 sir.

10 MR. STAMETS: And you are one of the part-
11 ners?

12 MR. FULLER: Yes, sir.

13 MR. STAMETS: Okay. And on that basis I
14 believe we can allow you to testify.

15 Any other appearances in this case?

16 I'd like to have both witnesses raise
17 their right hands.

18 (Witnesses sworn.)

19
20
21 A. R. KENDRICK
22 being called as a witness and having been duly sworn upon
23 his oath, testified as follows, to-wit:
24

25 DIRECT EXAMINATION

SALLY WALTON BOYD
CURVED SHORTHAND REPORTER
3025 Plum, Kansas (866) 471-4485
Santa Fe, New Mexico 87501

1 BY MR. PADILLA:

2 Q Mr. Kendrick, for the record would you
3 state your name, position, and what -- by whom you're em-
4 ployed and in what capacity?

5 A I'm A. R. Kendrick, employed by the Oil
6 Conservation Division as a District Supervisor at Aztec,
7 New Mexico.

8 Q How long have you had this position?

9 A About four years.

10 Q How long have you worked for the Oil Con-
11 servation Commission?

12 A More than twenty-four years.

13 Q In what capacity?

14 A As petroleum engineer in the district of
15 Aztec, New Mexico.

16 Q Have you previously testified before the
17 Division and are your credentials a matter of record before
18 the Division?

19 A Yes.

20 Q Are you familiar with the purpose of this
21 hearing?

22 A Yes, sir.

23 MR. PADILLA: Is the witness considered
24 qualified?

25 MR. STAMETS: Yes.

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Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1030 Plaza Blanca (995) 471-0403
San Jose, New Mexico 87501

1 Q (Mr. Padilla continuing.) Mr. Kendrick,
2 does District Two include that part of McKinley County in-
3 volved in this case?

4 A District Three includes McKinley County,
5 yes, sir.

6 Q Do your duties as the District Supervisor
7 include making recommendations to the Division as to when
8 wells should be plugged and abandoned?

9 A Yes, sir.

10 Q What is the purpose of this case?

11 A The well was drilled by the Miles Production
12 Company and plugged back in a manner which is not approvable
13 by the rules of the Oil Conservation Division.

14 Upon our learning of this we asked the
15 operator to plug back and in a proper manner and to our
16 knowledge to date this has not been accomplished.

17 Q Have you reviewed all the reports filed
18 with the Division concerning this well?

19 A I think so.

20 Q Do you have those records with you?

21 A I do not have all the records. I do have
22 a series of records which indicates the call of this hearing
23 and the subsequent reports from that time.

24 Q Are these records prepared in the form of
25 an exhibit?

1 A Yes, a tabulation of several pages
2 identified as Exhibit One in this case.

3 Q And referring to Exhibit One, would you
4 relate to the Examiner, or summarize the history of what
5 you have -- of the well?

6 A The exhibit is constituted by kind of an
7 index sheet. Following that would be a Form C-104, which was
8 approved on December the 15th, 1978, for testing purposes
9 with an expiration date of May the 31st. This was approved
10 because of severe winter weather and the production of the
11 well on a temporary basis would give the operator a chance
12 to evaluate the property to learn whether or not they would
13 rather plug back or to -- excuse me -- to plug back to the
14 producable formation or to plug back to the surface.

15 Following that there is a Form C-103 which
16 was received October the 30th, 1978, which was not approved
17 by our office, or excuse me, there was a letter directing
18 the proper plugback of this well.

19 Attached to that letter were two Forms
20 C-103, one giving the information which says the well was
21 plugged with mud/cement concentrate pumped down the hole,
22 or pumped into the hole.

23 The second Form C-103 says that the well
24 was plugged back with heavy mud and 10 sacks of cement, ap-
25 parently mixed.

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CERTIFIED SHORTHAND REPORTER
3020 Fifth Avenue, Suite 300
Santa Fe, New Mexico 87501

1 Following that was a Form C-103, which we
2 did approve to set up a plugging procedure. This was ap-
3 proved on December the 26th, 1978.

4 Since that time I have exchanged corres-
5 pondence with the Miles Production Company, wherein because
6 of weather and other restraining factors additional time was
7 granted, and wherein the operator asked that a hearing of
8 this type be called and allow him to present his part of the
9 case.

10 We got the case called for some time last
11 month and due to his and our other businesses, we asked that
12 it be continued until this time.

13 The letters of exchange are part of the
14 exhibit.

15 Q On what date was the last official form
16 filed with the Division? Do you have that information with
17 you?

18 A I think the last official form was the
19 Notice of Intent to Plug that was approved December the 26th,
20 1978.

21 Q Do you have any other communications rela-
22 tive to this case which should be called to the Division's
23 attention?

24 A I do not think so.

25 Q In your opinion could failure to plug this

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CERTIFIED SHORTHAND REPORTER
3020 Palm Bluffs (955) 411-4401
Santa Fe, New Mexico 87501

1 well cause waste?

2 A Yes.

3 Q Would you elaborate on how waste could be
4 caused?

5 A With the well plugged back in this manner
6 the oil from the pay zone can be migrating downhole and
7 being lost into deeper porous intervals, or a water possibly
8 can come up hole and contaminate the oil zone.

9 Q Are you prepared to recommend a plugging
10 program at this time or would you prefer to wait until such
11 time as the actual time of plugging?

12 A We have approved the plugging program
13 submitted on December the 26th, 1978.

14 Q What is that plugging program?

15 A To set a cement plug from a total depth or
16 from 3060 feet to 2850 feet; to mud fill to 2050 feet; set
17 a cement plug from 2050 feet to 1950 feet; mud fill to 1750
18 feet; set a cement plug from 1750 feet to 1550 feet; mud
19 fill to 1100 feet; cement from 1100 feet to 1000 feet; fill
20 the hole with mud; set a surface marker; and clean and level
21 the location.

22 Q Do you have anything further to add in this
23 case?

24 A No, sir.

25 Q Is Exhibit One -- does Exhibit One reflect

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CERTIFIED SHORTHAND REPORTER
3920 Pham Blanes (165) 471-2403
Baton Rouge, New Orleans 70801

1 true and correct copies of the Division records?

2 A I think so.

3 MR. PADILLA: I have nothing further to
4 offer except to offer Exhibit One into evidence.

5 MR. STAMETS: Exhibit One will be admitted.
6

7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Mr. Kendrick, are the Dakota, the
10 the Entrada Sands productive in this well, productive of
11 water, oil, gas, or are they productive in the general vic-
12 nity?

13 A Not in the immediate vicinity. This is a
14 location on the edge of the San Juan Basin on a structure
15 which has been tested in the shallower zones several times.
16 There is some production not far away in the Gallup formation
17 But these are known producing formations in the San Juan
18 Basin country, in the southern part of the San Juan Basin.

19 Q Do you feel like the plugging program that
20 was approved on December 26th is necessary to keep any forma-
21 tion fluids within the zones in which they were originally
22 encountered?

23 A Yes, they are porous intervals and would
24 therefore need to have some protection to prevent the migra-
25 tion of fluids.

SALLY WILTON BOYD
CERTIFIED SHOT HUNTING REPORTER
10307 Loma Blanca Drive (991) 471-2463
Santa Fe, New Mexico 87501

1 MR. STAMETS: Are there any other questions
2 of the witness?

3 Mr. Fuller, do you have any questions?

4 MR. FULLER: Well, I have a -- I'd like
5 to make a presentation.

6 MR. STAMETS: You certainly may.

7 If there are no further questions, the
8 witness may be excused.

9 Mr. Fuller, you may take the witness stand.

10
11 STATEMENT BY MR. FULLER:

12 MR. STAMETS: You may proceed, Mr. Fuller.

13 MR. FULLER: Okay. We, Miles Production
14 Company, were presented this well, this prospect, and we
15 decided to drill an Entrada well.

16 We seem to take on prospects around through-
17 out various parts of the United States but about three-
18 quarters of our operations is up in the Appalachian Basin,
19 where I do most of the work.

20 And so we came out and took this and I was
21 not familiar with all of the rules and regulations and didn't
22 really take it upon myself to study in detail what should
23 be done.

24 We did comply with the permits and the
25 bonds, plugging bonds, and all of the necessary programs for

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1 that to get the well going.

2 We came out and couldn't find a driller,
3 so we used a uranium rig over around Grants where this well
4 is located. And so in the process of drilling the well down,
5 we drilled to the Entrada, and we run a gamma ray neutron
6 log by Schlumberger, which indicated -- and also we had a
7 mud logger on there -- indicated no shows in the well down
8 into the Entrada, through -- except in the Hospah, which is
9 the upper part of the Gallup.

10 We then, on the basis of the Schlumberger
11 log, they said there was no shows anywhere in the well ex-
12 cept it did indicate -- they also indicated possible oil
13 show in the Hospah.

