

PADILLA & SNYDER

ATTORNEYS AT LAW
200 W. MARCY, SUITE 212
P.O. BOX 2523
SANTA FE, NEW MEXICO 87504-2523
(505) 988-7577

December 2, 1986

Richard L. Stamets
NM Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

Re: Case 9003

Dear Mr. Stamets:

In accordance with your instructions at the hearing of the above-referenced case, enclosed please find the proposed order of Barbara Fasken.

Very truly yours,

Ernest L. Padilla

ELP:kkkr

c: James Groce w/enclosure
W. Thomas Kellahin, Esq. w/enclosure
Peter N. Ives, Esq. w/enclosure
James Bruce, Esq. w/enclosure

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 9003

Order No. _____

APPLICATION OF PENNZOIL COMPANY FOR
AN UNORTHODOX OIL WELL LOCATION AND
SIMULTANEOUS DEDICATION, EDDY COUNTY,
NEW MEXICO.

FASKEN PROPOSED ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 21, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of _____, 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, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Pennzoil Company, seeks approval of an unorthodox oil well location for a well to be drilled 150 feet from the South line and 1980 from the East line of Section 4, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, to be completed in the Shipp Strawn Pool and that said well together with applicant's existing Vierson Well No. 2 located in Unit 0 of said Section 4, a commercially producing well, be dedicated to the W/2 SE/4 of said Section 4.

(3) At the time of the hearing several parties owning interests in Sections 4 and 9, Township 17 South, Range 37 East, Lea County, New Mexico, appeared and objected to the proposed unorthodox location.

(4) The geological and engineering evidence presented in this case by the applicant and opposing parties

establishes that a well drilled at a standard location may be presumed to drain, produce and recover its fair and equitable share of oil production from the pool.

(5) The geological evidence offered by applicant showed conclusively that a well drilled at a standard location had an approximately equal opportunity to produce its fair and equitable share of production compared to Barbara Fasken's Consolidated State No. 3 well whose surface location is 660 FNL and 2128 FWL of Section 9, Township 17 South, Range 37 East, NMPM, Eddy County, New Mexico, which since its completion has been a top allowable well in the pool.

(6) The application for unorthodox location should be denied.

(7) The portion of the application dealing with simultaneous dedication of the W/2 SE/4 of said Section 4 is governed by the Shipp Strawn Special Pool Rules and Regulations requiring no hearing.

IT IS THEREFORE ORDERED THAT:

(1) The application of Pennzoil Company for an unorthodox oil well location in the Shipp Strawn Pool as described above is hereby denied.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R.L. STAMETS
Director

S E A L

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

218 MONTEZUMA

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JEFFREY D. HEWETT*
JAMES BRUCE

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JAMES M. HUDSON
MACDONNELL GORDON
REBECCA J. NICHOLS
PAUL R. NEWTON
WILLIAM R. JOHNSON*
CHRISTOPHER S. RAY

December 2, 1986

OF COUNSEL
ROY C. SNODGRASS, 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

R. L. Stamets, Chairman
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: OCC Case No. 9003, Application
of Pennzoil Company for an unorthodox
well location

Dear Mr. Stamets:

Enclosed are two copies of Exxon Corporation's proposed
order in the above matter.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JGB:jr
Enclosures

cc: William Duncan w/enc.
James W. Rodgers w/enc.
Conrad E. Coffield w/enc.
W. Thomas Kellahin w/enc.
Ernest L. Padilla w/enc.
Peter N. Ives w/enc.

RECEIVED

DEC 2 1986

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

APPLICATION OF PENNZOIL COMPANY
FOR AN UNORTHODOX OIL WELL
LOCATION AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW
MEXICO

CASE NO. 9003
Order No. R- _____

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on November 21, 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, the Commission has jurisdiction of this cause and the

subject matter thereof.

(2) The applicant, Pennzoil Company, seeks approval of an unorthodox oil well to be drilled 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, to be completed in the Shipp-Strawn Pool, and the simultaneous dedication of the W1/2SE1/4 of said Section 4 to the subject well and to the existing Vierson Well No. 2 located in Unit O.

