

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEYForm approved.
Budget Bureau No. 42-R1435.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1A. TYPE OF WORK

DRILL ☒DEEPEN ☐PLUG BACK ☐

B. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Phillips Petroleum Company

3. ADDRESS OF OPERATOR

Room 711, Phillips Building, Odessa, Texas 79761

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

1980' FW and 660' FS Lines, Section 13.

At proposed prod. zone

Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

17 miles east of Loving, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.
(Also to nearest drilg. line, if any)1980' FW Line Sec.13
(Property)

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

--

16. NO. OF ACRES

1000±

19. PROPOSED DEPTH

14,300'

17. NO. OF ACRES ASSIGNED TO THIS WELL

320

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

Advise later.

22. APPROX. DATE WORK WILL START*

Upon approval

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48#	500'	600 sk, circ at surface.
12-1/4"	10-3/4"	51#	4000'	Sufficient to circ at surface.
9-5/8"	7-5/8"	26.4#	12,100'	Sufficient to circ at surface.
6-3/4"	5-1/2" liner	23#	Total Depth	Sufficient to cover productive intervals.

Note: Drilling operations, casing program, and completion practices will be conducted in accordance with NMOC Rule R-111-A.

Blowout Preventers: See Attached. Ser. 900 to 4000' (Fig. 4) Ser. 1500 to TD (Fig. 2)
Mud Program: See Attached.

This well is located in a defined potash mining area. Potash lease owners are:

1. International Minerals and Chemical Corp., c/o Neal & Matkins, Attorneys, Drawer N, Carlsbad, New Mexico. 88220
2. U. S. Potash and Chemical Company, Box 101, Carlsbad, New Mexico. 88220

Copies of this filing have been mailed to these operators by certified mail, return receipt requested, on the date below. (See attached photo copy of mail receipts.).

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program if any.

24.

NAME

W.J. Mueller

TITLE

Senior Reservoir Engineer

DATE

12-19-72.

PERMIT NO.

APPROVAL DATE

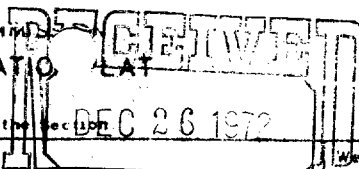
APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT



Form C-102
Supersedes C-120
Effective 1-1-65

All distances must be from the outer boundaries of the section

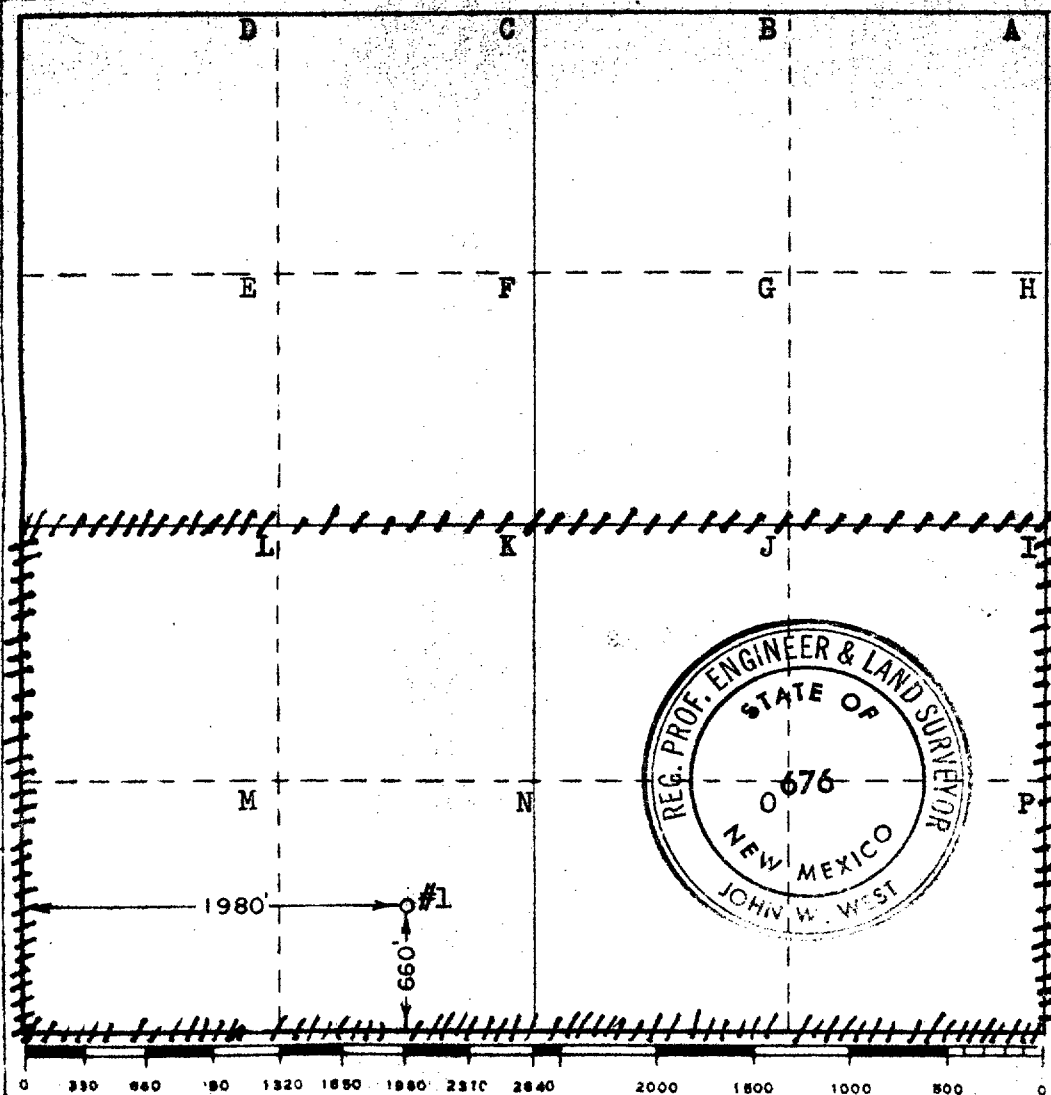
Operator PHILLIPS PETROLEUM CO.			Lease DUNSMITH CONSERVATION COMM		Well No. 1
Unit Letter N	Section 13	Township 23 South	Range 30 East	County Santa Fe Eddy	
Actual Footage Location of Well: 660 feet from the South line and 1980 feet from the West line					
Ground Level Elev. later	Producing Formation Morrow	Pool Undesignated - Morrow - Gas		Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