14 Now, the Hospah -- the Gallup, with the
15 big water section, was at 800 feet, and you were through it
16 completely around 860. So on the basis of just conversation
17 with the people in the area, the uranium people, I did not --
18 had not really made a deep study of the laws and rules of
19 New Mexico, and -- which is not an excuse, it's just pos-
20 sibly ignorance -- but nevertheless, this is a very, very
21 remote well. It's 36 miles of dirt and arroyos back to the
22 nearest -- well, there's only been a series, as Mr. Kendrick
23 said, of shallow wells drilled in the area back in the '20s
24 and '30s, and one or two up in the '60s.

25 So we drilled this well and, like I say,

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Santa Fe, New Mexico 87501

1 down there, and came -- we decided to go ahead and set 4-1/2
2 in pipe, and without really -- I never even thought about
3 trying to contact the Commission to get a permit to plug
4 back.

5 We did plug back the way that I felt was
6 satisfactory, which is again, not an excuse. It just was
7 ignorance.

8 We pumped the slurry down with some -- mixed
9 with cement, and I did then set 4-1/2 to 900 feet all the
10 way through the Gallup, which is the fresh, as you know, the
11 fresh water sand in the area. And we cemented that all the
12 way back to the surface with a mixture and actually circulated
13 the cement back to the surface, which I felt was a protection
14 of all the water except the Dakota, from the Entrada to ^{To} Dilto
15 (sic) and then the Dakota series, and I had been informed
16 that the Dakota and the Entrada were all brackish waters.

17 So we did this and then went on and when
18 I actually then made the request, we did in addition to
19 actually -- we perforated the well, I went into this Hospah
20 which hadn't produced, has had shows in every well, but has
21 never produced in the area.

22 So I went in and pumped some nitrogen into
23 the formation and with 300 barrels of water, and for -- we
24 don't know exactly what we did or anything, but nevertheless,
25 we did come back with making some oil and gas, and the well

1 came in originally around 6 barrels, and I requested then
2 that -- but it was also making about 40 barrels of fresh
3 water.

4 So I requested that we be allowed to pro-
5 duce. Then that was when I was told I did not properly
6 plug the well back by Mr. Kendrick, but I tol him, I said,
7 it's such a marginal well, could we produce it awhile, be-
8 cause I felt like we were not harming any downhole by having
9 the fresh water sealed off with cement back to the surface.

10 Our perforations was at 748. We were through the Hospah,
11 or the Gallup, all the way to 910 feet where we set the
12 pipe with cement back to the surface.

13 So on the basis of that, he allowed us to
14 produce the well from January through May on the basis that
15 we would not contaminate.

16 During that time we only had one little
17 test tank out there and through other obligations to the
18 company I didn't get back over here to try to get any more
19 equipment out there. With making all that water, fresh
20 water, we just couldn't -- had to have some sort of a sepa-
21 rator because the water wouldn't fall out, and so it would
22 fill up the little tank we had and we couldn't leave it. So
23 we just had to shut it in and it was June before I actually
24 got any equipment out here.

25 At that time I requested that we be allowed

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1 to again test the well and see if we could make it on another
2 four or five months if we didn't get any in the time that
3 we asked for, other than just we did make -- we have a total
4 of about 100 barrels on location right now.

5 What we -- and then at that time, of course
6 we were denied this hearing -- I mean the additional pro-
7 ductive allowable.

8 So we requested this hearing to still say
9 that the well right now, Mr. Kendrick did allow us to pro-
10 duce it up through July 31st, from June, which was a month
11 and a half, or so, and the well seemed to average out about
12 a barrel and a half a day and around 40 barrels of water,
13 which we have not retested it as -- on paper like we did
14 6 barrels a day when we first came in, when it was first
15 brought in.

16 All I can say is that right now we contem-
17 plate drilling some more wells in the area. We haven't
18 really slated the definite date that we wanted to do this.
19 The well is holding a lease block and so we would like to be
20 able to produce it a few more months to see if -- if it's
21 even going to be commercial. We don't really know. Then
22 we would properly plug the well if it's not. We're not
23 trying to get out of not properly plugging the well. What
24 we're trying to do is see if we've got a commercial well
25 and we do not believe we're contaminating anything, except

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1 from the Entrada, possibly up into the Dakota, where there
2 may be -- we do have a very thick slurry between the two,
3 and I do not feel that it even contaminated there, but if
4 there was contamination it would be in the Entrada Dakota,
5 because anything else is all cemented off.

6 I believe that's -- the request would be
7 that we be allowed to produce the well through the winter
8 months, up until, say, March, and then at that time we will
9 either plug the well properly under supervision of the Com-
10 mission, or -- or go back and set the plugs as we have been
11 requested to do, and produce the well.

12 MR. STAMETS: How active have you been in
13 testing this well? Do you have a man that goes out there
14 every day?

15 A. Yes, sir. We have a man in the area that
16 lives at -- right out of Grants there; that looks after a
17 well over at Marcelino, which is around over close to Hospah
18 Field, and he looks after several wells over there, but he
19 lives up close to Grants. So three times a week he goes out --
20 you have to go through the Lea Ranch, which is a real large
21 ranch, and checks out the well when it's producing.

22 We've got it on a pump and we have a pro-
23 pane tank, however, the well does make a little gas along.
24 We do have it hooked up and it will feed the well but not --
25 it will go down and so forth.

1 MR. STAMETS: With the winter weather
2 coming, how much testing are you going to be able to do?

3 MR. FULLER: Well, actually as far as --

4 MR. STAMETS: In that area?

5 MR. FULLER: -- testing is concerned, we
6 just wanted to see -- you see, it's gone from six barrels
7 to a barrel and a half a day right now. That's as of July
8 31st, so it may quit completely. But we have a big heater-
9 treater system on it at this time, which is being operated
10 by the gas off of the well.

11 MR. STAMETS: Mr. Kendrick, do you have
12 any questions of the witness?

13 MR. KENDRICK: I don't think so.

14 MR. STAMETS: Mr. Fuller, would ninety
15 days or 120 days be sufficient time?

16 MR. FULLER: Yes, sir, give us 120 days,
17 that would give us -- because we would produce the well. I
18 have it fixed up now to where we can produce the well through
19 the winter. We couldn't last year due to the water, of
20 course, and I didn't have facilities anyway. And we only
21 got these facilities, as I said, right around the first of
22 July in to where we could start producing the well. It may
23 quit on us altogether. It's going down, but if so, then
24 we'll just plug it, but as long as -- until we -- we had
25 contemplated, I thought we would be able to get in there this

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1 fall and drill another well. I'm not sure whether the com-
2 pany is going to be able with its time schedule to work that
3 in or not. It may be actually next spring before we go in.

4 But anyway, 120 days would give us enough
5 time to definitely decide what we want to do with that.

6 MR. STAMETS: Mr. Kendrick, do you have
7 any problem with 120 days to plug this well?

8 MR. KENDRICK: No, sir.

9 MR. STAMETS: Are there any other questions
10 of Mr. Fuller? He may be excused.

11 Is there anything further in this case?

12 The case will be taken under advisement.

13

14

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. 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 the said transcript is a full, true, and correct record of the hearing prepared by me to the best of my ability 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. 6640 heard by me on 16-7 1979.
Richard L. Hunt, Examiner
Oil Conservation Division

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NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

OCTOBER 2, 1979

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Mr. [unclear]	OCD	Cery
Paul W. Burchell	El Paso Natural Gas Co.	El Paso, TX
Mark D. Wilson	Indepad Corp - Rep Yates Pet	Artesia, NM
Chad Dickerson	Yates Pet Corp	Artesia, NM
J. B. Fuller	Amils Prod. Co.	Canon City, CO
Fred A. Watson	Attorney for) B+W Oil Reclaiming	Artesia, New Mex.
William F. Carr	Campbell & Black, P.A.	Santa Fe, NM
Frank Bay C	B+W Oil Reclaiming	Artesia NM
Bob M. Cray	Southern Union Co	Dallas
Chester Lambert	CCZ IN ACTION	Amarillo, TX
Edwin Nelson	"	"
Ed Herber	"	"
Bill Hodges	"	"
Garry L. [unclear]	OCD	NOCC
David J. [unclear]	El Paso Natural Gas Co.	El Paso, TX
Tom Kellerman	Kellerman & Kellerman	Santa Fe
Ray Long	Turner Oil Corp.	Denver, Colo

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

OCTOBER 2, 1979

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
SG. Buel R. H. Huer	Jasper & Buel Capital Advisor	Santa Fe Santa Fe.
Tom Heller Richard Giffhorn	G.M.W. Eastman Whipstock	Midland tx Midland TX
WD Dawson	El Paso Natural Gas	Farmington, NM
Colin McMiller W.H. Dixon	Read & Stevens INC Tennessee Oil Co	Roswell San Antonio.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico
2 October 1979

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to permit Miles Production Company, National Surety Corporation, and other interested parties to appear and show cause why the Thomas Drought Well No. 1 should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE
6640

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

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I N D E X

A. R. KENDRICK

Direct Examination by Mr. Padilla 5

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J. B. FULLER STATEMENT 12

E X H I B I T S

Division Exhibit One, File 8

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1 MR. STAMETS: We'll call next Case 6640.