(3) The Special Rules and Regulations governing the Shipp-Strawn Pool, as promulgated by Division Order No. R-8962-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) 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.

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

(6) Wells in the Shipp-Strawn Pool which are spaced too closely together will interfere with one another and will ineffectively drain the reservoir and cause waste.

(7) There are currently two wells producing from the

porosity pod underlying the proposed well, and geological evidence presented at the hearing by applicant and Exxon Corporation shows that said porosity pod is less than 80 acres in areal extent.

(8) Applicant is the operator of the Vierson Well No. 2 located in Unit O of said Section 4. Said well has the W1/2SE1/4 of said Section 4 dedicated to it, has produced approximately 70,000 barrels of oil, and has paid out.

(9) The Vierson Well No. 2 produces from a porosity pod separate and distinct from that located beneath the proposed well.

(10) Applicant presented testimony that a well at an orthodox location would be productive.

(11) Applicant presented testimony which indicates that the placement of the subject well at the proposed unorthodox location is necessary in order for the owners of interests in the W1/2 SE1/4 of said Section 4 to recover their share of the oil from the pool, thereby protecting their correlative rights.

(12) Applicant presented geological evidence that approximately 22 acres of the porosity pod underlying the proposed well are located under its unit.

(13) Exxon Corporation presented geological evidence that approximately 13 acres of the porosity pod underlying the proposed well are located under applicant's unit.

(14) The evidence presented indicates that there are approximately 13 acres which may reasonably be presumed to be productive of oil from said porosity pod in the Shipp-Strawn Pool underlying the W1/2 SE1/4 of said Section 4.

(15) A standard 80 acre spacing and proration unit for said pool comprising the W1/2SE1/4 of said Section 4 should be simultaneously dedicated to the existing Vierson Well No. 2 and to the proposed well.

(16) In order to protect the correlative rights of offsetting interest owners, a production limitation factor should be assigned to the proposed well and to the existing Vierson Well No. 2.

(17) The assigned allowable for the subject unorthodox well in said pool shall be based on an acreage factor of 0.1625, or 13 acres divided by 80 acres.

(18) The assigned allowable for the Vierson Well No. 2 in said pool shall be based on an acreage factor of 0.8375, or 67 acres divided by 80 acres.

(19) Due to the unorthodox location and the possibility that the bottom hole location of the proposed well may vary from the surface location, applicant shall regularly report downhole deviation to Exxon Corporation during the drilling of the well.

(20) For good cause shown, after the proposed well is completed, Exxon Corporation may apply to the Commission or

to the Oil Conservation Division for an order requiring applicant to perform a directional survey to determine bottom hole location at total depth, and to provide the information to Exxon Corporation.

(21) Production from the proposed well shall be considered, for the purposes of this order, as production from a common source of supply separate from that of the Vierson Well No. 2 or other of applicant's wells. Metering of production from the proposed well shall be performed if the production therefrom is produced into or stored in common facilities with the Vierson Well No. 2 or other of wells operated by applicant. Metering of commingled production shall be done in accordance with the Division "Manual for the Installation and Operation of Commingling Facilities".

(22) Approval of the subject application subject to the above provisions and limitations afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and 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 existing Vierson Well No. 2 located in Unit O.

(3) The proposed unorthodox well is hereby assigned an acreage factor of 0.1625 in the Shipp-Strawn Pool.

(4) The aforesaid acreage factor shall be used in calculating the subject well's allowable in said pool.

(5) The Vierson Well No. 2 is hereby assigned an acreage factor of 0.8375 in the Shipp-Strawn Pool.

(6) Applicant shall provide all reports regarding downhole deviation, at least twice a week, to Exxon Corporation during the drilling of the subject well.

(7) For good cause shown Exxon Corporation may apply to the Commission or to the Division for an order requiring applicant to perform a directional survey to determine the bottom hole location at total depth, and to provide the information to Exxon Corporation.

(8) Metering of commingled production from the proposed well shall be performed in accordance with Division rules and guidelines.

