



PHILLIPS PETROLEUM COMPANY
3d Floor Permian Building
Midland, Texas

Don Nutter
33311

January 7, 1963

Re: Application of Phillips Petroleum Company
For a Special Allowable for the Phillips
Mexco "A" Well No. 2, Lea County, New Mexico
Case No. 2690, Order No. R-2362

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention Mr. D. G. Nutter

Dear Sir:

The New Mexico Oil Conservation Commission Order R-2362 dated November 14, 1962 authorized Phillips Petroleum Company to produce its Mexco "A" Well No. 2 at its maximum capacity for a period not to exceed 60 days from the date of the order. This special allowable was consistent with the evidence presented at the November 8, 1962 hearing and the Commission's findings that the temporary capacity allowable should be granted to avert the possibility of unrecoverable loss of oil presently being swept toward the well by the Boller-Nichols waterflood project. The Mexco "A" Well No. 2 has been operated at capacity since the date of the order and has produced an average of 57.4 barrels of oil per day as shown on the attached curve. The well currently has a capacity of 65 barrels of oil per day. It can be concluded that the 1130 barrels of oil produced through January 7, 1963 by the Mexco "A" Well No. 2 in excess of its normal allowable would have bypassed the well and would have been unrecoverable in the absence of the special allowable granted by the Commission. Also it can be concluded that reduction of the well's allowable to the normal 36 barrels of oil per day at this time would result in a loss in recovery of 29 barrels of oil per day.

Pursuant to the suggestion in the Commission's order, Phillips has written to Waterflood Associates, Inc., the operator of the Boller-Nichols waterflood project, relative to the possibility of unitizing the Phillips Mexco "A" Well No. 2 tract with the Boller-Nichols acreage to the south. Their reply was that because of the difference in the stage of development this unitization would be very difficult and that they could see no way in which it would be possible. We recognize this problem and agree that an equitable formula for unitization will be very difficult to determine. However, we are sincerely interested in conducting our operations in this area so as to obtain the maximum recovery and will continue to work toward a solution to the problem of the potential loss of oil in this boundary area. We are currently investigating the possibility that other combinations of tracts can be formed into a unit. In the meantime it is believed that the Phillips Mexco "A" Well No. 2 must be operated at capacity to prevent unrecoverable loss of oil.

Phillips has investigated the feasibility of restoring the McLaughlin Well No. 1 located in Unit M of Section 1, Township 17 South, Range 32 East to production and con-

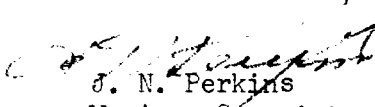
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verting the Phillips Mexco "A" Well No. 3 located in Unit N of Section 1 to water injection as suggested in the Commission's findings. It was concluded that the Phillips Mexco "A" Well No. 3 should not be converted to water injection. This well was cored from 4105-4429' upon initial completion and the only commercial zone was encountered in the San Andres from 4421-4427' as compared to the Grayburg water-flood zone in the Phillips Mexco "A" Well No. 2 of 4140-4196'. The re-entry into the McLaughlin Well No. 1 has been under consideration for some time - the two main factors being the production performance of the Phillips Mexco "A" Well No. 2 and the difficulty in ascertaining the McLaughlin well's condition and the plugging procedure used. A cost estimate and job outline to re-enter this well has been submitted by our Hobbs office and this proposal is currently being considered for approval.

In view of the fact that the Phillips Mexco "A" Well No. 2 is still capable of producing in excess of its allowable, actually increasing slightly in capacity since the date of the hearing, and the lack of success in unitization efforts, the need and reasons for a capacity allowable for Phillips Mexco "A" Well No. 2 are the same as presented at the original hearing and the findings set out in the Commission's Order No. R-2362. For these reasons we respectfully request authorization to continue to operate the Phillips Mexco "A" Well No. 2 at its maximum capacity rate. Under the present circumstances an extension of the present allowable for the Phillips Mexco "A" Well No. 2 is considered to be the only means of preventing unfavorable migration and loss of oil in the boundary area.

Yours truly,


J. N. Perkins
W. Area Superintendent
Expl. & Production Dept.

DLC/jw