2 Being in the matter of the hearing called
3 by the Oil Conservation Division on its own motion to permit
4 Miles Production Company, National Surety Corporation, and
5 other interested parties to appear and show cause why the
6 Thomas Drought Well No. 1 in Section 4, 15 North, 7 West,
7 McKinley County, New Mexico, should not be plugged and
8 abandoned in accordance with a Division-approved plugging
9 program.

10 Call for appearances in this case.

11 MR. PADILLA: Ernest I. Padilla on behalf
12 of the Oil Conservation Division.

13 Mr. Stamets, I have one witness.

14 MR. STAMETS: I'd like to have him stand
15 and be sworn, please.

16 MR. KENDRICK: Excuse me just a minute.
17 Is Mr. Fuller going to make an appearance?

18 MR. FULLER: Yes.

19 MR. STAMETS: Okay, would you identify
20 yourself for the record, sir?

21 MR. FULLER: Yes, sir. I'm J. B. Fuller
22 for Miles Production Company out of Carrollton, Texas.
23 It's a suburb of Dallas.

24 MR. STAMETS: Okay. Do you plan to present
25 testimony today, sir?

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MR. FULLER: Yes, sir.

MR. STAMETS: And what's your position with
the company?

MR. FULLER: I'm a petroleum geologist.

MR. STAMETS: And are you represented by
counsel?

MR. FULLER: No, sir.

MR. STAMETS: Okay. The Attorney General
a number of years ago said that that was the practice of
law, an individual in here representing a corporation, or
someone other than himself, and --

MR. FULLER: Well, Miles Production Com-
pany is just an independent company. It's not a corporation.
I do represent them as part owner of the company, but never-
the less, I do represent them.

MR. STAMETS: You are part owner in the
company?

MR. FULLER: Uh-huh.

MR. STAMETS: Okay.

MR. FULLER: Now, I didn't -- that's the
first I ever heard about counsel. I didn't realize. This
is our first venture in New Mexico that we've ever tried.
We took this small deal, which is a shallow, a very shallow
well. We drilled the well and --

MR. STAMETS: Well, let's -- let's decide

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1 first whether or not you can testify in this particular case.

2 MR. FULLER: All right.

3 MR. STAMETS: Is the -- is Miles Production
4 Company a corporation?

5 MR. FULLER: No.

6 MR. STAMETS: Is it a partnership?

7 MR. FULLER: It is a single ownership with --
8 well, there's about three of us that own partnerships, yes,
9 sir.

10 MR. STAMETS: And you are one of the part-
11 ners?

12 MR. FULLER: Yes, sir.

13 MR. STAMETS: Okay. And on that basis I
14 believe we can allow you to testify.

15 Any other appearances in this case?

16 I'd like to have both witnesses raise
17 their right hands.

18
19 (Witnesses sworn.)

20
21 A. R. KENDRICK

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

24
25 DIRECT EXAMINATION

1 BY MR. PADILLA:

2 Q Mr. Kendrick, for the record would you
3 state your name, position, and what -- by whom you're em-
4 ployed and in what capacity?

5 A I'm A. R. Kendrick, employed by the Oil
6 Conservation Division as a District Supervisor at Aztec,
7 New Mexico.

8 Q How long have you had this position?

9 A About four years.

10 Q How long have you worked for the Oil Con-
11 servation Commission?

12 A More than twenty-four years.

13 Q In what capacity?

14 A As petroleum engineer in the district of
15 Aztec, New Mexico.

16 Q Have you previously testified before the
17 Division and are your credentials a matter of record before
18 the Division?

19 A Yes.

20 Q Are you familiar with the purpose of this
21 hearing?

22 A Yes, sir.

23 MR. PADILLA: Is the witness considered
24 qualified?

25 MR. STAMETS: He is.

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1 Q (Mr. Padilla continuing.) Mr. Kendrick,
2 does District Two include that part of McKinley County in-
3 volved in this case?

4 A District Three includes McKinley County,
5 yes, sir.

6 Q Do your duties as the District Supervisor
7 include making recommendations to the Division as to when
8 wells should be plugged and abandoned?

9 A Yes, sir.

10 Q What is the purpose of this case?

11 A The well was drilled by the Miles Production
12 Company and plugged back in a manner which is not approvable
13 by the rules of the Oil Conservation Division.

14 Upon our learning of this we asked the
15 operator to plug back and in a proper manner and to our
16 knowledge to date this has not been accomplished.

17 Q Have you reviewed all the reports filed
18 with the Division concerning this well?

19 A I think so.

20 Q Do you have those records with you?

21 A I do not have all the records. I do have
22 a series of records which indicates the call of this hearing
23 and the subsequent reports from that time.

24 Q Are these records prepared in the form of
25 an exhibit?

1 A Yes, a tabulation of several pages
2 identified as Exhibit One in this case.

3 Q And referring to Exhibit One, would you
4 relate to the Examiner, or summarize the history of what
5 you have -- of the well?

6 A The exhibit is constituted by kind of an
7 index sheet. Following that would be a Form C-104, which was
8 approved on December the 15th, 1978, for testing purposes
9 with an expiration date of May the 31st. This was approved
10 because of severe winter weather and the production of the
11 well on a temporary basis would give the operator a chance
12 to evaluate the property to learn whether or not they would
13 rather plug back or to -- excuse me -- to plug back to the
14 producable formation or to plug back to the surface.

15 Following that there is a Form C-103 which
16 was received October the 30th, 1978, which was not approved
17 by our office, or excuse me, there was a letter directing
18 the proper plugback of this well.

19 Attached to that letter were two Forms
20 C-103, one giving the information which says the well was
21 plugged with mud/cement concentrate pumped down the hole,
22 or pumped into the hole.

23 The second Form C-103 says that the well
24 was plugged back with heavy mud and 10 sacks of cement, ap-
25 parently mixed.

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1 Following that was a Form C-103, which we
2 did approve to set up a plugging procedure. This was ap-
3 proved on December the 26th, 1978.

4 Since that time I have exchanged corres-
5 pondence with the Miles Production Company, wherein because
6 of weather and other restraining factors additional time was
7 granted, and wherein the operator asked that a hearing of
8 this type be called and allow him to present his part of the
9 case.

10 We got the case called for some time last
11 month and due to his and our other businesses, we asked that
12 it be continued until this time.

13 The letters of exchange are part of the
14 exhibit.

15 Q On what date was the last official form
16 filed with the Division? Do you have that information with
17 you?

18 A I think the last official form was the
19 Notice of Intent to Plug that was approved December the 26th,
20 1978.

21 Q Do you have any other communications rela-
22 tive to this case which should be called to the Division's
23 attention?

24 A I do not think so.

25 Q In your opinion could failure to plug this

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1 well cause waste?

2 A. Yes.

3 Q Would you elaborate on how waste could be
4 caused?

5 A. With the well plugged back in this manner
6 the oil from the pay zone can be migrating downhole and
7 being lost into deeper porous intervals, or a water possibly
8 can come up hole and contaminate the oil zone.

9 Q Are you prepared to recommend a plugging
10 program at this time or would you prefer to wait until such
11 time as the actual time of plugging?

12 A. We have approved the plugging program
13 submitted on December the 26th, 1978.

14 Q What is that plugging program?

15 A. To set a cement plug from a total depth or
16 from 3060 feet to 2850 feet; to mud fill to 2050 feet; set
17 a cement plug from 2050 feet to 1950 feet; mud fill to 1750
18 feet; set a cement plug from 1750 feet to 1550 feet; mud
19 fill to 1100 feet; cement from 1100 feet to 1000 feet; fill
20 the hole with mud; set a surface marker; and clean and level
21 the location.

22 Q Do you have anything further to add in this
23 case?

24 A. No, sir.

25 Q Is Exhibit One -- does Exhibit One reflect

1 true and correct copies of the Division records?

2 A I think so.

3 MR. PADILLA: I have nothing further to
4 offer except to offer Exhibit One into evidence.

5 MR. STAMETS: Exhibit One will be admitted.

6
7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q Mr. Kendrick, are the Dakota, the
10 the Entrada Sands productive in this well, productive of
11 water, oil, gas, or are they productive in the general vic-
12 nity?

13 A Not in the immediate vicinity. This is a
14 location on the edge of the San Juan Basin on a structure
15 which has been tested in the shallower zones several times.
16 There is some production not far away in the Gallup formation.
17 But these are known producing formations in the San Juan
18 Basin country, in the southern part of the San Juan Basin.

19 Q Do you feel like the plugging program that
20 was approved on December 26th is necessary to keep any forma-
21 tion fluids within the zones in which they were originally
22 encountered?

23 A Yes, they are porous intervals and would
24 therefore need to have some protection to prevent the migra-
25 tion of fluids.

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1 MR. STAMETS: Are there any other questions
2 of the witness?