W. J. Mueller
Name

W. J. Mueller

Position

Senior Reservoir Engineer

Company

Phillips Petroleum Company

Date

December 18, 1972

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

December 14, 1972

Registered Professional Engineer and/or Land Surveyor

John W. West
Certificate No. **676**

UNITED STATES
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W. I. Mueller

TITLE Senior Reservoir Engineer

DATE 12-19-72.

PERMIT NO.

DEC 26 1972

APPROVAL DATE

APPROVED BY

OIL CONSERVATION COMM.

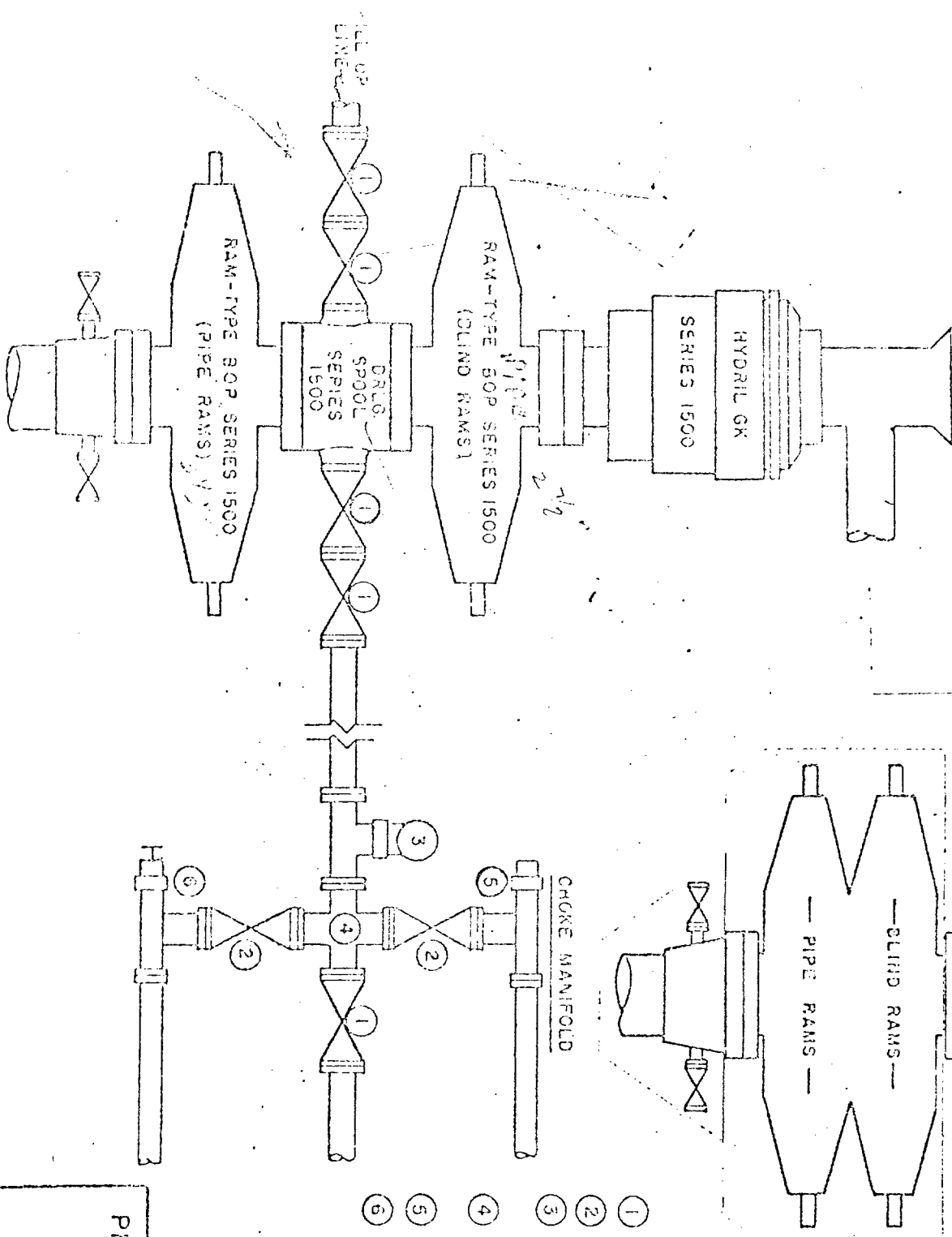
Santa Fe

TITLE

DATE

ALTERNATE HOOKUP

FOR
DOUBLE PREVENTERS

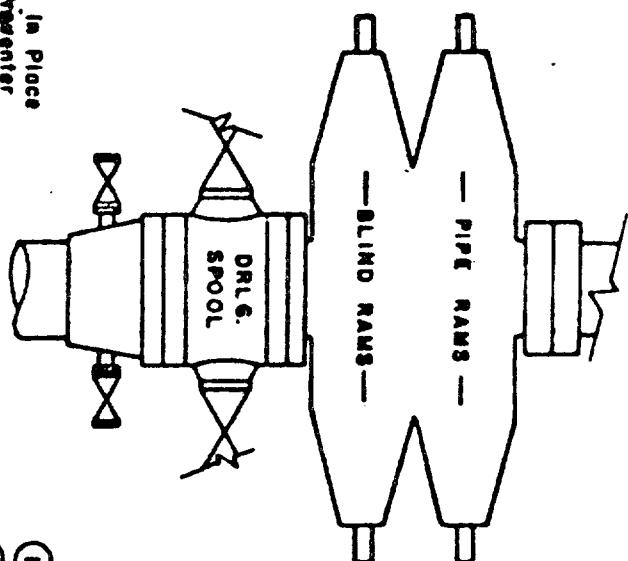
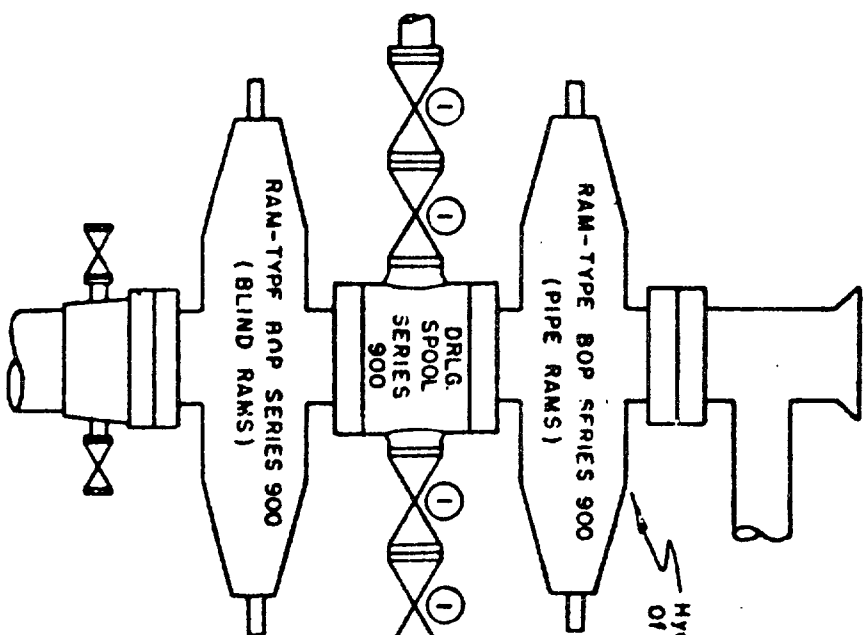


- ① 3" SERIES 1500 VALVE
- ② 2" SERIES 1500 VALVE
