

fr CASE 5720; HARVEY E. YATES FOR
AN EXCEPTION TO ORDER NO. R-3221, C.
EDDY COUNTY, NEW MEXICO

CASE NO.

5720

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

CASES 5719, 5720, 5721, 5722 and 5723
were consolidated. All exhibits and the
transcripts may be found in Case File
5719

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 17, 1977

COMMISSION HEARING

IN THE MATTER OF:

| | | |
|---|---|-----------------|
| Applications of La Rue and Muncy, |) | CASES (De Novo) |
| Harvey E. Yates, H & S Oil Company, |) | 5719 |
| Gene Snow and Marbob Energy Corporation) |) | 5720 |
| for exception to Order No. R-3221, |) | 5721 |
| Eddy County, New Mexico. |) | 5722 |
| |) | 5723 |

BEFORE: Joe D. Ramey, Director
Emery C. Arnold, Member
Phil R. Lucero, Member

Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicants: A. J. Losee, Esq.
LOSEE & CARSON, P.A.
Attorneys at Law
300 American Home Building
Artesia, New Mexico

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

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1 MR. RAMEY: The hearing will come to order. We will
2 call the first case on the docket.

3 MS. TESCHENDORF: Do you want us to call them all,
4 sir?

5 MR. LOSEE: Yes.

6 MS. TESCHENDORF: We will consolidate Cases 5719,
7 5720, 5721, 5722 and 5723 for purposes of testimony and these
8 are the applications of La Rue and Muncy, Harvey E. Yates,
9 H & S Oil Company, Gene Snow and Marbob Energy Corporation for
10 an exception to Order No. R-3221, Eddy County, New Mexico.

11 MR. RAMEY: I'll ask for appearances.

12 MR. LOSEE: A. J. Losee appearing on behalf of the
13 applicants. I have one witness, Mr. Ed Kinney.

14 MR. RAMEY: Would you swear the witness?

15 (THEREUPON, the witness was duly sworn.)

16 MR. LOSEE: I would like to apologize for our tardi-
17 ness in appearance this morning and hope in view of the
18 brevity of our presentation that it will be forgiven.

19 I'm not sure that counsel for the Commission did move
20 but I would like to move to consolidate these cases for purposes
21 of hearing and have the record so show.

22 MR. RAMEY: That will be fine, Mr. Losee, to consoli-
23 date.

24 EDWARD E. KINNEY

25 called as a witness, having been first duly sworn, was

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1 examined and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. LOSEE:

4 Q Would you state your name, residence and occupation?

5 A Edward E. Kinney, I reside in Artesia, New Mexico,
6 I'm a consultant in oil and water matters in Artesia.

7 Q Have you previously testified before this Commission
8 and had your qualifications accepted as a geologist and an
9 expert in water matters?

10 A I have previously testified before this Commission
11 with regards to oil matters, not as to water matters in
12 particular.

13 Q Would you give the Commission some of your -- first
14 your educational background in connection with water matters?

15 A I studied ground water under Tollman at Stanford
16 University and I have worked on the City of Carlsbad water
17 case a couple of years ago and I have appeared in several cases
18 before the State Engineer as an expert witness in water
19 matters.

20 MR. LOSEE: Are Mr. Kinney's qualifications acceptable?

21 MR. RAMEY: Yes, we will consider him qualified.

22 Q (Mr. Losee continuing.) Would you state the purpose
23 of this application in these four cases or applications?

24 A The purpose of these applications is to seek variance
25 to the regulations to permit the disposition of or disposal of

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1 produced oil field waters into unlined earthen pits.

2 Q How many wells, Mr. Kinney, are involved?

3 A Twelve wells, to the best of my recollection.

4 Q How many pits?

5 A Seven pits.

6 Q Now, you are aware that this is a De Novo proceeding
7 and the prior orders of the Commission in these cases denied
8 the applications, are you not?

9 A Yes, sir.

10 Q Would you briefly explain the findings in those
11 orders?

12 A In the previous hearings fresh water was determined
13 to be in the vicinity of the pits. It was also determined
14 that surface drainage was away from the fresh water but no
15 determination or no evidence was given as to subsurface
16 draining, underground water movement and for that reason the
17 application was denied.

18 Q Okay, would you please refer to what has been
19 marked as Applicants' Exhibit One and explain what is portrayed
20 by this exhibit?

21 A Applicants' Exhibit One is two maps of the USGS
22 topographic series, one labeled Oil City, the other Clayton
23 Basin, that have been joined together to form one map covering
24 the area adjacent to the leases held by the various parties
25 in these cases.

1 Q What does the yellow area indicate?

2 A The yellow area is a coloring between the thirty-five
3 hundred and thirty-five ten contour, surface contour on these
4 maps for the purpose of showing the surface structure of the
5 area, to show the Loco Hills Ridge, the Nimenim Ridge and the
6 valleys in between.

7 Q Okay, now, the brown is also --

8 A The brown is also for the same purpose, it is the
9 contour interval between thirty-four fifty and thirty-four
10 sixty to give a little more depth to the outline of the
11 geography.

12 Q Okay, now, where does the Loco Hills Ridge run with
13 respect to these wells which are the subject of this application?

14 A The Loco Hills Ridge starts in Section 5 of Township
15 19 South, Range 29 East -- wait a minute, it's 30 East,
16 excuse me -- and proceeds north by northeast right through the
17 center of the H & S property, the La Rue and Muncy property.

18 Most of the leases lie to the west of this ridge,
19 with just the two, the H & S and the La Rue and Muncy lying on
20 top of the ridge.

21 Q What are the red dots, what does that signify?

22 A The red dots are the locations of the disposal pits
23 presently on the leases.

24 Q Now, with respect to those pits that lie west of the
25 Loco Hills Ridge, where will they drain if they overflow?

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1 A If they overflow they will drain southerly and then
2 somewhat southwesterly down into the area in Section 18 of
3 Township 19 South, Range 30 East.

4 Q In other words, southerly from the leases?

5 A Southerly from the leases, yes, sir. The leases
6 are in Sections 32 and 33 and the drainage will be to the
7 south until you hit Section 8 and then kind of southwesterly
8 into Section 18.

9 Q Okay, now, I notice one of the pits is on top of
10 the ridge, where will it drain?

11 A Essentially it is a flat area there and there is not
12 much likelihood of any directional drainage. Let me say this
13 in regard to the previous question that in the event of a hard
14 rain, none of these pits are likely to overflow for the simple
15 reason that each is located in a structural depression that
16 is high enough to contain the water but lower than some of
17 these contours that appear here. There is four or five feet
18 of embankment, just natural depressions in the blow sand.

19 Q Okay, now, Mr. Kinney, you were telling me what
20 would happen to the water on top of the ridge?

21 A The water on the top of the ridge, it will just
22 sink down into the sands. It's too flat there, I don't think
23 that it will flow either way but if it did, part of it might
24 go to the southeast and part might go to the southwest but
25 essentially it would just sink right into the top of the

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1 ridge there.

2 Q All right, now, one of the pits is located on the
3 east side of that?

4 A Okay, that pit that is located on the east side of
5 the Loco Hills Ridge will drain to the southeast into the
6 the little depression that shows at the bottom of Section 34
7 and then if there is any excess it would tend to flow on down
8 south toward the Amax Potash mine.

9 Q Okay, now, is that opinion supported by the topography
10 shown on this map?

11 A Yes, sir, by the contours.

12 Q Okay, now, you talked about the water sinking into
13 the blow sand, at least with respect to the pit up on the
14 ridge, what will happen to that water when it sinks into the
15 blow sand?