3 Mr. Fuller, do you have any questions?

4 MR. FULLER: Well, I have a -- I'd like
5 to make a presentation.

6 MR. STAMETS: You certainly may.

7 If there are no further questions, the
8 witness may be excused.

9 Mr. Fuller, you may take the witness stand

10
11 STATEMENT BY MR. FULLER:

12 MR. STAMETS: You may proceed, Mr. Fuller.

13 MR. FULLER: Okay. We, Miles Production
14 Company, were presented this well, this prospect, and we
15 decided to drill an Entrada well.

16 We seem to take on prospects around through-
17 out various parts of the United States but about three-
18 quarters of our operations is up in the Appalachian Basin,
19 where I do most of the work.

20 And so we came out and took this and I was
21 not familiar with all of the rules and regulations and didn't
22 really take it upon myself to study in detail what should
23 be done.

24 We did comply with the permits and the
25 bonds, plugging bonds, and all of the necessary programs for

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1 that to get the well going.

2 We came out and couldn't find a driller,
3 so we used a uranium rig over around Grants where this well
4 is located. And so in the process of drilling the well down,
5 we drilled to the Entrada, and we run a gamma ray neutron
6 log by Schlumberger, which indicated -- and also we had a
7 mud logger on there -- indicated no shows in the well down
8 into the Entrada, through -- except in the Hospah, which is
9 the upper part of the Gallup.

10 We then, on the basis of the Schlumberger
11 log, they said there was no shows anywhere in the well ex-
12 cept it did indicate -- they also indicated possible oil
13 show in the Hospah.

14 Now, the Hospah -- the Gallup, with the
15 big water section, was at 800 feet, and you were through it
16 completely around 860. So on the basis of just conversation
17 with the people in the area, the uranium people, I did not --
18 had not really made a deep study of the laws and rules of
19 New Mexico, and -- which is not an excuse, it's just pos-
20 sibly ignorance -- but nevertheless, this is a very, very
21 remote well. It's 36 miles of dirt and arroyos back to the
22 nearest -- well, there's only been a series, as Mr. Kendrick
23 said, of shallow wells drilled in the area back in the '20s
24 and '30s, and one or two up in the '60s.

25 So we drilled this well and, like I say,

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1 down there, and came -- we decided to go ahead and set 4-1/2
2 in pipe, and without really -- I never even thought about
3 trying to contact the Commission to get a permit to plug
4 back.

5 We did plug back the way that I felt was
6 satisfactory, which is again, not an excuse. It just was
7 ignorance.

8 We pumped the slurry down with some -- mixed
9 with cement, and I did then set 4-1/2 to 900 feet all the
10 way through the Gallup, which is the fresh, as you know, the
11 fresh water sand in the area. And we cemented that all the
12 way back to the surface with a mixture and actually circulated
13 the cement back to the surface, which I felt was a protection
14 of all the water except the Dakota, from the Entrada to Dilto
15 (sic) and then the Dakota series, and I had been informed
16 that the Dakota and the Entrada were all brackish waters.

17 So we did this and then went on and when
18 I actually then made the request, we did in addition to
19 actually -- we perforated the well, I went into this Hospah
20 which hadn't produced, has had shows in every well, but has
21 never produced in the area.

22 So I went in and pumped some nitrogen into
23 the formation and with 300 barrels of water, and for -- we
24 don't know exactly what we did or anything, but nevertheless,
25 we did come back with making some oil and gas, and the well

1 came in originally around 6 barrels, and I requested then
2 that -- but it was also making about 40 barrels of fresh
3 water.

4 So I requested that we be allowed to pro-
5 duce. Then that was when I was told I did not properly
6 plug the well back by Mr. Kendrick, but I tol him, I said,
7 it's such a marginal well, could we produce it awhile, be-
8 cause I felt like we were not harming any downho? by having
9 the fresh water sealed off with cement back to the surface.
10 Our perforations was at 748. We were through the Hospah,
11 or the Gallup, all the way to 910 feet where we set the
12 pipe with cement back to the surface.

13 So on the basis of that, he allowed us to
14 produce the well from January through May on the basis that
15 we would not contaminate.

16 During that time we only had one little
17 test tank out there and through other obligations to the
18 company I didn't get back over here to try to get any more
19 equipment out there. With making all that water, fresh
20 water, we just couldn't -- had to have some sort of a sepa-
21 rator because the water wouldn't fall out, and so it would
22 fill up the little tank we had and we couldn't leave it. So
23 we just had to shut it in and it was June before I actually
24 got any equipment out here.

25 At that time I requested that we be allowed

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1 to again test the well and see if we could make it on another
2 four or five months if we didn't get any in the time that
3 we asked for, other than just we did make -- we have a total
4 of about 100 barrels on location right now.

5 What we -- and then at that time, of course,
6 we were denied this hearing -- I mean the additional pro-
7 ductive allowable.

8 So we requested this hearing to still say
9 that the well right now, Mr. Kendrick did allow us to pro-
10 duce it up through July 31st, from June, which was a month
11 and a half, or so, and the well seemed to average out about
12 a barrel and a half a day and around 40 barrels of water,
13 which we have not retested it as -- on paper like we did
14 6 barrels a day when we first came in, when it was first
15 brought in.

16 All I can say is that right now we contem-
17 plate drilling some more wells in the area. We haven't
18 really slated the definite date that we wanted to do this.
19 The well is holding a lease block and so we would like to be
20 able to produce it a few more months to see if -- if it's
21 even going to be commercial. We don't really know. Then
22 we would properly plug the well if it's not. We're not
23 trying to get out of not properly plugging the well. What
24 we're trying to do is see if we've got a commercial well
25 and we do not believe we're contaminating anything, except

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1 from the Entrada, possibly up into the Dakota, where there
2 may be -- we do have a very thick slurry between the two,
3 and I do not feel that it even contaminated there, but if
4 there was contamination it would be in the Entrada Dakota,
5 because anything else is all cemented off.

6 I believe that's -- the request would be
7 that we be allowed to produce the well through the winter
8 months, up until, say, March, and then at that time we will
9 either plug the well properly under supervision of the Com-
10 mission, or -- or go back and set the plugs as we have been
11 requested to do, and produce the well.

12 MR. STAMETS: How active have you been in
13 testing this well? Do you have a man that goes out there
14 every day?

15 A Yes, sir. We have a man in the area that
16 lives at -- right out of Grants there, that looks after a
17 well over at Marcelino, which is around over close to Hespah
18 Field, and he looks after several wells over there, but he
19 lives up close to Grants. So three times a week he goes out --
20 you have to go through the Lea Ranch, which is a real large
21 ranch, and checks out the well when it's producing.

22 We've got it on a pump and we have a pro-
23 pane tank, however, the well does make a little gas along.
24 We do have it hooked up and it will feed the well but not --
25 it will go down and so forth.

1 MR. STAMETS: With the winter weather
2 coming, how much testing are you going to be able to do?

3 MR. FULLER: Well, actually as far as --

4 MR. STAMETS: In that area?

5 MR. FULLER: -- testing is concerned, we
6 just wanted to see -- you see, it's gone from six barrels
7 to a barrel and a half a day right now. That's as of July
8 31st, so it may quit completely. But we have a big heater-
9 treater system on it at this time, which is being operated
10 by the gas off of the well.

11 MR. STAMETS: Mr. Kendrick, do you have
12 any questions of the witness?

13 MR. KENDRICK: I don't think so.

14 MR. STAMETS: Mr. Fuller, would ninety
15 days or 120 days be sufficient time?

16 MR. FULLER: Yes, sir, give us 120 days,
17 that would give us -- because we would produce the well. I
18 have it fixed up now to where we can produce the well through
19 the winter. We couldn't last year due to the water, of
20 course, and I didn't have facilities anyway. And we only
21 got these facilities, as I said, right around the first of
22 July in to where we could start producing the well. It may
23 quit on us altogether. It's going down, but if so, then
24 we'll just plug it, but as long as -- until we -- we had
25 contemplated, I thought we would be able to get in there this

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Pk. a Blanca (886) 411-2463
Santa Fe, New Mexico 87501

1 fall and drill another well. I'm not sure whether the com-
2 pany is going to be able with its time schedulo to work that
3 in or not. It may be actually next spring before we go in.

4 But anyway, 120 days would give us enough
5 time to definitely decide what we want to do with that.

6 MR. STAMETS: Mr. Kendrick, do you have
7 any problem with 120 days to plug this well?

8 MR. KENDRICK: No, sir.

9 MR. STAMETS: Are there any other questions
10 of Mr. Fuller? He may be excused.

11 Is there anything further in this case?

12 The case will be taken under advisement.

13

14

(Hearing concluded.)