- ③ 2" MUD PRESSURE GAUGE ON 3"x3"x2 SERIES 1500 STEEL TEE
- ④ 3" SERIES 1500 X 2" SERIES 1500 STEEL CROSS
- ⑤ 2" SERIES 1500 POSITIVE CHOKE
- ⑥ 2" SERIES 1500 ADJUSTABLE CHOKE

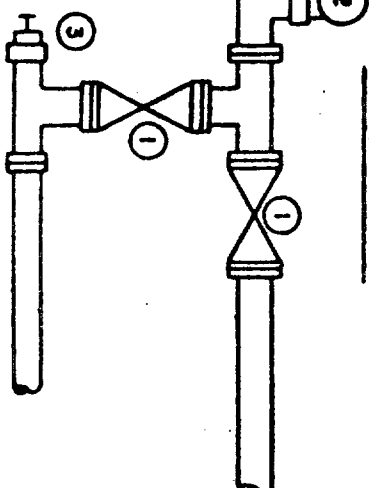
PHILLIPS PETROLEUM COMPANY
PRODUCTION DEPARTMENT

5000 PSI WORKING PRESSURE
BLOWOUT PREVENTER HOOK-UP
(SERIES 1500 FLANGES OR BETTER)

ALTERNATE HOOKUP FOR DOUBLE PREVENTERS



CHOKE MANIFOLD



- ① 2" SERIES 900 VALVE
- ② 2" MUD PRESSURE GAUGE
- ③ 2" SERIES 900 CHOKE

PHILLIPS PETROLEUM COMPANY
PRODUCTION DEPARTMENT
3000 PSI WORKING PRESSURE
BLOWOUT PREVENTER HOOK-UP
(SERIES 900 FLANGES OR BETTER)

PHILLIPS PETROLEUM COMPANY

Proposed Mud Program - Dunes-A No. 1, 14,300' Morrow "Wildcat".
Section 13, T-23-S, R-30-E, Eddy County, New Mexico.