(9) Jurisdiction of this cause is retained for the

Case No. 9003
Order No. R-_____

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

SEAL

Jim Baca, Member

Ed Kelley, Member

R.L. Stamets,
Chairman and Secretary

CERTIFICATE OF MAILING

Sept ^{*PK*} I hereby certify under oath that on the 16 day of ~~October~~, 1986, I caused to be mailed by regular mail a true and correct copy of the foregoing letter to the following:

Conoco Inc.
P. O. Box 1959
Midland, Texas 79702

Conoco Inc.
Attn: Mr. Hugh Ingram
P. O. 460
Hobbs, New Mexico 88240

Chevron U.S.A., Inc.
Attn: Mr. Mark Castello
P. O. Box 1150
Midland, Texas 79702

Exxon Corporation
P. O. Box 1600
Midland, Texas 79702

Yates Petroleum Corp.
207 South 4th Street
Artesia, New Mexico 88210

Barbara T. Fasken
1901 First National Bank
303 West Wall
Midland, Texas 79701

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762


W. Thomas Kellahin

STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this ~~16th~~ day of ~~October~~, 1986, by W. Thomas Kellahin.
November

My Commission Expires:
Oct 28, 1989


Diana Richardson
Notary Public

W. Thomas Kellahin
Karen Aubrey
Jason Kellahin
Of Counsel

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
September 16, 1986

Telephone 982-4285
Area Code #505

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

SEP 19 1986
MIDLAND

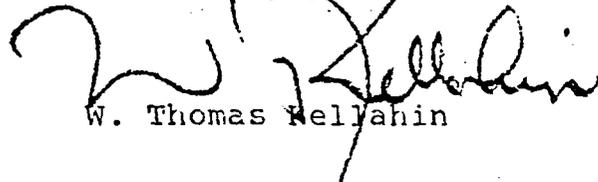
Re: Pennzoil Company
Vierson #3 well
Section 4, T17S, R37E
Lea County, New Mexico

Dear Mr. Stamets:

On behalf of Pennzoil Company, please set the enclosed application for hearing on the next available examiner docket now scheduled for hearing on October 8, 1986.

By copy of this letter and application to the affected offset operators, we are notifying them of their right to appear at the hearing either in support or opposition to the application.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Paul Bruce
Pennzoil Company
P. O. Box 1828
Midland, Texas 79701



1500 WILCO BUILDING/MIDLAND, TEXAS 79701/(915) 684-8051

November 14, 1986

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

Attention: Mr. Richard L. Stamets
Division Director

Re: Pennzoil Company's Request for an
Unorthodox Well Location 150' FNL
and 1980' FEL, Section 4, T-17-S,
R-37-E, Shipp Strawn Field,
Lea County, New Mexico

Gentlemen:

Hanley Petroleum Inc. is the owner of a one-third interest in the NE/4 Section 9, T-17-S, R-37-E (the south offset tract to the captioned proposed well) upon which is located in the NW/4 NE/4 thereof the Exxon Company #2 New Mexico EX State Well which produces from the Shipp Strawn Field Pay.

Please be advised that the engineering staff and management of Hanley Petroleum Inc. have reviewed the facts and data pertinent to this matter and fully support the position of Exxon Company in opposition to the granting of this request of Pennzoil Company for the proposed location of the captioned well.

Yours very truly,

HANLEY PETROLEUM INC.

James W. Rogers
Vice President Land

JWR/bam

BARBARA FASKEN
FASKEN OIL AND RANCH INTERESTS

303 WEST WALL AVENUE, SUITE 1901
MIDLAND, TEXAS 79701-5116
(915) 687-1777

ROBERT T. DICKSON
NORBERT J. DICKMAN

October 3, 1986

RECEIVED
OCT - 6 1986
Department Of Energy, Minerals
Oil Conservation Division
P. O. Box 20000
Santa Fe, New Mexico 87501

Attention: Mr. Richard L. Stamets

Re: Case No. 9003
Pennzoil Company
No. 3 Vierson
Section 4, T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

On behalf of Barbara Fasken, we oppose the application of the Pennzoil Co. to drill the No. 3 Vierson 150 feet FSL of Section 4, T-17-S, R-37-E for the following reasons:

1. The W/2 SE/4 of Section 4, T-17-S, R-37-E, NMPM is already fully developed on 80 acres spacing by the Pennzoil No. 2 Vierson.
2. Rule No. 4 of the Special Rules and Regulations for the Shipp-Strawn Pool requires each well to be drilled within 150 feet of the center of a governmental quarter-quarter section or lot.
3. Rule 5 of the Special Rules and Regulations for the Shipp-Strawn Pool does not apply as there are no unusual topographical conditions or features in the SW/4 of Section 4, T-17-S, R-37-E.
4. The applicant, Pennzoil, has the right according to Rule 2 of the Special Rules and Regulations for the Shipp-Strawn Pool to drill a well on each governmental quarter-quarter section, but not within 150 feet of the lease line - Rule No. 4.
5. Barbara Fasken recently drilled and completed her Consolidated State No. 3 abiding by the provisions of Rule 2 and Rule 4 of the Special Field Rules. This well was spudded on July 15, 1986, and located 660' FNL and 2128' FWL Section 9, T-17-S, R-37-E - a SW offset to Exxon's New Mexico "EX" State No. 2.
6. The Special Field Rules were established to assure orderly development of the Shipp-Strawn Pool and for protection of correlative rights.

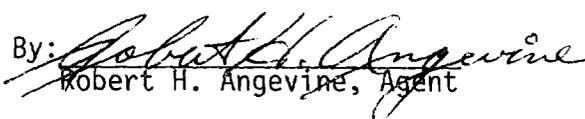
Department Of Energy And Minerals
Santa Fe, New Mexico

Page 2

Your serious consideration of the above listed facts for the protection of
correlative rights will be appreciated.

Yours truly,

Barbara Fasken

By: 
Robert H. Angevine, Agent

RHA:bj

cc: Exxon
Robert Dickson
Richard Brooks

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

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

October 6, 1986

RECEIVED
OCT 8 1986
OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Pennzoil Company
Case 9003
Vierson #3 well
Section 4, T17S, R37E
Lea County, New Mexico

Dear Mr. Stamets:

On behalf of Pennzoil Company, we request that the hearing in this case now set for October 8, 1986 be continued to the Commission hearing set for November, 1986.

By copy of this letter to the affected offset operators, we are notifying them of their right to appear at the hearing either in support or opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Paul Bruce
Pennzoil Company
P. O. Box 1828
Midland, Texas 79701

James G. Bruce, Esq.
Hinkle Law Firm
P. O. Box 2068
Santa Fe, New Mexico 87504

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
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700 UNITED BANK PLAZA
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October 6, 1986

RECEIVED

OCT 6 1986

OIL CONSERVATION DIVISION

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

CLARENCE E. HINKLE (1904-1985)
W. E. BONDURANT, JR. (1913-1973)
ROBERT A. STONE (1905-1981)

*NOT LICENSED IN NEW MEXICO

R. L. Stamets, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

HAND DELIVERED

Re: OCD Case No. 9003, Application
of Pennzoil for an unorthodox
well location, Lea County, New Mexico

Dear Mr. Stamets:

The above case was set for the October 8, 1986 Examiner hearing. I was informed by Mr. Kellahin's office today that the case has been continued until a Commission hearing in November. On behalf of Exxon Corporation, I object to the continuance for the following reasons:

1. Exxon did not and does not agree to the continuance.
2. The OCD, within the past year, set forth a policy that only in exceptional circumstances would examiner hearings be dispensed with. There are no exceptional circumstances in this case which warrant dispensing with the examiner hearing.
3. Mr. Kellahin was informed of Exxon's opposition to a continuance on Friday, October 3rd, yet he obtained the continuance ex parte without any notice to me.

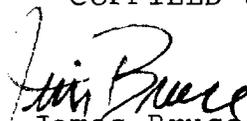
I understand that you are occupied with the NMOGA convention, and will probably not be available to respond to this letter before October 8, 1986. As a result, I have notified Exxon's witnesses not to travel to Santa Fe for the October 8, 1986 hearing. A hearing could probably not be held on October 8th anyway, because I'm sure Pennzoil's witnesses will not be present.