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (S.W.) 471-2483
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 the said transcript is a full, true, and correct record of the hearing prepared by me to the best of my ability 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 transcript 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
3910 Plaza Blanca (SOS) 471-5133
Santa Fe, New Mexico 87501

Miles Production Company
Thomas Drought #1
330/N; 660/E
A-4-15N-6W
McKinley County

Form C-104	Approved 12-15-78 for Testing. Expiration date 5-31-79.
Letter	12-15-78. Notice to the operator that forms C-103 were not approved due to the plugback procedure.
Form C-103	Received 10-30-78 Not approved
Form C-103	Received 11-29-78 Not approved
Form C-103	Received 12-26-78. Approved for P&A
Letter	12-27-78. From Miles Production Company requesting time for testing or a hearing.
Letter	1-4-79 To operator explaining form C-104.
Letter	3-6-79 From operator requesting more time due to weather.
Letter	6-1-79 To operator notifying that the Form C-104 had expired.
Letter	6-4-79 From operator stating that they had not repaired, plugged or produced the well.
Letter	6-14-79 To operator granting extension of time to 7-31-79.
Letter	7-6-79 Requested hearing.
Letter	8-6-79. To Oil Conservation Division, Santa Fe Requesting this case be set.
Letter	8-27-79 To Oil Conservation Division, Santa Fe requesting delay to 10-3-79 as requested by Mr. Fuller of Miles Production Company.
Letter	9-11-79 To operator advising of schedule change of hearing date.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 1

CASE NO. 6640

Submitted by OCD

Hearing Date 10/2/79

STATE OF TEXAS
OIL & GAS
U.S.G.S.
LAND OFFICE
TRANSPORTER
OIL
GAS
OPERATOR
PRODUCTION OFFICE

REQUEST FOR ALLOWABLE
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

API 30-031-20542

Operator
Miles Production Company
Address
P. O. Box 154, Carrollton, Texas 75006
Reason(s) for filing (Check proper box)
New Well ☒ Change in Transporter of:
Recompletion ☐ Oil ☐ Dry Gas ☐
Change in Ownership ☐ Casinghead Gas ☐ Condensate ☐
Other (Please explain)
TEMPORARY APPROVAL FOR TESTING ONLY
THIS APPROVAL EXPIRES MAY 31, 1979.

If change of ownership give name
and address of previous owner

DESCRIPTION OF WELL AND LEASE

Lease Name
Thomas Drought #1
Well No.
1
Pool Name, including Formation
we Gallup
Kind of Lease
State, Federal or Fee Fee
Lease No.
Location
Unit Letter
A
330 Feet From The North Line and 660 Feet From The East
Line of Section
4
Township
15N
Range
6W
NMPM, McKinley County

DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil ☒ or Condensate ☐
THRIFTWAY COMPANY
Address (Give address to which approved copy of this form is to be sent)
Box 1367, Farmington, New Mexico 87401
Name of Authorized Transporter of Casinghead Gas ☐ or Dry Gas ☐
Address (Give address to which approved copy of this form is to be sent)
If well produces oil or liquids,
give location of tanks.
Unit
A
Sec.
4
Twp.
15N
Rge.
6W
Is gas actually connected?
No
When

If this production is commingled with that from any other lease or pool, give commingling order number:

COMPLETION DATA

Designate Type of Completion - (X)
Oil Well ☒ Gas Well ☐ New Well ☐ Workover ☐ Deepen ☐ Plug Back ☐ Same Res'v. ☐ Diff. Res'v. ☐
Date Spudded
August 16, 1978
Date Compl. Ready to Prod.
November 16, 1978
Total Depth
3060 feet
P.B.T.D.
910 feet
Elevations (DF, RKB, RT, CR, etc.)
6610 feet
Name of Producing Formation
Hospah
Top Oil/Gas Pay
728 feet
Tubing Depth
712 feet
Perforations
728-740 feet
Depth Casing Shoe
910 feet

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT
9"	7 1/2"	40 feet	20 sacks
6 1/4"	4 1/2"	910 feet	150 sacks

TEST DATA AND REQUEST FOR ALLOWABLE
OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks
Nov. 16, 1978
Date of Test
Nov. 16, 1978
Producing Method (Flow, pump, gas lift, etc.)
Pump & flow
Length of Test
24 hrs
Tubing Pressure
0-80#
Casing Pressure
125#
Choke Size
-
Actual Prod. During Test
48 bbls
Oil - Bbls.
6
Water - Bbls.
42 bbls
Gas - MCF
N/A

GAS WELL

Actual Prod. Test - MCF/D
Length of Test
Bbls. Condensate/MMCF
Gravity of Condensate
Testing Method (pilot, back pr.)
Tubing Pressure (Shut-in)
Casing Pressure (Shut-in)
Choke Size

CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

J. B. Full
(Signature)
Petroleum Geologist
(Title)
11/29/78
(Date)

OIL CONSERVATION COMMISSION

APPROVED DEC 15 1978, 19
BY Original Signed by A. R. Kendrick
TITLE SUPERVISOR DIST. 63

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

STATE	NEW MEXICO
F.L. E.	
U.S.G.B.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Effective 1-1-65

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 -" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	5a. Indicate Type of Lease State <input type="checkbox"/> Fee <input checked="" type="checkbox"/>
2. Name of Operator Miles Production Company	7. Unit Agreement Name
3. Address of Operator P. O. Box 154, Carrollton, Texas 75006	8. Farm or Lease Name Thomas Drought
4. Location of Well UNIT LETTER <u>A</u> <u>330</u> FEET FROM THE <u>North</u> LINE AND <u>660</u> FEET FROM THE <u>East</u> LINE, SECTION <u>4</u> TOWNSHIP <u>15N</u> RANGE <u>6W</u> NMPM.	9. Well No. 1
	10. Field and Pool, or Wildcat Wildcat
15. Elevation (Show whether DF, RT, GR, etc.) 6610 GR	12. County McKinley

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

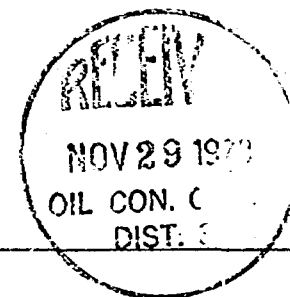
NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPER. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1703.

Request plugging hole from total depth of 3060 feet to 950 feet with heavy mud concentrate mixed with 10 sacks cement (hole size 6 1/8). Set 910 feet of 4 1/2" pipe cemented with 150 sacks and bring it back to surface. Shut well in with 750# surface pressure and hold for 24 hours. Elevation 6610 Surface Pipe 7 1/2"

Spudded August 16, 1978
Hospah Gallup= 728 feet
Dakota "A"= 1632 feet
Todilto= 2950 feet
Entrada= 3000 feet

Drill 9" hole 53 feet
Ran 7 1/2" pipe to 40 feet; pumped 20 sacks neat cement in pipe back to surface WOC-16 hours. Drilled out after pressure test. Total Depth 3060 feet.



18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED J.B. Wells TITLE Geologist DATE 11/27/78

APPROVED BY Not approved DATE _____
CONDITIONS OF APPROVAL, IF ANY:

SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

Effective 1-1-77

5a. Indicate Type of Lease
 State ☐ Fee ☒
 5. State Oil & Gas Lease No.

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 -1" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	7. Unit Agreement Name
2. Name of Operator Miles Production Company	8. Farm or Lease Name Thomas Drought
3. Address of Operator P. O. Box 154, Carrollton, Texas 75006	9. Well No. 1
4. Location of Well UNIT LETTER <u>A</u> <u>330</u> FEET FROM THE <u>North</u> LINE AND <u>660</u> FEET FROM THE <u>East</u> LINE, SECTION <u>4</u> TOWNSHIP <u>15N</u> RANGE <u>6W</u> NMPM.	10. Field and Pool, or Wildcat Wildcat-Entrada
15. Elevation (Show whether DF, RT, GR, etc.) 6610 GR	12. County McKinley

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Subject well was drilled to 3060 feet. Dual Induction Laterolog was run to total depth. The well was plugged with a mud cement concentrate pumped into the hole. 4½ inch pipe was run to 910 feet and cemented to surface. It was then perforated 728-740 feet with 2 shots per foot; It was frac'd with a Nitrogen Foam concentrate of 200,000 cubic feet and 300 barrels fresh water. Now testing.



18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED Steve Kirby TITLE Vice-President DATE 10/27/78
 APPROVED BY Not approved DATE _____
 CONDITIONS OF APPROVAL, IF ANY:



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-8178

December 15, 1978

Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

Re: Miles Production Company
Thomas Drought #1
A-4-15N-6W
McKinley County

Dear Mr. Fuller:

A notice of intention to plug back, form C-103, was received here November 20, 1978, for the subject well.

A minimal approvable plug back program is as follows:

- Set a cement plug from 3060' to 2850' with 40 sacks.
Mud fill to 2050'.
- Set a cement plug from 2050' to 1950' with 20 sacks.
Mud fill to 1750'.
- Set a cement plug from 1750' to 1550' with 40 sacks.
Mud fill to 1100'.
- Set a cement plug from 1100' to 1000' with 20 sacks.

If completion is attempted in the massive Gallup expect slight sulfur content. This water shall be confined to avoid contamination of other aquifers.

All plugging programs are to be approved in advance of the field operations. We must have formation tops available before we can approve any plugging program.