16 A The water that will sink into the blow sand or the
17 dune sand will percolate downward until it comes to the top
18 of the Redbed section, which is in some cases a few feet to a
19 maximum of a very few tens of feet of blow sand there and
20 then it will be discharged back into the atmosphere through
21 evaporation and transpiration.

22 Q Okay, will the residue form any caliche-like --

23 A The solids contained in the water as it percolates
24 downward will be precipitated as the waters evaporate and it
25 will form a caliche-like hardened layer consisting of the

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1 salts that were in the water.

2 Q And that's going to occur, really, just a few feet
3 below the surface?

4 A Just a few feet below the surface and if any place,
5 it will be right on top of the very fine-grained Dockum.

6 Q Now, let me ask you from this map, would you point
7 out the location of the only fresh water within three miles?

8 A The fresh water on this map is located over where
9 the arrow shows in Section 26 of the southeast quarter of
10 Section 26. It says water well on the map and right at the
11 end of it is a black dot representing a house, a ranch house
12 at the Walters camp of the Snider Ranch and the water well is
13 located right by the ranch house.

14 Q Okay, now, would there be any surface drainage from
15 these pits in the direction of that water well?

16 A No, sir, there will not be any. The brown contours
17 in there show too many high ridges and the contours can --
18 the geographic structure will cause the water to flow south
19 or southwest or southeast but not north.

20 Q Okay, now, I notice this is called Walters Lake up
21 there in a northeasterly direction, is that actually a lake?

22 A Walters Lake and the little blue dot in the southeast
23 corner of Section 22, a little blue dot in Section 26, all of
24 these are intermittent lakes, dry lakes. After a heavy rain
25 the water will stand for a short time but not permanently.

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1 Q Okay, now, I notice right up opposite that Walters
2 Lake is a purple area by which you have written Duval. What is
3 located there?

4 A That's the north mine shaft and waste dump of the
5 Duval Potash Company. Their main operation is further south
6 on the Carlsbad Highway.

7 Q Now, they have put the waste on the top of the ground,
8 haven't they?

9 A Yes, sir.

10 Q And you've got some pictures of it, have you not?

11 A Yes, sir.

12 Q Okay, now, south of the leases is another purple
13 area which you have written Amax by the side of, what is
14 located there?

15 A That is the mill mine entrance and disposal pits,
16 waste dumps of the Amax Potash Corporation.

17 Q Okay, now, how big is that waste dump?

18 A Well, the whole waste area there covers forty to
19 eighty acres, waste dump and water disposal area around the
20 Amax mine.

21 Q Are they discharging water into that pit there?

22 A Yes, the underflow from their mill. The waste is
23 salt brine being discharged into a pit outside there.

24 MR. RAMEY: Excuse me, Mr. Losee, is that in Section
25 10 that you are talking about?

1 MR. LOSEE: Yes, sir.

2 A Yes, all that purple area there. That purple area
3 there is put on by the USGS, it's not mine.

4 Q (Mr. Losee continuing.) Now, is that waste water
5 that they are putting in that pit more briney than the water
6 produced in these oil wells?

7 A Yes, sir, it's super saturated salt water.

8 Q And what in relation to the volume?

9 A The volume is many times greater, I don't know what
10 their volume is but it will be many times greater than these
11 wells produce.

12 Q Okay, let me ask you to refer to what has been
13 marked as Exhibit Two, being an envelope?

14 (THEREUPON, a discussion was held
15 off the record.)

16 Q (Mr. Losee continuing.) Now, Mr. Kinney, this is
17 a series of pictures taken in that area, is it not?

18 A Yes, sir.

19 Q Are these in numerical order?

20 A Yes, sir.

21 Q Okay, if you will explain what area is shown by
22 each picture and I will pass it up to the Commission.

23 A All right, picture number two is a picture of the
24 Snow Elk Lease on the northwest of the southwest of Section 32
25 and it shows the disposal pit which is a shallow depression in

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1 the blow sand on the lease.

2 Picture three is a view from another angle of the
3 same disposal pit on the Snow Lease.

4 Q That lease is the most westerly lease?

5 A The most westerly lease of the group.

6 Well, they're not in numerical order, excuse me.
7 Picture number one is the Heyco pit in blow sand about nineteen
8 eighty from the north and east of Section 32, 18 South,
9 30 East and it shows on this Exhibit Number One as a dot in the
10 center of the Heyco green lease there.

11 Picture number four is the northeast corner of the
12 Heyco disposal pit in the center of their lease and shows the
13 northeast corner, which would be right in the center of the
14 picture, it shows the hummocky nature where the pits are
15 located so that in the event of rainfall, excess rainfall,
16 there isn't any way that it would get onto general drainage.

17 Picture number five is the Heyco disposal pit about
18 sixty north and thirteen hundred east, Section 32, 18 South,
19 30 East. The pit is located in a depression, natural depression,
20 in the terrain and will not flood into the main stream of the
21 draw.

22 Picture number six is a picture of the Marbob disposal
23 pit about twenty-three ten from the north and nine ninety from
24 the west of Section 28, Township 18 South and Range 30 East in
25 a low spot in the blow sand and it is in the center of the

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1 picture with a small amount of caliche showing at the top,
2 again in a structural depression.

3 Picture number seven is another view of the Marbob
4 disposal pit and the pit is dug down into caliche and there is
5 caliche around it and presumably in the bottom.

6 Picture number eight is Duval's waste dump at the
7 north mine shaft in Section 22, Township 18 South, Range 30
8 East. The white appearing on the dump is the salt efflorescence.
9 The Walters Lake as shown on the map in Exhibit One lies in
10 the valley to the east or to the right of the dump in this
11 picture.

12 Picture number nine is the La Rue and Muncy disposal
13 pit on the top of the Loco Hills mesa, sixteen fifty from
14 the north and twenty-three ten from the west of Section 33,
15 Township 18 South, Range 30 East. The pit is dug into caliche.

16 Picture number ten is the H & S Oil Company disposal
17 pit about three thirty north and sixteen fifty west in Section
18 33, Township 18 South, Range 30 East. The pit is located in
19 blow sand in an area swale.

20 Picture number eleven is the La Rue and Muncy
21 disposal pit on the east side of the Loco Hills Ridge about
22 sixteen fifty from the north and east of Section 33, Township
23 18 South, Range 30 East. The pit is located entirely in blow
24 sand.

25 Picture number twelve is the area south and east of

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1 the La Rue and Muncy east disposal pit, sixteen fifty north and
 2 east of Section 33 and the area is in a local swale, the flood
 3 waters will not reach the main valley.

4 Q Mr. Kinney, you took those pictures yourself, did
 5 you not?

6 A Yes, sir.

7 Q And what general purpose are the pictures offered
 8 for?

9 A The pictures are offered to show the exact nature of
 10 the rock in which the pits are located and also to depict as
 11 best pictures can the swales in which the pits are located.

12 MR. LOSEE: At this time, if the Commission please,
 13 we move to introduce the testimony and the exhibits in the
 14 original hearing before the Examiner in this case and particu-
 15 larly with respect to the pictures showing the Amax dump
 16 right to the south and east of these wells and also for the
 17 purpose of showing the water analysis from that pit and from
 18 these wells.

19 (THEREUPON, a discussion was held
 20 off the record.)

21 MR. RAMEY: That will be satisfactory, Mr. Losee,
 22 we will incorporate the record into this hearing.

23 Q (Mr. Losee continuing.) Will you refer to what has
 24 been marked as Exhibit Three, Mr. Kinney, and explain what is
 25 shown by this exhibit?

