



State of New Mexico
OIL CONSERVATION COMMISSION

From

MICHAEL E. STOGNER
PETROLEUM ENGINEER

Memo

To William LeMay

Case 9003

Gerry Sexton gave Pennzill verbal approval to straighten the well on or around Jan. 21, 1987. We agree that Pennzill was in compliance of Rule 111 with this approval.

M. S.

MS
WBL

P.O. BOX 2088
LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
505-827-5811

2700

VIRESSEN NO. 1

SH2 VS. N₂

August 2, 1985

2450

0

2200

1950

47 0780

1700

1450

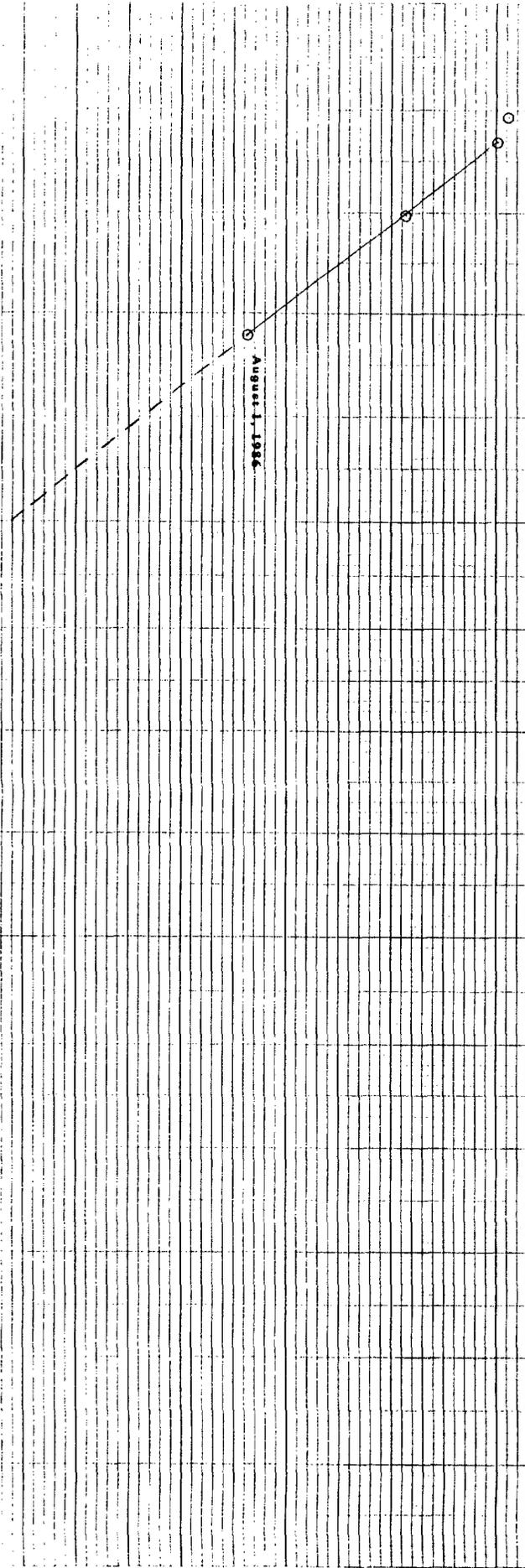
1200

950

700

450

August 1, 1984



W

November 19, 1988

2450

5

2200

950

1700

1450

BIIP
0200

050

05

April 1, 1986

○

○

4

2700

October 28, 1985

BE SHIP NO. 1 RESERVOIR

BHP 3. No

2450

2200

1950

1700

1450

1200

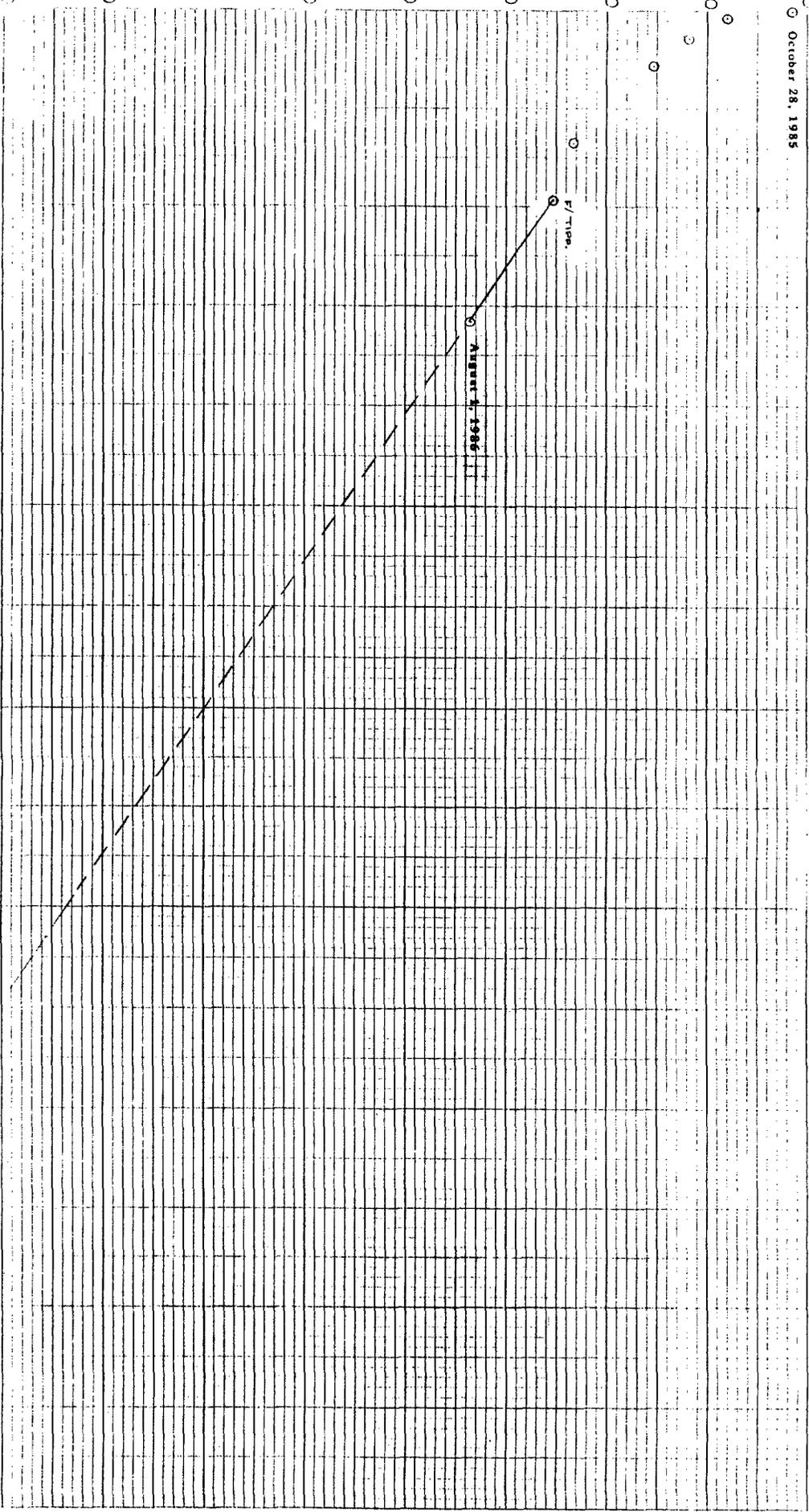
950

700

BHP

August 4, 1986

P/T 1985



STATION NO. 47 0780

NO. 1

5

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

February 3, 1987

9003

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Hinkle, Cox, Eaton, Coffield,
& Hensley
P. O. Box 2068
Santa Fe, New Mexico 87504-4554

Attn: James Bruce

Re: Pennzoil Company Viersen Well No. 3
Division Order No. R-8366

Dear Mr. Bruce:

Per your letter dated January 23, 1987, on Exxon Corporation's, concern on the intentional deviation by Pennzoil on the subject well. Mr. Jerry Sexton, Supervisor of the Hobbs District Office was notified by Pennzoil of their intent to deviate their well back to a true vertical position underlying the approved surface location. It was Mr. Sexton's conclusion that this action did not violate the provisions of Order No. R-8366 and verbal permission was given on January 21, 1987 in compliance with General Rule 111(b).