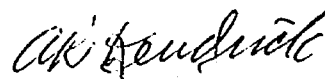
The enclosed copies of form C-103 are returned without approval.

Refile form C-103 as a "Notice of Intention to Plug Back" showing an approvable program including the anticipated dates of the field operations. After approval of the program, we will expect telephone notice about 48 hours in advance of the actual time of starting the plug back operations, in order for us to plan to witness the setting of the cement.

Miles Production Company
December 15, 1978
Page 2

If there are questions, please contact us.

Yours very truly,



A. R. Kendrick
District Supervisor

xc: Oil Conservation Division, Santa Fe

Enclosure

ARK:no

DISTRIBUTION	
STATE	<input checked="" type="checkbox"/>
F.I.E.	<input checked="" type="checkbox"/>
U.S.G.S.	<input type="checkbox"/>
LAND OFFICE	<input type="checkbox"/>
OPERATOR	<input checked="" type="checkbox"/>

NEW MEXICO OIL CONSERVATION COMMISSION

C-102 and C-103
Effective 1-1-65

SUNDY NOTICES AND REPORTS ON WELLS <small>(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT - 1" (FORM C-101) FOR SUCH PROPOSALS.)</small>		5a. Indicate Type of Lease State <input type="checkbox"/> Fee <input checked="" type="checkbox"/>
		5. State Oil & Gas Lease No.
1. <input checked="" type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER-		7. Unit Agreement Name
2. Name of Operator Miles Production Company		8. Farm or Lease Name Thomas Drought
3. Address of Operator P. O. Box 154, Carrollton, Texas 75006		9. Well No. 1
4. Location of Well UNIT LETTER <u>A</u> <u>330</u> FEET FROM THE <u>North</u> LINE AND <u>660</u> FEET FROM THE <u>East</u> LINE, SECTION <u>4</u> TOWNSHIP <u>15N</u> RANGE <u>6W</u> N.M.P.M.		10. Field and Pool, or Wildcat Wildcat
15. Elevation (Show whether DF, RT, GR, etc.) 6610 GR		12. County McKinley

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input checked="" type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <u>Plug back</u> <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

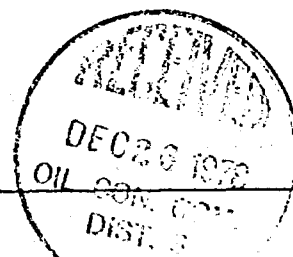
Subject well was drilled to 3060 feet. Dual Induction Laterolog was run to total depth. It is hereby requested to plug the well back as follows:

Set a cement plug from 3060' to 2850' with 40 sacks.
Mud fill to 2050'.
Set a cement plug from 2050' to 1950' with 20 sacks.
Mud fill to 1750'.
Set a cement plug from 1750' to 1550' with 40 sacks.
Mud fill to 1100'.
Set a cement plug from 1100' to 1000' with 20 sacks.

After plugging back, complete well from 728-40' feet in Hospah Formation. All the above to be done as weather permits.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.		
SIGNED <u>Steve Kirby</u>	TITLE <u>Vice-President</u>	DATE <u>December 20, 1978</u>
APPROVED BY <u>Carroll Drought</u>	TITLE <u>SUPERVISOR DIST. 41</u>	DATE <u>DEC 20 1978</u>
CONDITIONS OF APPROVAL, IF ANY:		

Notify District Office at least 48 hours in advance of field operations.





MILES PRODUCTION COMPANY

1025 BELT LINE ROAD, SUITE 525 • CARROLLTON, TEXAS 75006

December 27, 1978

Energy and Minerals Department
Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Miles Production Company, #1 Drought
Sec 4 15N 6W
McKinley County, New Mexico

Attention Mr. Kendrick

Miles Production Company has filed an amended form 103 to request a plug back on the subject well according to the Commission specifications.

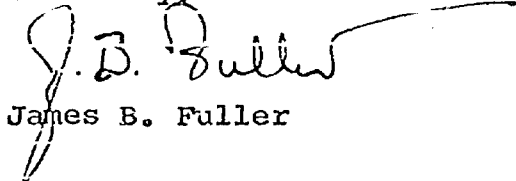
As I stated over the telephone to you, it was not understood that there had to be specific plugs set to plug back a shallow well as I had been informed that the very numerous Uranium holes in our drilling vicinity were plugged with a cement plug in the top after being filled with a heavy mud.

It is the intention of Miles Production Company to plug the well either back or for abandonment as specified. At the moment there is uncertainty as to which it will be. Miles has spent approximately \$82,000.00 which included \$10,000.00 for Nitrogen fracing the shallow Hospah sand (728-740 feet). Preliminary tests indicate there is oil mixed with a little gas, but also fresh water. As a Geological Engineer, it is feared that a plugging operation, as specified by you, will contaminate the potential Hospah formation and it will not be known whether there is commercial production or not. It would not be known whether the area would warrant another well if we ruined the present one by your specific plugging back procedures.

On this basis, Miles Production Company requests a hearing to petition this cause if that is necessary, or the right to produce the well for a few months and allow the oil to be hauled and the money escrowed if necessary.

I plan to be in New Mexico the later part of the first week and the second week in January 1979 and I would like to be able to visit you, Mr. Kendrick to discuss this matter.
Thank you.

Sincerely,


James B. Fuller



ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICEJERRY APODACA
GOVERNORNICK FRANKLIN
SECRETARY

January 4, 1978

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-8178

Mr. James B. Fuller
Miles Production Company
1925 Belt Line Road, Suite 525
Carrollton, Texas 75006

Re: Miles Production Company
Thomas Drought #1
McKinley County

Dear Mr. Fuller:

Form C-104 has been approved for a limited time to allow for testing of the subject well prior to accomplishing the plugback program detailed in my letter of December 15, 1978.

Such approval, along with a production allowable assignment, will allow for the producing and running of oil as allowed for test purposes.

This temporary authorization shall expire May 31, 1979.

If there are questions, please contact us.

Yours very truly,



A. R. Kendrick
Supervisor, District #3

ARK:mc



MILES PRODUCTION COMPANY

1925 BELT LINE ROAD, SUITE 625 • CARROLLTON, TEXAS 75006

March 6, 1979

State of New Mexico
Oil Conservation Commission
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Miles Production Company
#1 Thomas Drought
McKinley County, New Mexico

Attention Mr. Kendrick:


Attached is a copy of a letter received regarding production of the captioned well.

As I have stated we haven't been able to get this well on production due to the weather. As soon as we can get the rest of the production equipment on location, we will take the oil-gas ratio test; flare test, and send in the monthly report.

Since it will probably be another month before we can get it ready, it is hereby requested to give an extension on the December through April permit to allow us to test the well as previously requested.

Thank you for your consideration.

Very truly yours,


James B. Fuller
Miles Production Company

JB/jb



ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

June 1, 1979

1000 P.O. BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 231-6173

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

Mr. James B. Fuller
Miles Production Company
Suite 525
1925 Belt Line Road
Carrollton, TX 75006

Re: Miles Production Co.
Thomas Drought
A-4-15N-6W

Dear Mr. Fuller:

Temporary form C-104 for the subject well expired May 31, 1979.

^{All}
~~All~~ production from the well must cease until the well is properly plugged back as set out on form C-103 approved here December 26, 1978. Contact this office prior to starting field operations as shown on form C-103.

The option to this plug back is to properly plug and abandon the well. Approval must be obtained prior to the field operations for abandonment.

If there are questions please contact us.

Yours very truly,

A. R. Kendrick
A. R. Kendrick
Supervisor, District #3

ARK:mc

cc: Thriftway Company
Farmington, New Mexico

Oil Conservation Division
Santa Fe, New Mexico



MILES PRODUCTION COMPANY

1925 BELT LINE ROAD, SUITE 525 • CARROLLTON, TEXAS 75006

June 4, 1979

Mr. A. R. Kendrick
Supervisor, District #3
Aztec District Office
State of New Mexico
Energy and Minerals Department
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Miles Production Company
#1 Thomas Drought
McKinley County, New Mexico

Dear Mr. Kendrick:

Your letter of June 1, 1979 received regarding ceasing production on the captioned well.

Please refer to a copy of an attached letter that was written on March 6, 1979.

As the well was given a special grace period to allow it to produce from December 1, 1978 through May 31, 1979, and weather conditions did not permit the well getting production equipment on location until now (testing is to commence on June 11, as all equipment will be in place and hooked up), it is hereby requested that another 5 month grace period be given to allow the well to be tested to see if it is of a commercial status.

Thank you for your consideration.

