

Case 1:16-cv-01631 Application of OCC for
amendment of Rule 701.

Casa No.

1163

Application, Transcript,
Small Exhibits, Etc.

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE NO. 1162
Order No. R-830**

**APPLICATION OF THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN
PETITION FOR AN ORDER AMENDING RULE
701 OF THE COMMISSION RULES AND
REGULATIONS.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 17, 1936, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of December, 1936, the Commission, a quorum being present, having considered the application and the evidence adduced and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That Commission Rule 701 should be amended to provide for administrative approval of water disposal wells when the disposal formation is not productive of oil or gas in the area surrounding said well.

(3) That when the proposed disposal formation is productive of oil and/or gas in the area surrounding the proposed disposal well, the application should be the subject of a formal hearing.

IT IS THEREFORE ORDERED:

That Rule 701 of the New Mexico Oil Conservation Commission Rules and Regulations be and the same is hereby amended as follows:

RULE 701. PERMIT FOR INJECTION OF GAS, AIR, OR WATER.

(a) No change.

(b) No change.

(c) The Secretary-Director of the Oil Conservation Commission shall have authority to grant an exception to the requirements of Rule 701 (a) above for water disposal wells only without notice and hearing when the waters to be disposed of are mineralized to such a degree as to be unfit for domestic, stock,

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Case No. 1163
Order No. R-939

irrigation, and/or other general use, and when said waters are to be disposed of into a formation of greater than Triassic age (Los County only) which is non-productive of oil and/or gas within a radius of two miles from the proposed injection well, providing that any water occurring naturally within said disposal formation is mineralized to such a degree as to be unfit for domestic, stock, irrigation, and/or other general use.

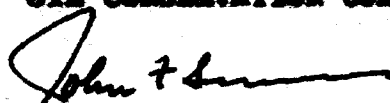
To obtain such administrative approval, operator shall submit in triplicate to the Commission at Santa Fe Commission form entitled, "Application to Dispose of Salt Water by Injection into a Porous Formation Not Productive of Oil or Gas," together with evidence that a copy of said application was sent to the State Engineer Office, Box 1978, Santa Fe, as well as to all offset operators and the surface owner of the land upon which the well is located.

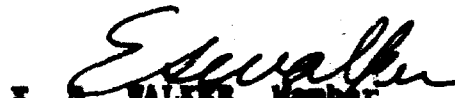
If no objection is received within 15 days from the date of receipt of the application, and the Secretary-Director is satisfied that all of the requirements above have been complied with and that the well is to be cased and cemented in such a manner that there will be no danger to oil, gas, or fresh water reservoirs, an administrative order approving the disposal well may be issued. In the event that the application is not granted administratively, it shall be set for public hearing.


The Commission may dispense with the 15-day waiting period if waivers of objection are received from all offset operators and the surface owner, and no objection is made by the State Engineer Office.

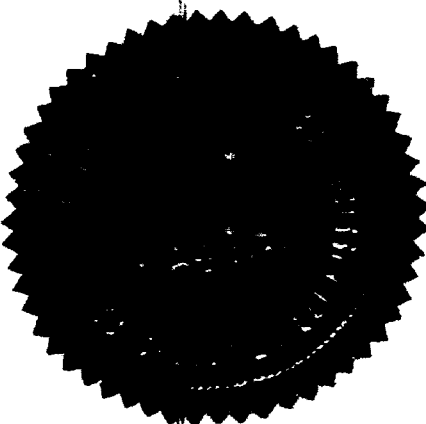
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN F. SIME, Chairman


E. S. WALKER, Member


A. L. PORTER, Jr., Member & Secretary



PROPOSED ADDITION TO RULE 701
(New proposed rule to be Rule 701 (c))

(c) The Secretary-Director of the Oil Conservation Commission shall have authority to grant an exception to the requirements of Rule 701 (a) above without notice and hearing for salt water disposal wells when the disposal ~~zone~~^{is} is to be one that is non-productive of oil or gas ~~in the area~~.

Applicants shall:

- (1) determine that the salt water or other waters contain minerals in such an amount as to be unfit for domestic, stock, irrigation or other general uses, and may be disposed of by injection into ~~formations~~^{formations} that are non-productive of oil or gas within a radius of two miles of the proposed ~~injection~~^{injection} well, and,
- (2) determine that the disposal ~~zone~~^{formation} if it contains water that the water is mineralized by processes of nature to such a degree that the water is unfit for domestic, stock, irrigation or other general uses, and,
- (3) determine that the disposal ~~zone~~^{formation} is below the base of the Triassic formation in Lea County, only, and,
- (4) Case the disposal well and cement the casing in such a manner that there will be no danger to oil, gas or fresh water reservoirs, and,
- (5) submit in triplicate to the Commission at Santa Fe on the form entitled "Application to Dispose of Salt Water by Injection into a ~~proven~~^{proven} formation not productive of oil or gas", and,
- (6) at the same time send a copy of the above application form to all offset operators, the N. M. State Engineer Office at Santa Fe, and to the surface owner of the land on which the well is located.

If any objection is made to the Commission that the proposed plan as contained on the application will cause damage to oil, gas or fresh water resources, then a hearing will be held on the application. If no objection is received within 15 days from the date the Commission receives the application, then an administrative order may be processed. The Commission may waive the 15 day waiting period if waivers are received from all offset operators, and the surface owners, and no objection is made by the New Mexico State Engineer's Office.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 11/8/58

CASE 1163

Hearing Date 9 am on 10/17/58

My recommendations for an order in the above numbered cases are as follows:

- ① Find a. that there is need for administrative relief to allow disposal wells when the disposal formation is not productive of oil or gas in the area
 - b. that disposal wells ~~which~~ ^{or below the oil cap} into a formation should be the subject of public hearings
-
- ② order like the attached proposed addition as Rule 701(c)

Harrell Mankin
Staff Member

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

CASE NO. 1163

TRANSCRIPT OF HEARING

OCTOBER 17, 1956
DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCTOBER 17, 1956

IN THE MATTER OF:

CASE 1163: Application of the Oil Conservation Commission of the State of New Mexico on its own motion for an order amending Rule 701 of the Statewide Rules and Regulations. Applicant, in the above-styled cause, seeks an order amending Rule 701 to provide, under certain conditions, for administrative approval of salt water disposal projects without the necessity of a hearing.

BEFORE:

Mr. A. L. Porter
Mr. E. S. (Johnny) Walker

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: We will proceed to Case 1163 and ask Mr. Mankin to come forward.

MR. GURLEY: Application of the Oil Conservation Commission of the State of New Mexico on its own motion for an order amending Rule 701 of the Statewide Rules and Regulations.

(Witness sworn.)

WARREN MANKIN

a witness, called on behalf of the applicant, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. GURLEY:

Q State your name, position, please, sir.

A Warren Mankin, District Engineer, Oil Conservation Commission.

Q Have you had an opportunity, Mr. Mankin, in your official capacity, to study the facts in the case at bar?

A I have.

Q What are your conclusions and recommendations thereon?

A My conclusion and recommendation is that at the present time Rule 701 which is a rule that requires a hearing for the approval of disposal wells and other types of injection and pressure maintenance projects should be amended to allow administrative approval when the injection zone is a non-productive zone in the area over the well. And as a result of this particular recommendation, I have prepared a proposed addition to Rule 701 which sets out certain requirements that would have to be met to allow administrative approval to be given, instead of having it come for a hearing in all cases. This concerns only with salt water disposal wells; has no concern over secondary recovery projects or other pressure maintenance projects. At this time, I would like to briefly indicate that I would propose to add Rule 701 "C". In other words, adding the "C" portion of the presently "A" and "B" portions of Rule 701 to allow administrative approval. That particular rule which I suggest that would be added would be the following:

"The Secretary-Director of the Oil Conservation Commission shall have authority to grant an exception to the requirements of Rule 701 (a) above without notice and hearing for salt water dis-

A Warren Mankin, District Engineer, Oil Conservation Commission.

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"The Secretary-Director of the Oil Conservation Commission shall have authority to grant an exception to the requirements of Rule 701 (a) above without notice and hearing for salt water dis-

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posal wells when the disposal zone is to be one that is non-productive of oil or gas.

Applicants shall:

- (1) determine that the salt water or other waters containing minerals in such an amount as to be unfit for domestic, stock, irrigation or other general uses and may be disposed of by injection into formations that are non-productive zones of oil or gas within a radius of two miles of the proposed well, and,
- (2) determine that the disposal zone, if it contains water, that the water is mineralized by processes of nature to such a degree that the water is unfit for domestic stock, irrigation or other general uses, and,
- (3) determine that the disposal zone is below the base of the Triassic formations in Lea County only, and,
- (4) case the disposal well and cement the casing in such a manner that there will be no danger to oil, gas or fresh water reservoirs, and,
- (5) submit in triplicate to the Commission at Santa Fe on the form entitled "Application to Dispose of Salt Water by Injection into a proven formation not productive of oil or gas, and,
- (6) at the same time send a copy of the above application form to all offset operators, the N. M. State Engineers Office at Santa Fe and to the surface owner of the land on which the well is located.

If any objection is made to the Commission that the proposed plan as contained on the application will cause damage to oil, gas or fresh water resources, then a hearing will be held on the application. If no objection is received within 15 days from the date the Commission receives the application, then an administrative order shall be processed. The Commission may waive the 15 day waiting period if waivers are received from all offset operators, and the surface owners, and no objection is made by the New Mexico State

Engineer's Office.

That is my recommendation. I have, at the present time that particular proposal is being stenciled -- a stencil is being cut and a proposal will be sent out to all the operators, the form which I have suggested is one which is extremely similar to what is being used in Texas, and it is entitled "Application to dispose of salt water into a porous formation not productive of oil and gas." There are certain items to be filled out on the disposal well, I won't go into them, unless there is some question in regard as to what the questions are.

MR. PORTER: Would you like to introduce those two as exhibits, 1 and 2 in this case?

A Yes, I would like to introduce as Exhibit No. 1 the proposed exhibit, Rule 701 "C", and Exhibit 2, the proposed form to be used in the application.

MR. GURLEY: These exhibits were prepared by you, sir?

A Yes, and changed from forms that were utilized in Texas from similar proceedings.

MR. GURLEY: Have you anything further to offer in this case?

A Yes, the only other thing that I have is that it will be noted that this is for injection into a porous formation, not productive of oil or gas, there will be possible injection below the oil water contact and that possibly should be approved, but there are so many ramifications of not allowing that to be done adminis-

tratively, that I would not recommend that that be granted administratively, that that should be subject of a hearing; there are many things that don't appear in an application that would be best served by a hearing. It's my recommendation that this be approved to cut down on the number of hearings that would be desired, particularly, in Lea County, with the present problem that we have had on the hearings in the past. And to have hearings only for injections below the oil-water contact or other conditions that were not met by this order.

MR. GURLEY: I would like to ask at this time that Exhibits 1 and 2 be admitted into evidence.

MR. PORTER: Are there objections to admission of these Exhibits? They will be admitted.

MR. GURLEY: Mr. Cooley has a question, sir.

QUESTIONS BY MR. COOLEY:

Q Mr. Mankin, in the event there is no objection by any of the parties entitled to object to administrative application, instead of it not being incumbent upon the application, if they deem it not necessary --

A Yes, as was indicated -- inference was made if it was not satisfactory the Commission would not approve it and would call it for a hearing, but if there are no other objections it would be processed, if the Commission felt that it was proper.

Q The Commission could, in its discretion call it to a hearing?

A Yes.

MR. GURLEY: Your wording is that the Commission "may" grant administrative approval?

MR. COOLEY: It "shall," the way he read it. That's what prompted my question.

A In other words, it's your recommendation that this should be changed that the Commission "may," rather than "shall"?

Q I would think so.

A I would be agreeable to that change.

MR. PORTER: Does anyone have a question of Mr. Mankin?

QUESTIONS BY MR. BROWN:

Q Mr. Mankin, in your proposal you referred to zone and formation both, I wonder if you actually might have meant to infer to horizon, in which case it would cover the possibility of injecting below gas-oil contact?

A No, it's not my intention that it would be below the oil-water contact, it's into a formation not productive of oil and gas.

Q For example, in the Hobbs Pool, then it would require a hearing for water to be injected into the San Andres formation regardless of depth?

A Yes.

Q So actually then, you do mean horizon --

A All right, I'll --

Q -- rather than zone?

A Yes, I'll buy that.

MR. PORTER: Mr. Walker, I believe you had a question.

MR. WALKER: Don Walker, Gulf. Mr. Mankin, you say the

surface owner would be the man with the grazing right; that would be the man that would need to know, or the man who has the fee land, just a little interpretation there, you said surface owner, I certainly don't see that he would be particularly affected except it might protect him some, get the water off the surface.

A The person who has the surface rights, whether they be grazing or purposes of living on it. Surface owner.

MR. BROWN: I noticed in your notification that you didn't specify any particular radius on the offset operators, do you have any thought in mind of specifying it?

A No, I first thought of a certain radius, within a radius of say a mile or something, but I thought it would possibly be adequate to all offset operators in all directions from the lease.

MR. BROWN: That would be constituted direct offset operators, diagonal?

A Wherever there is a point touching another lease, diagonal or direct.

MR. BROWN: In other words, if you have a very large lease, you could have several?

A Yes, it would possibly mount in most people taking the fifteen day waiting period rather than trying to get waivers from all offset operators.

MR. PORTER: Does anyone else have a question?

MR. WALKER: Not a question, I want to make a statement when you are ready.

MR. PORTER: Just a moment. Are there any other questions of the witness? I believe we have admitted the exhibits.

MR. GURLEY: Yes, sir.

MR. PORTER: Mr. Mankin, you may be excused.

(Witness excused.)

MR. WALKER: We feel that the Commission staff is right and we do need administrative approval for cases as suggested by Mr. Mankin and we would like to restrict the approval to the instances where we aren't producing oil and gas in the immediate area, as recommended by Mr. Mankin.

MR. PORTER: Thank you, Mr. Walker. Mr. Brown, do you have a statement?

MR. BROWN: Yes, sir. Stanolind Oil and Gas Company also desires to go on record in support of the Commission's application in 1163 provided that the conditions as outlined by Mr. Mankin are included in the order.

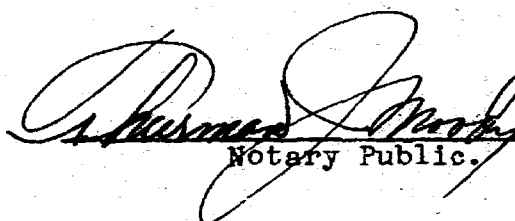
MR. PORTER: Thank you, Mr. Brown. Does anyone else have a statement? If there is nothing further in this case, it will be taken under advisement.

C E R T I F I C A T E

STATE OF NEW MEXICO)
 : ss
COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 31st day of October 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


Notary Public.

My Commission Expires:
April 3, 1960.

CASE 1164

OIL & GAS COMMISSION
CASE 1164
1164
2

RECOMMENDATIONS OF INDUSTRY
COMMITTEE APPOINTED TO
REVIEW GAS PRORATION PROCEDURE

Your Industry Committee, appointed to review gas proration procedure, recommends to the Commission that they incorporate in each of the applicable pool rules the following items:

1. The Commission shall classify wells in the prorated gas pools of the San Juan Basin as marginal or non-marginal as of 8-1-56 and on each balancing date thereafter.

The classification of wells in the prorated gas pools of Southeast New Mexico shall continue under the system outlined in the existing pool rules, provided however, that the classification system outlined herein shall be put into effect in the prorated gas pools of Southeastern New Mexico on January 1, 1958.

2. All wells which the Commission classifies as marginal shall remain marginal except in instances where the production of the well evidences that the well is no longer marginal.

All underage accrued to a well prior to its classification as a marginal well shall be cancelled at the time such well is classified as marginal.

3. A well which had an underproduced status at the start of a 6-month gas proration period and which does not make its allowable during at least one of such months shall be classified as marginal unless prior to the end of said proration period the operator or any other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified.

A marginal well shall be given an allowable equal to the maximum volume of gas produced during any month of said preceding 6-month proration period.

4. A volume of gas equal to the total pool overage or underage accrued to all non-marginal wells on the 8-1-56 balancing date for the San Juan Basin prorated gas pools shall be allocated to the wells in the pool classified as non-marginal wells on that date in such a manner that the net pool status is zero. The adjustment to the net status of each well shall be made in the proportion that each well's proration factor or factors bears to the total proration factor or factors for the pool in accordance with the appropriate proration formula.

5. Any over/under production accrued during any one month during a balancing period shall be applied against the under/over production carried into said balancing period.

6. The Commission should amend existing rules in the San Juan Basin prorated gas pools so as to provide in such rules an administrative procedure for exception of marginal wells from the requirement of taking an annual deliverability test.

E1 #2

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

APPLICATION
TO DISPOSE OF SALT WATER BY INJECTION INTO A POROUS FORMATION
NOT PRODUCTIVE OF OIL OR GAS

Pool Name _____ County _____ ~~District~~ _____

Operator _____

Address _____

Lease Name _____ ~~Tract No.~~ _____ Well No. _____

Depth to top of injection zone _____

Depth to base of injection zone _____

Size of surface casing _____

Length of surface casing _____

Number of sacks of cement used on surface casing _____

Size of long string _____

Length of long string _____

Number of sacks of cement used on long string _____

Size of tubing _____ Length of tubing _____

Depth of tubing packer setting _____

Name and model of packer _____

Is injection through tubing or long string or annulus? _____

Is injection through perforations or open hole? _____

Was the well drilled for salt water disposal purposes? _____

List perforated intervals and number of sacks of cement used on any squeeze cementing operations _____

What is depth of the shallowest zone productive of oil or gas in this pool _____

What is depth of the deepest zone containing fresh water in this pool? _____

Are there any other salt water disposal wells in this pool using this same zone for injection purposes? _____ If so, list operator, lease and well number _____

What is the approximate volume of salt water to be injected daily? _____

Will system be open or closed type? _____

Will injection be by gravity or pump pressure? _____

If by pump pressure, give approximate number of pounds per square inch _____

Will it be necessary for water to be filtered or chemically treated? _____

Is this well so cased and completed that water can enter no other formation than the above setout injection zone? _____

BEFORE THE
OIL CONSERVATION COMMISSION
SALT WATER DISPOSAL
CASE _____
H.B. No. 1163

1. Attach a complete full-scale electrical log of this well.

2. Attach a letter from the State Board of Water Engineers stating that the above set out injection zone is not productive of fresh water if zone has not been previously used for salt water disposal purposes in this field.

3. List names and addresses of all offset operators and surface owners.

4. Have notices of this application been ^{sent by registered mail} ~~mailed~~ or given to all offset operators ~~and to the N.M. State Engineer and Surface Owners?~~

5. Attach waivers from all offset operators.

6. Attach waivers from surface owners of land on which well is located or a letter from company making application to the surface owner explaining said application and requesting waiver.

7. No application will be processed until Items 1 ~~and 2~~ ^{has} been attached to the application. Should all necessary waivers not accompany application, the ~~Engineering Department of the~~ Commission shall hold such application for a period of ~~15~~ (15) days from date of receipt in the ~~State~~ Office. If, after said ~~15~~ (15) day period, no protest or request for hearing is received in the ~~State~~ Office, the application will then be processed.

Operator _____

By _____

THE STATE OF ~~TEXAS~~ _____

COUNTY OF _____

BEFORE ME, The undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the above instrument, who being by me duly sworn on oath states that he is duly authorized to make the above report and that he has knowledge of the facts stated therein and that said report is true and correct.

SUBSCRIBED AND SWORN To before me, this the _____ day of _____, 19____.

Notary Public in and for _____
County, ~~Texas~~ _____