R. L. Stamets
October 6, 1986
Page 2

In conclusion, Exxon requests that the decision to hear this case by the full Commission be revoked, and that it be set for the next available examiner hearing.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JGB:jr

cc: W. Duncan
C. Coffield
T. Kellahin

EXXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT
SOUTHWEST/ROCKY MOUNTAIN DIVISION



October 1, 1986

Case 9003

Waiver Request for
Unorthodox Location
SE-4 Sec. 4, T17S-R37E
Shipp (Strawn) Pool
Lea County, New Mexico

Paul L. Bruce
District Production Manager
Pennzoil Company
P. O. Drawer 1828
Midland, Texas 79702-1828

Dear Mr. Bruce:

Exxon Corporation objects to the application of Pennzoil Company to complete a well in the Shipp (Strawn) Pool at an unorthodox location in the southeast quarter of Section 4, T17S-R37E, Lea County, New Mexico. By copy of this letter to Mr. R. L. Stamets, New Mexico Oil Conservation Division, we ask that Pennzoil's application be considered protested for the purposes of hearing.

Sincerely,

A handwritten signature in cursive script, appearing to read "James B. Goddard".

for R. D. Goddard

RDG:wtt

xc: R. L. Stamets, NMOCD
C. E. Coffield, Hinkle, Cox, Eaton, Coffield & Hensley

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

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

September 16, 1986

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Pennzoil Company
Vierson #3 well
Section 4, T17S, R37E
Lea County, New Mexico

RECEIVED
SEP 16 1986
OIL CONSERVATION DIVISION

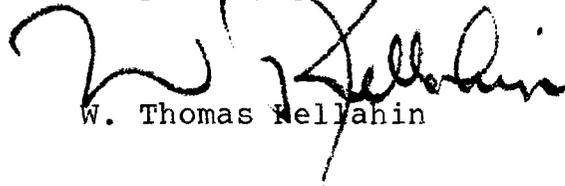
Case 9003

Dear Mr. Stamets:

On behalf of Pennzoil Company, please set the enclosed application for hearing on the next available examiner docket now scheduled for hearing on October 8, 1986.

By copy of this letter and application to the affected offset operators, we are notifying them of their right to appear at the hearing either in support or opposition to the application.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Paul Bruce
Pennzoil Company
P. O. Box 1828
Midland, Texas 79701

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. IVES
JOHN H. BEMIS

GUADALUPE PLACE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

December 5, 1986

HAND DELIVERED

R. L. Stamets, Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

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OIL CONSERVATION DIVISION

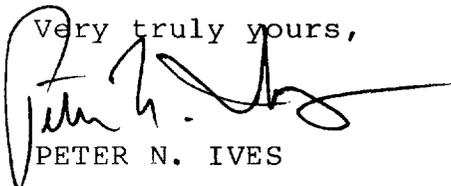
Re: OCD Case No. 9003: In the Matter of the
Application of Pennzoil Company for an
Unorthodox Oil Well Location, Shipp-Strawn
Oil Pool, Lea County, New Mexico.

Dear Mr. Stamets:

Enclosed please find Phillips Petroleum Company's Proposed Order
of the Commission in the above-referenced case.

If you have any questions regarding this matter, please do not
hesitate to let us know.

Very truly yours,


PETER N. IVES

PNI/ab
Enclosure

cc w/enclosure: George Terry, Phillips Petroleum Company
Jim Bruce, Hinkle, Cox, Coffield & Hensley
Ernie Padilla
Tom Kellahin

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

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

CASE NO. 9003
ORDER NO. R-

PHILLIPS PETROLEUM COMPANY'S
PROPOSED ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 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 _____ 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:

(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 112, as amended, the Commission has jurisdiction of this cause and the parties and the subject matter thereof.

(2) The Applicant, PENNZOIL COMPANY ("Pennzoil") seeks an exception to the Special Rules and Regulations for the Shipp-Strawn Oil Pool as promulgated by Division Order R-8062, as amended, to authorize an unorthodox oil well location for its

Viersen #3 well at a surface location 150 feet from the South line and 1980 feet from the East line of Section 4, T17S, R37E, and to simultaneously dedicate the W/2 SE/4 of said Section 4 to the well and to the existing Viersen #2 well located 1300 feet from the South line and 1650 feet from the East line of said Section 4.

(3) Pennzoil seeks to drill its Viersen #3 well 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 #2 well at a bottom hole location 146 feet from the South end of the Pennzoil spacing and proration unit.

(4) Phillips is the operator and working interest owner of the SE/4 SW/4 (Unit N) of Section 4, Township 17 South, Range 37 East, in the Shipp-Strawn Pool, which is immediately west of the proposed Viersen #3 location.

(5) Phillips has applied for an unorthodox oil well location 330 feet from the South line and 2500 feet from the West line on said tract which application is currently pending before Hearing Examiner Catanach in Case No. 9036.

(6) Phillips has proposed a 0.500 penalty be applied to this unorthodox location and proposes an identical penalty on allowable be imposed here.

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

(8) Both the Pennzoil and Exxon isopachs establish that the Exxon well does drain and the proposed Pennzoil Viersen #3 Well would drain the Phillips' unit.

(9) Exxon, as the operator of the "EX" State #2 well, appeared at the hearing and objected to approval of the unorthodox location for the Pennzoil Viersen #3 well unless a penalty of 84% is imposed on the spacing and proration unit assigned to the Pennzoil well. That penalty was based on Exxon's geologic interpretation which gave the Pennzoil tract only 13 productive acres.

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

(11) That approval of a penalty factor as proposed by Exxon fails to consider that Exxon's own isopach shows that only 30 acres out of its own 80 acre unit are potentially contributing productive acreage to its own well.

(12) Should the Commission approve the Exxon method of penalty, it will have imposed an unfair and unjustified penalty on a geologic interpretation made by Exxon which was not supported by engineering data and fails to consider the ratio of Exxon's productive acreage to that of Pennzoil's.

(13) The Pennzoil isopach (Exhibit 1) and the Exxon isopach (Exhibit 2) are inadequate and unreliable indicators of the size and shape of the reservoir and cannot be used to determine the net productive acreage underlying either tract in the Exxon pod or mound.

(14) The existing geologic evidence presented to the Commission is too speculative to determine the productive acreage in the Exxon-Fasken pod or mound.

(15) The expert testimony presented on this issue by all parties did not conclusively establish the exact number of productive acres nor did it establish either the upper or lower limits to such number.

(16) In the absence of such conclusive evidence, the Commission should presume that the Fasken, Exxon, Phillips and Pennzoil acreage is productive unless condemned.

(17) That the Exxon "EX" State #2 well has already produced 85,000 barrels of oil and is capable of producing a top allowable of 445 barrels a day and unless the Pennzoil and Phillips locations are approved with sufficient allowable to give them a reasonable opportunity to compete against the Exxon well, then drainage from the Pennzoil and Phillips tracts to the Exxon tract will occur and Pennzoil's and Phillips' correlative rights will be violated.

(18) In order to protect the correlative rights of offsetting interests owners, a production limitation factor should be assigned to the proposed well and to the existing Vierson Well No. 2.

(19) The assigned allowable for the subject unorthodox well in said pool shall be based on an acreage factor of 0.500, or 40 acres divided by 80 acres.

(20) The assigned allowable for the Vierson Well No. 2 in said pool shall be based on an acreage factor of 0.500, or 40 acres divided by 80 acres.

(21) Approval of the application subject to the above provisions and limitations affords the Applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Pennzoil Oil 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, T17S, R37E, N.M.P.M., Lea County, New Mexico.

(2) The W/2 SE/4 of said Section 4 shall be dedicated to the above-described well.

(3) The above-described well is hereby assigned an acreage factor of 0.500 in the Shipp-Strawn Oil Pool.

(4) The aforesaid acreage factor shall be used in calculating the subject well's allowable in said pool.

5) 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

S E A L

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

December 2, 1986

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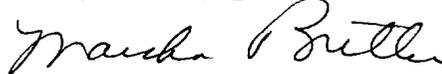
Mr. Richard Stamets, Director
Oil Conservation Commission
New Mexico State Land Office Building
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION

Dear Mr. Stamets:

Enclosed is an original and two copies of a Proposed
Order in Case No. 9003.

Very truly yours,



for W. Thomas Kellahin

WTK:mlb

Enclosures

cc: All counsel of record

**STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION**

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

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

CASE NO. 9003
ORDER NO. R-_____

**PENNZOIL COMPANY'S
PROPOSED ORDER OF THE COMMISSION**

BY THE COMMISSION:

This cause came on for hearing at 9:00 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 _____ 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:

(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 112, as amended, the Commission has jurisdiction of this cause and the parties and the subject matter thereof.

(2) The applicant, Pennzoil Company ("Pennzoil") seeks an exception to the Special Rules and Regulations for the Shipp-Strawn Oil Pool as promulgated by Division Order R-8062, as amended, to authorize an unorthodox oil well location for its Viersen #3 well at a surface location 150 feet from the South line and 1980 feet from the East line of

CASE NO. 9003
ORDER NO. R-_____

Section 4, T17S, R37E, and to simultaneously dedicate the W/2 SE/4 of said Section 4 to the well and to the existing Viersen #2 well located 1300 feet from the South line and 1650 feet from the East line of said Section 4.

(3) Pennzoil seeks to drill its Viersen #3 well 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 #2 well at a bottom hole location 146 feet from the South end of the Pennzoil spacing and proration unit.

(4) Pennzoil presented a net pay isopach of the Shipp Strawn pod or mound from which the Exxon well is producing which establishes that the Exxon well is draining the Pennzoil spacing unit. (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.

(5) Exxon, as the operator of the "EX" State #2 well, appeared at the hearing and objected to approval of the unorthodox location for the Pennzoil Viersen #3 well unless a penalty of 84% is imposed on the spacing and proration unit assigned to the Pennzoil well. That penalty was based on Exxon's geologic interpretation which gave the Pennzoil tract only 13 productive acres.

(6) That approval of a penalty factor as proposed by Exxon fails to consider that Exxon's own isopach shows that only 30 acres out of its own 80 acre unit are potentially contributing productive acreage to its own well.

(7) Should the Commission approve the Exxon method of penalty it will have imposed an unfair and unjustified penalty on a geologic interpretation made by Exxon which was not supported by engineering data and fails to consider the ratio of Exxon's productive acreage to that of Pennzoil's.

CASE NO. 9003

ORDER NO. R-_____

(8) The Pennzoil isopach (Exhibit 1) and the Exxon isopach (Exhibit 2) are inadequate and unreliable indicators of the size and shape of the reservoir and cannot be used to determine the net productive acreage underlying either tract in the Exxon pod or mound.

(9) Because Exxon has refused to conduct bottom hole pressure survey on its "EX" State #2 well, there is no reliable engineering data available from which to determine the size, shape, orientation, net productive acres, or net acre feet of pay underlying either the Exxon tract or the Pennzoil Tract.

(10) The existing geologic evidence is too speculative to determine the productive acreage in the Exxon-Fasken pod or mound.

(11) The expert testimony presented on this issue by all parties did not conclusively establish the exact number of productive acres nor did it establish either the upper or lower limits to such number.

(12) No engineering data (including production or pressure information) exists from which to make either a volumetric or material balance calculation that is reliable to determine the volume of oil in place in the reservoir or to determine the size and shape of that reservoir.

(13) In the absence of such conclusive evidence, the Commission should presume that the Fasken, Exxon and Pennzoil acreage is productive unless condemned.

(14) Pennzoil provided adequate geological and engineering data to demonstrate that the Viersen #2 well, located 1300' FSL and 1650' FEL, NW/4 SE/4 of said Section 4, is draining only approximately 10+ acres.

(15) The Pennzoil Viersen #2 well is currently producing 38 barrels of oil a day from an isolated 10 acre reservoir that is not in communication with the Exxon well and is unable to protect the Pennzoil unit from drainage by the Exxon "EX" State #2 well.

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ORDER NO. R-_____

(16) The Pennzoil 80-acre spacing unit is presumed productive except for the approximately ten to thirty acres which are actually known to have been or which are being drained by the Viersen #2 well.

(17) Because of the location and orientation of the Viersen #2 well it can be reasonably presumed that the Viersen #3 well could have 50 acres out of 80 acres available to it.

(18) That the Exxon "EX" State #2 well has already produced 85,000 bbls of oil and is capable of producing a top allowable of 445 barrels a day from a bottom hole location of only 146' from the Pennzoil spacing unit, and unless the Pennzoil location is approved with sufficient allowable to give it a reasonable opportunity to compete against the Exxon well, then drainage from the Pennzoil tract to the Exxon tract will occur and Pennzoil's correlative rights will be violated.

(19) The imposition of a penalty on the Pennzoil well will simply allow the drainage of the Pennzoil Unit by the Exxon well to continue, and that drainage will increase as the size of the penalty is increased.

(20) That if the Pennzoil well were moved to the closest standard location (510 feet from the South line) it would not be able to protect the Pennzoil Unit from drainage by the Exxon well and therefore the Pennzoil unorthodox location should be approved either without a penalty, or with a penalty based on 30 condemned acres.

(21) There is sufficient engineering and geological data available, including but not limited to the fact that both the bottom hole location of the Exxon and Fasken wells have deviated approximately 150 feet North of their respective surface locations, to justify the Commission in not using the type of penalty formula used in Order R-8025 and Order R-8239.

CASE NO. 9003
ORDER NO. R-_____

(22) Although Fasken appeared at the hearing and objected to the approval of the Pennzoil location, Fasken's expert witness testified that in his opinion the Exxon Unit, the Fasken Unit and the Pennzoil Unit each had 80 productive acres available.

(23) That the Pennzoil location is a standard location in relation to the Phillips' Unit and the Fasken Unit and approval of the Pennzoil application will not violate the correlative rights of either Fasken or Phillips.

(24) The Pennzoil Viersen #3 well should be approved at the requested location and assigned an allowable in accordance with the following:

(a) That the Viersen #2 well shall be assigned an acreage factor of 30/80 or 37.5% of 445 or 166.87 barrels a day;

(b) That the Viersen #3 well shall be assigned an acreage factor of 50/80 or 62.5% of 445 barrels or 278.125 barrels a day.

(25) Pennzoil will provide information concerning the make up of the drill string along with all deviation surveys on a daily basis to Exxon while the Viersen #3 is being drilled.

(26) That upon drilling and completion of the Viersen #3 well, Pennzoil and Exxon shall each be entitled to return to the Commission for a productive acreage hearing to determine how the allowables for all wells in the Exxon-Fasken pod or mound should be adjusted so that each operator has a reasonable opportunity to produce its just and fair share of the reserves underlying its tract.

(27) Approval of the application subject to the above provisions and limitations affords the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

CASE NO. 9003
ORDER NO. R-_____

IT IS THEREFORE ORDERED THAT:

(1) The application of Pennzoil Oil 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, T17S, R37E, NMPM, Lea County, New Mexico.

(2) The W/2 SE/4 of said Section 4 shall be dedicated to the above-described well.

(3) The above-described well is hereby assigned an acreage factor of 0.625 in the Shipp-Strawn Oil Pool.

(4) The aforesaid acreage factor shall be used in calculating the subject well's allowable in said pool.

(5) 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

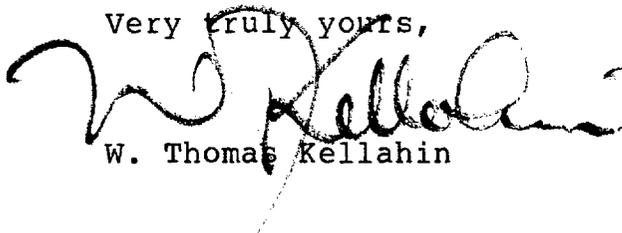
S E A L

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 dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W'.

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.

HINKLE, COX, EATON, COFFIELD & HENSLEY

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CLARENCE E. HINKLE (1901-1989)
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*NOT LICENSED IN NEW MEXICO

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January 23, 1987

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