0 - 500':

Drill out with Flosal" bentonite and lime mixed to a high viscosity. Maintain sufficient viscosity to assure running of casing.

500' - 4000':

Stay in steel pits and saturate system with potash salt. Keep system super saturated. Prior to reaching casing point mix Flosal as needed to assure a clean hole for running of casing.

4000' - 12,100':

Drill out with fresh water and circulate through the reserve pit. Maintain weight at 9.2 lbs. per gal. or less, Viscosity 34 to 36 sec. per full quart out, and Fluid loss 20 to 30 cc. with Drispac*. Mix LCM as needed. If hole conditions dictate prior to reaching casing point, raise viscosity as needed to assure running of logs and casing.

12,100' - T.D.:

Have steel pits clean and drill out with a "low solids Drispac* Mud". Weight 9 lbs. per gal. or less, Viscosity 36 to 38 sec. per full quart out and Fluid loss 20 cc or less. As hole depth increases or hole conditions dictate, adjust mud properties as necessary. Should loss occur, mix LCM as needed.

Special Production Practices.

Good samples surface to TD. Possible DST's in Strawn - 1, Atoka - 1, and Morrow - 2. Mud logging unit from approximately 12,000' to total depth.

Any deviations from this program must be approved by Phillips Area Superintendent and Drilling Specialties Company with a note advising the District Manager of any changes.

* A Trademark

Phillips Petroleum Company - Dunes-A No.1 = 1980' FW and 660' FS,
13, 23-S, 30-E, Eddy County