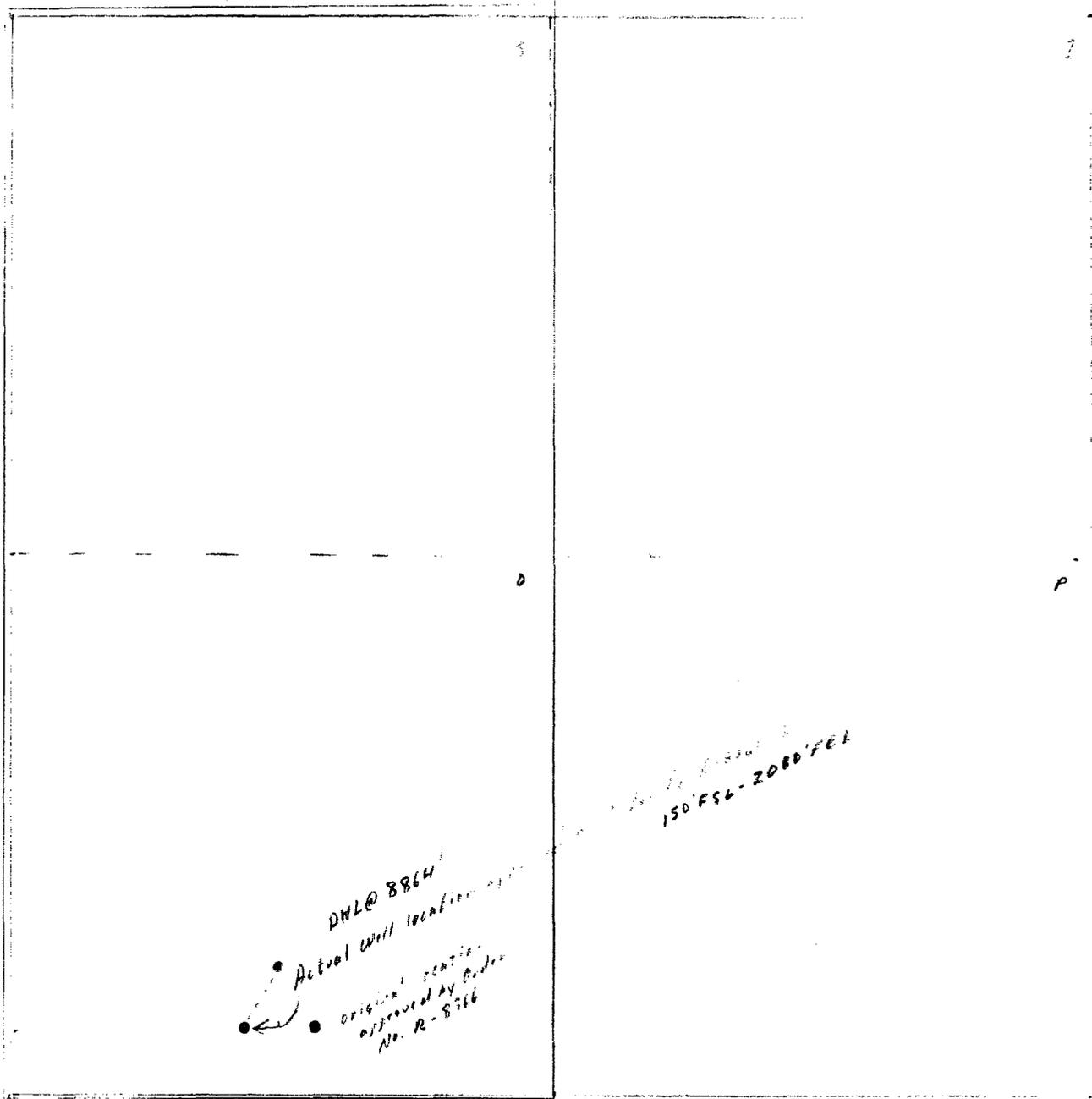
Sincerely,

A handwritten signature in cursive script, appearing to read "Michael E. Stogner".