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1 A Exhibit Three is a map prepared by Hendricks and
2 Jones for geology and groundwater resources of Eddy County,
3 Groundwater Report Number Three published by the New Mexico
4 Bureau of Mines and Mineral Resources. It's called The General
5 Direction of Movement of Groundwater in Eddy County, New Mexico.

6 This map shows the subject leases from which disposal
7 water is desired to be produced and in the same colors, two
8 shades of blue, red, green and orange in Township 18 South,
9 Range 30 East and the arrows on this map show the direction of
10 groundwater movement. The arrows all point south in this
11 area and show that the drainage will be to the south, possibly
12 a little to the southwest and no drainage will go from the
13 leases towards those lakes to the northeast.

14 Q Do you have anything else to offer with respect to
15 this exhibit?

16 A No, sir.

17 Q Please refer to what has been marked as Exhibit Number
18 Four and explain what is shown on this exhibit?

19 A Exhibit Four is a map prepared by me showing the
20 top of the Rustler in Township 18 South, Range 30 East.

21 The top of the Rustler or top of the anhydrite
22 as is particularly referred to as TA, is shown in all wells with
23 vertical lettering. Also shown on this are known fresh waters
24 from cable tool wells which are shown in numbers with a slant
25 and a line drawn under the number.

1 The solid contour line on the map is the surface
2 geography showing the Loco Hills Ridge on the left side and
3 the Nimenim Ridge on the right side and the valley lying in
4 between.

5 The dotted contour, there are just two contours, one
6 at plus thirty-one hundred, the other at plus thirty-one fifty
7 on the top of the Rustler or the top of the anhydrite, taken
8 from electric logs in the area.

9 This shows a considerable reentrant right in Sections
10 27 and 28 over the whole to the west. We are dealing in this
11 area with near the wedge edge of the Salada formation near the
12 outcrop edge of the Rustler formation and we have local sub-
13 sidence occurring you will note in Section 28 at the north half.
14 We have one elevation on the top of the anhydrite at plus
15 thirty-one seventy-nine and one to the west of it at plus
16 thirty-one ten with a regional dip being to the southeast in
17 this whole area. That is an anomaly you also find down in
18 the stippled area on Marbob where the top of the anhydrite is
19 plus thirty-one twenty-four. These do not jibe with the higher
20 elevations to the south and east, showing that we already have
21 a certain amount of local subsidence due to solution of the
22 Salada formation underlying the Rustler.

23 We also have instances shown further to the northwest
24 where there is a non-uniformity of dip to the southeast.

25 Q. What effect does that have on the flow of water under-

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1 ground?

2 A Well, if there were any fractures being developed
3 from the natural subsidence it would create some flows of
4 water but there are none, there are no flows of water so that
5 the natural subsidence hasn't affected the area in any way.

6 Q All right, now, the cable tool holes that you
7 mentioned that found some fresh water, what horizon did they
8 find the water in? It wasn't fresh water was it?

9 A Some of it, yes. The water in the wells, there are
10 five wells, two in Section 15 and two in Section 22 and one
11 in Section 23, that all found some water that was fresher
12 than the underlying Rustler water. It is from the Dockum group
13 and it is sufficiently fresh that it can be used for livestock.

14 Q Okay, now, is there any possibility of surface
15 drainage from these wells up in that direction?

16 A No, sir.

17 Q What about subsurface?

18 A No, sir, the dip is in the opposite direction.

19 Q Now, as a matter of fact, Mr. Kinney, isn't it
20 true that that large mine deposit of Duval's lies in between
21 those wells, those fresh water, and the leases that are in
22 question here?

23 A Yes, sir. One other fresh water well exists in
24 Section 26 in the southeast quarter at the point where the
25 data says plus thirty-two ten. The circle indicates the

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1 approximate position of the water well where the full blue
2 circle or the dark blue circle to the right of that would
3 indicate the position of the intermittent fresh water lake
4 at the Walters camp of the Snider Ranch.

5 Q Okay. Now, you've also got Walters Lake shown on
6 this, again is that a --

7 A Walters Lake, the one I have shown on the map is the
8 Walters Lake that is shown on the USGS topo sheet submitted as
9 Exhibit Number One, in the position that they show it.

10 Q Is that a lake?

11 A It's an intermittent lake, a case where water
12 impounds during flood seasons only.

13 Q It's not a permanent lake?

14 A It's not a permanent lake, no, sir.

15 Q Is there any drainage from surface or subsurface
16 from the subject leases and pits towards Walters Lake?

17 A No, sir, the drainage is all to the south in this
18 area and there will be no drainage from these leases to this
19 Walters Lake nor to the Walters camp of the Snider Ranch.

20 Q All right, now, you have mentioned the Dockum group,
21 would you describe that group to the Commission, please?

22 A The Dockum group is a Triassic deposition overlying
23 the Permian formations in this area, overlying the Permian
24 Rustler formation. Starting at the bottom up it consists of
25 three hundred and fifty feet of red sandy shale with a few

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1 fine-grained sandstones, then two hundred to three hundred
2 feet of gray and red sandstone with lenses of red shale and
3 conglomerate and a bit of conglomerate at the top. Then three
4 hundred feet or more of red shale with thin intermittent sand-
5 stones, all are covered by dune sands in this area and the
6 actual outcrops are not readily seen.

7 Q What does the red shale carry?

8 A The red shale in this group are very fine grained
9 with a high colloidal content which impedes water movement.

10 Q What about, is there a physical barrier formed by
11 this Dockum group?

12 A These fine-grained shales, sandstones, mudstones,
13 whichever word a person prefers to use, are known as an
14 aquiclude, a-q-u-i-c-l-u-d-e. An aquiclude is a formation
15 that holds the water but will not transmit sufficient water to
16 support a seep or fill a well and these beds are strict
17 aquicludes.

18 Q And so what you are saying is that the water if it
19 gets in these Dockum group beds won't transmit itself subsurface?

20 A The shale beds are full of original water depositions,
21 what is residual after compaction and fresh water will not or
22 any other water will not move through it in any quantity, not
23 even enough to sustain a seep.

24 With one exception. Now, there is one exception.
25 There are a few little lenses in this group of slightly

1 cleaner sandstone confined within the group, within the
2 Dockum group and some of these fine grained, slightly cleaner
3 sandstones carry a little water but they are not very extensive

4 Q Well, let me ask you this question, Mr. Kinney. This
5 Walters water well is actually a fresh water well, is it not,
6 in Section 26?

7 A Yes, sir.

8 Q Would you explain from what zone it is producing and
9 how the water got there?

10 A The Walters camp water well of the Snider Ranch is
11 two hundred and thirty feet deep with the casing set at two
12 hundred and twenty feet and according to testimony of the
13 agent for the Snider Ranch in Case Number 4710 the water level
14 stood at a hundred and ninety feet. If the water level stands
15 at a hundred and ninety feet and no water was encountered until
16 they got down to two hundred and twenty feet and there is no
17 showing that they had any before that point, then we have
18 confined water, not water table water but confined water and
19 it has to be in a lense surrounded by a confining bed which is
20 the Dockum group. The lense has to be recharged somewhere up
21 dip to provide a pressure to raise the water above the limits
22 of the aquifer itself.

23 Q And so you are saying that this well is charged or
24 recharged from water to the northwest?

25 A Probably to the northwest, possibly to the north

1 itself but most likely to the northwest, most likely in the
2 area of Walters Lake or further on to the northwest where the
3 dip would bring this particular sand lense closer to the
4 surface and where the Dockum group would be thin enough, the
5 shales over the area would be thin enough to permit the
6 ingress of water.