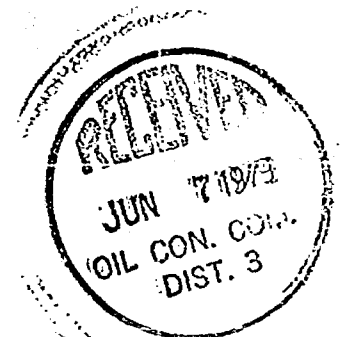
Yours very truly,

MILES PRODUCTION COMPANY

J. B. Fuller, Geologist

JBF:hb

Enclosure





BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

June 14, 1979

Mr. James B. Fuller
Miles Production Company
1925 Belt Line Road, Suite 525
Carrollton, Texas 75006

Re: Miles Production Company
Thomas Drought #1
A-4-15N/GW

Dear Mr. Fuller:

The extension of time for your proper plugback of the subject well was in part because of severe winter weather conditions. The plugback shall be accomplished prior to the time winter weather occurs again.

If the well has not been properly plugged back or properly abandoned on July 31, 1979, a case will be docketed to allow all interested parties to appear and show why the well should not be properly plugged and abandoned.

If your testing program cannot be completed prior to Jul, 31, 1979, you may request a hearing in Santa Fe asking exception to Rules 106 and 202.

We still intend to witness the plugback and/or abandonment operations in the field.

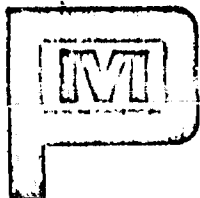
If there are questions, please contact us here or our Legal Representative, Mr. Ernest Padilla, P. O. Box 2088, Santa Fe, New Mexico 87501.

Yours truly,

A. R. Kendrick
District Supervisor

xc: Ernest Padilla, Oil Conservation Division, Santa Fe

ARK:mo

**MILES PRODUCTION COMPANY**

"PRODUCERS OF CRUDE OIL AND NATURAL GAS"

1925 BELT LINE ROAD, SUITE 525 • CARROLLTON, TEXAS 75006

July 6, 1979

State of New Mexico
Energy & Minerals Department
Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Attention: Mr. A.R. Kendrick

RE: Miles Production Company
Thomas Drought #1
A-4-15N/6W

Dear Mr. Kendrick:

Your letter of June 14, 1979 received regarding the captioned well. The heater-separator and another tank was moved on location June 4, 1979 but have had some problems keeping the well producing due to lack of enough gas to keep the pump engine going and its extreme remoteness; a large propane tank trailer has been brought in so hopefully the well can be kept producing long enough to give us some idea whether it will be of a commercial status.

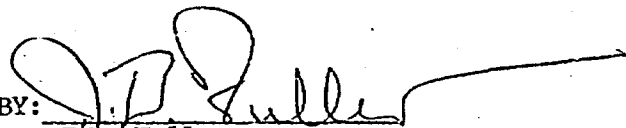
Since we have been given only until July 31, 1979 to properly plug the well back or abandon same, it is unknown at this time whether we will be able to make a decision to its commercial status by that time. On this basis, it is requested that Miles Production Company be given a hearing and date as per your letter asking exception to Rules 106 and 102 until the last day of October, 1979 to allow us to have a few months production history to see if the well is worth properly plugging back or whether it should be properly plugged and abandoned.

Thank you for this consideration.

Yours very truly,

MILES PRODUCTION COMPANY

BY:


J.B. Fuller
Petroleum Geologist

JRF/aaa





STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-8178

August 6, 1979

Mr. Ernest Padilla
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Miles Production Company
Thomas Drought #1
A-4-15N-6W

Dear Mr. Padilla:

Please docket a case to allow the operator and other interested parties to appear and show why the above captioned well should not be properly plugged and abandoned.

If there are questions, please call.

Yours very truly,

A. R. Kendrick
District Supervisor

xc: Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

National Surety Corporation
P. O. Box 2519
Dallas, Texas 75221

ARK:no



BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-8178

August 27, 1979

Mr. Joe D. Ramey
Oil Conservation Division
Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 6640 docketed for September 5, 1979

Dear Mr. Ramey:

In agreement with Mr. J. B. Fuller of Miles Production Company I hereby request the subject case be continued to October 3, 1979, at which time both parties plan to be able to present testimony.

Also, please docket for hearing on October 3, 1979, the following cases as outlined in the attached letters:

1. A revision of Order R-333-F-2 insofar as it concerns wells to be classed as exempt marginal.
2. A revision of Orders R-1670-T & 1670-V to cause current testing of the old well on a drill tract where a new infill well is being tested.
3. A show cause hearing for the McCoy and Phillips #1 Martin well located 1100' FSL and 1540' FWL of Section 34, 30N, 11W, San Juan County, and
4. A show cause hearing for Phillips and Spence #2 Martin located 970' FSL and 1670' FWL in Section 34, 30N, 11W, San Juan County.

If there are questions please contact us.

Yours very truly,

A. R. Kendrick
Supervisor, District #3

Encls. as stated

XC: Mr. J. B. Fuller
Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

ARK/bk



ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

September 11, 1979

Mr. J. B. Fuller
Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

Re: Miles Production Company
Thomas Drought #1
A-4-15N-6W

Dear Mr. Fuller:

I have learned orally that the hearing for the subject well
will be heard October 2, 1979, instead of October 3, 1979, as
requested.

I hope this does not interfere with your plans too drastically.

Yours very truly,

A. R. Kendrick
District Supervisor

XC: Oil Conservation Division, Santa Fe

ARK:no

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

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Con-)	CASE
servation Division on its own)	6640
motion to permit Miles Production)	
Company, and all other interested)	
parties to appear and show cause)	
why the Thomas Drought Well No. 1)	
should not be plugged and abandoned)	
in accordance with a Division-)	
approved plugging program.)	

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
30202 Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case Number
2 6640. In the matter of the hearing called by the Oil Con-
3 servation Division on its own motion to permit Miles Pro-
4 duction Company, and other interested parties to appear and
5 show cause why the Thomas Drought Well No. 1 in Section 4,
6 15 North, 6 West, McKinley County, should not be plugged and
7 abandoned in accordance with a Division-approved plugging
8 program.

9 MR. PADILLA: Mr. Examiner, Ernest L.
10 Padilla on behalf of the Oil Conservation Division.

11 We request that this hearing be continued
12 until October 2nd.

13 MR. STAMETS: Case 6640 will be so con-
14 tinued.

15
16 (Hearing concluded.)
17
18
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (666) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

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. 6640 heard by me on 9-5, 1979.

Richard L. Hunt, Examiner
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to permit Miles Production Company, and all other interested parties to appear and show cause why the Thomas Drought Well No. 1 should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE
6640

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

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (608) 471-2462
Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case Number
2 6640. In the matter of the hearing called by the Oil Con-
3 servation Division on its own motion to permit Miles Pro-
4 duction Company, and other interested parties to appear and
5 show cause why the Thomas Drought Well No. 1 in Section 4,
6 15 North, 6 West, McKinley County, should not be plugged and
7 abandoned in accordance with a Division-approved plugging
8 program.

9 MR. PADILLA: Mr. Examiner, Ernest L.
10 Padilla on behalf of the Oil Conservation Division.

11 We request that this hearing be continued
12 until October 2nd.

13 MR. STAMETS: Case 6640 will be so con-
14 tinued.

15
16 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (685) 471-2482
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, 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
3010 Plaza Blanca (608) 471-2462
Santa Fe, New Mexico 87501

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ... \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
National Surety Corporation
P. O. Box 2519
Dallas, Texas 75221

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
896356

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Chas. F. H. [Signature]

4. DATE OF DELIVERY
AUG 22 1979

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

★ GPO: 1976-O-203-456

No. 896356

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, Apr. 1976

SENT TO		National Surety Corp.
STREET AND NO.		P. O. Box 2519
P.O., STATE AND ZIP CODE		Dallas, Texas 75221
POSTAGE		\$
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	✓
	SPECIAL DELIVERY	✓
	RESTRICTED DELIVERY	✓
	OPTIONAL SERVICES	
	RETURN RECEIPT SERVICE	
	SHOW TO WHOM AND DATE DELIVERED	✓
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	✓	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	✓	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	✓	
TOTAL POSTAGE AND FEES		\$
POSTMARK OR DATE		

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete Items 1, 2, and 3 on the reverse.
- Attach gummed ends and attach to front of article.
- If space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE, \$300



RETURN
TO

OIL CONSERVATION DIVISION

(Name of Sender)

POST OFFICE BOX 2088

(Street or P.O. Box)

SANTA FE, NEW MEXICO 87501

(City, State, and ZIP Code)

**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the appropriate blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make a claim.

Dockets Nos. 40-79 and 41-79 are tentatively set for October 17 and 31, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 2, 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:

CASE 6656: (Continued from September 19, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Energy Oil & Gas Corp., The Travelers Indemnity Co., and all other interested parties to appear and show cause why the Sadler Well No. 1 located in Unit 1 of Section 3, Township 24 North, Range 29 East, Union County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6640: (Continued from September 5, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Miles Production Company, National Surety Corporation, and all other interested parties to appear and show cause why the Thomas Drought Well No. 1 located in Unit A of Section 4, Township 15 North, Range 6 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6687: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit McCoy and Phillips and all other interested parties to appear and show cause why the Martin Well No. 1 located in Unit N of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6688: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Phillips and Spence and all other interested parties to appear and show cause why the Martin Well No. 2 located in Unit N of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6689: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit one "Goodrum" and all other interested parties to appear and show cause why the E. C. Brawley Well No. 1 located in Unit O of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6690: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Elvis L. Roberts, The Travelers Indemnity Co., and all other interested parties to appear and show cause why the Bergin Well No. 1 located in Unit F of Section 21, Township 29 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6691: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the addition of a Rule 10(D) to Order No. R-1670-T, Blanco Mesaverde Infill Drilling Order, San Juan and Rio Arriba Counties, New Mexico, to require that both wells on a proration unit be tested when an infill well has been completed. Said Rule 10(D) would be identical to Rule 10(D) of Order No. R-1670-V for the Basin-Dakota Pool.