Michael E. Stogner
Engineer

xc: Jerry Sexton
W. Thomas Kellahin
E. Padilla
Peter Ives
W. Duncan
✓Case No. 9003

42.381 50 SHEETS 5 SQUARE
42.382 100 SHEETS 5 SQUARE
42.383 150 SHEETS 5 SQUARE
42.384 200 SHEETS 5 SQUARE



Scale 1" = 100'

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C COX
PAUL W EATON
CONRAD E COFFIELD
HAROLD L HENSLEY JR
STUART D SHANOR
C D MARTIN
PAUL J KELLY JR
OWEN M LOPEZ
DOUGLAS L LUNSFORD
T CALDER EZZELL JR
WILLIAM B BURFORD*
RICHARD E OLSON
RICHARD A SIMMS
RICHARD R WILFONG*
STEVEN D ARNOLD
JAMES J WECHSLER
NANCY S CUSACK
JEFFREY L FORNACIARI
JEFFREY D HEWETT*
JAMES BRUCE

JERRY F SHACKELFORD*
JEFFREY W HELLBERG*
ALBERT L PITTS
FRED W SCHWENDIMANN
THOMAS D HAINES JR
THOMAS M HNASKO
MICHAEL F MILLERICK
FRANKLIN H MCCALLUM*
ALLEN G HARVEY
GREGORY J NIBERT
JUDY K MOORE*
DAVID T MARKETTE*
JAMES R MCADAMS*
JAMES M HUDSON
MACDONNELL GORDON
REBECCA J NICHOLS
PAUL R NEWTON
WILLIAM F JOHNSON*
CHRISTOPHER S RAY

OF COUNSEL
ROY C SMOODGRASS, JR.
O M CALHOUN
MACK EASLEY
JOE W WOOD
STEPHEN L ELLIOTT

CLARENCE E HINKLE (1901-1985)
W E BONDURANT, JR (1913-1973)
ROBERT A STONE (1905-1981)

*NOT LICENSED IN NEW MEXICO

ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

200 CENTURY PLAZA
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691

1700 TEXAS AMERICAN BANK BUILDING
POST OFFICE BOX 12118
AMARILLO, TEXAS 79101
(806) 372-5569

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88201
(505) 622-6510

January 23, 1987

RECEIVED

JAN 23 1987
OIL CONSERVATION DIVISION

Mr. William LeMay, Director
New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87503

HAND DELIVERED

Re: Pennzoil Company
Viersen Well No. 3
Commission Order No. R-8366
(Case No. 9003)

Dear Mr. LeMay:

Under the above order, Pennzoil commenced drilling of the subject well at an unorthodox location 2080 feet from the east line and 150 feet from the south line of Section 4, 17 South, 37 East, in Lea County.

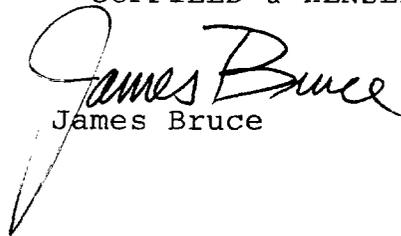
Our client, Exxon Corporation, has recently been informed that this well, as of January 20, 1987, was at a depth of 9,045 feet. A survey run at 8,864 feet showed that the well bore had deviated 72 feet to the east and 104 feet to the north of the surface location. Exxon was also informed that Pennzoil intended to use a downhole motor at a depth of 9,500 - 10,000 feet, to deviate the well so that the bottom hole location would move closer to the south lease line. However, Order No. R-8366 does not permit this intentional deviation, and to Exxon's knowledge Pennzoil has not applied to or received permission from the OCD to intentionally deviate this well, as required by Rule 111.