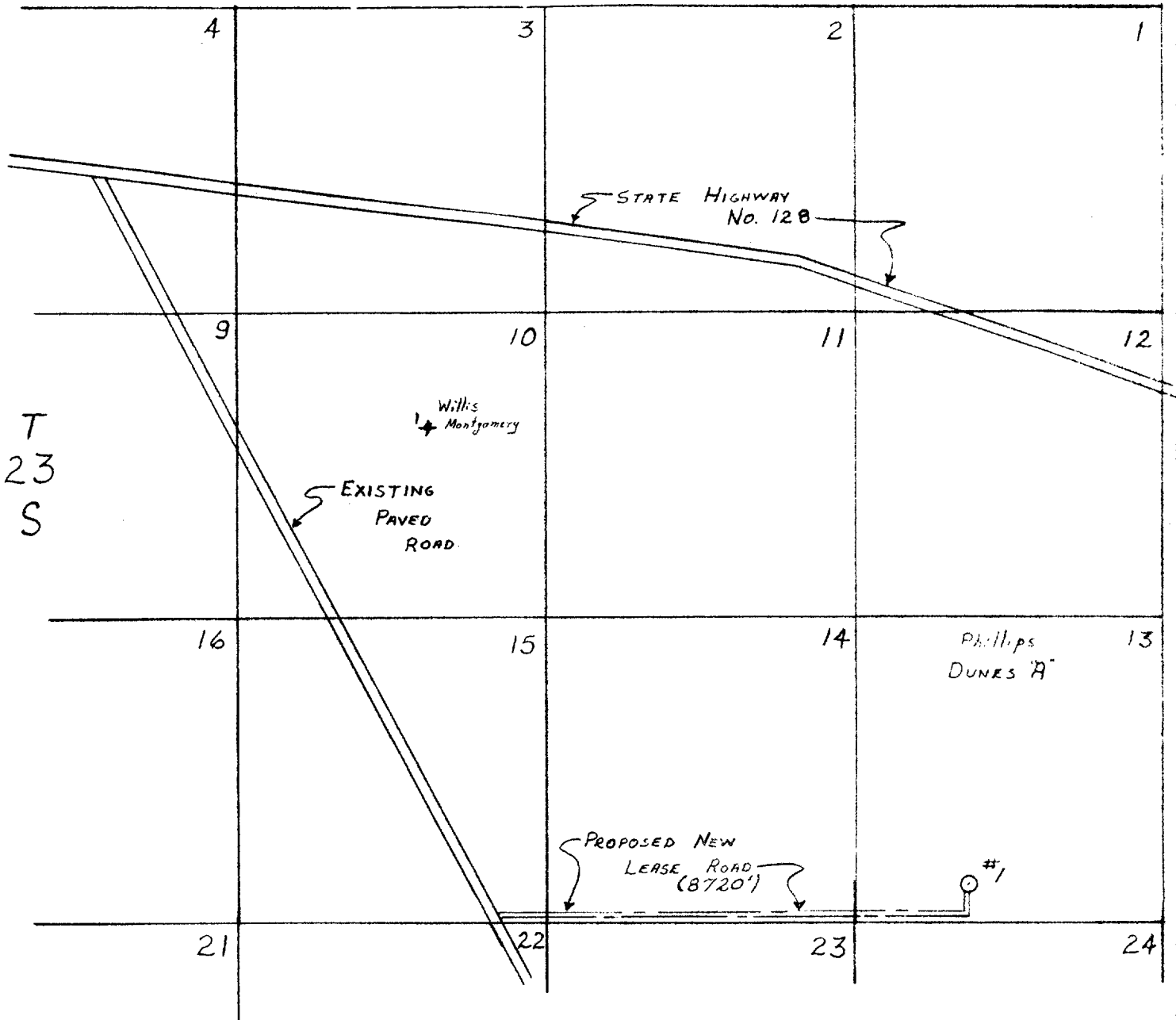
DEVELOPMENT PLAN FOR SURFACE USE

Attachment to
Form 9-331-C

1. Existing roads on lease: None
(See attached sketch.)
2. Planned access roads: Commence at existing paved road west of well, construct 8060' east & 660' north to Well No. 1 (20' wide roadway x 8720') See sketch
3. Location of wells: Well No. 1--1980' FW & 660' FS lines, Sec. 13, T-23-S, R-30-E, Eddy County, New Mexico
4. Lateral roads to well locations: The Jal/Loving Hwy-# 128 is approximately two miles north of wellsite. There is no access road from wellsite to that highway.
5. Tank battery and production facilities as required will be contained within drill site pad upon well completion.
6. Water supply undetermined at this time. Water storage tanks will be set on perimeter of pad.
7. All waste disposal will be put in pits and covered.
8. No camps will be located on the lease.
9. No airstrips will be located on the lease.
10. Drill site location will be an area 300' E-W x 400' N-S, cleared and leveled with reserve pits dug in the northern 200' portion. Rig, racks, pumps, steel pits, water tanks and portable office to be located on the southern 200' of the pad. The drill site proper (contained within the pad) will be permanently caliched in an approximate area of 265' E-W x 200' N-S.
11. Restoration of surface: Dug pits within the cleared area will be back-filled and leveled. The caliched pad of the cleared area is a permanent type emplacement.
12. This land use plan is essentially the same as that used on other wells of like depth in Eddy County.