7 Q And as I understand your justification for concluding
8 that it's a confined water is that the water is actually in the
9 well at a higher level than it was encountered in drilling?

10 A That's right.

11 Q Now, one other thing so that as you go from the
12 surface down in this area you have, correct me if I'm wrong,
13 the blow sand first and then the Dockum group?

14 A Yes, sir.

15 Q And then you go into the Rustler?

16 A Yes, sir.

17 Q Does the Rustler have fresh water?

18 A No, sir, the Rustler carries considerable water in
19 two zones. The basal zone of the Rustler carries the water,
20 in many places quite an abundant amount of water, heavily
21 saturated in sodium chloride, plain salt. The middle member
22 of the Rustler formation carries water in a lot of the areas,
23 in the area of the mines, and it is saturated with a calcium
24 sulphate or gypsum water. Neither one are fresh waters or
25 potable waters.

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1 Q So, as I understand your testimony, Mr. Kinney, it
2 is that in this area the only fresh water that has been
3 found is in a confined area in the Dockum group?

4 A Correct. There are a few waters there that will meet
5 the fresh water test.

6 Q But as a rule the Dockum group because of the
7 nature of its rocks will not transmit water horizontally.

8 A The group as a whole will not transport any water,
9 only the few limited lenses.

10 Q And below that is the Rustler which has no fresh
11 water?

12 A No fresh water.

13 Q Okay. Now, Mr. Kinney, to the south are Southwest
14 Potash or Amax's refinery, has there been any subsidence
15 evidenced on the surface by virtue of that mining operation?

16 A Yes, sir, there has been subsidence over the mining
17 areas where they have pulled the pillars and allowed the
18 ground to settle.

19 Q Now, that's to the south of these subject leases?

20 A South of the subject leases, near the Amax mine.

21 Q Okay, describe those cracks or fractures, if you
22 would, please?

23 A In general in the subsidence areas there is no
24 cracking, the big broad area settles just slowly and makes a
25 concave area at the top. However, on a few edges where the

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1 subsidence ends or commences, whichever word you care to use,
2 you do get a fracture that comes to the surface and at the
3 surface is the only place we see any openness inasmuch as the
4 shales with their high colloidal content are a type of forma-
5 tion that heals instantly and does not have any material in it
6 to sustain open spaces in the formation along the fracture,
7 except at the very top, a few feet from the surface down where
8 the overburden has been insufficient to cause it to immediately
9 heal. It will heal in time but it is a very limited amount of
10 open fracture.

11 Q So you are saying that when this subsidence occurs
12 that outside of at the very surface, it immediately heals?

13 A Yes.

14 Q By that, it cements?

15 A It seals itself, it just never opens up, the formation
16 just stays tight together along the fracture.

17 Q Okay. Is there any possibility in your opinion of
18 water from these pits getting in those cracks and going
19 towards the northeast towards this Walters Lake well?

20 A In my opinion there is no possibility of water
21 moving down these fracture zones, either towards the Walters
22 well or any other place along those fracture zones.

23 Q Because they have healed?

24 A Because it is right in the same type of formation
25 and the fact of the fracture is not enough to change the nature

1 of the rock or to provide open spaces for water to percolate.

2 Q Now, that subsidence has been caused when the
3 Southwest Potash moves out of an area they have mined?

4 A Moved out of an area and allowed the land to settle,
5 yes, sir.

6 Q Has Southwest Potash had any problems with water in
7 the mined out area?

8 A No, the Southwest Potash, or Amax, has allowed their
9 area to subside and then reentered the subsided area and is
10 mining a bed over the original bed and are not troubled with
11 water, they are in there mining and they are drawing their
12 ore underneath the Rustler which carries many times more water
13 than the Dockum group would ever.

14 Q And so what you're saying is that after subsidence
15 has occurred they go back in and mine above it?

16 A That's right.

17 Q And yet they are below the Rustler, this sand that
18 is full of high chloride non-potable water?

19 A Yes, sir.

20 Q And they still haven't had any problem?

21 A They haven't had any problems.

22 Q Now, you earlier mentioned their forty to eighty
23 acre pit, tailing pit or brine pit, have they had any evidence
24 of migration of salt from that pit?

25 A They have had no evidence that they know of to date

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1 of any migration to water wells surrounding those pits.

2 Q Now, you visited with the --

3 A I visited with the Chief Engineer, the Chief Mining
4 Engineer of Amax Potash in regard to their mining operations
5 and their problems, if any.

6 Q Okay. Mr. Kinney, in your opinion will produced
7 water in the seven pits shown on your exhibits and the subject
8 of this application, will that produced water percolate --
9 well, first let me ask you, will it run along the surface
10 towards the water well in Section 26 or towards the northwest
11 or northeast towards those water wells?

12 A No, sir.

13 Q Okay, what about it percolating subsurface, will it?

14 A No, sir, it will not percolate to the northeast, it
15 will settle into the dune sand and then be discharged again
16 by evaporation and transpiration to the surface.

17 Q And in your opinion there is no probability that
18 that water from, the produced water from these pits would
19 enter the aquifer or the confined area that is charging this
20 Walters well?

21 A No. The recharge has to be done north or northwest
22 from that position.

23 Q Were Exhibits One through Four prepared by you or
24 under your direction?

25 A Yes, sir.

1 Q Including the pictures which you took?

2 A Yes, sir.

3 MR. LOSEE: We move to introduce Exhibits One through
4 Four.

5 MR. RAMEY: They will be admitted.

6 (THEREUPON, Applicants' Exhibits One
7 through Four were admitted into evidence.)

8 MR. LOSEE: That's all of the direct, Mr. Ramey.

9 MR. RAMEY: Any questions of the witness? Mr. Stamets?

10
11 CROSS EXAMINATION

12 BY MR. STAMETS:

13 Q What volumes of water are being produced by those
14 wells at the present time?

15 A I cannot answer that exactly, I did not make any
16 measurements myself. I note that the oil wells are discharging
17 volumes of a barrel or two a day, up to volumes perhaps in
18 the fifty to sixty barrel range. I asked that the operators
19 file proper reports with the Commission.

20 MR. STAMETS: Mr. Losee, you I believe, asked that
21 the record in the Examiner's Hearing be included in this case
22 and I believe there is testimony in there concerning water
23 volumes, concerning the waterflood which lies to the south
24 of these wells and the potential for an increase in the volume
25 of water produced by these wells resulting by such waterflood

1 activity.

2 MR. LOSEE: The answer is, yes, Mr. Stamets. I don't
3 think the waterflood is to the south there, it's right in
4 between. The waterflood is in between the two leases.

5 A In between the Marbob and the Heyco.

6 MR. STAMETS: In the general vicinity anyhow?

7 MR. LOSEE: Yes.

8 Q (Mr. Stamets continuing.) I did observe from the
9 pictures here, the Heyco pit six sixty from the north line
10 and thirteen hundred feet from the east line of Section 32,
11 18, 30, and it would appear from this picture that the pit is
12 about to run over?

13 A That was the way it appeared at the time, however,
14 right to the south, it's a little bit hard to see in a two
15 dimensional picture, if it did run over it couldn't go but
16 a few feet because that swale is cut off by a ridge that comes
17 in from the right-hand side. However, the water seems to be
18 disappearing into the blow sand.