Mr. William LeMay
January 23, 1987
Page 2

Based upon their current knowledge of the facts, Exxon does not believe that such a directional correction is permissible. Exxon informed Pennzoil of Exxon's position by telephone on January 21, 1987.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce

JGB:jr

cc: W. Thomas Kellahin
E. Padilla
Peter Ives
W. Duncan

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

January 27, 1987

Mr. William J. LeMay
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Pennzoil Company
Viersen Well No. 3
Commission Order R-8366
Case 9003

Dear Mr. LeMay:

On January 27, 1987, I received by regular mail a copy of the letter Mr. James L. Bruce hand-delivered to you on January 23, 1987 on behalf of Exxon Company. I have enclosed a copy for your reference.

Exxon complains of action taken by Pennzoil which was reviewed and approved by Mr. Jerry Sexton of the Division's Hobbs Office on January 21, 1987. Mr. Sexton has concluded that Pennzoil's actions are in accordance with Order R-8366 and that approval under Rule 111 is not required.

Pennzoil is drilling its Viersen Well #3 in an attempt to protect its acreage from the drainage that is resulting from the adjacent Exxon well which produces from a bottom hole location only 150 feet from the Pennzoil Tract.

Unless controlled, the Pennzoil wellbore will migrate to the north and east away from the Exxon tract resulting in a bottomhole location that will not allow Pennzoil a chance to compete with Exxon for the oil reserves under the Pennzoil tract.

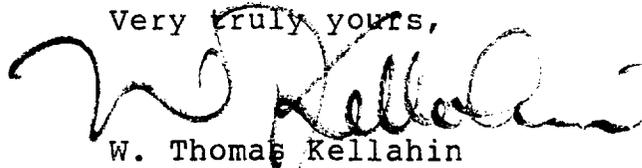
Exxon's complaint is simply another attempt to delay Pennzoil while Exxon continues to produce Pennzoil's share of the reserves.

Mr. William J. LeMay
January 27, 1987
Page 2

We believe that Pennzoil has already obtained all of the necessary Division approval in order to bottom the Viersen #3 at a location not closer than 150 feet from the Exxon property. It is Pennzoil's intent to control the migration of the wellbore during drilling to correct for the natural deviation that is occurring and to attempt to complete this well in the Shipp-Strawn Pool at a bottom hole location no closer than 150 feet from Exxon and approximately 1980 feet from the east boundary of the Pennzoil tract.

Should the Division now believe that Pennzoil must obtain any further orders or approvals, please let me know so that we can take immediate action to do so.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a circular stamp or seal.

W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Paul Bruce (Pennzoil)
James G. Bruce, Esq.
Ernest L. Padilla, Esq.
Mr. Jerry Sexton
Peter N. Ives, Esq.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 9003
Order No. R-8366

APPLICATION OF PENNZOIL COMPANY
FOR AN UNORTHODOX OIL WELL
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 20, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of December, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law and the applicant having provided notice to all interested parties as required by Rule 1207, as amended, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Pennzoil Company ("Pennzoil") seeks an exception to the Special Rules and Regulations for the Shipp-Strawn Pool as promulgated by Division Order No. R-8062, as amended, to authorize an unorthodox oil well location for its Viersen Well No. 3 at a surface location 150 feet from the South line and 1980 feet from the East line of Section 4, Township 17 South, Range 37 East, and to simultaneously dedicate the W/2 SE/4 of said Section 4 to the well and to its existing Viersen Well No. 2 located 1300 feet from the South line and 1650 feet from the East line of said Section 4.

(3) The Special Rules and Regulations governing the Shipp-Strawn Pool, as promulgated by Division Order No. R-8062-A, provide for 80-acre oil well spacing units with wells to be located no further than 150 feet from the center of a governmental quarter-quarter section or lot.