HM:rm

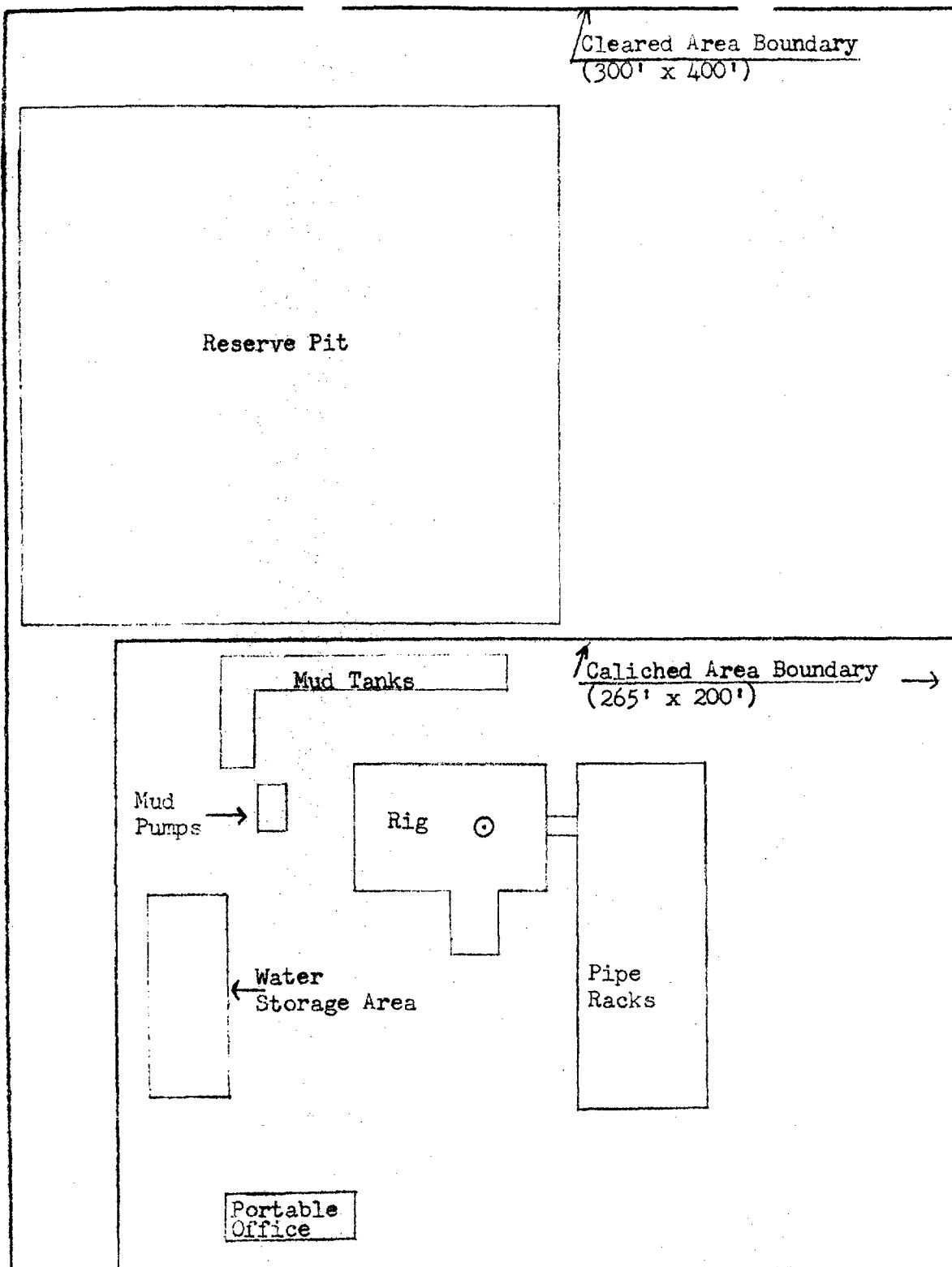
R-30-E



PHILLIPS PETROLEUM COMPANY, BARTLESVILLE, OKLAHOMA

DEVELOPMENT PLAN FOR SURFACE USE,
Dunes #1
Located: 1000' PS and 660' PS, Sec. 13, T23S, R30E,
Hill County, New Mexico

DRAWN	LLF	12-72	AFE. NO.	DWG. NO. /
CHECKED				
APPROVED			SCALE 1"=2640'	SHEET NO. 1



↑ Cleared Area Boundary (300' x 400')

PHILLIPS PETROLEUM COMPANY

BARTLESVILLE, OKLAHOMA

DEVELOPMENT PLAN FOR SURFACE USE

Dunes A No. 1

Located: 1980' FW and 660' FS, Sec. 13, T13S, R30E,
Eddy County, New Mexico

DRAWN

LLF

A.F.E. NO.

DWG. NO. 2

CHECKED

SCALE : 1" = 50'