19 Q Even if the pit did run over the dike we see here
20 it still couldn't drain any significant distance?

21 A No.

22 Q Your testimony relative to the Walters camp well
23 is that the source of that water lies some distance north or
24 northwest of Section 26 and that the natural drainage, both
25 surface and subsurface, would be such that there would be no

1 way that this disposed water could enter the formations and
2 get to this well?

3 A Yes, sir.

4 Q Mr. Kinney, are you aware of the general exception
5 to Order R-3221 that exists in the area of these potash mines?

6 A Well, I'm aware that they are allowed to dispose of
7 their brine waters on the surface. I'm not familiar with the
8 exact wording.

9 Q You are not familiar with the geographical extent of
10 that exception?

11 A No.

12 Q I believe the Commission's records probably will
13 reflect that that lies just immediately to the south of these

14 A I think that's right.

15 Q If that line had been drawn a couple of miles to the
16 north you probably wouldn't even be in here today?

17 A If it had been drawn as far as that Duval's north
18 pit I wouldn't have been here certainly.

19 MR. STAMETS: That's all of the questions I have.

20

21

CROSS EXAMINATION

22 BY MR. RAMEY:

23 Q Mr. Kinney, you mentioned something about water
24 wells around the Arax pit?

25 A Yes.

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1 Q There are some fresh water wells?

2 A No, they are not fresh water wells, they are water
3 wells that they get out of the area to use, they are primarily
4 Rustler water wells that they are using to sluice their tailings
5 with.

6 MR. RAMEY: Okay. One thing I would point out,
7 Mr. Losee, it seems like there are a lot of pits in these
8 pictures that don't have fencing around them or adequate
9 fencing. It is something that probably should be done and
10 there is one pit in particular that had very steep sides, if
11 livestock or wildlife got in there, I'm sure that --

12 MR. LOSEE: Mr. Ramey, I'll be sure and advise my
13 clients with respect to fencing pits.

14 MR. RAMEY: I will advise my district office also.

15 Q (Mr. Ramey continuing.) But as far as you have
16 been able to determine, Mr. Kinney, there is no fresh water
17 in the area of these leases with the exception of what has
18 been marked on Exhibit Four?

19 A That's right.

20 Q And you have no record of any to the south?

21 A No, sir.

22 Q Where the drainage is from these pits?

23 A No, sir. I went through the cable tool records
24 and found no evidence.

25 Q Were most of these wells drilled with cable tools?

1 A About half and half I would say.

2 Q But some of these on the applicants' leases were
3 drilled with cable tools?

4 A Oh, yes, and around them.

5 MR. RAMEY: Any other questions? Mr. Arnold?

6

7 CROSS EXAMINATION

8 BY MR. ARNOLD:

9 Q Mr. Kinney, Exhibit Three shows the direction of
10 groundwater flow over the area, I wonder if you knew the
11 procedure whereby they determined this?

12 A The procedure?

13 Q Yes, how they determined this.

14 A The procedure is determined by the elevation at which
15 water is in the various wells or areas. Water always flows
16 at right angles down the steepest portion of the contour, so
17 you draw your contours or take your elevations of water where
18 it is found.

19 Q They contoured the water sand first?

20 A Well, they would have to contour not only -- all
21 this map shows is the elevation of water in everyone of these
22 wells. For instance, up there in 17 South, 29 East, it's at
23 thirty-four seventy. Down in 18, 29, its at thirty two
24 seventy and over in 18, 28 it's thirty-four twenty-five and
25 from that they have worked out -- somebody had to draw some

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1 contours and determined the general direction of the contours
2 and water always flows down the steepest dip.

3 Then on the surface, on the surface part, they had to
4 use geography as shown on the topographic maps.

5 MR. ARNOLD: Thank you.

6 MR. RAMEY: Are there any other questions? The witness
7 may be excused.

8 (THEREUPON, the witness was excused.)

9 MR. RAMEY: Do you have anything further, Mr. Losee?

10 MR. LOSEE: No, Mr. Ramey.

11 MR. RAMEY: Okay, the Commission will take the cases
12 under advisement and the hearing is adjourned.

13 (THEREUPON, the hearing was adjourned.)
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.



Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

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. 5720 DE NOVO
Order No. R-5246-A

APPLICATION OF HARVEY E. YATES
FOR AN EXCEPTION TO ORDER NO. R-3221,
AS AMENDED, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 17, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 25th day of January, 1977, 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) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Harvey E. Yates, is the owner and operator of the State Wells Nos. 1, 2, 3, 4, and 6, located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, NMPM, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

(3) That Order (3) of Commission Order No. R-3221, as amended, prohibits in that area encompassed by Lea, Eddy, Chaves, and Roosevelt counties, New Mexico, the disposal, subject to minor exceptions, of water produced in conjunction with the production of oil or gas, or both, on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which would constitute a hazard to any fresh water supplies and said disposal has not previously been prohibited.

(4) That the aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water

Case No. 5720 De Novo
Order No. R-5246-A

supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas, or both, in unlined surface pits.

(5) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(6) That the applicant seeks as an exception to the provisions of the aforesaid Order (3) permission to dispose of salt water produced by applicant's above-described wells into an unlined surface pit located in Unit B of said Section 32.

(7) That said State Wells Nos. 1, 2, 3, 4, and 6 produce approximately 18 barrels of water per day.

(8) That there is fresh water in the vicinity of the above-described unlined pit for which a present or reasonably foreseeable beneficial use is or will be made.

(9) That this matter came on for hearing before Examiner Richard L. Stamets on July 21, 1976, and pursuant to this hearing, Order No. R-5246 was issued in Case No. 5720 on August 24, 1976, which order denied the application of Harvey E. Yates for an exception to Order (3) of Commission Order No. R-3221.

(10) That such denial was predicated on said existence of fresh water in the vicinity of said pit, the lack of evidence as to the direction of subsurface drainage or percolation of water from the proposed unlined pit, and the potential threat to said fresh water posed by such drainage or percolation.

(11) That on September 13, 1976, the applicant, Harvey E. Yates, filed application for hearing De Novo of Case No. 5720 and the matter was set for hearing before a quorum of the Commission.

(12) That this matter came on for hearing De Novo on January 17, 1977.

(13) That the evidence presented demonstrates that surface drainage from the area of the proposed unlined pit would not be toward nor affect fresh water.

(14) That the evidence presented demonstrates that subsurface drainage from the area of the proposed unlined pit would not be toward nor affect fresh water.

Case No. 5720 De Novo
Order No. R-5246-A

(15) That there appears to be no shallow fresh water in the vicinity of the subject pit for which a present or reasonably foreseeable beneficial use is or will be made that would be impaired by contamination from the subject pit.

(16) That the applicant should be permitted to dispose of water produced by wells on the above-described lease in an unlined surface pit located on said lease.

IT IS THEREFORE ORDERED:

(1) That the applicant, Harvey E. Yates, is hereby granted an exception to Order (3) of Commission Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, from his State Wells Nos. 1, 2, 3, 4, and 6, located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, NMPM, North Benson Queen-Grayburg Pool, Eddy County, New Mexico, in an unlined surface pit located in Unit B of said Section 32.

(2) That the Secretary-Director of the Commission may by administrative order rescind such authority whenever it reasonably appears to the Secretary-Director that such rescission would serve to protect fresh water supplies from contamination.

(3) That 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

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMLEY, Member & Secretary

SEAL

fd/

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. 5720
Order No. R-5246

APPLICATION OF HARVEY E. YATES FOR
AN EXCEPTION TO ORDER NO. R-3221,
AS AMENDED, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 21, 1976,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 24th day of August, 1976, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

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

(2) That the applicant, Harvey E. Yates, is the owner and
operator of the State Wells Nos. 1, 2, 3, 4, and 6, located in
Units G, B, A, J, and H, respectively, of Section 32, Township
18 South, Range 30 East, NMPM, North Benson Queen-Grayburg Pool,
Eddy County, New Mexico.

