

Office

District I - (575) 393-6161

1625 N French Dr., Hobbs, NM 88241

District II - (575) 748-1283

811 S. First St., Artesia, NM 88210

District III - (505) 334-6178

1000 Rio Brazos Rd., Aztec, NM 87401

District IV - (505) 476-3460

1220 S St. Francis Dr., Santa Fe, NM

87505

State of New Mexico

Energy, Minerals and Natural Resources

Form C-103

Revised August 1, 2011

HOBBS OCD

OIL CONSERVATION DIVISION

JUL 13 2012

1220 South St. Francis Dr.

Santa Fe, NM 87505

RECEIVED

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS)		WELL API NO. 30-025-06838
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator CHEVRON U.S.A. INC.		6. State Oil & Gas Lease No.
3. Address of Operator 15 SMITH ROAD, MIDLAND, TEXAS 79705		7. Lease Name or Unit Agreement Name EUNICE KING
4. Well Location Unit Letter D : 660 feet from the NORTH line and 660 feet from the WEST line Section 28 Township 21-S Range 37-E NMPM County LEA		8. Well Number 2
11. Elevation (Show whether DR, RKB, RT, GR, etc.)		9. OGRID Number 4323
10. Pool name or Wildcat PENROSE; SKELLY GRAYBURG		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
 DOWNHOLE COMMINGLE ☐

OTHER: CLEAN OUT & ACIDIZE

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
 COMMENCE DRILLING OPNS. ☐ P AND A ☐
 CASING/CEMENT JOB ☐

OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

CHEVRON U.S.A. INC. INTENDS TO CLEAN OUT AND ACIDIZE THE SUBJECT WELL.

PLEASE FIND ATTACHED, THE INTENDED PROCEDURE, WELLBORE DIAGRAM, & C-144 INFORMATION.

Spud Date:

Rig Release Date:

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

SIGNATURE Denise Pinkerton TITLE REGULATORY SPECIALIST DATE: 07-11-2012Type or print name DENISE PINKERTON E-mail address: leakejd@chevron.com PHONE: 432-687-7375

For State Use Only

APPROVED BY [Signature] TITLE Dist. Mgr DATE 7/16-2012

Conditions of Approval (if any):

JUL 16 2012

Eunice King #2
Penrose Skelly- Grayburg
T21S, R37E, Section 28
N 32° 27' 19.044", W -103° 10' 25.536" (NAD27)
Job: Clean out, N₂ Acidize

6.25.2012

Procedure:

This procedure is meant to be followed. It is up to the WSM, Remedial Engineer and Production Engineer to make the decisions necessary to do SAFELY what is best for the well. In the extent that this procedure does not reflect actual operations, please contact RE, PE and Superintendent for possible MOC.

1. Ensure location is in appropriate conditions, anchors have been tested within the last 24 months, power line distance has been verified to determine if variance is needed and the right tools are scheduled for the energized job.
2. Verify that well does not have pressure or flow. If well has pressure, note tubing and casing pressures on Wellview report. Bleed down well; if necessary, kill with cut brine fluid (8.6 ppg) *Well has low bottom hole pressure so try to minimize amount of fluid pumped into well.*
 - **Caliper elevators and tubular EACH DAY prior to handling tubing/tools. Note in JSA when and what items are callipered within the task step that includes that work.**
3. MI & RU workover unit.
4. Unseat pump, POOH with rods and pump. Examine rods for wear/pitting/paraffin and capture any samples for analysis. Do not hot water unless necessary. ND wellhead, unset TAC, NU BOP. POOH and LD 1 jt, PU 7" packer and set ~ @ 25', test BOP pipe rams to 250 psi/500 psi. Note testing pressures on WellView report. Release and LD packer.
5. POOH while scanning 2-7/8" prod tubing (TAC 3,500', Top Liner 3,567', Bottom liner 4,156', EOT 3,872', PBTB 3,900'). LD TAC and 2-7/8" tbq, remove all non-yellow band tbq.

Note: Strap pipe out of the hole to verify depths and note them on Wellview report.
Send scan log report to lgbi@chevron.com.

- **Caliper elevators and tubular EACH DAY prior to handling tubing/tools. Note in JSA when and what items are callipered within the task step that includes that work.**
6. PU and RIH 4-3/4" MT bit, 3-1/2" drill collars on 2-7/8" L-80 WS hydrotesting to 6000 psi to match maximum pressure. Tag and record fill depth. RU power swivel and clean out to 3,970'. POOH with 2-7/8" WS and bit. LD bit & BHA.

Note: If circulation is not expected, notify Remedial Engineer to discuss CO with bailer (continue to step 7) or foam/air unit (continue to supplemental procedure on back).
 7. PU and RIH with 4-3/4" MT and Bulldog bailer on 2-7/8" 6.5# L-80 WS. Tag and record fill depth. Clean out to 3,970'. POOH and LD bit & BHA.
 - **Expect trapped pressure inside tubing while breaking connections during bailing operations, discuss on JSA and mitigate hazard. Use mudbucket (remove bottom seals if applicable) while breaking connections.**
 8. POOH. LD bit & BHA.

9. PU and RIH with 5-1/2" treating packer on 2-7/8" 6.5# L-80 WS. Set packer ~ 3,620'. Load and test backside to 500 psi.
10. Prep location for N2 Acid Treatment. RU 2 open tanks (equipped with gas buster) and set them on opposite sides of the prevailing wind on location if possible. This is to ensure the flow is directed downwind at all times. Steel lines are to be secured with safety restraints as shown on **Image A**. If Service Company lacks safety restraints contact Guardian for rental. NU TIW valve rated for 10,000 psi (**newly-tested and functioned**). Have flowback crew and choke manifold ready for flowback stage. Ensure all flowback equipment has current inspection and is properly secure.
11. Pressure up and maintain 300 psi on backside throughout acid job, monitor it and bleed down as necessary. If leak is detected go to flush and take necessary steps to correct.
12. MI & RU Service Company. **Test lines to 6,000 psi**. Treat perfs from 3,652' to 3,876' per schedule on Table A.
Maximum treating pressure at surface is 5,000 psi. Set pop-off to less than 5,000 psi.
13. Pump 3 bbls of Brine water ahead @ 2 BPM. **Set maximum rate @ 5 BPM.**

Acidize following Table A below

Note: Please refer to the attached N2 Acid Job Procedure for full details.

Table A. Treatment Schedule

PUMPING SCHEDULE					
STAGE 1					
Step Name	Pump Rate bbl/min	Fluid Name	Step volume gal	Proppant	Prop. Conc. PPA
Circulate	5.0	Brine (2% KCl)	100		0.0
Acid	5.0	15% HCl (50% Q N2)	800		0.0
Acid	5.0	15% HCl (75% Q N2)	1,900		0.0
Acid	5.0	15% HCl (50% Q N2)	800		0.0
Acid	5.0	15% HCl (75% Q N2)	1,800		0.0
Acid	5.0	15% HCl (50% Q N2)	800		0.0
Acid	5.0	15% HCl (75% Q N2)	1,900		0.0
Acid	5.0	15% HCl (50% Q N2)	800		0.0
Spacer	5.0	Brine (2% KCl)	200		0.0

Stage Descriptions / Flush Volumes			
Stage Description	Fluid Name	Fluid volume gal	Stage Time min
Stage 1 (Perf MD = 3650.00 - 3900.00 ft)	Nitrogen Flush	924	4.4

Fluid Totals	
15% HCl (50% Q N2)	3,200 gal
15% HCl (75% Q N2)	5,600 gal
Brine (2% KCl)	300 gal

Proppant Totals	
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Pump a total of 8,800 gals (209 barrels) of anti-sludge **15% HCl foamed acid*** per attached procedure.

14. Displace acid to bottom perf (3,894') with 100% Nitrogen as indicated on last stage.

15. RDMO. Shut in well for 4 hrs for the acid to spend. Monitor casing pressure to keep it below 300 psi. Bleed off excess pressure if necessary.

Note: Acid job MUST start in the morning. If acid job is deferred, contact Remedial Engineering to discuss postponing job until the following day.

16. Flow well back to open tank. **If necessary, discuss flowing the well 24 hours a day as long as all the safety precautions are in place. Ensure light towers and a 2-man flowback crew are in place.**
17. Flowback well dead (may take 1 or 2 days), **Notify Derek Nash @ 432-687-7506 before pumping any kill fluid.**
 - **Ensure all personnel on location are aware of N2/H2S release and proper hazard mitigation and discussion is in place. Gas is to be vented downwind to either open tank at all times during flowback.**
 - **Consider a safety trailer and 4-way monitor system to monitor well flowback.**
18. Release packer, POOH and LD packer.
19. PU and RIH with 4-3/4" MT bit on 2-7/8" L-80 WS tag for fill. If fill entry was identified @ 3,970' or above, clean-out to (3,970').
20. POOH & LD 2-7/8" WS and BHA.
21. RIH with 2-7/8" production tubing hydrotesting to 5,000 psi. **Set TAC per ALCR recommendation and record it on WellView.**
22. ND BOP. NU WH. **RIH with rods and pump per ALCR and record how much the pump was spaced-out on WellView.** Hang well on.
23. RD and release workover unit. Turn well over to production (contacts on back). Clean location.

FOAM / AIR CLEANOUT PROCEDURE

- This procedure is an addition to the original procedure.
 1. Install flowback manifold with two chokes. All components on flowback manifold must be rated to at least 5,000 psi. If possible, flowback manifold components should be hydrotested before delivery. Hardline pipes from 2" casing valve to manifold to half pit with gas buster.
 2. Install flowback tank downwind from rig.
 3. Position Air unit upwind from Rig next to water tanks. Have vacuum truck on standby to empty halfpit. (if needed)
 4. RIH w/ 4-3/4" MT bit, bit sub (with dart-type float), 4 (3-1/2") drill collars on 2-7/8" 6.5# L-80 WS.
 5. NU stripper head with **NO Outlets** (Check stripper cap for thread type - course threads preferred). **Stripper head to be stump tested to 1,000 psi before being delivered to rig.** Check chart or test at rig.
 6. RU foam air unit. Make quality foam on surface before going down hole with foam/air. Install flapper float at surface before beginning to pump. Break circulation with foam/air. Evacuate fluid from well.

Pump high quality foam at all times. Do not pump dry air at any time. Fluid injection rates will generally be above 12 gallons per minute

Whenever there is pressure on the stripper head, have a dedicated person continuously monitor pressure at choke manifold and have a dedicated person at accumulator ready to close annular BOP in case stripper leaks. Do not allow pressure on stripper head to exceed 500 psi. If pressure cannot be controlled below 500 psi, stop pumping, close BOP and bleed off pressure.

7. Clean out fill to PBTD (3,970') with low RPM's rotation and circulation, always keep pipe moving. Short trips can be beneficial to hole cleaning. Circulate well clean for at least 1 hour at the end of the day.
8. When tripping out of hole, have special float bleed off tool available to relieve trapped pressure below float.

Ensure that high quality, stiff foam is pumped while circulating the fill. Stiff foam is required to prevent segregation while circulating. Monitor flow and pressures carefully when cleaning out.

Before rigging up power swivel to rotate, carefully inspect Kelly hose to ensure that it is in good condition. Ensure that swivel packing is in good condition.

Continue to step 8.

WELL DATA SHEET

Fields: Penrose Skelly
 Location: 660' FNL & 660' FWL
 County: Lea State: New Mexico
 Current Status: OIPR
 Current Producing Formations: Grayburg
 Initial Formation: Grayburg

Well Na Eunice King #2
 Sec: 28-D Township: 21S
 Refr FA7935 API: 30-025-06838

Lease Type: Fee
 Range: 37E
 Cost Center: UCU491600

Surface Csg.

Size: 13 3/8"
 Set @: 35'
 Sxs cmt: 40
 Circ: Yes
 TOC: Surface

Intermediate Csg.

Size: 9 5/8"
 Wt.: 36#
 Set @: 1232'
 Sxs cmt: 600
 Circ: Yes
 TOC: Surface
 Hole Size: 12"

Production Csg.

Size: 7"
 Wt.: 22# 10 thrd Seamless Steel
 Set @: 3675'
 Sxs Cmt: 200
 Circ: not initially
 TOC: circ to surf in 1993
 Hole Size: 8 3/4"

Casing Liner

Size: 5 1/2"
 Wt.: 15.5# Hydril FJ
 Set @: 4156'
 Sxs Cmt: 210
 Circ: Yes
 TOL: 3567'
 Hole Size: 6 1/4"

Base Of 7" Csg @ 3675'

Csg leak @ 1003', sqzd w/200 sx cmt to surf (1993)

Tubing Detail:

#Jts:	Size:	Footage
	KB Correction	0.00
112	Jts. 2 7/8" EUE J-5	3497.41
1	TAC	2.70
8	Jts. 2 7/8" EUE J-5	251.63
1	Jts. 2 7/8" EUE J-5	32.21
1	SN	1.10
1	2 7/8" Tbg Sub	4.00
1	Cavins Desander	20.11
1	Dump Valve	62.57
126	Bottom Of String >	3871.73

Rod Detail:

#Jts:	Size:	Footage
1	Polished Rod 1 5"	26.00
1	7/8" N-78 sub	2.00
63	7/8" N-78 25 rod	1575.00
79	3/4" N-78 25 rod	1975.00
8	1 5" KB	200.00
1	Dump	20.00
1	Strainer	0.60
154	Bottom Of String >	3798.60

TOL @ 3567'

Perfs:	Status:
3652-56'	Grayburg - Open
3664-68'	Grayburg - Open
3683-86'	Grayburg - Open
3690-94'	Grayburg - Open
3704-12'	Grayburg - Open
3724-30'	Grayburg - Open
3738-42'	Grayburg - Open
3748-52'	Grayburg - Open
3762-66'	Grayburg - Open
3777-85'	Grayburg - Open
3796-3800'	Grayburg - Open
3808-12'	Grayburg - Open
3818-24'	Grayburg - Open
3828-32'	Grayburg - Open
3839-47'	Grayburg - Open
3852-54'	Grayburg - Open
3864-67'	Grayburg - Open
3872-76'	Grayburg - Open

PBTD: Unknown
 TD: 4578'

4 3/4" OH f/4156-4578' (TOC Unknown)

Prepared by: Sam Sirgo
 Date: 6/4/2012