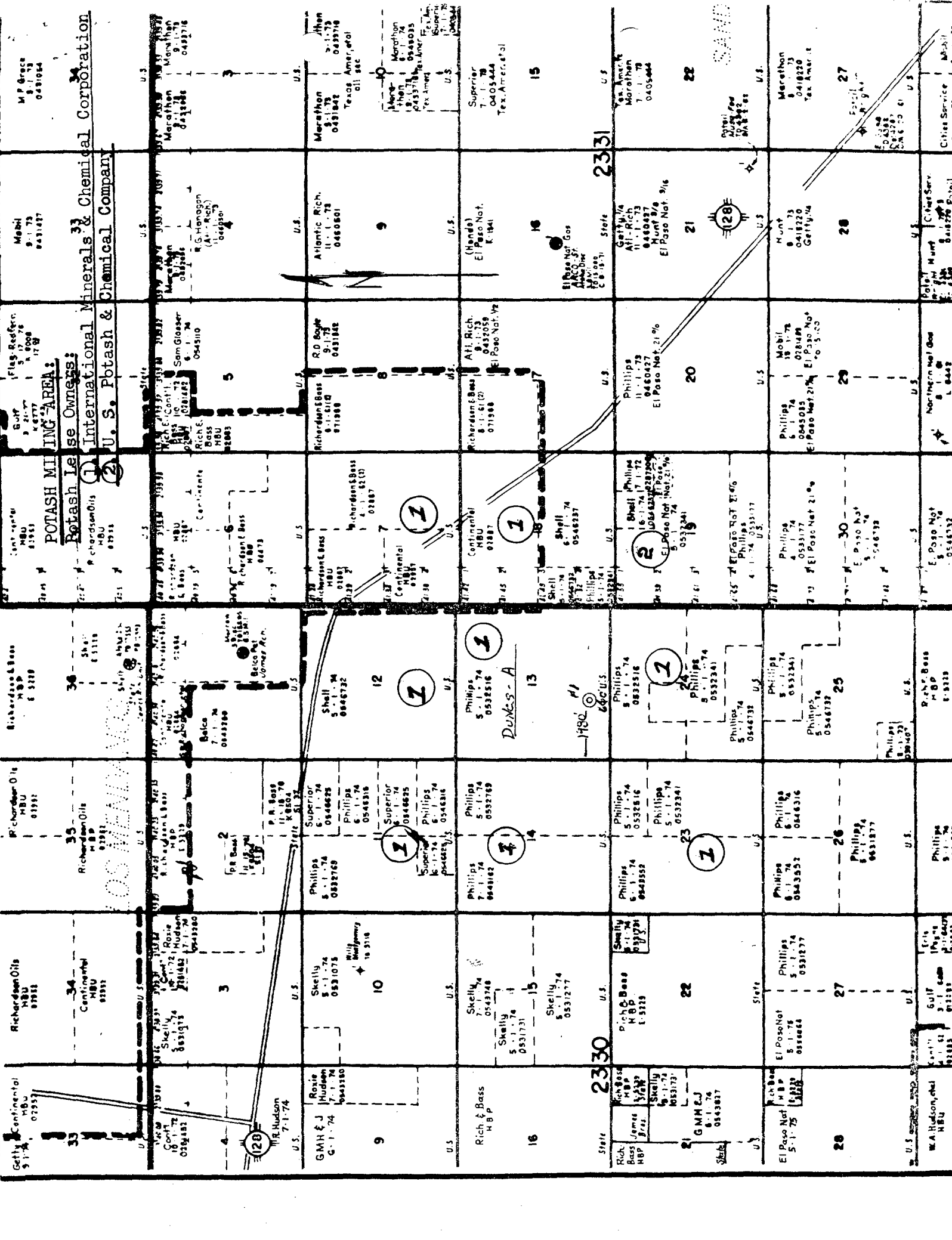
SHEET NO. 1

REVISION

BY

DATE

APPROVED



LOS MOCHIS

33
U.S. P. & G. 5-1-75 0431044

34
U.S. P. & G. 5-1-75 0431044

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U.S. P. & G. 5-1-75 0431044

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U.S. P. & G. 5-1-75 0431044

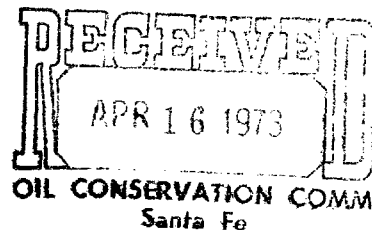
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U.S. P. & G. 5-1-75 0431044

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U.S. P. & G. 5-1-75 0431044

BEFORE THE OIL CONSERVATION COMMISSION

OF
THE STATE OF NEW MEXICO



IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4906
Order No. R-4500

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR A DRILLING PERMIT IN
THE POTASH-OIL AREA, EDDY COUNTY,
NEW MEXICO

APPLICATION FOR REHEARING

COMES NOW Phillips Petroleum Company, applicant in the above captioned case, and pursuant to the provisions of Section 65-3-22, New Mexico Statutes, Annotated, 1953 Compilation, as amended, applies to the Oil Conservation Commission of New Mexico for rehearing of the above captioned Case No. 4906, Order No. R-4500 issued pursuant thereto, and in support thereof would show the Commission:

I.

Applicant owns the right to drill for, develop and produce the oil and gas hydrocarbons underlying Section 13, Township 23 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and is affected by Order No. R-4500, which was entered by the Commission under date of March 27, 1973.

II.

Order No. R-4500 is unlawful, arbitrary and capricious, is unsupported by substantial evidence, and lacks the basic

findings necessary to, and upon which the Commission's jurisdiction depends for the entry of such order.

III.

The findings of the Commission upon which Order No. R-4500 depends for its validity are arbitrary, capricious and not supported by substantial evidence in the following respects:

1. Finding (2) is erroneous in that the Morrow formation underlying the section was a secondary objective of applicant, whose primary objective is the Atoka formation, as shown by the evidence.

2. Findings (8) and (9) are not supported by substantial evidence in that there is no definition of what constitutes potash in commercial quantities and no evidence was offered in this hearing to show what constitutes commercial quantities of potash ore. On the contrary, the evidence introduced by International Minerals and Chemical Corporation and the Duval core show that ore underlying Section 13 is non-commercial. A finding that Phillips' proposed well "location is in an area previously found by the Commission to contain potash deposits in commercial quantities" is not the equivalent of a finding that the proposed location is underlaid by ore in commercial quantities, and is contrary to the evidence in this case.

3. Finding (10) is correct in stating that International Minerals & Chemical Corporation is not conducting active mining operations in Section 13, Township 23 South, Range 30 East, N.M.P.M., at the present time, but its finding that "the subject section 13 lies in the heart of a substantial ore body which comprises nearly one-half of International's total ore reserves"

is wholly unsupported by the evidence in that the "substantial ore body" was never defined by International; no computations were given on reserves underlying Section 13, or on the reserves of any other portion of International's properties; and no evidence was given as to what relationship there was between the total reserves, or the reserves in the "substantial ore body" and the reserves underlying Section 13. International gave no evidence of what reserves it owns, or where they are located.

4. Finding (10) is unsupported by evidence, and is in fact contrary to the evidence in the record, when it states that "the company definitely plans to mine said Section 13." No evidence was given as to any definite plans to mine the section, and the company's witnesses refused to testify as to when any mining in the section would take place, and the finding is arbitrary and capricious.

5. Finding (14) is immaterial and applicant has never proposed to drill in an area of subsidence. The finding is speculative in that it assumes that there would be mining operations underway at the time applicant would drill its well. There is no evidence as to when, if ever, any mining operations would commence. By their own testimony, International would leave pillars in a 1400 foot radius around the well to prevent subsidence, if they mine while the well is being produced.

6. Findings (16) and (17) are conjectural and unsupported by the evidence. The findings assume that any well drilled would not be properly plugged and not be properly protected. The finding is contrary to Commission Order No. R-111-A which specifies the casing, cementing and plugging program to be followed to prevent the danger pointed out in Findings (16) and (17).

7. Finding (18) is unsupported by the evidence, and assumes there will be no compliance with the provisions of Order No. R-111-A, contrary to the evidence in this case. It further assumes there can be no secondary mining within 1400 feet of the well bore after abandonment, which is contrary to the evidence. It was the purpose of Order No. R-111-A to permit the drilling of oil and gas wells in potash areas, and the Commission in this case has disregarded its own order. The Commission is attempting to enforce Order R-111-A by denying the right to drill in a potash area.