CASE 6692: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-333-F-2 to require that gas wells in the Pictured Cliffs or shallower formations be classified "exempt marginal" if at least three months of production history is available and their average production for the months produced within the preceding 12-month period is less than 1000 MCF per month. The same amendment is sought for wells completed below the Pictured Cliffs formation except that minimum production would have to average less than 2000 MCF per month. Also to be considered would be the requirement in Order No. R-333-F-2 and in Rule 10(C) of Orders Nos. R-1670-T and R-1670-V that no well on a multiple well proration unit could be classified exempt marginal unless all wells on the unit are eligible for such reclassification.

CASE 6674: Application of Tenneco Oil Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above styled cause, seeks approval for the downhole commingling of Fruitland and Blanco-Pictured Cliffs production in the wellbore of its Florence Well No. 115 located in Unit M of Section 10, Township 30 North, Range 9 West.



BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

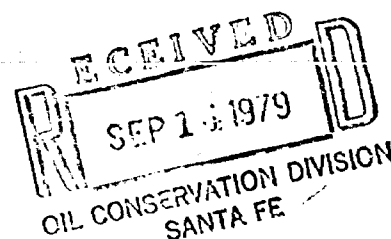
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-8178

September 11, 1979

Mr. J. B. Fuller
Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

Re: Miles Production Company
Thomas Drought #1
A-4-15N-6W



Dear Mr. Fuller:

I have learned orally that the hearing for the subject well will be heard October 2, 1979, instead of October 3, 1979, as requested.

I hope this does not interfere with your plans too drastically.

Yours very truly,

A. R. Kendrick
District Supervisor

XC: Oil Conservation Division, Santa Fe

ARK:eo

Dockets Nos. 36-79 and 37-79 are tentatively set for September 19 and October 3, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 5, 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:

- CASE 6640: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Miles Production Company, National Surety Corporation, and all other interested parties to appear and show cause why the Thomas Drought Well No. 1 located in Unit A of Section 4, Township 15 North, Range 6 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6641: Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Willow Creek Unit Area, comprising 25,881 acres, more or less, of State, federal, and fee lands in Townships 4 and 5 South, Range 25 East.
- CASE 6642: Application of Bass Enterprises Production Company for pool contraction and creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Indian Flats-Morrow Gas Pool by the deletion of the S/2 of Section 25, Township 21 South, Range 28 East, and the creation of a new Morrow gas pool comprising said lands for its Big Eddy Unit Well No. 66 in Unit K of said Section 25.
- CASE 6635: (Continued from August 22, 1979, Examiner Hearing)
Application of Exxon Corporation for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of the W/2 of Section 31, Township 20 South, Range 37 East, Eumont Pool, to its Aggies State Well No. 4 located in Unit F, and to its Well No. 13, at an unorthodox location 660 feet from the South line and 1650 feet from the West line, both in said Section 31.
- CASE 6636: (Continued from August 22, 1979, Examiner Hearing)
Application of Exxon Corporation for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of all of Section 23, Township 21 South, Range 36 East, Eumont Pool, to its New Mexico "G" State Well No. 5 located in Unit E, and to its Well No. 20, at an unorthodox location in Unit H, both in said Section 23.
- CASE 6637: (Continued from August 22, 1979, Examiner Hearing)
Application of Exxon Corporation for an unorthodox well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of the E/2 of Section 10, Township 21 South, Range 36 East, Eumont Pool, to its Knox Well No. 1 located in Unit J, and to its Well No. 13, at an unorthodox location 1650 feet from the North line and 990 feet from the East line, both in said Section 10.
- CASE 6643: Application of BTA Oil Producers for the amendment of Order No. R-5905, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5905 to provide that the N/2 of Section 27, Township 25 South, Range 33 East, be dedicated to its 7811 JV-P Rojo Well No. 1 rather than the W/2.
- CASE 6655: Application of BTA Oil Producers for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its 7811 JV-P Rojo "B" Well No. 1, a Devonian test to be located 660 feet from the South line and 1980 feet from the East line of Section 28, Township 25 South, Range 33 East, the E/2 of said Section 28 to be dedicated to the well.
- CASE 6644: Application of Tenneco Oil Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fruitland and Pictured Cliffs production in the wellbores of its State K Com Well No. 12 located in Unit E of Section 16, Township 30 North, Range 9 West, and its Florence Well No. 60R in Unit L of Section 1, Township 29 North, Range 9 West.

OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

August 20, 1979

CERTIFIED - RETURN
RECEIPT REQUESTED

C
O
P
Y

Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

National Surety Corporation
P. O. Box 2519
Dallas, Texas 75221

Re: Thomas Drought Well No. 1,
located in Unit A of Section
4, Township 15 North, Range
6 West, McKinley County
Plugging Bond

Gentlemen:

Enclosed is a copy of the notice of publication of
the Examiner Hearing to be held on Wednesday, September 5,
1979, at 9 o'clock a.m. in the Oil Conservation Division
Conference Room, State Land Office Building, Santa Fe, New
Mexico. Case 6640 concerns the above captioned subject
matter.

Very truly yours,

ERNEST L. PADILLA
General Counsel

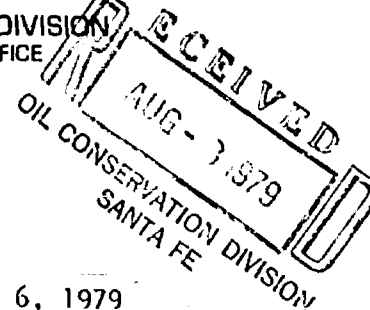
ELP/fd
enc.



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE



1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

August 6, 1979

Case 6640

Mr. Ernest Padilla
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Miles Production Company
Thomas Drought #1
A-4-15N-6W

McKinley County

Dear Mr. Padilla:

Please docket a case to allow the operator and other interested parties to appear and show why the above captioned well should not be properly plugged and abandoned.

If there are questions, please call.

Yours very truly,

A. R. Kendrick
A. R. Kendrick
District Supervisor

xc: Miles Production Company
P. O. Box 154
Carrollton, Texas 75006

National Surety Corporation
P. O. Box 2519
Dallas, Texas 75221

ARK:no

DRAFT

dr/

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. 6640

Order No. R- 6143

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO PERMIT MILES PRODUCTION COMPANY,
NATIONAL SURETY CORPORATION AND ALL OTHER INTERESTED PARTIES TO
APPEAR AND SHOW CAUSE WHY THE THOMAS DROUGHT WELL NO. 1 LOCATED IN
UNIT A OF SECTION 4, TOWNSHIP 15 NORTH, RANGE 6 WEST, MCKINLEY COUNTY,
NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH
A DIVISION-APPROVED PLUGGING PROGRAM.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 2,
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of October, 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 Miles Production Company is the owner and
operator of the Thomas Drought Well No. 1,
located in Unit A of Section 4, Township 15 North,
Range 6 West, NMPM, McKinley County, New Mexico.

(3) That National Surety Corporation is the
surety on the Oil Conservation Division plugging bond on which
Miles Production Company is principal.

(4) That the purpose of said bond is to assure the state
that the subject well(s) will be properly plugged and abandoned
when not capable of commercial production.

(5) That in order to prevent waste and protect correlative
rights said Thomas Drought Well No. 1 should
be plugged and abandoned in accordance with a program approved by

the Aztec District Office of the New Mexico Oil Conservation Division on or before February 1, 1980,

~~or the well should be returned to active drilling status or placed on production.~~ *or be properly plugged such well back to the Gallup formation if such well is to be continued on production therefrom*

IT IS THEREFORE ORDERED:

(1) That Miles Production Company and National Surety Corporation are hereby ordered to plug and abandon the Thomas Drought Well No. 1, located in Unit A of Section 4, Township 15 North, Range 6 West, NMPM, McKinley County, New Mexico, or in the alternative, ~~to return the well to active drilling~~ *to properly plug such well back to the Gallup formation if such well is to be continued on production status or place the well on production on or before February 1, 1980.*

(2) That Miles Production Company and National Surety Corporation, prior to plugging and abandoning ^{*or plugging back*} the above-described well, shall obtain from the Aztec office of the Division, a Division-approved program for said plugging and ^{*or plugging back*} abandoning, and shall notify said Aztec office of the date and hour said work is to be commenced whereupon the Division may, at its option, witness such work.

(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.