(4) Pennzoil seeks to drill its Viersen Well No. 3 at an unorthodox location in order to offset the drainage encroachment occurring as a result of Exxon Oil Corporation ("Exxon") having drilled its "EX" State Well No. 2 at a standard surface location but, without intentional deviation, at a bottom hole location approximately 150 feet from the South line of the Pennzoil spacing and proration unit described in Finding Paragraph No. (2) above.

(5) At the time of the hearing, Exxon Corporation, Hanley Petroleum Inc., and Barbara Fasken, who are interest owners in offsetting units, appeared and objected to the proposed unorthodox location.

(6) The Shipp-Strawn Pool is characterized by numerous isolated porosity "pods" having high permeability which permits one well to effectively drain 80 acres.

(7) Pennzoil presented a net pay isopach of the Shipp-Strawn pod or mound (Exxon pod) from which the Exxon well is producing which establishes that the Exxon well is draining the Pennzoil spacing unit that is the subject of this order (Pennzoil Exhibit #1). Exxon presented a similar isopach map (Exxon Exhibit #2) which confirms and further establishes that the Pennzoil spacing unit is being drained by the Exxon well.

(8) Exxon objected to approval of the unorthodox location for the Pennzoil Viersen Well No. 3 unless a penalty of 84 percent is imposed on the spacing and proration unit assigned to the Pennzoil well. This penalty is based on Exxon's geologic interpretation which gave the Pennzoil tract only 13 productive acres.

(9) While none of the exhibits and none of the testimony in this case absolutely established the exact size, shape, boundary location, or net productive acre-feet under the Pennzoil tract or offsetting tracts, the evidence which was most consistent with data from better known portions of the reservoir was that of the Pennzoil witnesses.

(10) This evidence established that it is reasonable to expect there to be 22 productive acres in the "Exxon pod" under the W/2 SE/4 of said Section 4, but also the productive acres under Exxon's tract are considerably less than 80 acres.

(11) Evidence was presented to establish the relative productive acres and net productive acre-feet under the various productive tracts in the "Exxon pod."

(12) Such evidence could be used to establish equitable allocations to the various wells in said pod to protect correlative rights; however, such evidence is not sufficiently conclusive for such purpose at this time.

(13) The evidence established that Pennzoil should be able to drill and complete a well at a standard location within the W/2 SE/4 of said Section 4 and within the "Exxon pod."

(14) The evidence established that Pennzoil would be able to better drain its share of the reserves from the "Exxon pod" at the proposed unorthodox location than at a standard location, thereby better protecting correlative rights.

(15) The evidence presented established that allowing the proposed Pennzoil well to produce without a penalty would permit them to produce more than their share from the reservoir thereby violating the correlative rights of the other owners therein.

(16) To offset the advantage gained as a result of the unorthodox location, the production from the proposed Pennzoil well should be limited.

(17) As oil well allowables in the Shipp-Strawn Pool are based upon acreage, the limitation on production from the proposed Pennzoil wells should be based upon its "Exxon pod" productive acres or 22 acres.

(18) If as a result of drilling the proposed Pennzoil well, the drilling of other wells, or the development of other data, new evidence should show that a higher acreage factor or some other higher allowable factor might be more appropriate for said Pennzoil well, this case may be reopened.

(19) To assure that offset owners should have an opportunity to assess the potential for the proposed Pennzoil well to drift closer to the South line of its spacing unit than 150 feet, Pennzoil should be required to run a full directional survey on the well and file same with the Division.

(20) Any offset operator should be able to petition the Commission to reopen this hearing if an examination of the directional survey for said Pennzoil well would reasonably demonstrate that said well has drifted closer than 150 feet to the South line of the spacing unit.

(21) The evidence in this case established that applicant's Viersen Well No. 2 is producing from a separate pod in the Shipp-Strawn Pool and, while the proposed simultaneous dedication of the W/2 SE/4 should be permitted, such well should receive an allowable separate from the proposed Viersen Well No. 3.