8. Finding (19) is based upon scanty information, from one core in the Section ignoring the information obtained from another core nearer to Phillips' proposed location which showed non-commercial deposits. The finding, further, is capricious in that it is a gross figure, based on International's calculation of ore to be left in pillars, based upon insufficient information, and a gross figure with no information offered as to whether the ore could be economically mined, nor as to its value, if mined. Where costs of mining and processing and preparing for market are not included, the figure of the gross value of the ore in the ground is not a measure of the damages that would be suffered by International, nor of the value of the ore involved. The finding further presupposes there could be no secondary mining in the area, which is contrary to the evidence, and that all of the ore would be left in the ground after the oil and gas reserves had been depleted, which is also contrary to the evidence.

9. Finding (20) would purport to show that Phillips could safely drill after primary and secondary mining has been completed, but there is nothing in the record to show when, if ever, the lands underlying the Phillips proposed location will

be mined, or when the subsidence will commence. Further there is nothing to show that subsidence will be completed by five years after secondary mining, and on the contrary the evidence shows residual subsidence will continue after that time and no witness testified it would be safe to drill under these circumstances. The one witness who expressed an opinion admitted he was not qualified to pass on the question.

10. Finding (21) is arbitrary and capricious and unsupported by any evidence in the record, and drilling as proposed by the finding is contrary to the orders and the rules and regulations of the Commission, and was not a subject matter of this hearing. There is no evidence to support a finding that directional drilling can be successfully conducted in this area, and the only competent evidence in the record on the question indicated that it could not.

11. Finding (22) is speculative, assumes that a well could be directionally drilled, which is not supported by evidence, and the finding that there would be no waste of potash is not supported by evidence, there being no evidence offered as to either the presence or absence of potash ore in Section 23, Township 23 South, Range 30 East, N.M.P.M. On the contrary the evidence shows there would probably be waste of potash if Findings (17), (18), and (19) are correct, which is not admitted.

12. Finding (23) is arbitrary and capricious and not supported by substantial evidence.

IV.

As shown by the evidence in this case, Belco Petroleum Corporation has a well north of Phillips' proposed location, completed for production from the Morrow, Atoka and Strawn formations, and is draining reserves from the reservoir sought

to be developed by Phillips. Commission Order No. R-4500 fails to protect the correlative rights of Phillips Petroleum Company contrary to the provisions of law, and denies Phillips the opportunity to produce its just and equitable share of the oil and gas in the pool. If the reservoirs continue to be drained by only two wells, Order No. R-4500 will result in waste, making inefficient use of reservoir energy, and will result in leaving substantial quantities of producible oil and gas in the reservoirs that could otherwise be produced, all contrary to the provisions of law.

V.

Commission Order No. R-4500 ignores substantial testimony offered to show that all of the reserves underlying Section 13, Township 23 South, Range 30 East, N.M.P.M., could be produced, and the well plugged and abandoned before any mining commences in the area, and ignores substantial increases in costs that would result from a delay of an unknown number of years before any well could be drilled, thus effectively denying Phillips the right to drill and produce its reserves under any circumstances.

VI.

Commission Order No. R-4500 is invalid, arbitrary and discriminatory and deprives this applicant of its property without due process of law in violation of the 14th Amendment to the Constitution of the United States and in violation of Article II, Section 18, of the Constitution of the State of New Mexico in that it deprives applicant of the right to recover the oil and gas hydrocarbons underlying the lands held by it under a valid oil and gas mineral lease.

Commission Order No. R-4500 is further invalid, unlawful and discriminatory in that it does not comply with the provisions of Section 65-3-4, F., New Mexico Statutes Annotated,

1953 Compilation, as amended, and does not comply with the provisions of Section 65-3-11 (17), New Mexico Statutes Annotated, 1953 Compilation, as amended, which are the sole authority of the Commission to act to prevent the waste of potash.

VIII.

If granted a rehearing, as prayed for, Applicant will on such rehearing, offer testimony to show that if permitted to develop the area fully, the reservoir would be depleted long in advance of any possible mining operations, and will offer evidence by a qualified drilling engineer to show that directional drilling in this area, as proposed by Oil Commission Finding (21) is impractical in this area. Applicant would further propose to offer the testimony of a qualified mining engineer as to the true value of any ore that could possibly be lost in the event Applicant were permitted to drill as prayed for; and to show costs of production, construction of shafts, and exploratory requirements normally required before instituting mining operations to refute the findings of the Commission in its Order No. R-4500.

WHEREFORE Applicant respectfully prays the Commission that a re-hearing be granted in the above styled and numbered case and its Order No. R-4500; that Applicant be permitted to offer further testimony bearing upon all of the questions raised by the Commission's findings, and that after such rehearing, the Commission enter its order granting applicant permission to drill as applied for.

Respectfully submitted,
PHILLIPS PETROLEUM COMPANY

JOE V. PEACOCK
Phillips Building
Odessa, Texas 79760

JASON W. KELLAHIN
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico
ATTORNEYS FOR APPLICANT

BY Jason W. Kellahin