(3) That Order (3) of Commission Order No. R-3221, as
amended, prohibits in that area encompassed by Lea, Eddy, Chaves,
and Roosevelt Counties, New Mexico, the disposal, subject to
minor exceptions, of water produced in conjunction with the
production of oil or gas, or both, on the surface of the ground,
or in any pit, pond, lake, depression, draw, streambed, or arroyo,
or in any watercourse, or in any other place or in any manner
which would constitute a hazard to any fresh water supplies and
said disposal has not previously been prohibited.

(4) That the aforesaid Order No. R-3221 was issued in order
to afford reasonable protection against contamination of fresh
water supplies designated by the State Engineer through disposal
of water produced in conjunction with the production of oil or
gas, or both, in unlined surface pits.

(5) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(6) That the applicant seeks as an exception to the provisions of the aforesaid Order (3) to permit the disposal of salt water produced by applicant's above-described wells into an unlined surface pit located in Unit B of said Section 32.

(7) That said State Well Nos. 1, 2, 3, 4, and 6 produce approximately 18 barrels of water per day.

(8) That there is fresh water in the vicinity of the above-described unlined pit for which a present or reasonably foreseeable beneficial use is or will be made.

(9) That the evidence presented at the hearing demonstrates that surface drainage from the area of the proposed pit is away from the area wherein said fresh water is located.

(10) That no evidence was presented to demonstrate that subsurface drainage or percolation of water from the proposed unlined pit would not be toward nor affect said fresh water.

(11) That to protect said fresh water from the potential harmful affects of the surface disposal of produced salt water in said pit the subject application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Harvey E. Yates for an exception to Order (3) of Commission Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, by his State Wells Nos. 1, 2, 3, 4, and 6 in Units G, B, A, J, and H, respectively, in Section 32, Township 18 South, Range 30 East, NMPM, North Benson Queen-Grayburg Pool, Eddy County, New Mexico, in an unlined surface pit located in the vicinity of said wells is hereby denied.

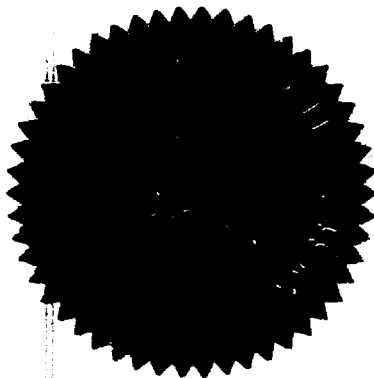
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-

Case No. 5720
Order No. R-5246

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/

Dockets Nos. 5-77 and 6-77 are tentatively set for hearing on February 2 and February 16, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - JANUARY 17, 1977

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases are continued from the December 1, 1976, Commission Hearing.

CASE 5719: Application of La Rue and Muncy for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Federal Wells Nos. 9 and 10, located in Units G and F, respectively, of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of La Rue and Muncy, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5720: Application of Harvey E. Yates for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his State Wells Nos. 1, 2, 3, 4, and 6 located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Harvey E. Yates, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5721: Application of H & S Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Well No. 7, located in Unit C of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of H & S Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5722: Application of Gene Snow for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his Elk Well No. 1, located in Unit L of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Gene Snow, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5723: Application of Marbob Energy Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Elliott Well No. 1 located in Unit E of Section 28, and its Elliott Wells Nos. 2 and 3 located in Units H and G, respectively, of Section 29, all in Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Marbob Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

Docket No. 4-77

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 19, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for February, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Dockets Nos. 34-76 and 1-77 are tentatively set for hearing on December 15, 1976 and January 5, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - DECEMBER 1, 1976

9 A.M. OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 5719: Application of La Rue and Muncy for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Federal Wells Nos. 9 and 10, located in Units G and F, respectively, of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of La Rue and Muncy, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5720: Application of Harvey E. Yates for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his State Wells Nos. 1, 2, 3, 4, and 6 located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Harvey E. Yates, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5721: Application of H&S Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Well No. 7, located in Unit C of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of H&S Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5722: Application of Gene Snow for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his Elk Well No. 1, located in Unit L of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Gene Snow, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5723: Application of Marbob Energy Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Elliott Well No. 1 located in Unit E of Section 28, and its Elliott Wells Nos. 2 and 3 located in Units H and G, respectively, of Section 29, all in Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Marbob Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

I. GENERAL RULES AND REGULATIONS FOR THE ASSOCIATED POOLS OF SOUTHEASTERN AND NORTHWESTERN NEW MEXICO

(See Special Pool Rules in each pool for orders applicable to those pools only. Special Pool Rules will be found in the same classification order as in the General Section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: Any well drilled to the producing formation of an associated pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2: After the effective date of this order each well drilled or recompleted on a standard proration unit within an associated pool regulated by this order shall be located as provided below:

OIL WELLS - SOUTHEAST NEW MEXICO

| Standard Proration Unit | Location Requirements |
|-------------------------|--|
| 40 Acres | Not closer than 330 feet to the boundary of the tract |
| 80 and 160 acres | Must be located within 150 feet of the center of the quarter-quarter section wherein located |

GAS WELLS - SOUTHEAST NEW MEXICO

| Standard Proration Unit | Location Requirements |
|-------------------------|--|
| 160 acres | Must be located within 150 feet of the center of the quarter-quarter section wherein located. |
| 320 acres | Not closer than 660 feet to the nearest side boundary nor closer than 1930 feet to the nearest end boundary of the spacing unit. |

ALL WELLS - NORTHWEST NEW MEXICO

| Standard Proration Unit | Location Requirements |
|-------------------------|--|
| 40 Acres | Not closer than 330 feet to the boundary of the tract |
| 80, 160 and 320 acres | Not closer than 770 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line. |

RULE 3: (a) Each gas well shall be located on a standard unit containing 160 acres or 320 acres, more or less, as provided in the special pool rules therefor.

(b) Each oil well shall be located on a standard unit containing 40 acres, 80 acres or 160 acres, more or less, as provided in the special pool rules therefor.

RULE 4: (a) The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 3(a) or 3(b) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than

75% nor more than 125% of a standard unit.

The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

(1) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(2) Assigning an allowable to the non-standard unit.

(b) The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3(a) or Rule 3(b), when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

(1) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(2) The non-standard unit lies wholly within a governmental subdivision or subdivisions which would be a standard unit for the well (half quarter section, quarter section, or half section) but contains less acreage than a standard unit.

(3) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half quarter section, quarter section or half section (for 80-acre, 160-acre, and 320-acre standard dedications respectively,) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(4) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the foresaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

B. WELL CLASSIFICATION AND GAS-OIL RATIO LIMITATION

RULE 5: A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6: That the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced.

RULE 7: An oil well shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on an oil proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is a number equal to the number of acres in a standard oil proration unit in such pool. In the event there is more than one gas well on a gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

C. WELL TESTING

RULE 8: The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under

a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut-in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 10,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9: Semi-annual gas-liquid ratio tests shall be taken on all wells during each year in accordance with a test schedule prepared by the district office of the Commission. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 15th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The supervisor of the appropriate district office of the Commission may grant an exception to the above test requirements where it is demonstrated that the well produces no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10: An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

D. ASSIGNMENT OF ALLOWABLES

RULE 11: Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-102, C-104, C-116, and, in the case of a gas well, a transporter's notice of gas connection, properly executed. The District Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

E. GAS PRORATIONING

RULE 12: The associated gas proration period shall be the proration month which shall begin at 7 a.m. on the first day of the month and shall end at 7 a.m. on the first day of the next succeeding month.

RULE 13: No associated gas underproduction may be carried forward into any proration month. (See ALTERNATIVE PROPOSED RULE 13 following Rule 21)

RULE 14: Any associated gas well which has an overproduced status at the end of any associated gas proration period shall carry such overproduction into subsequent periods. If at any time a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 15: The allowable assigned to a well during any one month of an associated gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 16: The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

F. REPORTING OF PRODUCTION

RULE 17: The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-119 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 18: Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

G. GENERAL PROVISIONS

RULE 19: Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 20: All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection.

RULE 21: Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

Alternative Proposed Rule 13

RULE 13: (a) Any associated gas well which has an underproduced status at the end of any associated gas proration period, shall carry such underproduction into subsequent periods.

(b) Underproduction in excess of three times the current monthly allowable shall not be carried forward. For purposes of this Rule, the monthly allowable shall be the full monthly allowable which would be assigned an associated gas well with the same acreage dedication in the same pool.

(c) Overproduction during any month shall be applied to a well's cumulative underproduction, if any, calculated in accordance with paragraphs (a) and (b) above.

Please note, alternatives of 1, 2, and 3 times the current monthly allowable will be considered with Alternative Proposed Rule 13(b). Comments by interested operators or transporters are solicited.

It will be proposed to reclassify the Jennings-Delaware and the North Paduca-Delaware Pools from associated pools to oil pools.

It will further be proposed to reclassify the Northwest Todd-San Andres Pool from an associated pool to an oil pool; however, special pool rules providing for 80-acre oil well spacing will be retained.

Dockets Nos. 29-76 and 30-76 are tentatively set for hearing on October 27 and November 10, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - OCTOBER 20, 1976

9 A.M. OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 5719: Application of La Rue and Muncy for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Federal Wells Nos. 9 and 10, located in Units G and F, respectively, of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of La Rue and Muncy, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5720: Application of Harvey E. Yates for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his State Wells Nos. 1, 2, 3, 4, and 6 located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Harvey E. Yates, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5721: Application of H&S Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Well No. 7, located in Unit C of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of H&S Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5722: Application of Gene Snow for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his Elk Well No. 1, located in Unit L of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Gene Snow, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5723: Application of Marbob Energy Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Elliott Well No. 1 located in Unit E of Section 28, and its Elliott Wells Nos. 2 and 3 located in Units H and G, respectively, of Section 29, all in Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Upon application of Marbob Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :
OF HARVEY E. YATES COMPANY :
FOR AN EXCEPTION TO ORDER NO. R-3221, : CASE NO. 5720
AS AMENDED, EDDY COUNTY, NEW MEXICO. :
_____ :

APPLICATION FOR REHEARING

Applicant, by its attorneys, and in support hereof
respectfully states:

1. That on August 24, 1976, the Oil Conservation
Commission of New Mexico ("Commission") entered its Order No.
R-5246, to which reference is here made, denying the application
for an exception to Order (3) of Commission Order No. R-3221, as
amended.

2. That Order No. R-5246 is erroneous, as follows:

(a) Contrary to Finding (8), there is no fresh water
in the vicinity of the unlined pit for which a present or reason-
ably foreseeable beneficial use is or will be made.

(b) Contrary to Finding (10), there was evidence that
subsurface drainage or percolation of water from the proposed
unlined pit would not be toward nor affect fresh water, if any
is present in the vicinity of the unlined pit.

(c) Contrary to Finding (11) and Order (1), appli-
cant should have been permitted to dispose of salt water pro-
duced from its wells in an unlined surface pit located in the
vicinity of said wells.

WHEREFORE, applicant prays:

A. That the Commission grant a rehearing and that notice of said rehearing be given as required by law;

B. That upon rehearing the Commission enter an order granting applicant an exception to Commission Order No. R-3221, as amended, to permit applicant to dispose of water produced from its wells in an unlined surface pit located in the vicinity of said wells; and

C. For such other and further relief as may be just in the premises.

HARVEY E. YATES COMPANY

By: 
A. J. Losee, for

LOSEE & CARSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

Other

Dockets Nos. 22-76 and 23-76 are tentatively set for hearing on August 4 and August 18, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 21, 1976

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1976, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 5715: Application of Marathon Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northeast Anderson Ranch Unit Area comprising 2,720 acres, more or less, of State lands in Township 15 South, Range 32 East, Lea County, New Mexico.
- CASE 5716: Application of Atlantic Richfield Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1315 feet from the South and West lines of said Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5717: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Petroleum Development Corporation, Commercial Union Assurance Companies, and all other interested parties to appear and show cause why the Vaughn State Well No. 1, located in Unit E of Section 16, Township 6 North, Range 17 East, Guadalupe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5718: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Morad Oil & Mining Company, Western Surety Company, and all other interested parties to appear and show cause why the Campbell Well No. 1, located in Unit A of Section 25, Township 28 North, Range 35 East, Union County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5719: Application of La Rue and Muncy for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Federal Wells Nos. 9 and 10, located in Units G and F, respectively, of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5720: Application of Harvey E. Yates for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its State Wells Nos. 1, 2, 3, 4, and 6 located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5721: Application of H & S Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Well No. 7, located in Unit C of Section 33, Township 18 South, Range 30 East, North Benson-Queen Grayburg Pool, Eddy County, New Mexico.
- CASE 5722: Application of Gene Snow for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his Elk Well No. 1, located in Unit L of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5723: Application of Marbob Energy Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Elliott Well No. 1 located in Unit E of Section 26, and its Elliott Wells Nos. 2 and 3 located in Units H and G, respectively, of Section 29, all in Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
HARVEY E. YATES COMPANY, GENE SNOW, :
MARBOB OIL COMPANY, SIMMS & REESE, : CASE NO. _____
AND LARUE & MUNCY, FOR AN EXCEPTION :
TO ORDER NO. R-3221 AS AMENDED, EDDY :
COUNTY, NEW MEXICO. :
:

APPLICATION

COME NOW HARVEY E. YATES COMPANY, GENE SNOW, MARBOB
OIL COMPANY, SIMMS & REESE, and LARUE & MUNCY, by and through
their attorneys, and in support hereof respectfully state:

1. That applicants are the owners and operators of
the following leases located in Eddy County, New Mexico:

A. Harvey E. Yates Company -

Yates State Nos. 1, 2, 3, 4, and 6,
located in the NE/4, N/2 SE/4,
Section 32, Township 18 South,
Range 30 East, N.M.P.M.

B. Gene Snow -

Elk No. 1, located in the NW/4 SW/4,
Section 32, Township 18 South, Range
30 East, N.M.P.M.

C. Marbob Oil Company -

Elliott Nos. 1, 2, and 3, located
in the SW/4 NW/4, Section 28,
Township 18 South, Range 30 East,
N.M.P.M., and the S/2 NE/4, Section
29, Township 18 South, Range 30 East,
N.M.P.M.

D. Simms & Reese -

McClay No. 7, located in the NE/4 NW/4,
Section 33, Township 18 South, Range 30
East, N.M.P.M.

B. LaRue & Muncy -

McClay No. 9, located in the SW/4 NE/4,
Section 33, Township 18 South, Range 30
East, N.M.P.M., and

McClay No. 10, located in the SE/4 NW/4,
Section 33, Township 18 South, Range 30
East, N.M.P.M.

2. Applicants seek an exception to the provisions of Oil Conservation Commission Order No. P-3221 as amended to permit the disposal of saltwater produced by the above mentioned wells in unlined surface pits of said lessees.

3. That there is no shallow fresh water in the vicinity of the above described wells for which a present or reasonably foreseeable beneficial use is or will be impaired by contamination from unlined surface pits located in the vicinity of said wells.

4. That the approval of this Application will prevent waste.

WHEREFORE, applicants pray:

A. That this Application be set for hearing before an examiner and that notice of said hearing be given as required by law;

B. That upon hearing the Commission enter its order granting applicants an exception to Oil Conservation Commission Order No. P-3221 as amended to permit utilization of unlined surface pits for the disposal of saltwater produced by the above described wells, and

C. For such other and further relief as may be just
in the premises.

HARVEY E. YATES COMPANY,
GENE SNOW, MARBOB OIL COMPANY,
SIMMS & REESE, LARUE & MUNCY

By: _____
LOSEE & CARSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicants

ROUGH DRAFT

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. 5720

Order No. R-5246

APPLICATION OF HARVEY E. YATES

FOR AN EXCEPTION TO ORDER NO. R-3221,

AS AMENDED, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 21, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of August, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Harvey E. Yates, is the owner and operator of the State Wells Nos. 1, 2, 3, 4, and 6, G, B, A, J, and H, respectively, located in Units/ of Section 32, Township 18 South, Range 30 East, NMPM, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

(3) That Order (3) of Commission Order No. R-3221, as amended, prohibits in that area encompassed by Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, the disposal, subject to minor exceptions, of water produced in conjunction with the production of oil or gas, or both, on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which would constitute a hazard to any fresh water supplies and said disposal has not previously been prohibited.

(4) That the aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas, or both, in unlined surface pits.

(5) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

← (6) That the applicant seeks as an exception to the provisions of the aforesaid Order (3) to permit the disposal of salt water produced by applicant's above-described wells into an unlined surface pit located in Unit B of said Section 32.

(7) That ~~applicant's~~ said State Well Nos. 1, 2, 3, 4, and 6 produce ~~x~~ approximately 18 barrels of water per day.

~~(8) That there appears to be no shallow fresh water in the vicinity of the subject pit for which a present or reasonably foreseeable beneficial use is or will be made that would be impaired by contamination from the subject pit.~~

(9) That the nature of the reservoir of said North Benson Queen-Grayburg Pool is such that reinjection of produced water into said reservoir would result in greater ultimate recovery of oil and gas therefrom thereby preventing waste.

(10) That to prevent the waste of oil and gas in said North Benson Queen-Grayburg Pool, permanent authority to dispose of produced water from applicant's State Wells Nos. 1, 2, 3, 4, and 6 in an unlined surface pit on said lease should not be granted.

(8) That there is fresh water in the vicinity of the above-described unlined pit~~s~~ for which a present or reasonably foreseeable beneficial use is or will be made.

(9) That the evidence presented at the hearing demonstrates that surface drainage from the area of the proposed pit~~s~~ is away from the area wherein said fresh water is located.

(10) That no evidence was presented to demonstrate that subsurface drainage or percolation of water from the proposed unlined pit~~s~~ would not be toward nor affect said fresh water.

(11) That to protect said fresh water from the potential harmful affects of the surface disposal of produced salt water in said pit~~s~~ the subject application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Harvey E. Yates for an exception to Order (3) of Commission Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, by his State Wells Nos. 1, 2, 3, 4, and 6 in Units G, B, A, J, and H, / ^{respectively,} ~~located~~ in Section 32, Township 18 South, Range 30 East, NMPM, North Benson Queen-Grayburg Pool, Eddy ^{an} County, New Mexico, in/unlined surface pit~~s~~ located in the vicinity of said well, is hereby denied.

(2) That 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.

DRAFT

dr/

(Handwritten initials)

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. 5720 DE NOVO

Order No. R-5246-A

APPLICATION OF HARVEY E. YATES
FOR AN EXCEPTION TO ORDER NO. R-3221,
AS AMENDED, EDDY COUNTY, NEW MEXICO.

(Handwritten signature)

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 17, 1977,
at Santa Fe, New Mexico, before the Oil Conservation Commission
of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of _____, 1977, 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) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Harvey E. Yates, is the owner and
operator of the State Wells Nos. 1, 2, 3, 4, and 6, located in
Units G, B, A, J, and H, respectively, of Section 32, Township 18
South, Range 30 East, NNPM, North Benson Queen-Grayburg Pool,
Eddy County, New Mexico.

(3) That Order (3) of Commission Order No. R-3221, as
amended, prohibits in that area encompassed by Lea, Eddy, Chaves,
and Roosevelt Counties, New Mexico, the disposal, subject to
minor exceptions, of water produced in conjunction with the
production of oil or gas, or both, on the surface of the ground,
or in any pit, pond, lake, depression, draw, streambed, or arroyo,
or in any watercourse, or in any other place or in any manner
which would constitute a hazard to any fresh water supplies and
said disposal has not previously been prohibited.

(4) That the aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas, or both, in unlined surface pits.

(5) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A.. 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(6) That the applicant seeks as an exception to the provisions of the aforesaid Order (3) ~~to permit the disposal~~ ^{permission to dispose} of salt water produced by applicant's above-described wells into an unlined surface pit located in Unit B of said Section 32.

(7) That said State Wells Nos. 1, 2, 3, 4, and 6 produce approximately 18 barrels of water per day.

(8) That there is fresh water in the vicinity of the above-described unlined pit for which a present or reasonably foreseeable beneficial use is or will be made

(9) That this matter came on for hearing before Examiner Richard L. Stamets on July 21, 1976, and pursuant to this hearing, Order No. R-5246 was issued in Case No. 5720 on August 24, 1976, which order denied the application of Harvey E. Yates for ^{an} ~~said~~ exception to Order (3) of Commission Order No. R-3221.

(10) That such denial was predicated on said existence of fresh water in the vicinity of said pit, the lack of evidence as to the direction of subsurface drainage or percolation of water from the proposed unlined pit, and the potential threat to said fresh water posed by such drainage or percolation.

(11) That on September 13, 1976, the applicant, Harvey E. Yates, filed application for hearing de novo of Case No. 5720 and the matter was set for hearing before a quorum of the Commission.

(12) That this matter came on for hearing De Novo on January 17, 1977.

(13) That the evidence presented demonstrates that surface drainage from the area of the proposed unlined pit would not be toward nor affect fresh water.

(14) That the evidence presented demonstrates that subsurface drainage from the area of the proposed unlined pit would not be toward nor affect fresh water.

(15) That there appears to be no shallow fresh water in the vicinity of the subject pit for which a present or reasonably foreseeable beneficial use is or will be made that would be impaired by contamination from the subject pit.

(16) That the applicant should be permitted to dispose of water produced by wells on the above-described lease in an unlined surface pit located on said lease.

IT IS THEREFORE ORDERED:

(1) That the applicant, Harvey E. Yates, is hereby granted an exception to Order (3) of Commission Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, from his State Wells Nos. 1, 2, 3, 4, and 5, located in Units G, B, A, J. and H, respectively, of Section 32, Township 13 South, Range 30 East, NMPN, North Benson Queen-Grayburg Pool, Eddy County, New Mexico, in an unlined surface pit located on said lease.

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5720

Case No. ~~5719~~ De Novo

Order No. R-5246-A

(2) That the Secretary-Director of the Commission may by administrative order rescind such authority whenever it reasonably appears to the Secretary-Director that such ^sre_Acission would serve to protect fresh water supplies from contamination.

(3) That 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.