(22) The Viersen Well No. 2 should receive an allowable assignment equal to the standard 80-acre allowable less the 22-acre allowable assigned the Viersen Well No. 3.

(23) To assure the proper allocation of production to each of said wells, the production should be separately tanked or measured in a manner acceptable to the Director of the Oil Conservation Division.

(24) An order entered consistent with the terms and conditions of the above findings will not result in waste and will protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Pennzoil Company for an unorthodox oil well location for the Shipp-Strawn Pool is hereby approved for a well to be drilled at a point 150 feet from the South line and 1980 feet from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The W/2 SE/4 of said Section 4 shall be simultaneously dedicated to the above-described well and to the Pennzoil Viersen Well No. 2 located 1300 feet from the South line and 1650 feet from the East line of said Section 4.

(3) For purposes of allowable assignment, the proposed well shall be given an acreage factor for a well with 22 dedicated acres and the Viersen Well No. 2 shall be given an acreage factor for a well with 58 dedicated acres.

(4) Production from each of the wells on said spacing unit shall be separately tanked or shall be separately measured in a manner acceptable to the Director of the Oil Conservation Division.

(5) The applicant shall cause a directional survey to be conducted on the proposed well from surface to total depth, either a series of single shots or a continuous multi-shot survey, with shot points not less than 250 foot intervals below the intermediate casing and 500 foot intervals above the base of the intermediate casing.

(6) The applicant shall cause the surveying company to furnish one copy of the results of such survey directly to the Division's offices in Hobbs and Santa Fe.

(7) This case may be reopened upon a proper petition by any of the parties showing that:

(a) evidence developed subsequent to the drilling of the proposed well would reasonably be expected to increase the allowable therefor; and/or,

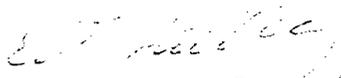
(b) an examination of the directional survey indicates the proposed well is completed closer than 150 feet to the South line of the spacing unit.

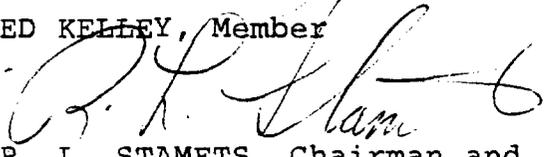
(8) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS, Chairman and
Secretary

S E A L

fd/

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. 9067
Order No. R-8366 *d*

APPLICATION OF PENNZOIL COMPANY
TO AMEND THE UNORTHODOX LOCATION
AUTHORIZED BY DIVISION ORDER
R-8366, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 21, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of January, 1987, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Order No. R-8366, entered in Case No. 9003, the Division authorized the applicant, Pennzoil Company, to drill its Viersen Well No. 3, at an unorthodox location 150 feet from the South line and 1980 feet from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Shipp-Strawn Pool, Lea County, New Mexico, due to geologic and offset drainage considerations.

(3) At the time of ^{the} said hearing, Exxon Corporation, Hanley Petroleum Inc., and Barbara Fasken, who are interest owners in the offsetting units, appeared and objected to the proposed unorthodox location.

(4) The applicant, Pennzoil Company, now seeks to amend Order No. R-8366, to move its proposed well location to a point 150 feet from the South line and 2080 feet from the East line of said Section 4, in order to avoid a gas pipeline.

(5) No offset operator, as described in Finding No. (3), appeared in opposition to the proposed amended location, the subject of the present case.

(6) The proposed amended well location is justified and should be approved.

(7) All other provisions contained in Division Order No. R-8366 should remain in full force and effect.

IT IS THEREFORE ORDERED THAT:

(1) Ordering Paragraph No. (1) of Division Order No. R-8366, entered in Case No. 9003, is hereby amended to read in its entirety as follows:

" (1) The application of Pennzoil Company for an unorthodox oil well location for the Shipp-Strawn Pool is hereby approved for a well to be drilled at a point 150 feet from the South line and 2080 feet from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico."

(2) All other provisions contained in Order No. R-8366 shall remain in full force and effect.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION