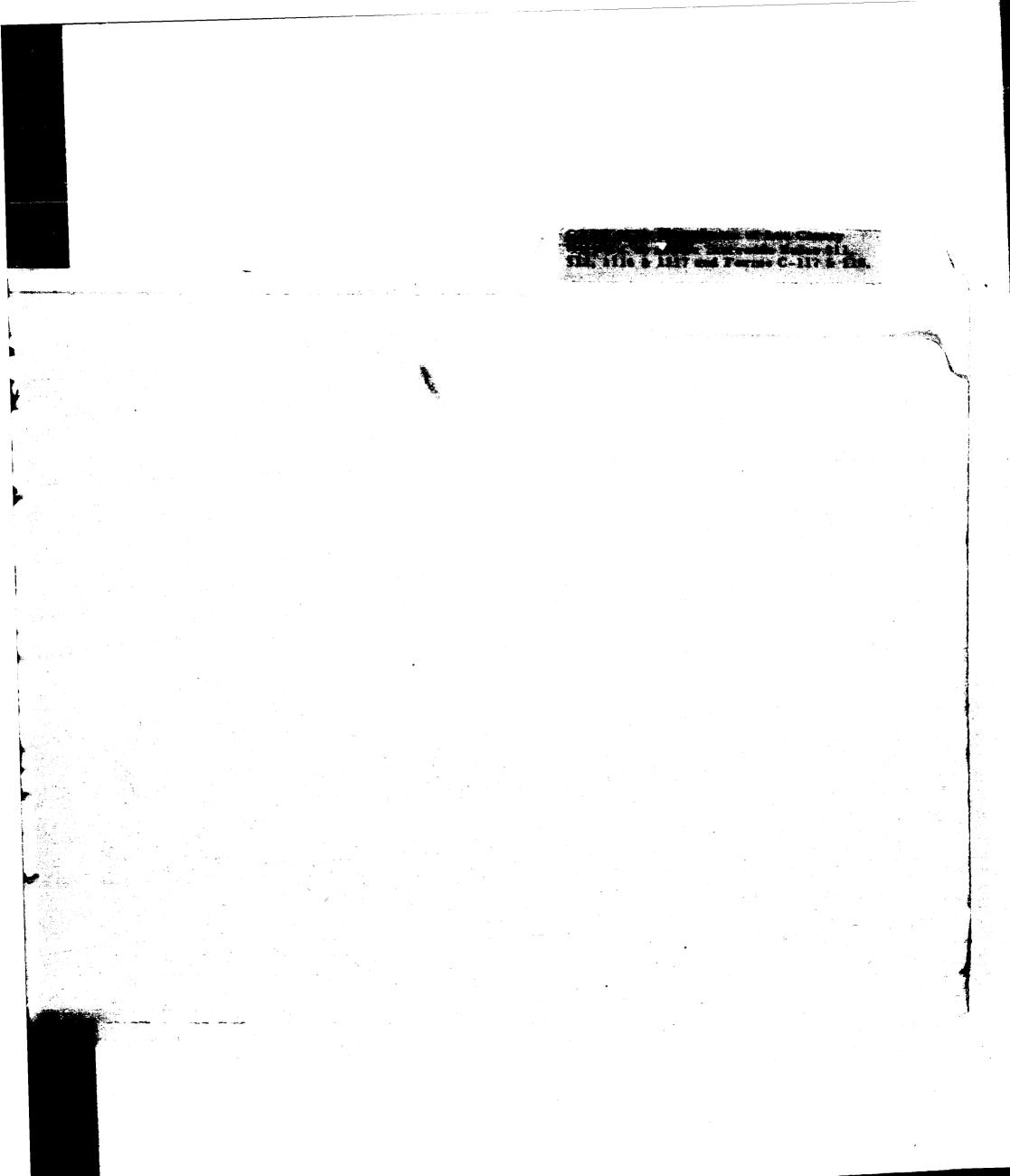
Case Mo.

1522

Application, Transcript, Small Exhibits, Etc.



BEFORE THE OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1522

TRANSCRIPT OF HEARING

MAY 13, 1959

DEARNLEY - MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE NEW MEXICO Phone CHapel 3-6691

BEFORE THE OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO MAY 13, 1959

IN THE MATTER OF:

CASE 1522 Application of General Petroleum, Inc., for : an amendment to Order No. R-1299. Applicant,: in the above-styled cause, seeks an order : amending Order No. R-1299 to provide that any: merchantable oil recovered from sediment oil: shall not be charged against the allowable : for wells on the originating lease, which amendment would revise Rule 311.

BEFORE:

Mr. Murray Morgan Gov. John Burroughs Mr. A. L. Porter

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: Next case is Case 1522.

MR. PAYNE: Case 1522. Application of General Petroleum, Inc., for an amendment to Order No. R-1299.

May it please the Commission, we have had a request from General Petroleum, Inc., that this case be continued until the June regular heading, and General Petroleum also requested that the Commission appoint an industry committee to study the application in its entirety.

MR. PORTER: You have heard the request from the applicant for a continuance of this case until June, and also the

request for the appointment of an industry committee for further study of the matter involved. I would like to have comments at this time if anyone cares to make any concerning the motion for a continuance and/or the request for the appointment of an industry committee from any interested party that may desire to comment.

MR. BRATTON: I am Howard Bratton, Hervey, Dowe & Hinkle, Roswell, New Mexico, appearing on behalf of Humble Oil & Refining Company. We were the chief opponents of this proposal when it was heard before. We have seen no reason to change our position to date. We have no objection to the continuance, and if the Commission sees fit, and if Mr. Reeder wants an industry if the Commission sees fit, and if Mr. Reeder wants are industry committee, we have no objection to it. We do not see how it is committee, we have no objection on whether this oil should be going to change the basic position on whether this oil should be chargeable to the allowable or not, but we have no objection to the committee so long as whatever the committee — the Commission appoints; each member is entitled to bring in a report or recommendation as it sees fit. With that we would have no objection.

MR. BUSHNELL: H. D. Bushnell, appearing on behalf of Amerada. Amerada is interested in this case and is generally opposed to it. We have no objection to continuance. We have no objection, as a matter of fact, and will be willing to participate objection, as a matter of fact, and will be willing to participate.

MR. KELLAHIN: Jason Kellahin for Continental Oil
Company. Continental Oil Company has no objection to a continuance
of this case, and if the Commission sees fit, has no objection to

an industry committee. However, Continental is one of the opponents to the proposals which were previously made, and is still of the opinion there should be no deviation from the basic principle that oil produced should be charged against the lease.

MR. PORTER: Anyone else care to comment on the motion for a continuance and the industry committee? The Commission will continue the case to the regular June hearing, which has been moved up to June 9th. At this time we will take a short recess, and we will announce our decision relative to the appointment of a committee as soon as we reconvene.

(Recess)

MR. PORTER: The hearing will come to order, please. With further reference to Case 1522, the Commission has decided that the appointment of an industry committee would serve no useful purpose at this time; that is, an industry committee appointed by the Commission, so the case will be continued to the regular June -- or did he ask for July?

MR. PAYNE: June.

MR. PORTER: To the June hearing and no committee will be appointed by the Commission to study that.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, J. A. Trujillo, 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 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 26 day of 2007, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Jaseph G. La rich

My Commission Expires:

October 5, 1960

BEFORE THE OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1522

TRANSCRIPT OF HEARING

JUNE 9, 1959

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone Climal 34691

OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO JUNE 9, 1959

IN THE MATTER OF:

CASE 1522 Application of General Petroleum, Inc., for an amendment to Order No. R-1299. Applicant, in the above-styled cause, seeks an order amending: Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for wells on the originating lease, which amendment would revise Rule 311.

BEFORE:

Mr. A. L. Porter Mr. Murray Morgan Gov. John Burroughs

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: Take up next Case 1522. I would like to announce at this time that we won't have a recess this morning. The Governor is going to have to be away attending to other duties from 11:00 o'clock until 2:00, so we are going to recess for lunch at 11:00 and reconvene at 2:00 o'clock.

MR. PAYME: Case 1522. Application of General Petroleum, Inc., for an amendment to Order No. R-1299.

MR. REESE: If it please the Commission, I am Randolph Reese from Hobbs, attorney for General Petroleum, and our only

witness is Mr. Rieder, the President of General Petroleum, Incor-(Witness sworn) porated.

C. M. RIEDER,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

MR. REESE: With the Commission's permission, I would BY MR. REESE: first like to present a written statement of Mr. Rieder, which I desire that he read into the record, and then we will present

The applicant, General Petroleum, Incortestimony later. porated, of Hobbs, New Mexico, originated the changes in the present Rules 311 and 312 in what was, and still is believed to be an honest conservation measure. We proposed, among other changes in the Rule 311 that oil recovered from tank bottoms and pits would not be charged to well allowables. The Commission in its Order provided for charging oil that was recovered from tank bottoms and pits to the allowable of the wells connected to the tanks or drained to the pits. Thus, the oil in sediment oil was placed in a category where if it was recovered and marketed, it was charged to the allowable of the wells which produced it, but if this same oil was destroyed by burning or used on the lease, it was not to be charged to the allowable. We propose to amend the present Rule 311 (c) in

the second sentence to read "any merchantable oil recovered from sediment oil shall not be charged against the allowable for the wells on the originating lease."

We feel that the present Order actually encourages waste by destruction by charging against the allowable of the wells on the originating lease any oil salvaged and recovered. The Order also requires the associated accounting for the salvaged oil in exactly the same manner as the allowable oil produced. The present Order is inconsistent in itself and with the rules of the Commission. It provides that oil burned or used on the lease is not charged against the allowable, and in the same Order it provides that oil recovered and marketed is allowable oil and subject to the same regulations, taxes and accounting as other allowable production. We believe that oil recovered from sediment oil is not allowable oil whether it is burned, destroyed or put to beneficial use on the lease, and we further believe that it is illogical to assume that an operator will include in his allowable production any such oil when it is possible under the present rule to destroy this oil without the attendant allowable problems.

It is our position that the charging to the allowable of any oil recovered from sediment oil, including tank bottoms and pit oil, is improper and contrary to the definition and understanding of allowable oil. An allowable is granted to a proration unit; that is to say "per well" while sediment oil can be accounted for only on a lease tank battery basis. Sediment oil accumulates over

a period of time during which any and all allowable requirements are met. Not only by definition, but historically, such hydrocarbon accumulation has been considered as a waste by-product of production and in no way a part of the allowable production. This is borne out by the definition of tank bottoms in the Rules and Regulations as well as the other definitions and general knowledge and understanding of the industry.

We believe that there is from 4,000 to 10,000 barrels of sediment oil wasted each month. We further believe that this oil will not and can not be salvaged so long as the oil recovered therefrom is charged against the allowables. If we are mistaken in the se assumptions and the allowable clause is removed, only we and the others with treating plants will be injured by having no oil to treat. If the allowable charge is retained and our assumptions and conclusions are correct, an inexcusable amount of oil will be destroyed which could be recovered in the interests of conservation. We have arrived at the above figures of waste through an analysis of the oil destruction permits for Lea County on file with the Commission. These figures are derived from the reported volumes of 3.35% of the wells in pools representing approximately 50% to 55% of the wells in Lea County. We feel the extensions to be fair as the reports from which they are taken are from producers who represent a cross-section of the New Mexico producers so far as efficiency and conservation practices are concerned. We feel there is no reason to believe that other producers are more or less

efficient or more or less conservation minded than the ones who have filed their applications to destroy sediment oil from January 1, 1959 to June 1, 1959, the period covered by the accompanying chart.

At and after the previous hearings on this rule, the question of the possibility of theft in connection with the handling of sediment oil was raised. We do not believe in theft of oil in any manner, and we feel that the concern exhibited represents an honest and thoughtful attempt on the part of those expressing concern to guide the industry. However, we vehemently object to the levelling of such an insinuation against New Mexico treating plants investigated and licensed by this Commission, supervised by this Commission and bonded to operate under its regulations and rules and the laws of the State of New Mexico. We find it difficult to believe that a mature industry and informed Commission would allow the mere possibility of theft in connection with the salvage of a natural resource to be used as the excuse for the continued known destruction and waste of oil. We grant that the possibility of theft and dishonesty exists in all walks of life, but we deny that such a possibility justifies waste of a natural resource. If the possibility of theft is an adequate reason for waste, why not shut down the whole industry?

We grant to others the legal presumption that citizens act in a lawful manner, and we believe that treating plants, investigated, licensed, supervised and bonded, are entitled to the benefit

of the presumption. We believe that the rules with the supervision provided render the possibility of theft in this instance much more remote than in other industries. No sediment oil can be removed from the originating lease without the knowledge and written consent of the operator. Merchantable oil recovered from sediment oil can not be marketed without the knowledge of the Commission of the volume, source and disposition.

We are a legitimate business enterprise proposing an amendment to the present rules which will prevent the waste of 4,000 to 10,000 barrels of oil per month. For the reasons set out, we urge the adoption by the Commission of the proposed amendment to Rule 311 (c).

Q Mr. Rieder, do you have the chart and the analysis mentioned?

A Yes, sir.

MR. REESE: We would like to have one of these marked

(Thereupon, the document above referred to was marked General Petroleum's Exhibit No. 1 for identification.)

MR. REESE: We offer in evidence General Petroleum's Exhibit No. 1, being the tabulation of the permits and the General Petroleum analysis from the tabulation.

MR. PORTER: That's Exhibit 1?

MR. REESE: Yes, sir.

MR. PORTER: Do you have other Exhibits that you plan

to enter?

MR. REESE: No, sir.

MR. PORTER: Without objection, the applicant's Exhibit
No. 1 will be admitted.

(The document heratofore marked General Petroleum's Exhibit No. | 1 was offered in evidence.)

A I would like to call to the attention of the Commission that in this there is an omission of four permits which inadvertently I must admit I overlooked.

- Q In other words, it lacks four permits being complete?
- A Yes, sir.
- Q Mr. Rieder, would you very briefly explain the analysis portion of this Exhibit to the Commission?

A Very briefly, an analysis was made based on the number of -- based on the permits which were on file at the Hoobs office of the Oil Conservation Commission. And an attempt was made to form an extrapolation based on these permits on file, to the pools within -- which they were within.

- Q Mr. Rieder, you have previously qualified before this Commission and testified before the Commission?
 - A Yes, sir.
- Q If you will just take this analysis and go across the top entry "Anderson Ranch Devonian," and explain it by column there, please.
- A Well, the first column is the number of wells reported on that permit, or permits, depending on the pool. There was in

some cases one or more permits, and the permit was -- we then checked it against the number of walls for the battery described in the permit. We have in the second column the volume reported on this permit. The third column represents the percentage of the wells reported against the wells in the pool.

- Q To refer back to volume reported, that states forty barrels. What does that mean?
- A That means that there were forty barrels of sediment oil applied for under the permit.
- Q All right. And you explained that the third entry is the percentage reported against the total number of wells in the pool?
 - A That is correct.
 - Q Your next --
- A The fourth column is merely the pool allocation for the month of June, 1959. The fifth column is the number of wells in the pool, and the last column is the extension or extrapolation of the volume.
- Q As I understand you, then, you have one well reported in that pool, and there are ten wells?
 - A That is correct.
- Q And, therefore, you increased your estimated pool waste volume proportionately to the ten percent report?
 - A That is correct.
 - Q And does that -- that same system apply throughout

this report?

A That is correct.

Q And your estimated total for this period, January 1st, 1959 to June 1st, 1959, was 148 permits, and I believe you stated there have been four more you knew of since then?

A Not 148 permits, 148 wells were reported on the permit.

There were -- pardon me a minute --

Q A list of the permits is attached to the Exhibit, is there not?

A No, only as you would check against the pools. Total number of permits was 61, plus 4 would be 65. 65 permits have been granted.

Q And you arrived at what volume, summing the total of those permits?

A The 61 permits totaled 4313 barrels; the four permits omitted covered 100 barrels. Therefore, the total would be 4413 for the actual volume of sediment oils destroyed by burning.

Q In your opinion, then, what is the total sediment oil product for this period under study?

A Our extrapolation for the total sediment oil burned and in any other way otherwise destroyed would extrapolate to 44,183, which, when converted back to a per day figure would be roughly 250 barrels per day, or about, roughly one tenth of one percent of the total Southeast production, which actually is a very reasonable and very low figure. Very few industries would have

the one tenth of one percent waste.

Now, in your attached tabulation of destruction permits, can you state whether or not these permits were issued to burn all of this oil?

These represent approved permits, they were issued A for volumes indicated.

Can you recover cil that will burn?

Yes, sir. We feel that any oil that can be burned has an economic recovery. If it could not be burned, chances are it would not be economic to recover because the percentage of water would be extremely high then.

Do you have anything else to state in connection with Q this application?

I don't believe so.

MR. REESE: That's all we have.

MR. PORTER: Any questions of Mr. Rieder?

CROSS EXAMINATION

BY GOV. BURROUGHS:

In your column four, Mr. Rieder, reading across, pool Q allocation, --

Yes, sir.

-- is that allocation per day or --Q

Yes, sir.

That is per day? Q

Yes, sir. A

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- Q That is not total allocation for the month?
- A No, sir, that is the daily allocation.
- Q Your column reads proved allocation, June 1959?
- A Well, it was for that month. In other words, I used the month for June. It is the per day for that month.
 - Q It is the per day for that month?
 - A That is correct, sir.
- Q You have assumed in your column six on waste volume that each well within a pool has equal wastage?
- A Yes, sir. That was a linear extrapolation for the simple reason that not knowing an accurate or possible correct variance, it introduces less error if you state in the linear rather than try to put in some factor.
- Q But other wells in those pools have not applied for burning permits?
- A That is correct, but that is unnecessary under the present rules; if it is put on the fire walls, roads, in any other manner, no permit is necessary nor is any report required; only if it is burned or only if it is recovered. Our position may be, to sum it up in a few short words, would be simply this, if it is allowable oil when it is recovered, then it also must be allowable oil when it was put on the roads, or put on the fire walls or used in any manner. In other words, if it is allowable oil in one place, then it must be allowable oil throughout its life.
 - Q But you have no definite information that this much

oil was actually --

No, sir.

Q

MR. PORTER: Any questions? Mr. Kutter. -- wasted?

QUESTIONS BY MR. NUTTER:

Mr. Rieder, --Q.

-- I presume you are acquainted with the statute that prohibits the excessive surface loss or destruction of oil without beneficial use thereof?

You don't think, do you, that an operator is going to That is correct, yes. destroy oil if he can sell the stuff, even if it is charged to its

allowable?

I don't believe I understand what you mean.

Do you believe that a prudent operator is going to destroy oil or burn it in a pit if he could sell it, even though

Let me put it this way. I don't believe that any it were charged to his allowable? operator is going to destroy anything from which he can derive any economic benefit. I also don't think that an operator is going to be foolish enough to sacrifice two dollars and ninety-five cent oil, or three dollar oil, or whatever it happens to be, for oil that possibly might net him fifty cents a barrel, or even a dollar, say I can't believe that that would be fair to himself or to his company.

- Q Well, isn't it part of the normal operations of a lease on many of these leases that you set out here on your tabulation that they treat this oil and cycle the stuff through the heater treaters and back into the tank bottoms and recycle it time and time again, many times?
 - A That is correct. It is done in many leases.
- Q As a matter of ract, here in your tabulation I see several instances where the reason given in the remarks column for requesting the destruction permit is that the oil was treated and paraffin will not stay in suspension. Do you think that is merchantable oil?
- A Yes, sir, I honestly believe that oil has an economic value.
 - Q Even though --
 - A I certainly do.
- Q Even though they have tried to make salvage oil out of it and failed in their attempt?
- A You must understand this oil can be treated in any position. It can be treated by any operator.
 - Q He can't treat it on the lease, --
 - A He can treat it on the lease.
 - Q In several of these instances he says he can't treat --
- A With his facilities, that is correct; with facilities he had available to him, he was unable to treat it.
 - Q Do you think -- I notice here in one instance where

he reports he had fourteen barrels of BS water and mud. Do you think he could make salvage oil out of that?

A Yes, without having any actual knowledge of the oil is question, yes.

- Q Do you think --
- A If it will burn, it could have been recovered.
- 2 Do you think that the instance where the operator requested a permit to burn 5 barrels of oil it would have been economic for anyone to go after that oil?
- A I don't believe it would have been economic for the operator to leave it on his lease; most likely no. I think it is economic only in large volumes.
- Q Now, on your first page of your tabulation, Mr. Rieder,
 I note here in the Denton Wolfcamp that you have a request for
 burning oil for one well, and you have taken 60 barrels of oil from
 that well and expanded it to 5,650, because that well represented
 1.06 percent of the total wells in the pool?
 - A Yes, sir.
- as you have done here on Page 1, that you have taken the worst well in the pool, possibly the one that is making the sediment oil, and expanded that figure to cover the good oil that is not making any sediment oil?
- A I believe this. You haven't -- you have very few leases in which you do not have a tank bottom buildup, very few.

Q Now, where the --

A Now, where the error would be introduced on this tabulation would be the leases where there is treating equipment, not all of the bottom buildup which does accumulate. Now, we recognize that there are many leases in which the operator is quite able to and does recover his own bottoms, and that would, of necessity, enter error into the tabulation. We recognize there is error here.

- Q You wouldn't want to lead the Commission to believe that there are 44,183 barrels of waste volume accumulated each day or each month?
 - A No, that would be over a five-month period.
- Q You wouldn't want to lead the Commission to believe that, would you, --
 - A I think it is quite reasonable myself, frankly.
- Q -- even using this expansion of figures that you admitted had an error in it?
- A That is correct, but what extrapolation doesn't?

 I mean, it would be rare indeed that you could make any kind of extrapolation based on no more information than we have that would be 100 percent accurate.
- Q And you believe that one permit for 60 barrels in the Denton Wolfcamp Pool would indicate that 5,650 barrels of oil was wasted in that pool in this five-month period?
 - A I would believe so. I think it is quite reasonable.

MR. MIRATED: Thank you.

MR. PORTER: Does anyone else have a question? Mr.

Reese.

REDIRECT EXAMINATION

BY MR. REESE:

- Q Mr. Rieder, are there any better records available to you to present to the Commission than what you have presented?
 - A No, not to my knowledge.
 - Q You have presented the best records available to you?
 - A That is correct.
- Q And this extrapolation presents a fair analysis, in your opinion?

each permit, assigned as many wells on the permit as existed on the lease. In other words, we didn't try to take just one well on the lease and ignore the others. We recognize there is error in here, and there can't be any doubt that one individual or one group of people could affix a figure to this volume that would be reasonable at this time. Each operator keeps a different set of records in a different manner due to his own operations. The figure probably is available, but I don't know how in the world you would ever arrive at it. We feel this way, that only if this oil becomes or is brought to the attention of all of the people involved can a more reasonable figure be accomplished. Now, we feel that under what we propose as an amendment here to the rules, you will then

have an opportunity to recover -- you will then have an opportunity to see exactly the volumes involved. Now, we feel that the indicated volume over a five-month period of some 900 barrels a month is indicative enough to develop some interesting salvaging, what might not be being burned, but going on roads and other utilization.

Q If the Commission sees fit to grant the application and removes recovered sediment oil from the allowable, will there then be any records available to determine the exact amount of this waste?

A Well again, the records available would be from the lift A's and lift B's. In other words, you would have a record of oil recovered and a record of the oils burned. Again, you would have no record of the oils put on roads or otherwise utilized on the lease. However, we believe that no operator is going to distroy or waste oil if it can be placed into economic channels where he will be not, at least not penalized for the recovery. As it exists now, he would actually be penalized for attempting to recover.

MR. REESE: That's all we have.

MR. PORTER: Any further questions of Mr. Rieder?

MR. BRATTON: Howard Bratton, Hervey, Dow & Hinkle, Roswell, appearing on behalf of Humble Oil & Refining Company.

CUESTIONS BY MR. BRATTON:

Q Mr. Rieder, in connection with your column No. 6, in addition to the problem of extrapolating the volume from one well,

don't you have the problem of affixing a period of time? Are you talking about a five-month period of time here when you are talking about these volumes in the column No. 6?

Yes, sir. In other words, we've reduced it to the maximum length of time covered by oil permits.

Going over to Page No. 2, I see the first entry there is a Sunray Mid-Continent Well in the Anderson Ranch Deronian. Over in the remarks, it says "Two years" accumulation."

Doesn't that indicate that there is no way of telling what period of time we are talking about, even the figure in

Well, in that case, and in possibly a few others, I column 1? think that is correct, but we put down the remarks exactly as they were. In other words, --

Aside from that, there is no way of telling from the remarks whether it is a one-month or five-month or one year or two year accumulation?

That is correct.

MR. BRATTON: That's all.

I would like to say this, Mr. Bratton, that I think it is a general awareness of the industry that these buildups do take place, and they take place over a rather regular interval, depending upon the wells, how regular that interval is, but the accumulations are pretty regular, and it is rare that it would be two years.

MR. BRATTON: I have no further questions.

MR. PORTER: Does anyone else have a question of Mr.

Rieder?

RECROSS EXAMINATION

BY GOV. BURROUGHS:

Q Wouldn't you say, Mr. Rieder, that in your statistical recap here that you've done a considerable amount of comparing apples with oranges?

A I have taken a lot of liberties, Governor, there is no doubt of that. However, I think frankly that 4500 barrels alone is a considerable amount of oil. I feel a lot better about the tabulation in view of the fact that it does represent but one-tenth of one percent, which is, to my mind, a very reasonable waste volume figure, but I grant I ve taken liberty, I shant deny that.

MR. PORTER: Is that all the questions?

GOV. BURROUGHS: Yes.

MR. PORTER: : Mr. Kellahin.

MR. KELLAHIN: Kellahin & Fox, representing Continental

QUESTIONS BY MR. KELLAHIN:

Q Mr. Rieder, in connection with your figure on column 6, I realize we have gone over it several times, but you do not mean to infer that any of that oil has been burned without a permit, do you?

- A No. sir.
- Q In other words, the only oil of which you have any record is that shown on the permit?
 - A That is correct.
- Q Now then, if you extrapolated that at that rate, what did happen to that oil?
- A Well, I think that oil ended up on roads, fire walls, tank grades, county roads.
 - Q That would build a lot of roads, wouldnot it?
 - A There is a lot of oil out there, Mr. Kellahin.
- Q But you have no figures or no accurate source of information which would indicate -- which would support that conclusion of yours, aside from the extrapolation?
- error, Mr. Kellahin, that we haven't talked about, and that's the error of looking into a pit and ascertaining that you have 40 barrels -- for instance, in that pit, you have no way of knowing how much the actual volume is. It could be 4 barrels or 400.

 When you are looking at it in a pit, it is extremely difficult to tell unless you come out of steel storage.
- Q Going back to that second column on the volume reported, actually, according to your supporting figures here, all of that had been treated in some fashion or other, had it not?
- A Well, I don't know, Mr. Kellahin, but that is what -- what you see there is what was written on the permits.

Q Yes, sir.

A I don't doubt for a minute that the operator attempted to recover.

Q Now, what kind of equipment will you use for the treatment of that oil?

A Well, it depends on where I do it and how I do it, but it will be a high heat unit. These oils have to be treated with extreme heats and with large volumes of chemicals. Again, the same thing can be done on the lease, but it can't be done on most lease heaters. Heater treaters rarely have the B.T.U. imput which we would have to consider in this treating.

- Q Do you have this equipment now?
- A Yes, sir.
- Q Are you using it?
- A Yes, sir.
- Q If an operator had a comparable equipment, why he would be in as good a position as you to recover this oil, would he not?
 - A That is correct, yes, sir.
- Q Now, do you propose to pay for that oil when you pick it up?
 - A If I have to, yes.

MR. KELLAHIN: Thank you. That's all.

MR. PORTER: Does anyone else have a question of Mr. Rieder

MR. UTZ: I have one.

DEARNLEY - MEIER & ASSOCIATES INCORPORATED GENERAL LAW REPORTERS ALBUQUERQUE NEW MEXICO 3-669! 5-9546 MR. PORTER: Mr. Utz.

QUESTIONS BY MR. UTZ:

Q Mr. Rieder, of this 4353 barrels which represents five months! burning of oils from reports 117-A, how much of this oil would you have purchased?

A Quite frankly, Mr. Utz, I'd have taken every bit of it that I could have gotten to.

Q Then, if the Commission would set up a little more stringent provisions in regard to oil requirements; if they offer this oil for sale to some salvage company, that would take care of the situation, would it not?

A I presume so, yes. I think -- let me say this; I don't mean to infer that there is a necessity here of putting a gun at the head of the producers; they are doing exactly what they think is best to do. I frankly believe that the simple removal of the allowable charged against the recovery oil in itself, that one single act would place this oil where it would not be detrimental to the operator. He would, therefore, be interested in recoveries. Now then, if the allowable provision must be retained, then if it is allowable oil in all forms, that again would encourage the operator to take advantage of the means that would net him the most money. Our major point here, Mr. Utz, is this, no individual or group of people, I think, would salvage something, a questionable product to them, a nuisance to them, if you will, and lose money. They couldn't afford to, when it is so easy and so simple to get a

burning permit and destroy it or put it on a road or put it on a fire wall, just dump it. I can't believe that it is reasonable to expect him to lose money.

QUESTIONS BY MR. PAYNE:

Q Mr. Rieder, how is he going to lose money? In the long run he is going to get more oil?

- A No, sir.
- Q Why not?
- A You only get so much allowable, --
- . seY
- A -- you see.
- Q But the allowable has nothing to do with the reserves -- recoverable reserves, does it, Mr. Rieder?
 - A No.
- Q So that if he salvages this oil, no matter -- taking the allowable factor out of it over a long period of time, he is going to recover more oil by salvaging this oil, under the present rules?
- A Oh, yes. That's quite correct because he will be picking up a source of oil which has heretofore been lost to him.
- Q Well, it is available to him, isn:t it, Mr. Rieder, if he wants to utilize it?
 - A Yes, sir, it is.

MR. PORTER: Any further questions?

MR. WHITE: Charles White of Gilbert, White & Gilbert,

appearing on behalf of Sunray Mid-Continent. I would like to ask Mr. Rieder a question or two, if I may.

A Yes.

QUESTIONS BY MR. WHITE:

- Q In your Form C-117-A, I note that --
- A Sir, where?
- Q On the Form C-117-A, your sediment oil destruction permit.
 - A Yes, sir.
- Q Sunray Mid-Continent has 40 barrels of such cil. Would you come out to their lease and pick up that 40 barrels of cil?
- A Yes. The thing about it is this. That oil is worth so much money to me, or to -- I hate to always talk in first person -- it is worth so much money at a treating plant, and the further you have to go, why, the less you are in a position to pay the operator; that is the major function in it.
- Q Now, Humble Oil Refining Company, in the Barnes "A" lease, they have 10 barrels. Would you go out and recover that?
- A Let me say this. We can get down to the smallest volume. In many cases, it might be economic for me to go get it. I have a small truck. In other words, if I have a large truck, I can go get a large volume. I also have a small truck, and I can operate that turck quite reasonably. Again, I hate to use myself as an example.

Q And you are in a rosition to state whether or not you will go out and pick up that 10 barrels?

A What I would do, if you had 10 barrels of oil in it,
I would go out and look at it. If you had enough barrel contents,
you'd better believe I would go out and get it.

Q Would you do the same for Skelly Oil Company in the Eumont Pool, would you pick up 8 barrels?

A Well, that E. C. Hill lease is, as I recall, reasonably close into Hobbs; I might. Let me say this, sir. The volume might or might not be a factor.

Q Very well. Now, one other question. What would you be willing to pay for this oil?

A Well, currently I am considering that that oil is worth about a dollar, dollar fifty at my plant, and it depends on how much transportation has to come cut of it. The best price I can probably get for it if I have to sell at the plant is about two dollars a barrel.

Q In other words, you are making your independent deal with the operator and getting the lowest possible price?

A Well, yes, more or less.

MR. WHITE: If the Commission please, Sunray Mid-Continent opposes the granting of the application on general principles. We feel that any merchantable oil recovered from a lease should be charged against that lease. We further believe that this is necessarily so in order to protect offset operators and correlative rights. We further believe that the operators here in the state are prudent operators and know economic waste of surface oil.

MR. PORTER: Any further questions of the witness?
You may be excused.

A Thank you.

(Witness excused)

MR. PORTER: Anyone else desire to present testimony in Case 1522? Any statements?

MR. ANDERSON: R. M. Anderson, Sinclair Oil & Gas
Company. Sinclair is opposed to the granting of the application.
Sinclair, like many other operators in New Mexico, has installed
treating equipment on their leases, where necessary, heater
treaters, chemical feeders, and we keep our tank bottoms clean on
the lease. We feel that if the Commission were to grant this application that they would also have to give serious consideration
to the granting of some bonus allowable for those operators who
have their own treating facilities on the lease, and keep their
tank bottoms clean in that manner.

MR. PORTER: Anyone else have a statement to make?

MR. BRATTON: Howard Bratton, Humble Oil Refining

Company. Humble opposes the granting of this application. We be
lieve that it basically boils down to the proposition of giving a

bonus to the inefficient operator and to encourage inefficient

wasteful practices. And while we do not cast any doubt on the

integrity of Mr. Rieder or his operation, we have the highest respect for him, we believe that the Commission's rules as they are presently defined will adequately cover the situation and protect the correlative rights of the operators and prevent waste and wasteful practices.

MR. BUELL: May it please the Commission, Guy Buell, representing Pan American Corporation. Pan American is opposed to the granting of this application, and recommends no charge, revision, or amendment in Rule 311 at this time.

MR. BUSHNELL: H. D. Bushnell. In association with Jason Kellahin, and on behalf of Amerada, Amerada is opposed to the application and believes that any changes here proposed would encourage wasteful practices.

MR. KELLAHIN: Jason Kellahin, representing Continental Oil Company. Continental Oil Company is opposed to the proposed change in the present rule and strongly urges the Commission that any allowable recovered be charged against the lease as under the present rules. Under the proposed rule, reclaimed sediment oil would not be so chargeable, and this creates a situation which, in our opinion, would certainly encourage waste or careless operations. Without a bonus allowable, those operators would be prudent; and equipped to do so, could recover their own tank bottoms. Those operators would then be penalized for their foresight in taking care of their own waste oil. This would greatly increase the burden of the Commission also in the matter of increasing the

industry to insure efficient operations, and further, with no penalty against the allowable, oil would be removed from the lease with no accounting safeguard for the lease interest owners with probable loss of revenue to the royalty owners, including the State and State institutions. We strongly urge that the Commission does not alter the present rule as has been requested here.

MR. PORTER: Anyone else have a statement to make in Case 1522? The Commission will take the case under advisement.

We are going to skip down to Case 1691, listed under the "New Cases." This could be a very short case, and perhaps we can conclude this one before we have to recess at 11:00 o'clock. We will take up the Case 1569, the no flare case, as soon as possible after we reconvene at 2:00 o'clock.

STATE OF NEW MEXICO)

COUNTY OF BERHALLLO)

I, J. A. Trujillo, 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 that the same is a true and correct record to the best of my knowledge, skill and ability.

NOTARY PUBLIC

My Commission Expires:

October 5, 1960.

BEFORE THE
OIL CONSERVATION COMMISSION
FARMINGTON, NEW MEXICO

IN THE MATTER OF:

CASE 1522

TRANSCRIPT OF HEARING

OCTOBER 15, 1958

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone Chapel 3-6691

BEFORE THE OIL CONSERVATION COMMISSION FARMINGTON, NEW MENICO OCTOBER 15, 1956

IN THE MATTER OF:

CASE 1522 Application of Lea Gounty Drip Company, Inc.:
for the revision of certain of the Commiss-:
ion Statewide Rules and Regulations and for:
the revision of certain of the Commission:
forms. Applicant, in the above-styled cause:
seeks an order to revise Rules 511, 312,1116:
and 1117 of the Commission Rules and Regula-:
tions, to replace the present Commission:
Form C-117 with two forms to be designated:
as C-117-A and C-117-B, and to revise Commission Form C-118.

BEFORE:

Mr. A. L. Porter Mr. Murray Morgan

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: We will proceed to Case 1522.

MR. COOLEY: Case 1522. Application of Lea County Drip Company, Inc. for the revision of certain of the Commission State-wide Rules and Regulations and for the revision of certain of the Commission forms.

MR. PORTER: Does anyone else wish to make an appearance in Case 1522 at this time? We will call for appearances in this case.

MR. SETH: We would like to enter an appearance for

El Paso Natural.

MR. BRATTON: I am Howard Bratton, appearing for Humble

Cil and Refining Company.

DEARNLEY MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE, NEW MEXICO Phone Chapel 3-6691 MR. KASTLER: I am Bill Kastler, appearing for Gulf Oil

Corporation. I will have a statement to make at the end.

MR. MOORE: I am J. A. Moore appearing for Continental Oil, and I have a statement.

MR. CHRISTIE: I am R.S.Christie, Amerada Petroleum. I may want to make a statement.

MR. PORTER: Any other appearances in this case?

MR. JOHNSTON: I am Paul Johnston with Gackle Oil Company.
I also may have a statement to make.

MR. PORTER: Anyone else desire to present testimony, with the exception of the applicant?

(Witness sworn)

C. M. RIEDER.

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. REESE:

- Q Your name is Charles Rieder, and you are the President of Lea County Drip Company, Incorporated, --
 - A That is correct, sir.
 - Q -- the applicant in this case?
 - A Yes, sir.
- Q. The Company has applied for amendment of Rule 311. Will you state to the Commission the proposed amendment and the difference between it and the existing Rule 311?

A Yes, sir. I believe copies of our proposed changes are available, and I hope everybody has a copy of it. We propose to modify 311, as written, to this extent: First, to define the product with which we are dealing. The waste oils which we propose to discuss and consider hereunder extend over and beyond the mere title or definition of tank bottoms as such. They occur and are presently being destroyed, and in some cases utilization is in various forms and means. Tank bottoms, of course, is one, and probably one of the major; pit oil is another. The source of this pit oil is in the main, tank bottoms, but the accumulation is pit, and we have included in Paragraph (a), in the definition, to include all such accumulations of oil that is presently being destroyed and not reaching to commercial channels, and the definition is as follows:

"!Waste oil' is defined as any unmerchantable liquid hydrocarbon accumulating on an oil and gas lease incidental to normal oil field operations, such as tank bottoms and accumulations in pits, cellars, and sumps."

These accumulations can be many and varied.

We made a further recitation under Paragraph (b) of our proposed Rule 311, and the recitation is similar to recitations which appear throughout the Rules and Regulations, and also in the statute.

"The destruction of waste oil is prohibited when it is economically feasible to reclaim the same. No waste oil shall be destroyed, by burning or otherwise, unless and until the Commission has approved an application to destroy the same on Form C-117-A revised."

The purpose is to make possible destruction, when necessary. As we interpret the present Rules and Regulations and the statute,

the destruction is questionable, as to whether there is authority to do the same. We feel that by clearly stating it here, the destruction is possible when it is impossible to economically salvage any of these oils, and those situations do and will arise. We have provided a means which we hope will be simple and direct whereby the operator, any particular operator, desiring to eliminate the hazard of a pit, being unable to make any arrangement to salvage the same, would make application to destroy.

Paragraph (c) of our proposed rule change for Rule 311 is merely a procedural statement as to the means and method by which this may be acquired.

When waste oil is to be removed from lease for reclamation, the person removing such oil shall obtain a permit (Form C-117-B) proposed, from the appropriate District Office prior to removal from the lease. Any merchantable oil recovered from such waste oil shall not be chargeable against the allowable of the originating lease. The provisions of the foregoing paragraph do not apply when the waste oil is reclaimed on the lease where it originates and is disposed of through the authorized transporter for the lease as shown on Form C-110.

The purpose of this is primarily to provide a means by which application for the removal of such oils can be made and to provide a means for their recovery.

The last Paragraph is included, although it is in itself swidence that any operator reclaiming on his own lease has a right to run it through his own connections as a part of his own operations.

Paragraph (d) merely restates an old action which has been repeatedly taken throughout the industry wherein such oils have been

put to beneficial use by being put on tank grades and roads in various leases, and it's simply a statement making clear that these uses are not eliminated or cut out of the Rule.

And it states as follows:

"(d) The provisions of this rule do not apply when waste oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire wells, tank grades, or any other similar purpose."

The purpose there is to make clear that it is not necessary for the operator to make any application or file any notices as long as he is using it on his own lease.

MR. REESE: Does the Commission desire to discuss this Rule by Rule or the total amendments for cross examination?

MR. PORTER: The Commission feels that it be beneficial to take this Rule by Rule with any explanation the witness cares to state and also at the appropriate time to explain the recommended form.

Q (By Mr. Reese) All right. Mr. Rieder, do you feel that the amendments to the Rules are in line with the objectives and the purposes of the Oil Conservation Commission of New Mexico?

A Yes, sir, I do. I believe that this Rule is exactly in line with those objectives; and that it would eliminate the waste of a potential source of oil which is now being destroyed.

Q Now, in the second paragraph of the application, the Company has asked for amendment of Rule 312 dealing with treating plants. Will you explain the difference in the amendment and the existing Rule 312?

A Yes, sir. In essence, -- and I will not read this because every one probably can read this themselves -- all we have done under our proposed revision is to eliminate what we felt was in some cases repetitive terminology, and set it down in as simply a termed statement as we felt we could, keeping in line with the existing Rule and changing only those things which we felt were not and are not applicable.

We also propose a revision in the bonding. At present, Rule 312 requires that a treating plant operator furnish a performance bond in the amount of \$25,000.00. We feel that this is an excessive amount of bonding when compared with the other bonds required by the Commission. A multi-well drilling bond costs but \$10,000.00 and we felt that a treating plant could do certainly no more damage than three or four drilling wells, and we feel a \$10,000.00 bend is much more realistic and much more in line with the guarantees in valves that such bonding would desire to have covered.

We have also eliminated any question as to the need of proof of necessity for such treating plants. In other words, a certificate being granted upon proof of necessity. We feel that this is a limiting proviso which could adversely affect competition and would be unfair. We feel that there should be no certificate of necessity. In essence, I believe that summarizes our changes.

With reference to Paragraph (b) it provides for a specific manner of reporting these acquisitions. We feel that this reporting

is of primary importance to provide all parties with the guarantees of legalization of acquisition, legalization of the sale from such plants. We have provided in this Rule that Commission Form C-118, proposed, should be adopted and submitted to the Commission on or before each 25th day of each calendar month, and this month shown on it. As will be seen in Form C-118, it contains various amounts of information, all of which will tend to support the acquisitions and the sale of such treating plant.

Q I note that Paragraph C of Rule 312 existing has been depleted. Will you explain why that provision in connection with wash-in oil and creek oil no longer appears in Rule 312?

A Well, sir, I think -- we felt that Paragraph (c) was an unnecessary restatement of what we feel is covered by definition of waste oil. In other words, wash-in oil or creek oil, if you should find it any more, is all covered by the definition in 311, and all of the actions that can be performed with it, whether destruction or salvage, has been defined and clarified in 311. We felt that to put it in 312 would be unnecessary.

- Q You are speaking of the proposed amended Rule 311-A?
- A Yes, sir.
- Q And it is your position that that will cover everything that is covered in Paragraph (c) of Rule 312 now existing?
 - A Yes, sir.
- Q Does the Lea County Drip Company have a permit to operate a treating plant now?

- A Yes, we have a permit for two treating plants.
- Q Will you explain the amendment of Rule 1116 shown in Paragraph 3, together with the supporting form attached?

A Yes, sir. Rule 1116, as we propose it to read, would cover and deal with waste oil disposition permits, or Form C-117-A. It also deals with C-117-B in Paragraph (b).

Dealing first with the C-117-A, this form would provide the operators with a form and a means by which they may make application to eliminate a hazardous situation, such as a full pit, also anything that you might conceive in which destruction was necessary, and it merely provides that the operator shall state the lease, the location, the type of the waste oil that is involved and estimated amount, and the reason we stated it in that fashion is, with the exception of oil contained within tanks, that it is extremely difficult, if not impossible, to make any kind of an accurate statement as to the volumes involved. However, it is possible to make an estimated volume, and should the oil be in tanks, why it would be a far more accurate estimate. The form we have tried to keep relatively simple so that it will require as little effort as possible and still provide the Commission and the operator with the information that they need. This form would be executed by the operator and approved by the Commission.

Paragraph (b) of Rule 1116 deals with the C-117-B proposed.

This is a Waste Oil Recovery Permit. This permit is to cover any acquisition or recoveries of waste oil in any fashion or kind. The

the lease location, the type of waste oil involved, and estimated gross volume, and estimated for the same reason again, and the disposition to be made of this oil by the transporter. We feel that is of primary importance. In other words, the movement of such oil must be controlled and must be known before the Commission can grant any permission to move the same. This form would be made out by the individual acquiring the oil. It would be necessary for the individual making the acquisition to prepare and submit the form. The form would then be approved by the Commission. Now, we've made provision for a number to be inserted on the permit, and each individual permit to bear an individual permit number, thereby giving greater control of the permits and the fluids that would be recovered. I believe that's, in essence, what's covered in 1116.

Q Will you explain the proposed changes in Rule 1117 including the supporting form?

A Our proposed changes in Rule 1117 deal with the proposed Form C-118 revised. C-1118 would be a Treating Plant Operator's Monthly Report, and this report would deal and cover the treating plant operators, and this report would contain the name, location of the treating plant, of course, and then it would be broken down into the oil recovered, the oil received, the permit number, the lease and the location. We feel that this provides all of the pertinent information which should be on the form to allow the Commission or any other individual to properly investigate any of the move-

ments involved. This is considerably different than the present C-118. We do not feel that the present form would be adequate for the information required. C-118, if you will notice, is divided into Sheet 1, and Sheet 1-A, and the reason for that is that we felt that Sheet 1 should be primarily a summary sheet and should merely contain summary information on a month's operation. We feel that summary information should then be broken down on Sheet 1-A as to each individual and permit number. And the form Sheel 1-A -- C-118 1-A provides for that. It could be broken down by permit number, operator, lease description the gross amount of waste oil brought into the plant, and the net amount of oil recovered.

Q As I understand your testimony, then, from the forms proposed, the source of the oil will be identified, it will be traced then through the ultimate sale --

A That is correct.

Q -- as to each individual acquisition of waste oil, is that correct?

A That is correct. Prior to any movement, the source and location would be identified to the Commission; following the acquisition under Form C-117, a complete report would be made available at the end of the operating month showing by permit number by individual acquisition, you might say, exactly what the breakdown on that recovery was.

Q Do you feel that the proposed amendments are all in line with the statutory purposes of the Oil Commission?

- A Yes, sir.
- Q Do you have anything else to offer to the Commission at this time?
 - A I don't believe so.

MR. REESE: That's all we have.

MR. PORTER: Does that conclude your testimony?

MR. REESE: Yes, sir.

MR. PORTER: Mr. Cooley has a question, I believe.

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Rieder, are all of your proposed changes in both
Rules and Forms set forth in your application exactly as you propose
them?

A Yes, sir. I would like to say that we appreciate that the Commission was good enough to print these forms for distribution.

MR. COOLEY: That's all the questions I have.

MR. PORTER: Anyone else have a question of Mr. Rieder?

MR. HOWELL: Ben Howell representing El Paso Natural

Gas.

QUESTIONS BY MR. HOWELL:

Q Mr. Rieder, these Rules are not intended to apply to the liquid hydrocarbons that would be collected in drips along the gas lines, are they?

A No, sir, that is presently covered by 314, I believe.

Q Well, I believe -- would you have any objection to ex-

cluding that from the Rule specifically, specifically excluding it?

A I would have no objection at all because that is not considered hereunder at all.

MR. HOWELL: Thank you.

MR. PORTER: Anyone else have a question of Mr. Rieder Mr. Nutter.

QUESTIONS BY MR. NUTTER:

Q Mr. Rider, your definition of waste oil in 311-A, does this apply to liquid hydrocarbons accumulating in a tank regardless of whether or not the operator is treating those tank bottoms on his lease?

A Would you repeat that? I don't understand.

Q Does your definition of waste oil apply to the liquid hydrocarbons that are accumulated in a tank on a lease regardless of whether the operator is treating those tank bottoms or not himself?

A I would think so. I may misunderstand what you mean.

In other words, tank bottoms, to me, mean that accumulation which is going to accumulate naturally below the pipeline connection and up to a point at which the pipeline will turn that tank down. In other words, these things are going to accumulate up to a point, and when this point is reached, depending on the pipeline facilities that they are connected to, it will be turned down at whatever the pipeline requirements are. Now, there is hardly -- there is not too many plants in which treating is not going on more or less irregularly.

MR. REESE: Mr. Rieder, perhaps Mr. Nutter is referring to Paragraph 2 of 311-C.

A well now, it wouldn't provide -- if they desired to recover it themselves, is that what you mean, Mr. Nutter?

Q (By Mr. Nutter) I just wondered. The way I interpret this, an operator is not allowed to destroy waste oil without a permit? A That's correct.

Q And you have defined waste oil as being an accumulation of liquid hydrocarbons in a tank. Now, if the operator has a heater treater on his lease and is treating that oil and makes a merchantable product out of everything that can be salvaged, would he have to have a permit to destroy the sump that is left?

A He probably would not have a very great deal left, depending on the quality of his treat. In other words, theoretically a hundred percent treat would leave no bottoms that would be hydrocarbon bottoms.

Q Well, I've seen -- in tank bottoms that I have seen, this sludge and asphaltic material accumulate in the bottom of the treated tanks. I wonder if he has to have a permit to destroy that.

A I will be quite frank. We hadn't considered these heavy waxes due to the fact that there isn't a great deal of heavy waxes in New Mexico that we have run through, such as microcrystalline was and your heavier asphalt. I am not aware of it, if there is a great

accumulation of it. Primarily, these accumulations would if they have a hydrocarbon recovery to them, if there is a recovery to be made, that's what we are talking about. In other words, if they have a hydrocarbon.

Q In other words, you are aiming this more specifically at only the liquids in a tank that would have a hydrocarbon recovery?

A We will have to take all the inerts with it as well, in cleaning the tanks, as a part of the service, that just goes with it. There will be inerts such as sand and iron sulfides, various contaminants such as that for which there is no market, no matter how much treating you do.

Q In your experience, have you noticed that there seems to be any maximum volume percentagewise of the total production that could be classified as we easily I mean, would the waste oil be one percent or five percent of the total production, or have you ever observed any percentage?

A I have never observed any percentage of that sort. I think it would vary from well to well and from lease to lease. I don't think you could get any percentage that would be accurate.

- Q Vary from pool to pool, too, wouldn't it?
- A I think from well to well. Even the well itself will vary, these buildups become more accentuated.
- Q You don't think it would be possible to limit this amount of waste oil to any specific percentage?

- A I wouldn't know how, sir.
- Q Now, your proposed Rule 312, Mr. Rieder, --
- A Yes, sir.

Q -- as I understand it, the present Rule grants this treating plant permit for a period of one year. Is your proposal such that once a treating plant operator secures a permit, that it is good indefinitely?

A That's our intention, sir, for this reason. At any time, as provided by Paragraph (c) of our revision, that a permit or a permitee comes under violation, the Commission has the right to suspend that permit by hearing and notice, and should it be a flagrant violation, I think the Commission would have sufficient injunctive powers to hold or prevent the operator from continuing operation until the hearing could be held. It seems to me an unnecessary burden to have annual hearings on a matter that will probably more or less be approved and go on and perpetuate itself so long as the operator conducts his business in a business-like fashion. We felt that the repetitive hearings are an unnecessary expense.

Q Well now, does 312-B, there where it says,

"Such permit shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from waste oils processed by the operator. All treating plant operators shall, on or before the 25th day of each calendar month, file at the appropriate District Office, a monthly report on Commission Form C-118, which report shall support the Commission Form C-110 for the net oil recovered and sold during the preceding month."

Would he just receive one form of C-110 when he first starts in business and then he has an authority to operate from there on out?

A I think that would be adequate. The only purpose -actually there is probably -- well, the main purpose is to satisfy
the pipeline companies that there is an authorization for the movement and to satisfy the marketing people that will be taking this
oil, that is the main purpose of the C-110. There is a question as
to whether it is absolutely necessary. We, frankly, are not certain
that it would be necessary to have a C-110 to sell it, but we feel
that by including the C-110, that you eliminate any question of the
possibility of sales to any marketing agent.

Q And all the oil that the treating plant operator would transport or market would all come under that Form C-110?

A Yes, sir, so long as he didn't diversify or split his sale. And, of course, --

Q Well now, would a Form C-117-B be issued for each and every batch of oil the treating plant operator collected?

A Well, inasmuch as these batches, so to speak, are going to be coming in in tank trucks, it is possible that you might have two tanks trucks loads per permit, and I would think that the easiest and most functional use of it would be for the permit to cover a specific location and a specific type of acquisition. In other words, if, for instance, if tanks were to be cleaned, it is possible that there might be one or two tanks, if it were a large battery, there might be two tanks that would be cleaned at one time. I see

no reason why both tanks could not be done under one permit.

Q Do you think that on the estimated gross volume that appears on this form, it would be possible to pick up more than the estimated gross volume?

an approximation. As I said before, if it is not inside steel tankage with some sort of a reasonable strapping, I don't know how you are going to estimate the volume very accurately, but I would think in order to not confuse the issue, that possibly that estimated gross should be your top, although I don't see that it makes a great deal of difference. As we see it, the main control must be at your treating plant. In other words, by the revision of these Rules, it is not going to necessarily follow that we or the other two treating plant operators are going to pick up all of the oil in Lea County, for instance. In other words, we will not be making all of the acquisitions, some of the three of us will.

Q I was wondering, there is a cross check, I believe, from the Form C-118 Sheet 1-A where you have the gross volume of waste?

A That's right.

Q That would describe the amount that was picked up, is that correct?

A That's correct, the way we see it, the main control and the only control that you really can exercise with any real accuracy is on the fluid coming into your treating plants because at that point you can measure by meter and tank. In other words, you are

not relying on some estimate of a pit or estimate of a tank fill in which you might have, say, a transport and you might estimate what you put in the tank of the transport. Now, that might be accurate and it might not. We feel that at the incoming side of your treating plant, there is the point where you should get an accurate volume figure to the total amount of the waste oil acquired.

Q In other words, the gross volume of waste oil acquired as reported in Sheet 1-A of Form C-118 would not necessarily jive with the estimated gross volume as reported on Form C-117-B?

A That's correct. It would not jive because one would be an estimate and one would be an accurate figure.

MR. NUTTER: I believe that's all.
QUESTIONS BY MR. COOLEY:

Q Mr. Rieder, I note in Paragraph (c) of your proposed Rule 311, that there is a substantial change from the existing Rule in that under your proposal any merchantable oil recovered from such waste oil shall not be chargeable against the allowable of the originating lease --

A That is correct.

Q -- will you please state why you feel it is necessary

A Well, sir, we don't feel, in the first place, that these waste oils are actually allowable oils. In other words, I don't think that -- well, basically, I don't think they are allowable oils as such. In other words, allowable oil in the State of New Mexico is per well and actually kind of loses its identity when it hits the

tanks, that's one thing. Another thing, by definition, I don't feel it is allowable oil. If I may, I will take just a minute here.

"ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Commission to be produced from an allocated pool."

*BARREL OF OIL shall mean 42 United States Gallons of Oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertain by centrifugal or other recognized and customary test."

We are talking about basic sediments when we are talking about tank bottoms. In other words, these deductions are made all along, this accumulation is over a period of considerable time.

You would be penalizing the well's allowable for an accumulation that was being made possibly months before. And that I don't believe would be fair nor accurate, and I don't believe you would know which well to charge it to in the first place, because one well will produce one percentage, another well would produce another percentage. You would have no way of controlling it. It has lost its identity, and no longer, I think, is controllable.

Q Mr. Rieder, I believe that the underlying policy of this proposed Rule is to prevent the wasting of these waste oils, and if there is anything there that can be recovered, it is just that much that we'll salvage?

A Yes, sir.

Q What do you feel would be the effect upon this underlying purpose to salvage the waste oils if it is charged against the
allowable?

A I think it would be a considerable deterrent. In other

words, the economic values of what we are talking about are quite low. In other words, there is a great deal of handling that goes into it, a great deal of treating expense that goes into it, and the net value once received is going to be quite low. Now, to an operator of a top allowable lease, it just would not, in my mind, if it were my lease, it would not be profitable for me to make an attempted recovery of these things when it was going to come back against the top allowable well, inasmuch as it would be deducting from me oil that I could produce at a good profit, at a fair profit. And I would be deducting or losing that oil in lieu of oil which would cost me some considerable amount of money to handle in the process, particularly the operators involved, because the operator on any single lease is at an extreme disadvantage to recover anything out of this. They can only be economically treated in large volumes. In other words, we feel the minimum five hundred barrels at a treating, the reason being it in five hundred barrel batches, we are going to recover enough oil from the batch, that batch treat to actually make it economic. But if you had to treat it in the volumes that you find it on the leases, such as 20, 30, maybe 40 barrels in a tank, the amount of oil recovered and the amount of expense that go into the handling of that oil would be some considerable expense which would not be justified, and the operator would be at a disadvantage if that had to be charged back to its allowable. I think that is more or less the practical application of this allowable application.

MR. COOLEY: Thank you.

MR. PORTER: Any further quest_ons of this witness? Mr. Fischer.

QUESTIONS BY MR. FISCHER:

Q Mr. Rieder, if an operator has a high bottom and he either knows that oil will be turned down if he doesn't treat it or is told by the pipeline gaugers that it is to be turned down, does he have to report it, if he circulates the bottom of the tank back

A No, sir, he doesn't have to do that today, and under the provisions of this Rule, in our Paragraph (c), it states:

The provisions of the foregoing paragraph do not apply when waste oil is reclaimed on the originating lease for the purpose where it originates and is disposed of

The purpose of that is -- really, it wouldn't be waste oil at that time. He merely has a bad tank, and quite obviously the operator is not going to turn out a bad tank just because it is a bad tank, because that's where economics demands he treats it. We are speaking about these situations that, where it is not economic for the operator to treat, that's where it is going to waste.

MR. FISCHER: That is all.

MR. PORTER: Mr. Johnston, I believe you had a question. QUESTIONS BY MR. JOHNSTON:

Q Mr. Rieder, with reference to that portion where you stated that it should not be charged against the allowable of the lease, is it your opinion, then, that there should be no royalty

paid on this oil?

A Well, sir, I have had that royalty question asked a dozen times. I will be quite frank, I am no lawyer, I am no judge, I don't know, but I think, I have an opinion, if you would like it. I don't think the royalty is due, quite frankly, but it is a civil matter and it is one that undoubtedly will be decided.

Q Let's assume that it is decided, that royalty will be due, since your company will be purchasing it, are you prepared to make a provision --

MR. REESE: If the Commission please, I think I will object to this line of questioning. I don't think it is relevant to the proposed amendments. The matter of a royalty is a civil matter not affected one way or the other by these Rules. It is a matter of law whether there is royalty or not.

MR. PORTER: Mr. Reese, the Commission will overrule your objection. You may in your closing arguments, bring out as to what your views are concerning it. As I understood the question from Mr. Johnston was whether or not the applicant would be in a position to make a provision order or not and we feel that the witness should answer the question just simply yes or no.

A Well, I don't know that it is a simple yes or no, Mr. Porter.

MR. PORTER: You are entitled to explain your answer.

A Okay, Mr. Johnston, as far as we would do if it is due, if royalty is due, we are the purchaser, and would be responsible

for royalty payment under the purchase, and obviously we would have to comply with the law whatever it were. Now, the reason we didn't much want to talk about it is that I am on pretty thin ground when we go to talking about royalty and that sort of thing because I don't really know what the actual outcome of that would be. So, my opinion on it is not too good, but obviously, we are going to comply with the law because you have to.

MR. JOHNSTON: Thank you, Mr. Rieder. I am on this ice, too, after January 1. That's all.

MR. FORTER: Anyone else have a question of Mr. Rieder?

If not, he may be excused.

(Witness excused)

MR. PURTER: Anyone else have a statement to make?

MR. BRATTON: Mr. Chairman, Howard Bratton, appearing for Humble Oil and Refinery Company. We would like to move at this time for a continuance of this case until the regular November hearing. As reasons for our request, we believe that it is obvious that this is a change of considerable importance and of considerable magnitude and one to which there are not only a number of basic questions, but a great number of technical questions. I believe that was amply brought out by the requests which have been proposed here today. We believe that the Commission, the proponent, and the operators would benefit by a month's careful study of a proposal of this magnitude. Now, I realize that the Commission was kind enough to forward the proposals with the docket, but for example, in the case

of Humble, due to some deficiency in the U. S. mails, this did not reach the Midland office of Humble until last Friday. Frankly, we would like to devote more time and attention to this matter, and I don't believe that a month's delay would be vital in a change of this substance. For that reason we propose that, we more that the matter be postponed, continued until the regular November hearing.

MR. FORTER: Anyone have any comments on the current motion for a continuance?

MR. REESE: I might say, Mr. Chairman, that while we don't feel any good purpose will be served, we have no objection to a continuance.

MR. FORTER: Anyone else? The case will be continued to the regular November hearing which will be held in Santa Fe. At this time we will take a ten-minute recess.

CERTIFICATE

STATE OF NEW MEXICO)

COUNTY OF BERNALIELO)

I, J. A. TRUJILLO, 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 in 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 27 day of Melling 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Just G. Juste Notary Public

My Commission Expires:

October 5, 1960

THE CIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF LEA COUNTY DRIP COMPANY, INC. (NO STOCKHOLDERS" LIABILITY), A NEW MEXICO CORPORATION, FOR REVISION OF MULES 311, 312, 1116, AND 1117 OF THE STATEWIDE RULES AND REGULATIONS OF THE NEW MEXICO OIL CONSERVATION COMMISSION.

Case No. <u>1522</u>
JESE ***

COMES NOW Lea County Drip Company, Inc. (No Stockholders' Liability), a New Mexico corporation, and respectfully petitions the New Mexico Oil Conservation Commission to amend the following Statewide Rules and Regulations to read as follows:

1.

"RULE 311. WASTE OIL

(a) DEFINITION

"Maste oil" is defined as any unmerchantable liquid hydrocarbon accumulating on an oil and gas lease incidental to normal oil field operations, such as tank bottoms and accumulations in pits, cellars, and sumps.

(b) DESTRUCTION PROHIBITED

The destruction of waste oil is prohibited when it is economically feasible to reclaim the same.

No waste oil shall be destroyed, by burning or otherwise, unless and until the Commission has approved an application to destroy the same on Form C-117-A.

(c) RECLAMATION

When waste oil is to be removed from lease for reclamation, the person removing such oil shall obtain a permit (Form C-117-B) from the appropriate District Office prior to removal from the lease. Any merchantable oil recovered from such waste oil shall not be chargeable against the allowable of the originating lease.

The provisions of the foregoing paragraph do not apply when waste oil is reclaimed on the lease where it originates and is disposed of through the authorized transporter for the lease as shown on Form C-110.

(d) The provisions of this rule do not apply when waste oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire walls, tank grades, or any other similar purpose."

2.

"RULE 312. TREATING PLANTS

No treating plant shall operate except in conformity with the following provisions:

(a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location, type and capacity of the plant contemplated. The Commission, in not less than 30 days, will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat and reclaim waste oil. Before beginning actual operations, the permittee shall file with the Commission a performance bond in the amount of \$10,000.00, conditioned upon substantial compliance with applicable statutes of the State of New Mexico

OIL CONSERVATION COMMISSION State of New Mexico

(Form C-117-A)

WASTE OIL DESTRUCTION PERMIT

(0	hereby requests suthority
(Operator)	
to destroy the following described waste of	11:
Name of lease	
Location	
Type of waste oil	
Estimated gross	
Remarks	
	Company
	Company
	Agent
A MODALIZED .	
APPROVED:	
Oil Conservation Commission of New Mexico	
Ву	
Date	

OIL CONSERVATION COMMISSION State of New Mexico

(Form C-117-B)

WASTE OIL RECOVERY PERMIT

		•	Number		
	***	Date			
				hereby requ	ests
Transporter					
authority to remove the following de	scribed	waste	oil for	reclamation	:
Lease operator:					
Name of lease:					
Location of lease:					
Type of waste oil:			······································		
Estimated gross volume					
Disposition by transporter:				-	
Remarks:					
	•		Transp	orter	
APPROVED:					
Oil Conservation Commission of New Mexico			Age	nt	
Ву:					
Date					
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(Sheet #1)

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OIL CONSERVATION COMMISSION State of New Mexico

(Form C-118) (Revised)

	TREATING PLANT	T OPERATOR'S MONTHLY REPORT	
Report of		Month of	19
Address			
	(Street)	(City)	(State)
	TOTAL STOCKS PI	PELINE OIL BEGINNING OF MONT	r h
Plant Name		Location	Barrels
			•
TOTAL ALL PLAN	TS		
	TOTAL P	IPELINE OIL RECOVERED	
Plant		Location	Barrels
		•	
TOTAL ALL PLAN	its		
		VERIES PIPELINE OIL	
From		То	Barrels
TOTAL ALL PLAN	<u> </u>		
TATELL BENEFERE		PIPELINE OIL END OF MONTH	
Plant Name	-01B2 9100M	Location	Barrels
TOTAL ALL PLAN	rts		
I hereby ce	ertify that this	report is true and complete	to the best of
_	ATING PLANT OPER	ATOR	
(Sig	mature)	(Title)	
_			

(Sheet #1A)

OIL CONSERVATION COMMISSION
State of New Mexico

(Form C-118)
(Revised)

PIPELINE OIL RECOVERY

Permit Operator Lease Gross vol.

Description Waste

Met bbls.

Oil recovered

BEFORE THE OIL CONSERVATION CO AMISSION OF THE STATE OF NEW MEXICO

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

CASE No. 1522 Order No. R-1299-A

APPLICATION OF GENERAL
PETROLEUM, INC., FOR A REVISION
OF RULE 311 AND AN AMENDMENT OF
ORDER NO. R-1299 TO PROVIDE THAT
ANY MERCHANTABLE OIL RECOVERED
FROM SEDIMENT OIL SHALL NOT BE
CHARGED AGAINST THE ALLOWABLE
FOR THE WELL OR WELLS FROM
WHICH SAID OIL WAS PRODUCED

ORDER OF THE COMMISSION

BY THE COM ASSION:

This cause came on for hearing at 9 o'clock a.m. on June 9, 1959, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 35 day of June, 1959, 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, General Petroleum, Inc., seeks a revision of Rule 311 of the Commission Rules and Regulations and an amendment of Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for the well or wells from which said oil was produced.
- (3) That such a revision would penalize the prudent operator and would encourage the inefficient operation of oil and gas leases.
 - (4) That the subject application should be denied.

-2-Case No. 1522 Order No. R-1299-A

IT'S THEREFORE ORDERED:

That the application of General Petroleum, Inc., for a revision of Rule 311 of the Commission Rules and Regulations and an amendment of Order No. R-1279 to provide that any merchantable oil recovered from sediment all shall not be charged against the allowable for the well or wells from which said oil was produced be and the same is hereby desired.

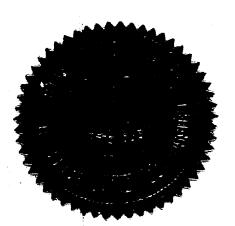
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

A. L. PORTER, Jr. Member & Secretary



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. 1522 Order No. R-1299-B

APPLICATION OF GENERAL PETRO-LEUM, INC., FOR A REVISION OF RULE 311 AND AN AMENDMENT OF ORDER NO. R-1299 TO PROVIDE THAT ANY MERCHANTABLE OIL RE-COVERED FROM SEDIMENT OIL SHALL NOT BE CHARGED AGAINST THE ALLOWABLE FOR THE WELL OR WELLS FROM WHICH SAID OIL WAS PRODUCED

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for reconsideration upon the petition of General Petroleum, Inc., for a rehearing in Case No. 1522, Order No. R-1299-A, heretofore entered by the Commission on June 25, 1989.

NOW, on this day of July, 1959, the Oil Conservation Commission, a quorum being present, having considered the petition for rehearing.

FINDS:

- (1) That the petition for rehearing does not allege that the applicant has any new or additional evidence to present in this case.
- (2) That in view of the fact that the Commission has twice considered the issue in question, further consideration would be repetitious and would serve no useful purpose.
 - (3) That the petition for rehearing should be denied.

IT IS THEREFORE CROERED:

That the patition of General Petroleum, Inc., for a rehearing in Case No. 1522, Order No. R-1299-A, be and the same is hereby denied.

-2-Gese No. 1522 Order No. R-1299-B

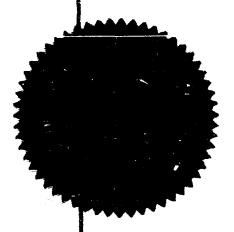
DOME at Santa Fe, New Mexico, on the day and year hereinabove designated.

> STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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



Yem/

OIL CONSERVATION COMMISSION P. O. BOX 871 SANTA FE. NEW MEXICO

June 26, 1959



Mr. Randolph Reese P. O. Non 2405 House, New Mexico



On behalf of your client, General Petroleum, Inc., we enclose two copies of Order No. R-1299-A issued by the Oil Conservation Commission on June 25, 1959.

Yery truly yours,



A. L. PORTER, Jr. Secretary-Director

Belesures

Case 1522-

N. RANDOLPH REESE

EDWARDS & REESE

ATTORNEYS AT LAW

203 NORTH LINAM P. O. BOX 2405

TELEPHONE EXPRESS 3-2181

HOBBS, NEW MEXICO

March 26, 1959

New Mexico Oil Conservation Commission Santa Fe, New Mexico

Gentlemen:

We are enclosing herewith Application in triplicate for amendment of Statewide Rules and Regulations No. 311 and No. 1116, which we understand will be placed on the docket for

Thanking you for the courtesy extended us in this matter, we are

Very truly yours,

EDWARDS & REESE

N. Randolph Reese

NRR/fh Encls.

AIR MAIL

Cochet may 13th

MAIN COUNCE DOC

EDWARDS & REESE

ATTORNEYS AT LAW
203 NORTH LINAM P.O. BOX 2405

TELEPHONE EXPRESS 3-2181

HOBBS, NEW MEXICO

July 13, 1959

Mr. A. L. Porter, Jr.
Secretary and Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Case No. 1522

Order No. R-1299-A

Dear Mr. Porter:

We are enclosing herewith original and two copies of Application for Re-Hearing in the above entitled cause, which we desire to be filed with the Commission.

Very truly yours,

EDWARDS & REESE

N. Randolph Reese

NRR/fh Encls.

OIL CONSERVATION COMMISSION

P. O. BOX 871 SANTA FE, NEW MEXICO

July 22, 1959

Mr. Randolph Boose P. O. Box 2405 Hobbs, New Mexico

Door Mr. Roose:

On behalf of your client, General Petroleum, Inc., we enclose two copies of Order No. B-1299-B, issued by the Oil Commervation Commission July 21, 1959 in Case No. 1822.

Very truly yours,

A. L. PORTER, Jr. Secretary-Director

ALP/1r

Inclosures

Copy sent to Chas Reider



DRILLING COMPANY, INC.

OIL PRODUMENT NOT NOT NO DRIVER

EMERY CARPER, PRESIDENT STANLEY CARPER, EXEC, VICE-PRES, & TREAS, MARSHALL, ROWLEY, VICE-PRES, FRANCES BOOKER, SECRETARY NELLE MILLER, ASST. TREAS.

ARTESIA, NEW MEXICO CARPER BUILDING SHERWOOD 6.2784

October 9, 1958

New Mexico Oil Conservation Commission P. O. Box 871 Santa Fe, New Mexico

Re: Case No. 1522

Gentlemen:

Reference is made to the above case which is the Application of Lea County Drip Co., Inc. for Revision of Rules 311, 312, 1116 and 1117 of the Statewide Rules and Regulations of the New Mexico Oil Conservation Commission.

1. "Rule 311. Waste Oil.

(b) Destruction Prohibited.

The destruction of waste oil is prohibited when it is economically feasible to reclaim the same.

No waste oil shall be destroyed, by burning or otherwise, unless and until the Commission has approved an application to destroy the same on Form C-117-A."

 Because we reclaim tank bottoms that have enough value to bother with, we do not believe anybody would be interested in reclaiming what we would burn.

We also believe it would cause us unnecessary delay and expense to get somebody to determine what is economically feasible or unfeasible to reclaim, and to wait on the approval of Form C-117-A.

or the above stated reasons we believe (b) should be eliminated from soluted appreciate your considering this objection when this case comes

Yours very truly,

CARPER DRILLING COMPANY, INC.

Marshall Rowley

5, Hobbs, N.M.

ADEE, Artesia, N. M.

DOMESTIC SERVI	ce \	•
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WESTERN UNION

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JUNE 25, 1959

RANDOLPH REESE EDEN LIKAN B, NEW MEXICO

OMDER NO. 2-1299-A DENIES YOUR APPLICATION IN CASE NO. 1522.

A. L. PORTER, Jr. Oil Conservation Commission

Memo

From

Jo

Lochets For June 9 Mailer

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> er avrabol. The filing time show

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L HBA105 PD=HOBBS NMEX 11 A33PM=1 NEW MEXICO OIL CONSERVATION COMMISSION= SANTA FE NMEX=.

APPLICANT RESPECTFULLY REQUESTS CONTINUANCE IN CASE NUMBER 1522 FOR AMENDMENT TO ORDER NUMBER R-1299 TO JUNE STATE WIDE HEARING AND REQUESTS A COMMITTEE OF INTERESTED PARTIES BE APPOINTED BY THE COMMISSION TO CONSIDER PROPOSED AMMENDMENT TO RULE 311= EDWARDS AND REESE ATTORNEYS FOR GENERAL PETROLEUM INC=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE This is a fast message unless its deferred char-

ESTERN UN

TELEGRAM

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A L PORTER JR NMEX OIL CONSERVATION COMMISSION

APACHE SCHOOL GYMNASIUM FARMINGTON NMEX

PLEASE READ FOLLOWING STATMENT INTO RECORDS OF CASE 1322. AT REGULAR NMOCC HEARING, OCTOBER 15, 1958 FARMINGTON NEW MEXICO

" SHELL OIL CO IS OPPOSED TO THE CHANGES IN RULES 311 AND 1116 AS PROPOSED IN CASE NUMBER 1522 AND 4-6/76 SUGGESTS THAT THE SELF- INTERESTS OF OPERATORS WILL KEEP THEM FROM DESTROYING WASTE OIL HAVING SUBSTANTIAL ECONOMIC VALUE. WE FEEL THAT THE REQUIRING OF A PERMIT TO DISPOSE OF SUCH IS AN UNNECESSARY BURDEN AND IN

THE COMPANY-WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE 52752

CLASS OF SERVICE

WESTERN UNION

TELEGRAM

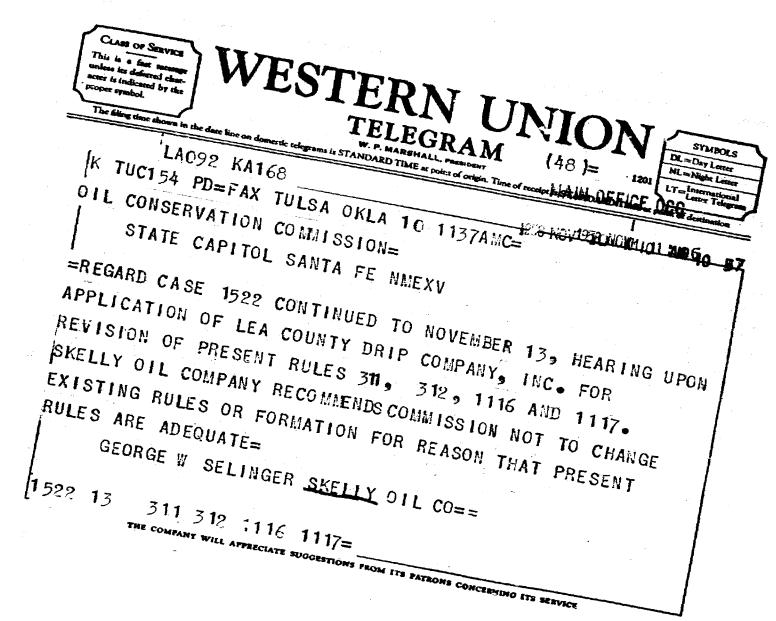
W. F. HARDFIALL. Printed of the of receipt is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at

OPPOSITION TO THE EFFORTS NOW BEING MADE IN INDUSTRY TO STREAMLINE PAPER WORK AND PROCEDURES WHERE FEASIBLE. GENERALLY SHELL PREFERS TO BURN ITS WASTE OIL AS IT HAS FOUND THAT THE POLICING OF TAKES BY TREATING PLANTS MAKES RECOVERY BY THEM UNECONOMICAL TO SHELL AS A LEASE OPERATOR."=

P A DENNEY DIVISION PRODUCTION MANAGER SHELL OIL CO ROSWELL NMEX=

= 1522 NMOCC 15, 1958 311 1116=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SEX



CLASS OF SERVICE
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WESTERN UNION

TELEGRAM

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THE NEW MEXICO OIL CONSERVATION COMME

CAPITOL OFFICE BLDG SANTA FE NMEX=

744

DOCKET FOR OCTOBER 15 1958 ATLANTIC URGES THE RETENTION OF PARAGRAPH (C) OF THE PRESENT RULE 312 IN THE STATE WIDE RULES AND REGULATIONS. THIS WILL PROVIDE REGULATION OF THE REMOVAL OF WAST OIL FROM LEASES TO TREATING PLANTS WE HAVE NO OBJECTION TO OTHER CHANGES IN RULES 311 312 1116 AND 1117 PROPOSED BY THE LEACOUNTY DRIP CO=

- THE ATLANTIC REFINING CO BY W P TOMLINSON == SERVICE

CLASS OF SERVICE

This is a fast message tradeus its deferred character is tudicated by the proper symbol.

WESTERN UNION

TELEGRAM

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K BRB017 NL PD=WUX BARTLESVILLE OKLA 13=

NEW MEXICO CONSERVATION COMMISSION SANTA FE NMEX=

RE: CASE 1522, APPLICATION OF LEA COUNTY DRIP COMPANY,
INC. FOR REVISION OF CERTAIN COMMISSION RULES AND
FORMS TO PROVIDE A MORE EFFICIENT METHOD OF HANDLING
AND RECLAIMING WASTE OIL. PHILLIPS PETROLEUM COMPANY
DESIRES TO CALL TO YOUR ATTENTION INTERSTATE OIL
COMPACT COMMISSION RECOMMENDED FORM NO. P-14 ENTITLED
"PERMIT TO CLEAN TANK" AND URGE YOU TO ADOPT COMPACT
COMMISSION FORM FOR DESIRED PURPOSE=

CLASS OF SERVICE

This is a first message unless tes deferred character is indicated by the pagest symbol.

WESTERN UNION

TELEGRAM

1201

Di =Day Lettet
NE = Night Letter

LT = International

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= 125 MABRY HALL SANTA FE NMEX=

1958 OCT 13 PM 12 13

ATTN: MR. A. L. PORTER RE: CASE #1522 SUNRAY MID-CONTINENT OIL COMPANY SUBMITS THE FOLLOWING SUGGESTIONS TO THE APPLICATION OF LEA COUNTY DRIP COMPANY, INC. IN CASE #1522 SET BEFORE THE COMMISSION ON OCTOBER 15, 1958:

(1). IT IS RECOMMENDED THAT THE FIRST SENTENCE OF THE IPROPOSED RULE 311 (B) BE ELIMINATED OR ELSE A SIMPLE CRITERIA AND ADMINISTRATION PROCEDURE BE ESTABLISHED TO DETERMINE WHEN IT IS ECONOMICALLY FEASIBLE TO RECLAIM

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

WASTE OIL. (2). WE RECOMMEND THAT THE MERCHANTABLE OIL

DETERMINATION PROCEDURE IN THE PRESENT RULE 311 BE

RETAINED: THAT THE SECOND SENTENCE IN THE PROPOSED RULE

311 (C) BEGINNING "ANY MERCHANTABLE OIL. . " BE DELETED.

ANY MERCHANTABLE OIL RECLAIMED SHOULD BE CHARGED AGAINST

THE LEAST OR UNIT ALLOWABLE IT WOULD FOLLOW THAT THE

SECOND PARAGRAPH OF THE PROPOSED RULE 311 (C) BE DELETED.

WILLIAM R LOAR.

1522 #1522 15 1958 (1) 311 (B) (2) 311 311 (C) 311

THE PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

ESTERN UNION

DI .= Day Letter

TELEGRAM

LA 134 DA253

D FWA450 PD=FAX FORT WORTH TEX 13 143PMC= NEW MEXTCO OTL CONSERVATION COMMISSION= BOX 871 SANTAFE NMEX=.

RE: CASE 1522, APPLICATION OF GENERAL PETROLEUM INC. FOR AMENDMENT TO ORDER NO. R-1299. THE TEXAS COMPANY T'S OPPOSED TO ANY AMENDMENT TO SUBJECT ORDER WHICH WOULD ALLOW MERCHANTABLE OIL RECOVERED FROM SEDIMENT OFL TO BE EXCEPTED FROM ALLOWABLE FOR WELLS ON THE ORTGINATING LEASE. THE TEXAS COMPANY CONCURS WITH THE COMMISSIONS FINDING (4) IN ORDER R-1299, AND RECOMMENDS THAT GENERAL PETROLEUM APPLICATION BE DENTED= THE TEXAS COMPANY OF SEBESTA ASST DIVN MGR=

E COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

DOCKET: REGULAR HEARING OCTOBER 15, 1958

Oil Conservation Commission 9 a.m. Apache School Gymnasium, 600 Block West Apache. Farmington, New Mexico

ALLOWABLE: (1) Consideration of the oil allowable for November, 1958.

(2) Consideration of the allowable production of gas for November, 1958, from six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for November, 1958.

NEW CAS

CASE 1522: V

Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms. Applicant, in the above-styled cause, seeks an order to revise Rules 311, 312, 1116 and 1117 of the Commission Rules and Regulations, to replace the present Commission Form C-117 with two forms to be designated as C-117-A and C-117-B, and to revise Commission Form C-118.

CASE 1523:

Application of El Paso Natural Gas Company for an order establishing 320-acre drilling and spacing units and promulgating special rules and regulations for certain formations in San Juan and Rio Arriba Counties. New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre drilling and spacing units in San Juan and Rio Arriba Counties, New Mexico, and promulgating special rules and regulations for the gas producing interval lying between the base of the Greenhorn limestone of Cretaceous age and the base of the productive upper portion of the Morrison sandstone of Jurassic age, which includes undifferentiated Graneros, Dakota, and Morrison sands. The application includes all currently designated Dakota Gas Pools, Graneros Gas Pools and Graneros-Dakota Gas Pools with exception of the Barker Creek-Dakota Gas Pool and the Ute Dome Gas Pool.

CASE 1524:

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for the establishment of rules and regulations for secondary recovery projects in the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Applicants, in the above-styled cause, seek an order promulgating special rules and regulations governing the operation of secondary recovery projects in the Bisti-Lower Gallup Oil Pool in the following areas:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM
Section 6: S/2, NE/4, S/2 NW/4, & NE/4 NW/4
Section 7: E/2 & NW/4

TOWNSHIP 25 NORTH, RANGE 13 WEST, NEPH Section 1: NW/4, SE/4, S/2 NE/4, & NW/4 NE/4 Section 12: NE/4

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM Section 31: SE/4, E/2 SW/4, & NW/4 SW/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM Section 35: All

Applicants propose that said special rules would include, among other things, a system for transfer of allowable from injection to shut-in wells and an administrative procedure for conversion of additional wells to LPG and gas injection.

CASE 1525: Southeastern New Mexico nomenclature case calling for an order for the creation of new pools and extension of existing pools in Lea, Eddy and Chaves Counties, New Mexico.

(a) Create a new oil pool for Devonian production, designated as the Arkansas Junction-Devonian Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM Section 28: NW/4 Section 29: NE/4

(b) Create a new oil pool for Grayburg production, designated as the East Leo-Grayburg Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM Section 20: SE/4

(c) Create a new gas pool for Pennsylvanian production, designated as the South Salt Lake-Pennsylvanian Gas Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM Section 25: SE/4

(d) Extend the Allison-Pennsylvanian Pool to include:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM Section 2: NE/4

(e) Extend the Atoka Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM Section 13: NE/4 SW/4 & NW/4 SE/4

(f) Extend the Caprock-Queen to include:

TOWNSHIP 14 SOUTH, RANGE 31 EAST, NMPM Section 4: W/2 NW/4

-3-Docket No. 27-58

(g) Extend the South Carter-San Andres Pool to include:

TOWNSHIP 18 SCUTH, RANGE 39 EAST, NMPM Section 6: SE/4

(h) Extend the High Lonesome Pool to include:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM Section 14: N/2 Section 15: NE/4

(i) Extend the West Henshaw-Grayburg Pool to include:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM Section 3: Lots 11, 12, & 14

(j) Extend the Jalmat Gas Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM Section 34: NE/4

(k) Extend the South Paddock Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM Section 32: SW/4

(1) Extend the Reeves-Pennsylvanian Pool to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM Section 23: SW/4 Tection 26: W/2 Section 27: S/2

(m) Extend the South Sawyer-San Andres Pool to include:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM Section 31: 5/2 Section 32: S/2

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM Section 6: NW/4

in) Extend the Square Lake Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM Section 15: NW/4

(o) Extend the Young Pool to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 8: S/2 SE/4

-4-Dacket No. 27-58

CASE 1526: Northwestern New Mexico nomenclature case calling for an order for the extension of existing pools in Rio Arriba and San Juan Counties, New Mexico.

(a) Extend the Aztec-Fruitland Pool to include:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM Section 25: SW/4 Section 36: W/2

(b) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 25 NOBTH, RANGE 7 WEST, NMPM Section 28: NW/4 Section 29: All Section 30: N/2

(c) Extend the Canyon Largo-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 3: SE/4 Section 4: N/2

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM Section 1: NE/4

(d) Extend the Otero-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 23: W/2 Section 27: NE/4

(e) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM Section 15: SE/4

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM Section 29: SW/4 Section 30: E/2

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM Section 13: SW/4 Section 24: All Section 25: N/2

(f) Extend the South Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPN Section 20: E/2 Section 21: All

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM Section 1. W/2 Section 2: All Section 3: All Section 10: NE/4 Section 14: E/2TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM Section 33: SW/4 Section 33: TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM Section 13: 8/2 S/2 Section 15: Section 15: All Section 23: N/2Section 24: N/2 TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM Section 1: AII Section 11: **W/2** Section 12: E/2 Section 13: E/2 TOWNSHIP 27 NORTE, RANGE 9 WEST, NMPM Section 5: E/2 Section 8: All

(g) Extend the Blanco-Mesaverde Pool to include:

W/2

Section 9:

TOWNSHIP 27 NORTH, RANGE 8 WEST, NMPM Section 7: All

(h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 27: W/2 Section 28: E/2

(i) Extend the Bisti-Lower Gallup Oil Pool to include:

TOWNSHIP 25 MORTH, RANGE 12 WEST, NMPM Section 3: SE/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM Section 19: NW/4

-6-Docket No. 27-58

(j) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM Section 10: NW/4 ME/4

(k) Extend the Oters-Gallup Oil Pool to include:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM Section 32: 5/2 RE/4

(1) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 MORTH, RANGE 14 WEST, NMPM Section 20: NW/4

CONTINUED CASE

CASE 1508:

Application of El Pase Natural Gas Company for the establishment of 320-acre spacing units for the Daketa formation in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre spacing units for all gas wells drilled to or completed in the Daketa formation in San Juan and Rio Arriba Counties, New Mexico, including the fifteen presently designated Daketa gas pools in said counties; and for the promulgation of special rules and regulations for said pools.

SUPPLEMENTAL DOCKET: REGULAR HEARING OCTOBER 15, 1958

Oil Conservation Commission 9 a.m. Apache School Gymnasium, 600 Block West Apache, Farmington, New Mexico

CASE 1519:

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for an order authorizing a secondary recovery project. Applicants, in the above-styled cause, seek an order authorizing a secondary recovery project in the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico. Applicants propose to inject liquefied petroleum gas and dry gas into the Gallup formation through the British American Marye Well No. 2 located in the NE/4 NE/4 of Section 12, Township 25 North, Range 13 West, and the Sunray Mid-Continent Federal "C" Well No. 20 located in the SW/4 NW/4 of Section 7, Township 25 North, Range 12 West, all in San Juan County, New Mexico.

SOUTHEAST NEW MEXICO PRODUCTION @ 34 BOPD October, 1986 to Merch, 1989

	6,691,635 7,564,990/31	572,587 244,032 BCPD	<u>CHAVES</u> 264,717	80086VELT 36,051
Nov. 188	6,422,899 7,274,362/30 6,660,889	545,750 * 242,464 ROPD	253, 226	32,647
Jan. "89	7,535,560/31 6,561,949	574,618 * 263,663,800 596,850	264, 186	30, 947
Pab. 199	7,461,304/31 5,634,787	* _349_309_3099 575,467	276, 753	35,852
March '89	6,705,664/26 6,823,968	* _229,469 30PD	267, 173 314, 945	26, 257
	6,413,163	483,400 483,400	300,433	34,621 36,277
	1-1-1-4 GB	= 946,719 B/D		

DEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE BEARING CALLED BY THE OIL COMBERVATION COMMISSION OF HEW MEXICO FOR THE PURPOSE OF CONSIDERING:

> CASE NO. 1522 Order No. R-1299

APPLICATION OF LEA COUNTY DRIP COMPANY, INC. FOR REVISION OF RULES 311, 312, 1116, AND 1117 OF THE STATEVIDE RULES AND REGULATIONS OF THE OIL CONSERVATION COMMISSION OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 15, 1958, at Farmington, New Mexico, and again at 9 o'clock a.m. on Nevember 13, 1958, at Santa Pe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the 'Commission."

MOV, on this $\mathcal{A} \stackrel{\text{def}}{=}$ day of December, 1858, the Commission, a quorum being present, having considered the application, the evidence adduced 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 proposes certain revisions in Conmission helps 311, 312, 1116, and 1117 regarding the handling and disposition of tank boutens and other accumulations, on oil and gas leases, of liquid hydrocarbons which are not merchantable through normal channels.
- (3) That one of the proposed revisions is that any merchantable oil which might be reclaimed from such hydrocarbon accumulations should not be charged against the allowable for the well or wells from which said oil was produced.
- (4) That such a revision would encourage inefficient operation of eil and gas leases in New Mexico and would tend to violate correlative rights.

-2+ Case No. 1522 Order No. 8-1299

(5) That the remainder of the proposed revisions are in the interest of conservation and will encourage good operating practices.

IT IS THEREFORE ORDERED:

1. That Rule 311 of the Rules and Regulations of the Oil Conservation Commission of New Mexico be and the same is hereby revised to read as follows:

RULE 311. EXDIMENT OIL

- (a) "Bediment oil" is defined as tank bottoms and any other accumulations of liquid hydrocarbons on an oil and gas lease, which hydrocarbons are not merchantable through normal channels.
- (b) No sediment oil shall be burned or otherwise destroyed unless and until the Commission has approved an application to destroy the same on Form C-117-A. No permit shall be required, however, when sediment oil is put to beneficial use on the originating lesse for purposes of oiling lesse reads, fire walls, tank grades, or other similar purposes.
- (c) When sediment oil is to be removed from a lease for reclamation, the person removing such sediment oil shall obtain a permit (Form C-117-B) from the appropriate District Office of the Commission prior to removal of the oil from the lease. Any merchantable oil recovered from mediment oil shall be charged against the allowable for the wells on the originating lease. such recovered oil shall be reported by the operator of the lease on Form C-115 (Operator's Monthly Report). Nothing contained in paragraph (c) of this hule shall apply to reclaiming of pipeline break ail or the treating of tank bottoms occurring at a pipeline station, crude oil storage terminal, or refinery, to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in serubbers at such plants, nor to the treating er reclamation of oil and other catchings collected in community salt water disposal systems.
- 2. That hale 315 of the hules and Regulations of the Oil Conservation Commission of New Mexico be and the same is hereby revised to read as follows:

RULE 312. THEATING PLANTS

He treating plant shall operate except in conformity with the fellowing provisions:

-3-Case No. 1522 Order No. R-1299

- (a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location and type and capacity of the plant contemplated. The Commission, in not less than 30 days, will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat, and reclaim sediment oil. Before beginning actual operations, the permittee shall file with the Commission a performance bend in the amount of \$10,000.00, conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Commission of New Mexico.
- (b) Such permit shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from sediment oils processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.
- (c) All treating plant operators shall, on or before the 25th day of each calendar month, file at the appropriate District Office, a monthly report on Commission Form C-118, which report shall support the Commission Form C-110 for the met oil recovered and sold during the preceding month.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5.

3. That Rule 1116 of the Rules and Regulations of the Oil Compervation Commission of New Mexico be and the same are hereby revised to read as follows:

BULE 1116. SEDIMENT OIL DISPOSITION PERMITS (FORM C-117-A AND C-117-B)

(a) Form C-117-A, Sediment Oil Destruction Permit, shall be submitted in TRIPLICATE in accordance with Bule 311, and shall contain the following information:

Case No. 1522 Order No. R-1299

(1) Name of operator

Hame and location of lease

- Type of sediment oil (tank bottom.
- enulsion, etc.)
 (4) Estimated amount (in barrels).
- (b) Form C-117-B, Sediment Oil Recovery Fermit, shall be submitted in QUADRUPLICATE in accordance with Enle 311, and shall contain the following information:
 - Name of Transporter

(J) Hame and location of lease

- Type of Sediment oil (tank bottom, emulsion, etc.)
- Estimated amount (in barrels)

(6) Disposition

4. That Bule 1117 of the Bules and Regulations of the Oil Conservation Commission of New Mexico be and the same are hereby revised to read as follows:

RULE 1117. TERATURG FLANT OPERATOR'S MONTHLY REPORT (FORM C-118)

Form C-113 shall be submitted in DUPLICATE in accordance with Bule 312, and shall contain the following information:

(1) Hame of treating plant operator (2) Location of plant or plants

(2) Location of plant or plants

- (3) Source of each individual acquisition
- Number of permit authorizing acquisition
- Gross volume of sediment oil acquired from (5) each source.
- Not amount of pipeline oil recovered from each acquisition.
- 5. That Forms C-117 and Form C-118, as the same now exist, are hereby abolished.
- 6. That Forms C-117-A, Form C-117-B, and Form C-118, sheets 1 and 1-A, he and the same are hereby established as they appear in Exhibits A, B, C, and D, respectively.

-5-Case No. 1523 Order No. B-1299

IT IS FURTHER ORDERED:

That the effective date of this order and of all of the previsions contained herein shall be Jammary 1, 1989.

STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

EDVIN I. MECHEN Chairman

MIRAY E. HOMAN, Minhor

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



12/

OIL CONSERVATION COMMISSION STATE OF NEW MEXICO

SEDIMENT OIL DESTRUCTION PERMIT

Operator		hereby	requests	authority
to destroy the following described seding	ment oil:			
Name of lease				
Location of lease				
Type of sediment oil (Pit oil, tank bot	toms, etc.)		<u>.</u>	
Estimated gross volume, barrels				
Reason why sediment oil cannot be salva				
	Operator			
	В у			
	Title			
	Date			
Approved19				
New Mexico Oil Conservation Commission				
Ву				
	•			

OIL CONSERVATION COMMISSION STATE OF NEW MEXICO

SEDIMENT CIL RECOVERY PERMIT

	Fermit Number
	Date
Oil Conservation Commission State of New Mexico	
Gentlemen:	
sediment oil from the lease for purposes of	t authority to remove the following described of reclamation. It is understood that any nt oil will be charged against the allowable for
Name of Lease	
Type of Sediment Oil (Tank Bottoms, Pit Oil, etc.) Estimated Gross Volume,	
Remarks_	
Yours very truly,	
Lease Operator	011 Transporter
Ву	Ву
Title	Title
	Date
Approved 19 New Mexico Oil Conservation Commission	
Ву	
Title	

(Sheet 1)

CIL CONSERVATION COMMISSION STATE OF NEW MEXICO

TREATING PLANT OPERATOR'S MONTHLY REPORT

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OIL COUSERVATION CONDESSION START OF HIM LEXICO

PIPSLIED CUALITY OIL RECOVERED BY THEATING PLANTS

Permit Number	Lease	Leas	e	Gross Vol	ume	Het	Bbls. P.L.
Number	Operator	Name		Sediment	Cil	011	Bbls. P.L. Recovered
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1532 SEDIMENT OIL DESTRUCTION PERMITS
AND
VOLUME EXTENSIONS

JANUARY	Ι,	1959	TO	JUNE	1,	1959	Δ 11	4
		9	e P	OOL	•	POOL		

	WELLS BEPORTED	VOLUME REPORTED	% POOL WELLS REPORTED	POOL ALLOCATION JUNE, 1959	NO. OF WEILS I'' POOL	WASTE VOLUME
FCOL		40 btl.	10.0	2261 hbl.	10 .	400 bbl.
ANDERSON RAPCH-DEV.	1	150 bbl.	33•3	999 hbl.	15	450 661.
AMDERSON RANCH- W.C.	5 2	790 bbl.	12.5	447 bbl.	25	6325 tbl.
BLINERRY	2 5	40 bbl.	9.6	402 bbl.	48	400 bbl.
POWERS	2	35 btl.	24.4	1705 bbl.	82	1435 bbl.
BRUKSON	7	35 thl.	1.16	18535 bbl.	599	3000 bbl.
CAPROCI QUEEN		1466 bbl.	57.0	4215 bbl.	21.	2570 bbl.
CROSSROADS	12	90 bbl.	33•3	729 bbl.	3	270 hhl.
CROSSROADS-E. DEV.	1	115 bbl.	33•3	87 bbl.	3	345 bbl.
CROSSROADS-PENN.	1	400 bbl.	10.0	16956 bbl.	109	4000 bbl.
DENTON	10	60 bbl.	1.06	5497 bbl.	94	5650 bbl.
DEMON- W. C.	1		1.1	5100 bbl.	455	2460 bbl.
DRINKARD	5	260 bbl.	3.0	10524 bbl.	597	970 bbl.
EUR 'ONT	18	28 bbl.	10.7	21161 bb1.	93	3880 bbl.
GLADIOLIA	10	415 bbl.		2167 bbl.	86	1160 661.
HARE	2	27 hbl.	2.3	9876 bbl.	31 9 .	1620 bbl.
HODES	12	61 662.	3.7 6	774 bb1.	25	57 bbl.
HOBBS-EAST S. A.	4	10 bbl.	17.4		9	45 bbl.
HTE-QUEEN	3	15 bbl.		284 bhl.		1940 bbl.
JALMAT	9	44 bbl.	2.26	7282 bbl.	_	96 bbl.
KING-DEVONIAN	5	30 bbl.	31.2	2517 bbl.		·
LANGLIE-MATTIX	12	42 bhl.	1.55	7851 bbl.		2710 bbl.
LEONAPD, SOUTH	7	27 561.	, 53 . 8	79 bbl.	_	50 bbl.
MALJAMAR	10	44 bbl.	6.1	3225 bbl.	•	722 bbl.
HONUMENT	2	15 bb1	. Ö.45	11802 551.		3340 bbl.
SKAGGS-GLORITA	1	60 bb1	. 50.0	96 hbl	. 2	120 bb1.
TUBB	_1	14 661	8.33	315 bbl	<u>12</u>	168 bbl.
TOTALS	148	4313 bbl	<u>.</u> /	134886 bbl	. 4415	·44183 bbl

FORM C-117-A: SEDIMENT OIL DESTRUCTION PERMITS

To June 1, 1959

	Continental Oil Company	Ada Oll Company	BRUNSON Humble Oil & Refining Co.		BOMERS Humble Oil & Refining Co.		Humble Oi' & Refining Co.	BLINERY Continental Oil Company	ANDERSON RANCH - WOLFCIMP Continental Oil Company	AMDERSON RANCH - DEVONTAN Sunray Mid-Continent Oil Company	POOL AND OPERATOR
	State R-34	Gulf State 1-2	New Mexico State	Bowers MA#	Bowers "A"		New Mexico State	Lockhart "A-17"	Anderson Ranch Unit	Stateland "76" #1	LF/ST
~	34-14-31	2-14-31	10-21-37	30-18-38	29-18-38		10-21-37	17-21-37	11-16-32	2-16-32	S-[-R
Pool Total	F1t 011	None	Tank Bottom	Tank Bottom Pool Total	Tark Bottom	Pool Total	Tank Bottom	Pit-Frac Oil	Tank Bottom	Pit Oil	TYPE
35 bbls.	35 bbls.	None	35 bbls.	10 pg18.	30 bbls.	790 bbls.	50 bbls.	740 bbls.	150 bbls.	40 bbls.	AOLUME
٠.	1-12-59	1-23-59	4-22-59	4-3-59	1-13-59		4-22-59	4-28-59	1-15-59	4-24-59	DATE
	No Oll was Destroyed Basic Sediment and Water	Fire in the Burning Pit was to Destroy Paraffin and Tumbleweeds-	Oil Treated and Paraffin would not Stay in Suspension	Same as Above	Oil Treated and Paraffin would not Stay in Suspension		Oil Treated and Paraffin would not Stay in Suspension	Unit For Sale	Accumulated BS&W	2 Yr. Accumuation-Uneconomical to Recover	REMARKS

	Markham, Come & Bedt'ern	DECISION	Shell Oil Company	DECTOR - HOLECAR		Modiseter Fuel Company	Magnolia Petroleum Company	NO. CO.	Lone Star Froducing Company	Gressions - Feneralitan	011 Development of Texas	Marcal 188 - Santana				Sumray Mid-Continent Oil Co.		Oil Development Company		Magnolia Petroleum Co.	ECT-TAG OFFICE
E. Elliot ele	Tebanks		Buckley "B"			P. H. McClure	T.D. Pope, Btty. #4		Santa Fe Lease		Santa Pe Pac. 12				U. D. Sauyer	Dessie Sawyer		Santa Fe Fac. MR	Federal #1	Santa Fe Pac. "B" #1	TASE
21-21-37	がなった		25-14-37			11-15-37	26-14-37		20-9-36		19 -9-37 19 -9-37			27-9-36	27-4-26	27- 9-36	27-9-36	26- 9	13-9-35	36-9-36 8-9-36	S-1-2
Fit 011 Fool Total	Tit oil		Tank Bottom		Pool Total	Tank Bottom	110 114		Tank Bottom		Tank Bottom Tank Bottom Feol Total		Fool Total	Tank Bottom		Tank Bottom Tank Bottom	Tank Bottom	Tank Bottom Tank Bottom	P1t 011	11 01 11 11 11 11 11 11 11 11 11 11 11 1	7777
60 bbl.	200 bbls.		60 8514.		400 bble.	नायव १०६	100 bbls.		115 bbls.		20 Mile.		1466 pp1s.		171 8614.	120 bbls.	60 bbls.	75 bbls. 50 bbls.	160 bb1s.	200 bbls.	SPUTTON
	6953-4		1-26-59			4-7-59	37-20		2-9-59		2-2-59			4-7-59		<u>}-7-59</u>		3-2-59	2-23-59	2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	DATE
Accumulated over 2 Trs. Unsweessful to Recover			Basic Sediment			Basic Sediment	Basic Sediment		Basic Sediments		Attempts to Salvage Unsuccessful Same as Above			Not Economically Salvageable	Basic Sediments	Basic Sediments Not Economically Salvageable	Seme as above			Basic Sediment Basic Sediment	NE-Wass

VOLUME. 20 bbls. 28 bbls. 200 bbls. 40 bbls. 100 bbls. 100 bbls.		HAND Skelly 011 Company E. A. Stitcher 4-22-37 Tank Bottom 27 bbls. 1-19-59	Humble 011 & Refining Co. 3. M. State "A" 25-18-37 Tank Bottom 10 bbls. 4-3-59	R. M. Moren Hardin "B" 18-18-38 Fit 011 5 bbls. 3-12-59	Samedan Oil Corporation Turner B-Z 34-18-38 Tank Bottom 22 bbls. 2-23-59	Walker Oil Corporation Terry 10-19-38 Tank Bottom 24 bbls. 2-13-59	Pool Total 61 bbls.	TOTAL CONTRACT AND	Humble Oil & Refining Co. S. E. Cein 30-18-39 Tank Botton 10 bbls. 1-13-59	k Refining Co. S. E. Cain 30-18-39 Tank Bottom 10 bbls.
	VOLUME 20 bbls. 2 bbls. 200 bbls. 40 bbls. 75 bbls. 100 bbls. 415 bbls.									
Tank Bottom Tank Bottom Fool Total Pit 011 Pit 011 Pit 011 Pit 011 Pit 011										
DATE 1-22-59 1-27-59 1-20-59 3-2-59 4-2-59			Part on Firewall- Rest not Economic	Part on Firewall- Rest not Economic Oil Treated and Paraffin Would not	Part on Firewall- Rest not Economic Oil Treated and Paraffin Would not Stay in Suspension Not Economical to Salvage	Fart on Firewall- Rest not Economic Oil Treated and Paraffin Would not Stay in Suspension Not Economical to Salvage Attempts to Salvage Unsuccessful	Part on Firewall- Rest not Economic Oil Treated and Paraffin Would not Stay in Suspension Not Economical to Salvage Attempts to Salvage Unsuccessful Accumulated Tank Bottoms	Part on Firewall- Rest not Economic Oil Treated and Paraffin Would not Stay in Suspension Not Economical to Salvage Attempts to Salvage Unsuccessful Accumulated Tank Bottoms	Part on Firewall- Rest not Economic Oil Treated and Paraffin Would not Stay in Suspension Not Economical to Salvage Attempts to Salvage Unsuccessful Accumulated Tank Bottoms R. fused by Pipeline Gauger	Part on Firewall- Rest not Economic Oil Treated and Paraffin Would not Stay in Suspension Not Economical to Salvage Attempts to Salvage Unsuccessful Accumulated Tank Bottoms R. fused by Pipeline Gauger

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FOOL OPERATOR	LEASE	S-T-R	T YPE	VOLUME	DATE	REMARKS
TAXMAT						
Coetimental Oil Company	Wells A-11 & A-12	12-25-36	Pit Oil	15 bbls.	5-26-59	Uneconomical to Salvage
Humble Oil & Refining Co.	E. C. Winters	18-25-37	Tank Bottoms	10 bbls.	3-4-59	Oil Treated and Paraffin Would not
J. Don Hudgens, Inc.	Freedman State	36- 21 - 35	P1t 011	5 bbls.	2-23-59	Foreign Matter Mixed with Oil
Olsen Oil, Inc.	Langlie Fed. 17	17-25-37	Tank Bottom	14 bblis.	3-23-59	BS and Pereffix
			Pool Total	44 bbls.		
KIW) - DE'O'IAN						
Cabet Carbon Corporation	T. L. Reed Etal	35-13-37	Fit Oil	10 bbls.	2-23-59	Basic Sediment and Water
Forest 011 Corporation	H. L. Lowe Etal	35-13-37	Pit Oil	20 bbls.	3-5-59	Oil accidentally Dumped in Pit
			Pool Total	30 bbls.		and veconeten except for aware
LANGLIE - MATTIX						
Humble Oil & Refining Co.	New Mexico State "H"	34-22-37	Tank Bottom	15 bbls.	3-4-59	Oil Treated but Psruffis Would not
Olsek Od), Inc.	Class	3-23-37	Tank Bottom	17 bhls.	4-14-59	Heavy Peraiffin
Sunray Mid-Continent Oil Co.	D. H. Henry	25-25-37	Tank Botton	10 bbls.	3-26-59	Easic Sediment
			Pool Total	42 bbls.		
LEONARD, SOUTH						
Olsen Oils, Inc.	Dublin	24-25-37	Tank Bottom	27 bbls.	3-23-59	Rasic Sediment and Mud
MALJANAR						
Drilling & Exploration Co., Incorporated	Jones "B"	24-17-32 24-17-32	Tank Bottom	15 bhls.	1-15-59 2-15-59	Radly Water Cut Emulsion, Unsaleable Same as Ahove
		24-17-32	Tank Bottom Pool Total	15 bbls.	3-30-59	Same as Above

TUBB Olsen Oils, Inc.	SKAGGS - GLORITA Continental Oil Company	C. E. Long	POOL AND OPERATOR
Belcher	J. M. Skaggs B-12	Sinclair - Federal	LEASE
7-22-38	12-30-37	21-19-37	S-T-R-
7-22-38 Tank Bettem Grand Total	Tank Bottom	Tank Bottom	TYPE
14 bbls. 4313 bbls.	60 bhls.	15 bbls.	VOLUME
4-14-59	4-7-59	5-11-59	DATE
4-14-59 BS, Water and Mud	Tank Accumulation- No salvageable	15 bbls. 5-11-59 Badly Cut Emulsion	REMARKS

GULF OIL CORPORATION

DAVID T. SEARLS

GENERAL COUNSEL

FITTSBURCH, PAL

DAVID W. STEDMENT DAVID W. STEPHENS DIVISIONAL ATTORNEY FORT WORTH, TEXAS WILLIAM V. KASTLER

ROSWELL, NEW MEXICO

HESS ALL LARRESPONDENCE IN CARE OF P. O. BOX 669, LAW DEPARTMENT

November 5, 1958

A. L. Porter, Jr. Secretary - Director New Mexico Oil Conservation Commission P. O. Box 871 Santa Fe, New Mexico

Dear Mr. Porter:

As explained in my telephone conservation with you this morning I am enclosing a statement to be read in Case No. 1522, Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms.

Thank you very much for the opportunity to send this in rather than requiring my personal appearance.

With best personal regards.

Sincerely yours,

WVK:eji

Enclosure

DOCKET: REGULAR HEARING OCTOBER 15, 1958

Oil Conservation Commission 9 a.m. Apache School Gymnasium, 600 Block West Apache, Farmington, New Mexico

ALLOWABLE: (1) Consideration of the oil allowable for November, 1958.

(2) Consideration of the allowable production of gas for November, 1958, from six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for November, 1958.

NEW CAS. S

CASE 1522:

Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms. Applicant, in the above-styled cause, seeks an order to revise Rules 311, 312, 1116 and 1117 of the Commission Rules and Regulations, to replace the present Commission Form C-117 with two forms to be designated as C-117-A and C-117-B, and to revise Commission Form C-118.

CASE 1523:

Application of El Paso Natural Gas Company for an order establishing 320-acre drilling and spacing units and promulgating special rules and regulations for certain formations in San Juan and Rio Arriba Counties. New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre drilling and spacing units in San Juan and Rio Arriba Counties, New Mexico, and promulgating special rules and regulations for the gas producing interval lying between the base of the Greenhorn limestone of Cretaceous age and the base of the productive upper portion of the Morrison sandstone of Jurassic age, which includes undifferentiated Graneros, Dakota, and Morrison sands. The application includes all currently designated Dakota Gas Pools, Graneros Gas Pools and Graneros-Dakota Gas Pools with exception of the Barker Creek-Dakota Gas Pool and the Ute Dome Gas Pool.

CASE 1524:

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for the establishment of rules and regulations for secondary recovery projects in the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Applicants, in the above-styled cause, seek an order promulgating special rules and regulations governing the operation of secondary recovery projects in the Bisti-Lower Gallup Oil Pool in the following areas:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM Section 6: S/2, NE/4, S/2 NW/4, & NE/4 NW/4 Section 7: E/2 & NW/4

TOWNSHIP 25 NORTH, RANGE 13 WEST, NMPM Section 1: NW/4, SE/4, S/2 NE/4, & NW/4 NE/4 Section 12: NE/4

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM Section 31: SE/4, E/2 SW/4, & NW/4 SW/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM Section 35: All

Applicants propose that said special rules would include, among other things, a system for transfer of allowable from injection to shut-in wells and an administrative procedure for conversion of additional wells to LPG and gas injection.

CASE 1525: Southeastern New Mexico nomenclature case calling for an order for the creation of new pools and extension of existing pools in Lea, Eddy and Chaves Counties, New Mexico.

(a) Create a new oil pool for Devonian production, designated as the Arkansas Junction-Devonian Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM Section 28: NW/4 Section 29: NE/4

(b) Create a new oil pool for Grayburg production, designated as the East Leo-Grayburg Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM Section 20: SE/4

(c) Create a new gas pool for Pennsylvanian production, designated as the South Salt Lake-Pennsylvanian Gas Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM Section 25: SE/4

(d) Extend the Allison-Pennsylvanian Pool to include:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM Section 2: NE/4

(e) Extend the Atoka Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM Section 13: NE/4 SW/4 & NW/4 SE/4

(f) Extend the Caprock-Queen to include:

TOWNSHIP 14 SOUTH, RANGE 31 EAST, NMPM Section 4: W/2 NW/4

(g) Extend the South Carter-San Andres Pool to include:

TOWNSHIP 18 SCUTH, RANGE 39 EAST, NMPN Section 6: SE/4

(h) Extend the High Lonesome Pool to include:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM Section 14: N/2 Section 15: NE/4

(i) Extend the West Henshaw-Grayburg Pool to include:

TOWNSHIP 16 GOUTH, RANGE 30 EAST, NMPM Section 3: Lots 11, 12, & 14

(j) Extend the Jalmat Gas Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM Section 34: NE/4

(k) Extend the South Paddock Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM Section 32: SW/4

(1) Extend the Reeves-Pennsylvanian Pool to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM Section 23: SW/4 Section 26: W/2 Section 27: S/2

(m) Extend the South Sawyer-San Andres Pool to include:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM Section 31: S/2 Section 32: S/2

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM Section 6: NW/4

(n) Extend the Square Lake Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM Section 15: NW/4

(o) Extend the Young Pool to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 8: S/2 SE/4

-4-Dacket No. 27-58

CASE 1526: Morthwestern New Mexico nomenclature case calling for an order for the extension of existing pools in Rio Arriba and San Juan Counties, New Mexico.

(a) Extend the Aztec-Fruitland Pool to include:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM Section 25: SW/4
Section 36: W/2

(b) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 7 WEST, NMPM Section 29: All Section 30: N/2

(c) Extend the Canyon Largo-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 3: SE/4 Section 4: N/2

TOWNSHIP 24 NORTH, BANGE 7 WEST, NMPM Section 1: NE/4

(d) Extend the Otero-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 23: W/2 Section 27: NE/4

(e) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM Section 15: SE/4

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM Section 29: SW/4
Bection 30: E/2

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM Section 24: All Section 25: N/2

(f) Extend the South Blanco-Pictured Cliffs Poel to include:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM Section 20: E/2 Section 21: All

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM Section 1: W/2 Section 2: All Section 3: All NE/4 Section 10: Section 14: E/2 TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM Section 33: SW/4 TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM Section 13: 5/2 Section 15: 5/2 Al1 Section 16: Section 23: N/2 Section 24: N/2 TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM Section 1: AII Section 11: W/2 Section 12: E/2

Section 13: E/2

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM
Section 5: E/2

Section 5: E/2
Section 8: All
Section 9: W/2

(g) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 27 NORTH, RANGE 8 WEST, NMPM Section 7: All

(h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 27: W/2 Section 28: E/2

(i) Extend the Bisti-Lower Gallup Oil Pool to include:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM Section 3: SE/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM Section 19: NW/4

-5-Docket No. 27-58

(j) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM Section 10: NW/4 NE/4

S . 12

(k) Extend the Otero-Gallup Oil Pool to include:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM Section 32: S/2 NE/4

(1) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM Section 20: NW, 4

CONTINUED CASE

CASE 1508:

Application of El Paso Natural Gas Company for the establishment of 320-acre spacing units for the Dakota formation in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre spacing units for all gas wells drilled to or completed acre spacing units for all gas wells drilled to or completed in the Dakota formation in San Juan and Rio Arriba Counties, in the Dakota formation in San Juan and Rio Arriba Counties, New Mexico, including the fifteen presently designated New Mexico, including the fifteen presently designated of special rules and regulations for said pools.

SUPPLEMENTAL DOCKET: REGULAR HEARING OCTOBER 15, 1958

Oil Conservation Commission 9 a.m. Apache School Gymnasium, 600 Block West Apache, Farmington, New Mexico

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for an order authorizing a secondary recovery project. Applicants, in the above-styled cause, seek an order authorizing a secondary recovery project in the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico. Applicants propose to inject liquefied petroleum gas and dry gas into the Gallup formation through the British American Marye Well No. 2 located in the NE/4 NE/4 of Section 12, Township 25 North, Range 13 West, and the Sunray Mid-Continent Federal "C" Well No. 20 located in the SW/4 NW/4 of Section 7, Township 25 North, Range 12 West, all in San Juan County, New Mexico.



CASE 1522

Gulf Oil Corporation takes exception to sub-paragraph (b) of the proposed revision of Rule 311.

The first sentence which reads, "The destruction of waste oil is prohibited when it is economically feasible to reclaim the same" is vague and uncertain and is vulnerable to the criticism of being an inappropriate exercise of administrative authority. for the reason that the rule does not set any standard whatever for determining the economic feasibility. Under such a rule it is possible for the Commission staff to adopt purely arbitrary standards which would apply in one case and not in another. Moreover, the information to be given in the application for such a permit is grossly inadequate to enable the Commission to determine the economic feasibility.

We further feel that the proposed change is somewhat self-conflicting because sub-paragraph (b) prevents an operator without the Commission's express approval from destroying waste oil by "burning or otherwise" with no indication of what is meant by the words, " or otherwise". Sub-paragraph (d) on the other hand purports to allow an operator without any approval to otherwise dispose of waste oil by merely putting it to any beneficial use similar to those ennumerated.

Finally, Gulf suggests that in operation this rule would be exceedingly burdensome. All operators would have to be bothered with more red tape by filling out forms, possibly delaying operations pending approval, possibly not receiving approval and delaying operations further until waste-oil could be picked up; and going through with this procedure on each lease having any waste oil however small or however poor.

In view of these shortcomings we respectfully urge that sub-paragraph (b) be stricken or not adopted by the Commission if Rule 311 is amended as a result of this case. As a correlative matter we further urge that sub-paragraph (a) of the proposed amendment to Rule 1116 be stricken or not adopted by the Commission. This is the amendment or the part of it which deals with the Waste Oil Destruction Permit.

Respectfully submitted.

William V. Kastler Attorney for Gulf Oil Corporation

DOCKET: REGULAR HEARING NOVEMBER 13, 1958

Oil Conservation Commission 9 a.m. Mabry Hall, State Capitol, Santa Fe, NM

ALLOWABLE:

- (1) Consideration of the oil allowable for December, 1958.
- (2) Consideration of the allowable production of gas for December, 1958, for six prorated pools in Lea County, New Mexico, and also presentation of purchasers' nominations for the six-month period beginning Jamuary 1, 1959; consideration of the allowable production of gas for seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for December, 1958.

NEW CASES

CASE 728:

Application of El Paso Natural Gas Company for an order extending the vertical limits of the Justis Gas Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order extending the vertical limits of the Justis Gas Pool in Lea County, New Mexico, to a datum 270 feet below the top of the Glorieta formation. The vertical limits of the Justis Gas Pool, as presently designated, extend from the top of the Glorieta formation to a point 200 feet below the top of said formation.

CASES 1253 & 1254:

In the matter of the hearing ordered to be held by Order No. R-1011 to permit the operators in the Kemnitz-Wolfcamp Pool in Lea County, New Mexico, to appear and show cause why the Special Rules and Regulations set forth in said order should be continued in effect beyond December 31, 1958.

CASE 1544:

In the matter of the hearing called on the motion of the Oil Conservation Commission at the request of certain operators in the Gallegos-Gallup Oil Pool in San Juan County, New Mexico, to permit any operator to appear and show cause why any well or wells in the Gallegos-Gallup Oil Pool should be granted an exception to the daily tolerance provisions of Rule 502 I (a) of the Commission Rules and Regulations.

CASE 1545:

In the matter of the hearing called on the motion of the Oil Conservation Commission at the request of certain operators in the Verde-Gallup Oil Pool in San Juan County, New Mexico, to permit any operator to appear and show cause why any well or wells in the Verde-Gallup Oil Pool should be granted an exception to the daily tolerance provisions of Rule 502 I (a) of the Commission Rules and Regulations.

CASE 1499:

Application of Sinclair Oil & Gas Company for a hearing de novo before the Oil Conservation Commission of New Mexico on its application for a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an order authorizing a 240-acre non-standard gas proration unit in the Tubb Gas Pool comprising the SW/4 and the S/2 SE/4 Section 26, Township 21 South, Range 37 East, Lea County, New Mexico, said unit

-2-Decket No. 31-58

CASE 1499 continued:

to be dedicated to applicant's J. R. Cone "A" Well No. 1 located 660 feet from the "outh an! West lines of said Section 26.

- Application of Sinclair Oil & Gas Company for a hearing de neve before the Oil Conservation Commission of New Mexico on its application for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order authorizing a 200-acre non-standard gas proration unit in the Blinebry Gas Poel comprising the SW/4 and SW/4 SE/4 Section 26, Township 31 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to applicant's J. R. Cone "A" Well No. 2 located 1980 feet from the South like and 660 feet from the West line of said Section 26.
- CASE 1546: Southeastern New Mexico nomenclature case calling for an order for the creation of new pools and extension of existing pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
 - (a) Create a new gas poel for Seven Rivers production, designated as the Laguna-Seven Rivers Gas Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 35 EAST, NMPM Section 11: NE/4

(b) Create a new oil pool for Pennsylvanian production, designated as the North Shoe Bar-Pennsylvanian Pool, and described as:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM Section 15: SE/4

(c) Extend the Acme Pool to include:

TOWNSHIP 8 SOUTH, RANGE 27 EAST, NMPM Section 5: N/2

(d) Extend the Artesia Peel to include:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM Section 23: SE/4

(e) Extend the Blinebry Gas Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM Section 32: SE/4

(f) Extend the Hare Pool to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM Section 4: S/2

-3-Decket No. 31-58

(g) Extend the Hume-Queen Pool to include:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM Section 8: S/2 NW/4

(h) Extend the Jalmat Gas Pool to include:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM Section 3: SE/4 Section 10: SE/4

(i) Extend the Kemnitz-Wolfcamp Pool to include:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM Section 22: NW/4

(j) Extend the Milnesand-San Andres Pool to include therein:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM Section 23: NE/4

(k) Extend the Tubb Gas Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM Section 31: NE/4 & NE/4 SE/4

CASE 1547: Northwestern New Mexico nomenclature case calling for an order for the extension of existing pools in Rio Arriba and San Juan Counties, New Mexico.

(a) Extend the Aztec-Pictured Cliffs Pool to include:

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM Section 36: W/2

(b) Extend the South Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM Section 20: S/2 Section 21: N/2

TOWNSHIP 25 NORTH, RANGE 4 WEST, NMPM All of Sections 9, 10 and 11

Section 14: All

Section 15: N/2 and SE/4

Section 16: N/2

(c) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM Section 14: W/2

(d) Extend the West Kutz-Pictured (liffs Pool to include:

-4-Docket No. 31-58

CASE 1522:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPM

Section 20: SE/4 Section 21: SW/4

(e) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 27: W/2 Section 28: E/2

(f) Extend the North Los Pinos-Dakota Pool to include:

TOWNSHIP 32 NORTH, RANGE 7 WEST, NMPM Section 12: SW/4

(g) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM Section 32: SE/4 Section 33: SW/4 SW/4

(h) Extend the Otero-Gallup Oil Pool to include:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM Section 32: NW/4 NE/4

(i) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 15 WEST, NMPM

Section 26: SW/4
Section 27: SE/4
Section 35: NW/4

CONTINUED CASES

Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms. Applicant, in the above-styled cause, seeks an order to revise Rules 311, 312, 1116 and 1117 of the Commission Rules and Regulations, to replace the present Commission Form C-117 with two forms to be designated as C-117-A and C-117-B, and to revise Commission Form C-118.

CASE 1526: Northwestern New Mexico nomenclature case calling for an order for the extension of an existing pool in San Juan County, New Mexice.

-5-Docket No. 31-58

(h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 27: W/2 Section 28: E/2

BEFORE THE OIL CONSERVATION COMMISSION HOBBS, NEW MEXICO

IN THE MATTER OF:

Case No. 1522

TRANSCRIPT OF HEARING

APRIL 15, 1959

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE. NEW MEXICO
Phone Chingel 3-6691

OIL CONSERVATION COMMISSION HOBBS, NEW MEXICO

IN THE MATTER OF:

Case 1522 Application of General Petroleum, Inc., for an amendment to Order No. R-1299. Applicant, in the above-styled cause, seeks an order amending Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for wells on the originating lease, which amendment would revise Rule 311.

Hobbs Auditorium Hobbs, New Mexico April 15, 1959

BEFORE:

A. L. Porter, Jr. Murray Morgan Governor John Burroughs

TRANSCRIPT OF HEARING

MR. PORTER: The meeting will come to order, please.

I would like to interrupt the case presently under consideration and announce that the Commission has been requested to continue another case, Case 1522, until the May regular hearing. There are a number of people who are remaining here for this case, so I thought it appropriate to make the announcement at this time.

Is there any objection to the continuance of Case 1522 to the May regular hearing docket?

The case will be continued.

STATE OF NEW MEXICO) : 88 COUNTY OF BERNALILLO)

I, JERRY MARTINEZ, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing were reported by me in Stenotype, and that the same was reduced to typewritten transcript by me and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 7th day of May, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

1

Notary Public

My Commission Expires:

January 24, 1962

BEFORE THE OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1522

TRANSCRIPT OF HEARING

NOVEMBER 13, 1958

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone Chapel 3-467;

BEFORE THE OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO NOVEMBER 13, 1950

IN THE MATTER OF:

CASE 1522 Application of Lea County Drip Company, Inc.:
for the revision of certain of the Commiss-:
ion Statewide Rules and Regulations and for:
the revision of certain of the Commission :
forms. Applicant, in the above-styled :
cause, seeks an order to revise Rules 311,:
312, 1116 and 1117 of the Commission Rules :
and Regulations, to replace the present :
Commission Form C-117 with two forms to be :
designated as C-117-A and C-117-B, and to :
revise Commission Form C-118.

BEFORE:

Mr. A. L. Porter, Mr. Edwin L. Mechem Mr. Murray Morgan

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: Now, getting back to continued cases, we will call Case 1522. This case first came on the October regular hearing in Farmington, "Application of Lea County Drip Company." At that time the applicant presented testimony and the proposed changes to certain rules. And certain rules were circulated to those in attendance, and they have also been circulated to our entire mailing list. At the hearing Humble Oil & Refining Company moved for a continuance to this date, and the case was continued to this November regular hearing. At this time I recognize Mr.

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MR. REESE: My name is Randolph Reese. I represent Lea County Drip Company. At the last hearing there was some expression during the hearing and some more afterwards that there had been insufficient time in which to study the proposed recommendations. We feel that we have adequately covered the proposals and reasons for them in our testimony as presented. However, I have Mr. Rieder, the witness, who testified, present, if at this time anyone desires to cross examine him in connection with his testimony on these Rules.

MR. PORTER: Does anyone desire to have Mr. Rieder recalled to the stand for cross examination?

MR. COOLEY: Yes, sir, please. I would like to ask him some questions.

MR. PORTER: Mr. Rieder, would you come forward?

(Witness sworn)

C. M. RIEDER,

recalled as a witness, having been first duly sworn on oath, testified as follows:

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Rieder, in discussing your proposal with other members of the oil and gas industry, certain individuals have commented that they felt that the first sentence in sub-paragraph (b) of your proposed Rule 311, which reads, and I quote: Destruction of waste oil is prohibited when it is economically feasible to re-

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claim the same. End of quote. These ind_viduals have suggested that this is somewhat vague and indefinite, difficult to understand. They have suggested that this sentence be deleted. Do you feel that it would impair the operating efficiency of the Rule if this sentence were depleted?

A No, sir, I don't, and it might actually improve the Rule. That "economically feasible" is rather vague and possibly would lead to some confusion, so we would see nothing wrong in the removal of that first sentence.

Q Then if that sentence were deleted, Rule 311 sub (b) would then read "Destruction Prohibited. No waste oil shall be destroyed, by burning or otherwise, unless and until the Commission has approved an application to destroy the same on Form C-117-A."

A That is correct, sir, and in line with the same thought, we feel possibly it might improve the Rule by deleting "by burning or otherwise" as it is a trifle ambiguous as well. By leaving the paragraph (b) to read as follows: "No waste oil shall be destroyed unless and until the Commission has approved an application to destroy the same on Form C-117-A.

Q Mr. Rieder, why do you feel that it is necessary to obtain a permit prior to destroying any waste oil?

A Well, sir, in addition to the fact as testified before, we are quite frankly of the opinion that there is an implied restriction within the statutes and the Rules presently toward the burning of it.

DEARNLEY - MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE. NEW MEXICO Phone Chapel 3-6691 Further, we feel that it is imperative that prior to the burning that the Commission be apprised of the fact, both the Commission and the operators be apprised. Of ttimes -- well, in the first place, I don't believe that the Commission would have any control if indiscriminate burning were permitted. Secondly, I feel that it would aid the operators in controlling their can destruction. Ofttimes mistakes -- accidents happen in which oil is flooded to the pit. Too often these mistakes can be too easily eliminated with just a match, and I feel that, quite frankly, that it doesn't involve too great a burden in the normal course of operations for such an application to be made. Now, obviously there are going to be situations and occasions in which operators are going to be in a serious situation to the extent that they are going to have to destroy that pit immediately, and I believe that, as is always the case with the Commission, such approvals can be gained normally, first by telephone conversations and followed by the application. This Commission has never in the past, and I am sure in the future, will take an action to place an operator in jeopardy. We feel that the statement is imperative.

Q Mr. Rieder, Rule 312 as it now exists, 312 (c) also prohibits the reclamation of what is termed creek oil, wash in oil and pit oil.

A Yes, sir. We depleted that, however, from our new 313.

Just one moment, sir. We feel that in this deletion that Rule 312

deals with treating plants, and as such, should deal with treating

plants, the problems operation and control of treating plants more than anything else, and we feel that paragraph 312 (c) as it now exists if it were to be retained would belong properly in 311. Now actually, we feel that we have covered the products and the wording of existing 312 (c) in our proposed revised 311.

Q That is, in the definition of waste oil itself?

A Yes, sir. And then in the various sub paragraphs as to how to handle it. If you will note in the existing 312 (c), the method and manner of achieving permission to deal with these creek oil, wash in oil and pit oil are extremely vague, and to the best of my knowledge, the Commission, I don't believe, has ever had occasion to handle any of these products under the existing Rule and, to the best of my knowledge, there would be extreme confusion as to how to handle it. We felt that by eliminating it with 312 we've got 312 to what it actually is. It deals with treating plants, and we feel by 311 we have actually covered any unmerchantable oil and we have given a provision whereby they may be recovered and in such case as where it is necessary they can be destroyed.

Q In substance, all it has done is remove the provisions of the present Rules regarding wash in oil, creek oil and pit oil from Rule 312 and put them in 311?

A Yes, sir.

MR. COOLEY: That's all the questions I have.

MR. PORTER: Anyone else have a question of Mr. Rieder? You may be excused.

(Witness excused)

MR. PORTER: Anyone else have any testimony in this case?
Any statements?

MR. BRATTON: If the Commission please, Howard Bratton, Hinkle, appearing on behalf of Humble Oil & Refining Hervey, Dow, Company. We appreciate the consideration of the applicant in consenting to and the Commission in granting a continuance to the hearing this month in this case. During the month we have carefully analyzed and studied the proposed Rule, and we have some, what we believe, are basic objections to the proposed change. We do not propose to put on any evidence or any testimony in the case as we believe that it is primarily a matter of legal argument and policy which can be as well presented in the form of argument as from the witness! chair. However, we have available two witnesses if the question of operating practices in the field are material or if the applicant or the Commission are interested in that aspect of the matter. Humble's basic objection and the one which we believe runs throughout the entire proposed change is the provision in 311-C that "Any merchantable oil recovered from such waste oil shall not be chargeable against the allowable of the originating lease." We are opposed to that provision. We believe that it should be chargeable against the allowable of the originating lease. To go back and survey the problem and the reason that Mr. Rieder suggested that the allowable should not be chargeable against the originating lease, as I recall, he suggested that in case of a lease having

top allowable, top allowable wells that it would be uneconomic for the operator to see that all of this oil is reclaimed and have it charged against its allowable by running a full allowable and full price oil from the wells themselves. We believe that's an immaterial consideration because either under the statutes as they exist and will exist and under the Rule as proposed by Mr. Rieder, we believe that waste oil containing merchantable liquid cannot be destroyed. That is waste and, of course, to go back to the basic statute, the first statute, 65-3-3, prohibits waste; the second statute would be 65-3-3 (b) which includes -- which covers surface waste. And that, of course, prohibits the waste of crude petroleum oil or any products including the loss or destruction without beneficial use resulting from evaporation, seepage, leakage or fire. The products are defined in 65-3-29 to include residue from crude petroleum oil, wash oil, waste oil and a number of other items. Therefore, we believe that it's clear under the statute with or without this proposed regulation that the burning of residue that contains merchant able oil which, let's say, its economic feasibility to reclaim it, I believe that is prohibited. There is no question in my mind as to that aspect of it. Therefore, the operator cannot burn or destroy this oil; it is the Commission's duty under the statute to see that he doesn't. Now, to say that we are going to encourage you not to burn this oil dispose of it in some other manner, we are going to encourage you not to do that by not charging it against your allowable. That, it seems to me, is giving a man a bonus to stay within the law.

It would encourage poor operating practices, it appears to me, and there is no necessity for it. It is primarily a policing matter and if the Commission doesn't now have or feels that it has the authority to prohibit the destruction of waste oil until permission is oblained from the Commission, that, of course, is an effective remedy to the entire problem, it appears to me. You prohibit the destruction of the waste oil, you charge it against the lease, any reclaim+ able merchantable oil against the lease allowable, and it appears to me you solve the problems that are involved. Now, I realize that in a number of situations you cannot identify the originating lease from which this oil came. Certainly there are problems in connection with central tanks facilities such as the salt water disposal plants where you are going to have some accumulation of oil gathering at those plants and you cannot identify the particular lease from which that oil accumulated. I would see no objection at all to eliminating that oil from any -- charging it against anybody's lease allowable and allowing the operator of the disposal system to go ahead and sell that oil for the account of all the operators in the system. You have a built-in safeguard in that situation because if one operator is using poor practices and a good amount of oil is getting out of his lease and into those lines, if he is, say, putting in 20 or 30 percent of the oil going into central facilities, he is receiving only 5 percent of the proceeds, I think he wouldn't allow that to continue very long. Therefore, I think you've got a builtin safeguard in situations such as that which you do not have in

the case of a separate lease where you cannot identify the lease from which the oil came and the operator responsible for that oil getting into the pit or the tank bottom, wherever the oil may come from. That is our first and foremost objection to the proposal. We just believe that in any situation where the lease can be identified from which the oil originates that it should be chargeable to the allowable of that lease.

Now, secondly, we believe perhaps not as important, but in the entire process of reports which are made and applications which are made in connection with this proposal, we cannot find anywhere the operator ever appears on any form or gives any consent where or signs anything in connection with this entire transaction. If that is the proposal, we believe that it is wrong in that regard. Most of the companies, of course, don't like to increase their paper work, but I think the case of oil going off of their lease, an operator -- the lease owner should somewhere indicate his assent to that movement in some kind of report in connection with that. Last month the question of the royalty which might or might not be payable on this reclaimed oil was brought up. I couldn't answer as to how much royalty may be payable or who is liable for it, but if I were representing a royalty owner, there would be no doubt in my mind that some royalty is due from somebody in connection with oil coming from off that lease. Now, if that is the situation, I think the lease owner or operator should somewhere appear on these forms or reports that are filed with the Commission, because he is the one

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who has made the contract with the royalty owner, and he is the one to whom the royalty owner is going to look to account. So I believe that in that regard we would object to the proposal.

There are certain other technical matters to which we might object in the draftsmanship, but I am sure if I drafted a proposed rule, there would be technical matters that other people would view in another regard, and we don't raise any objection with regard to that, to those matters. We would suggest that in sub-paragraph (d) of Rule 311 -- it says that "The provisions of this rule do not apply when waste oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire walls, tank grades, or any other similar purpose." I assume that as the Rule is drafted and proposed that that oil is chargeable to the allowable of the lease inasmuch as it excepts that oil from the provision of the Rule. Now, I don't know if that is the intent or not, but I raise that as a problem for consideration by the applicant and the Commission. Restating our basic original objection, we believe that the Rule should not be adopted to provide that merchantable oil shall not be chargeable against the allowable and the originating lease. Going further than that, if the "not" is stricken from that sentence, if it reads that any merchantable oil shall be chargeable, then we believe that the present Rules are just as feasible and workable as the proposed Rule, and for that purpose we suggest and we urge that the present Rules be retained and that the proposed Rules not be acopted.

If there are any questions as to Humble's position or as

to the matter which I have urged here by Mr. Reese or by the Commission, I would be happy to answer it if I can. Thank you.

MR. PORTER: Does anyone desire Humble's witnesses to take the stand to answer questions in connection with those things covered by Mr. Bratton?

MR. REESE: Yes, sir, we would like for one of the witto take the stand on behalf of Lea County Drip.

MR. PORTER: The applicant requests that the witnesses nesses

MR. BRATTON: To what do you wish to direct your quesbe made available. tions, Mr. Reese? I have two gentlemen, one from our Midland operations office, and one from our Hobbs office, and they might be more versed with different aspects of the matter.

MR. REESE: I don't think we have any choice if both are familiar with the operating practices.

MR. BRATTON: You are concerned primarily with the actual operations going on by Humble in the field?

MR. REESE: Yes.

(Witness sworn)

B. K. BEVILL,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. REESE:

& State your name, please.

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- A B. K. Bevill.
- Q You are employed by the Humble Oil Corporation?
- A I am.
- Q In what capacity?
- A District engineer.
- Q Are you familiar with the operating practices in the production of oil upon the Humble properties?
 - A Yes, I am.
- Q Would you state whether or not Humble would allow its oil to be available for reclamation purposes if it were charged against the allowable?
 - A I am not sure.
 - Q These tank bottoms, for instance, --
- A Would Humble be willing to sell it, is that your question?
 - Q That's right, if they were chargeable to the allowable.
- A I am not sure that I am in a position to answer that question. It is a very rare occasion that we have any merchantable oil as a result of tank bottoms or pits, that would be available for sale.
- Q What is the present practice of Humble in the Southeast ern New Mexico field as to their tank bottoms?
 - A We recycle them.
 - Q Do you burn any residue products?
 - A Rare occasion that we have any occasion to burn any oil.

- Q You, of course, are familiar with the lease operations where several wells are run into a tank?
 - A Yes.
- Q Are you also familiar with the fact that the basic sediments vary from well to well that are produced?
 - A Yes, sir.
- Q And can you state it as a fact, from a tank where several wells are producing into one tank, that it would be impossible to prorate the basic sediment to each individual well that was flowing into that tank?
 - A That is practically impossible.
- Q Are you familiar with the production operations generally in Southeastern New Mexico?
 - A Yes, sir.
 - Q Are you aware that pits are being burned down there?
 - A I suppose they are. I see smoke quite often.
 - Q Are you an engineer?
 - A Yes, sir.
- Q Can you state to the Commission approximately what percentage hydrocarbon would be necessary in a pit in order for it to sustain, to support sustained combustion? Does the figure in the neighborhood of 40, 50 percent hydrocarbon sound reasonable to you?
 - A I am not sure that I understand your question.
 - Q In the pits, you have water and hydrocarbons and all the

other sediments, is that correct?

A That's right.

Q Do you think that it is a fair statement that it would take at least 40 or 50 percent hydrocarbon in a pit before it would support this sustained combustion such as is advisable in the pit burnings?

A I don't know.

MR. REESE: That's all.

MR. PORTER: Anyone else have a question of the witness?

CROSS EXAMINATION

BY MR. BRATTON:

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Q I would like to ask Mr. Bevill -- would you detail very briefly, Mr. Bevill, just what you do in connection with tank bottoms and accumulation of oil on pits?

A In the case of tank bottoms, practically all of our batteries are so equipped with treating systems, either barrels or heater treaters, and cycling systems whereby we can draw off the bottoms and run them right back into our treating systems and back into the tanks. Now, occasionally, as Mr. Rieder stated a while ago, it is almost impossible to keep all oil off pits. There are times when you have to drain off and we are no different from anyone else in that respect, but when we do, we let it accumulate and then pick it up with portable pumps and put it back into our tanks; that is, the merchantable oil.

Q Now, all of that oil that you drain off and put back in

the tanks and the oil that you get out of your treaters, that goes right back into your tanks and goes out and is chargeable against your allowable right now?

A Correct.

MR. BRATTON: I have no further questions.

MR. REESE: I have one additional question.

REDIRECT EXAMINATION

BY MR. REESE:

Q As I understand your statement, then Humble would not be affected by this proposed revision if you are taking off all your own oil now?

A Well, I am not sure that we wouldn't be affected in some respects.

Q You take care of all your tank bottoms and all your pit oil. Can you envision any situation where Humble would be involved in this revision?

A Not directly.

MR. REESE: That's all.

MR. PORTER: Anyone else have a question?

RECROSS EXAMINATION

BY MR. COOIEY:

Q Mr. Bevill, of the various elements that are in these pits that are burned, that you observed being burned and that you occasionally burn yourself, is liquid hydrocarbons in that pit that. will burn?

Well, it is according to how you classify liquid hydro-

carbons. Actually, a great percentage of it is heavy paraffin.

Q This is a hydrocarbon product, isn't it? It comes from the oil that is in the ground. It isn't water or basic sediment?

Q And isn't it also common practice in many areas to recover, not only the oil but some of these waxes that are in this

paraffin?

A The ones that you are able to pick up.

Q And anything that could be recovered from these pits that you do burn would be just that much oil or waxes or whatever

it may be that is recovered, that much?

A That is right.

Q You recover nothing except the oil that you can syphon off the top and put back in the tanks and sell?

A That's correct. As a general rule, we do run that back

Q Yes, I understand. How about chemical treatments and through our treating systems. that sort of thing, do you engage in those yourself in your own

Q Now, you say that Humble has heater treaters and cycling systems installed on nearly all of their lease facilities. How A That is correct. tanks? about other operators? I understand that you are not aware of detailed operations of other people down there, but are you generally aware of whether it is quite common to have this type of equipment?

- A It is a common practice.
- Q Would you say that 50 percent of the people have it or less or more? There are some that don't have it. is that right?
 - A I assume that there are some.
- Q If they don't have this equipment, it is impossible for them to recycle and treat their own?
- A It is not impossible. They can pick it up and put it back in their tanks and have it steamed.
 - Q That is a type of treatment?
 - A That is a type of treatment.
- Q If they do have this equipment, they can't treat it or steam it?
 - A Unless they hire someone.
- Q I assume that this type of oil would not be accepted by a pipeline unless it were treated?
 - A Unless it meets pipeline requirements.
- Q Would it be your opinion that this type of hydrocarbon that you would draw from the pits that you say you let accumulate in the Humble properties and withdraw from the pits, would it be marketable, would the pipeline accept that without treatment?
 - A Yes, sir, if it meets their specifications.
- Q I understand they would if they met their specifications.

 What I am getting at is, does it ordinarily meet its specifications
 without treatment?

- A Not without treatment.
- Q And hence, if the operator does not have the equipment to treat his own oil, and the pipeline won't accept it without treatment, it surely would follow that that is a good portion of these black columns that we see going up in the southeast, isn't it?
 - A That's right.

MR. PORTER: Anyone else have a question?

QUESTIONS BY MR. NUTTER:

- Q Mr. Bevill, I think you said this oil could be run into the tanks and then steamed and made merchantable in some instances?
 - A In some instances it could be treated out by steaming,
 - Q Well, --

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- A -- and chemical, added chemical.
- Q Well, if an operator doesn't have this steaming equipment, is it available --
 - A It is available.
 - Q -- for hire?
 - A Yes.
 - Q It is?

A Yes.

- Q What is that, portable equipment?
- A Portable steamers.
- Q So if an operator were to pick up a sizeable amount of oil off his pit and it were treated, then it could be --
 - A It could be.

Q -- without having the necessity of having treating facilities being installed permanently on the lease?

A That is correct.

MR. NUTTER: That's all.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused)

MR. PORTER: Anyone else have testimony to offer in the case?

MR. BRATTON: We have no further testimony, but in view of the line of interest here as to the gractices, I would like to make a further statement and to repeat Humble's interest in the matter. We believe it is just a matter of policy of not rewarding a careless operator or an inefficient operator by not charging this reclaimed oil against his lease allowable. We, as much as anybody, are against the burning of any oil that can be reclaimed through Mr. Rieder's process or anybody else's, and we feel that the Commission has full authority right now, full power, to prevent the burning of any oil, any pits that it feels contains hydrocarbons that can be economically reclaimed. We think it is just a matter of the Commission exerting the police powers which it now has without rewarding by exempting these reclaimed oils from the allowable restrictions.

MR. PORTER: Any statements?

MR. GRANTHAM: Everett Grantham, Grantham, Spann &

Sanchez, appearing for El Paso Natural Ges Products Company. My client is of the opinion that the recovery of waste oil should not be charged against the allowable, and I might point out to the Commission that the allowable is fixed on the basis of the market demand for clean oil as expressed by the purchaser's nominations.

Furthermore, I think that probably the last paragraph of sub-division (c) of Rule 311 under the proposed Rules takes care of exceptions. That is, the provisions of the foregoing paragraph do not apply when waste oil is reclaimed on the lease where it originates and is disposed of through the authorized transporter for the lease as shown on Form C-110. In other words, if waste oil is used and sold or sold as waste oil, then it shouldn't be charged against the allowable if it is reclaimed and sold as clean oil which will meet the specifications, then it is covered by the exception as proposed by the last sub-paragraph of paragraph (c) on the reclamation.

MR. PORTER: Anyone else?

MR. KELIAHIN: Jason Kellahin of Kellahin & Fox, representing Continental Oil Company. I would like to preference my remarks with the statement that we do not in any way question the good faith and integrity of the applicant in this case. In analyzing the proposed Rules, we do see some fundamental flaws which we think open the way to a serious danger to the oil industry. On the face of it, the proposed Rules advocated in this case are designed to insure the salvage of oil which is not now being salvaged, and that, of course, is a very commendable objective. However, Continents

ental Oil Company does not feel that these proposed Rules do not accomplish this objective, and that the objective has already been achieved, and there is ample authority within the statutes and pres ent Rules to achieve this purpose at the present time. In addition the proposed Rules raise serious questions of property rights, prevention of waste and the creation of a situation which opens the door to outright fraud. Continental is opposed to the proposed changes in Rules 311, 312, 1116 and 1117, and recommends that the application in Case 1522 be denied for the following reasons:

Under the proposed Rules, reclaimed pit oil is not chargeable against the lease or unit allowable, and this creates a situation conducive to careless operations resulting in waste. This, the would greatly increase the present burden of the Commission increase ing the oil industry to insure efficient operations in that, as Mr. Bratton pointed out, it would offer an incentive to careless operations. With no penalty against the allowable, oil would be removed from the lease with no accounting safeguards for lease interest owners, with probable loss of revenue to royalty owners, including the state and state institutions. If the Commission must determine when and under what circumstances pits may be burned, and when and under what circumstances they may not be burned, the Commission would be in the position of allocating oil to treating plants which have ownership in such oil and with whom the lease operator has no contract or agreement, and under the proposed rules is not in a position to negotiate a contract or agreement. We are at a loss to understand why the provisions requiring written permission of the

operator before any pit oil can be removed from the lease has been omitted in the proposed rules. Continental feels the permission of the owner should be required in all instances before any pit oil should be disposed of off the lease. To carry the discussion one further step, the terms of the proposed order are contradictory.

"Waste oil" is defined in Section (a) as any unmerchantable liquid hydrocarbons accumulating on an oil or gas lease incidental to normal oil field operations. Section (b) then provides that "waste oil" cannot be destroyed when it is economically feasible to reclaim it. If it is economically feasible to reclaim such oil, how can it be unmerchantable? It should be charged against the lease allowable, regardless of the disposition made of it.

To sum up the argument, Continental's opposition to the proposed rules may be stated under three points. 1. The proposed change in Rule 311 places unnecessary restrictions on the oil producer in requiring him to obtain approval to burn waste oil on his lease, which by definition is unmarketable and of no value. 2. The proposed change under paragraph 3 of Rule 311 would relax control of oil production which is the responsibility of the lease operator and encourage the accumulation of pit oil with no penalty of loss of allowable. 3. The proposed changes in Rule 312 appear to be designed to eliminate the oil producer's property rights in regard to waste oil in pits.

Ample protection against waste is afforded in the present rules. The production of excessive amounts of oil into the pit clearly constitutes waste. Oil recovered from pits is charged back against the allowable. To remove this charge against the allowable would afford an economic incentive for careless, or even fraudulent

operations.

The present rules require permission of both the owner and the Commission before any oil may be removed from the pit.

Protection is thus afforded to the operator and all interest owners.

what necessity exists for the proposed rule? If this unmarketable waste oil has an economic value, its purchase or salvage can be readily negotiated with the owner of such oil with full accounting to all interested parties, including the Commission. The Commission should not be asked to force this owner to sell or give away his property.

MR. PORTER: Anyone else have a statement?

MR. CHRISTIE: R. S. Christie, Amerada Petroleum. We think the present Rules, 311, 312, are adequate, and we recommend that they retain full force and effect.

MR. PORTER: Anyone else have any statement to make?

MR. PAYNE: Mr. Chairman, we have received comments on this proposed Rule change from the following operators: Shell Oil Company, Atlantic Refining Company, Sunray Mid-Continent Oil Company, Skelly Oil Company, Phillips Petroleum Oil Company, Gulf Oil Corporation and the Carper Drilling Company. Some of these statements are lengthy, some are not, opposition. They are in the form of comment, and I propose that these be put into the record, but that they not be read unless someone requests it at this time.

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Phone Chapel 3-6691

MR. PORTER: Is there a desire on the part of anyone to have these statements read?

MR. RIEDER: Mr. Porter, I would like to make a statement in summation -- closing, if everybody is through.

MR. PORTER: Statements received prior to the hearing will be included in the record.

MR. REESE: In answer to the statements and objections which have been made here today, I would like to say a few things. To begin with, the reason for deleting this oil from the allowable is that it's not allowable oil now, it is not being marketed. In Humble's case, perhaps we will have a competitor, they are reclaiming their products and selling them, but that is what Lea County Drip wants to do for the operators who aren't doing it. I don't see any reason that it should involve Humble at all since the amendment, as proposed, does allow any operator to reclaim his own oil and run it with the rest of his oil without bothering with these Rules at all. This is only for those operators who do not or cannot reclaim their own oil. Now, there is a lot of talk about the economic feasibility of reclaiming this oil, and actually that is where the burning comes in. What might be economical for Humble with thirty or forty tanks near by, each other, to do, certainly it wouldn't be economically feasible for an operator with, say, one five hundred barrel tank, he can't afford to reclaim those bottoms on an economic basis. It costs him too much to do it, and I submit to the Commission that's the reason it is being burned now. When we proposed these Rules,

we didn't propose them with the idea in mind of stealing oil from the Commission or from the operators. In Form C-10 -- C-117-B, we provided in the Rules that this application be obtained by the transporter from the Commission in triplicate so that the operator could be furnished with his copy of it, and we contemplated a telephone contract and matters of that nature in order to obtain permission to clean the tank bottoms. In other words, it might slow down the business to some extent to require their signature of the operator prior to the cleaning. However, we have no objection to adding on this form a consent by the lease operator to this waste oil recovery permit if the industry feels that that is necessary to prevent the illegal activities. As I say, we propose a legitimate business, and if we were going into the business of theft of oil we certainly wouldn't apply to the Oil Conservation Commission for permission to do so. I don't think that anyone who has ridden in a plane down in Lea County country can say that they are not familiar with the practice of burning pits. We feel that by having one operator to take care of a lot of tanks and treat this sediment in large lots, that it will be economically feasible to handle it. Now, so far as the lease interests are concerned, what we are referring to, the operators and the royalty owners, either in the case of Humble are getting all of it now, or in the other case they are getting nothing now where it is being burned, and we feel that especially if the Commission sees fit to put in writing on the face of the permit, to begin with, that the consent of the operator that

there will certainly be no stealing of the oil. Further, with the two permits required, the one to remove it and the one to destroy it, an operator from his records can tell what's happening to his oil, and it will give him a better control instead of less control of this matter of burning. The fact was mentioned that an efficient operator is going to clean up his business anyhow. Certainly, if it appears to him from the permits as they are returned to him that there is an exorbitant amount of oil going not through the pipeline for his two-eighty to three dollars a barrel, but through this method, I don't think there is any question but that an efficient operator will get right in there and clean his situation up there, and there will be a resultant conservation of oil from the mere reports themselves. I don't have the exact figures on the hydrocarbon content necessary for these black plumes, but I am informed that it takes 40 to 50 percent hydrocarbon to sustain that type of combustion, and I think there is waste oil so that could be appreciably cut down by the revisions as proposed.

That's all I have to say.

MR. PORTER: Are there any further statements in this case? If there is nothing further, we will take the case under advisement and take a ten-minute recess.

"IN REGARD TO CASE NUMBER 1522 ON THE REGULAR HEARING DOCKET FOR CCTOBER 15 1958 ATLANTIC URGES THE RETENTION OF PARAGRAPH (C) OF THE PRESENT RULE 312 IN THE STATE WIDE RULES AND REGULATIONS. THIS WILL PROVIDE REGULATION OF THE REMOVAL OF WASTE OIL FROM LEASES TO TREATING PLANTS WE HAVE NO OBJECTION TO OTHER CHANGES IN RULES 311 312 1116 AND 1117 PROPOSED BY THE LEA COUNTY DRIP CO

THE ATLANTIC REFINING CO BY W P TOMLINSON"

"PLEASE READ FOLLOWING STATEMENT INTO RECORDS OF CASE 1522. AT

REGULAR NMOCC HEARING, OCTOBER 15, 1958 FARMINGTON NEW MEXICO

"SHELL CIL CO IS OPPOSED TO THE CHANGES IN RULES 311 AND 1116 AS

PROPOSED IN CASE NUMBER 1522 AND SUGGESTS THAT THE SELF-INTERESTS OF

OPERATORS WILL KEEP THEM FROM DESTROYING WASTE OIL HAVING SUBSTANTIAL

ECONOMIC VALUE. WE FEEL THAT THE REQUIRING OF A PERMIT TO DISPOSE

OF SUCH IS AN UNNECESSARY BURDEN AND IN OPPOSITION TO THE EFFORTS

NOW BEING MADE IN INDUSTRY TO STREAMLINE PAPER WORK AND PROCEDURES

WHERE FEASIBLE. GENERALLY SHELL PREFERS TO BURN ITS WASTE OIL AS IT

HAS FOUND THAT THE POLICING OF TAKES BY TREATING PLANTS MAKES RE
COVERY BY THEM UNECONOMICAL TO SHELL AS A LEASE OPERATOR.

P A DEWNEY DIVISION PRODUCTION MANAGER SHELL OIL CO ROSWELL N MEX^{H}

"REGARD GASE 1522 CONTINUED TO NOVEMBER 13, HEARING UPON APPLICATION OF LEA COUNTY DRIP COMPANY, INC. FOR REVISION OF PRESENT RULES 311, 312, 1116 AND 1117. SKELLY OIL COMPANY RECOMMENDS COMMISSION NOT TO CHANGE EXISTING RULES OR FORMATION FOR REASON THAT PRESENT RULES ARE ADEQUATE GEORGE W SILLINGER SKELLY OIL CO.

"RE: CASE 1522, APPLICATION OF LEA COUNTY DRIP COMPANY, INC. FOR REVISION OF CERTAIN COMMISSION RULES AND FORMS TO PROVIDE A MORE EFFICIENT METHOD OF HANDLING AND RECLAIMING WASTE OIL. PHILLIPS PETROLEUM COMPANY DESIRES TO CALL TO YOUR ATTENTION INTERSTATE OIL COMPACT COMMISSION RECOMMENDED FORM NO. P-114 ENTITLED "PERMIT TO CLEAN TANK" AND URGE YOU TO ADOPT COMPACT COMMISSION FORM FOR DESIRED PURPOSE

PHILLIPS PETROLEUM CO L E FITZJARRALD"

"ATTN: MR. A. L. PORTER RE: CASE #1522 SURRAY MID-CONTINENT OIL
COMPANY SUBMITS THE FOLLOWING SUGGESTIONS TO THE APPLICATION OF LEA
COUNTY DRIP COMPANY, INC. IN CASE #1522 SET BEFORE THE COMMISSION
ON OCTOBER 15, 1958: (1). IT IS RECOMMENDED THAT THE FIRST SENTENCE
OF THE PROPOSED RULE 311 (B) BE BLIMINATED OR ELSE A SIMPLE CRITERIA
AND ADMINISTRATION PROCEDURE BE ESTABLISHED TO DETERMINE WHEN IT IS
ECONOMICALLY FEASIBLE TO RECLAIM WASTE OIL. (2). WE RECOMMEND THAT
THE MERCHANTABLE OIL DETERMINATION PROCEDURE IN THE PRESENT RULE 311
BE RETAINED; THAT THE SECOND SENTENCE IN THE PROPOSED RULE 311 (C)
BEGINNING "ANY MERCHANTABLE OIL..." BE DELETED. ANY MERCHANTABLE
OIL RECLAIMED SHOULD BE CHARGED AGAINST THE LEAST OR UNIT ALLOWABLE
IT WOULD FOLLOW THAT THE SECOND PARAGRAPH OF THE PROPOSED RULE 311
(C) BE DELETED

WILLIAM R LOAR"

"Gentlemen:

RE: Case No. 1522

Reference is made to the above case which is the Application of Lea County Drip Co., Inc. for Revision of Rules 311, 312, 1115 and 1117 of the Statewide Rules and Regulations of the New

Mexico Oil Conservation Commission.

"Rule 311. Waste Oil.

(b) Destruction Frohibited.

The destruction of waste oil is prohibited when it is economically feasible to reclaim the san.a.

No waste oil shall be destroyed, by burning or otherwise, unless and until the Commission has approved an application to destroy the same on Form C-117-A."

Because we reclaim tank bottoms that have enough value to bother with, we do not believe 2. anybody would be interested in reclaiming what we would burn.

We also believe it would cause us unnecessary delay and expense to get somebody to determine what is economically feasible or unfeasible to reclaim, and to wait on the approval of Form C-117-A.

For the above stated reasons we believe (b) should be eliminated from Rule 311. We would appreciate your considering this objection when this case comes up for a hearing.

Yours very truly,

CARPER DRILLING COMPANY, INC. /s/ Marshall Rowley Marshall Rowley"

"CASE 1522

Gulf Oil Corporation takes exception to sub-paragraph (b) of the proposed revision of Rule 311.

The first sentence which reads, "The destruction of waste oil is prohibited when it is economically feasible to reclaim the same", is vague and uncertain and is vulnerable to the criticism of being an inappropriate exercise of administrative authority. This is for the reason that the rule does not set any standard whatever for determining the economic feasibility. Under such a rule it is possible for the Commission staff to adopt purely arbitrary standards which would apply in one case and not in another. Moreover, the information to be given in the application for such a permit is grossly inadquate to enable the Commission to determine the economic

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE. NEW MEXICO
Phone Chapmi 3-6691

feasibility.

We further feel that the proposed change is somewhat self-conflicting because sub-paragraph (b) prevents an operator without the Commission's express approval from destroying waste oil by "burning or
otherwise" with no indication of what is meant by the words, "or
otherwise". Sub-paragraph (d) on the other hand purports to allow
an operator without any approval to otherwise dispose of waste oil
by merely putting it to any beneficial use similar to those ennumerated.

Finally, Gulf suggests that in operation this rule would be exceedingly burdensome. All operators would have to be bothered with more red tape by filling out forms, possibly delaying operations pending approval, possibly not receiving approval and delaying operations further until waste-oil could be picked up; and going through with this procedure on each lease having any waste oil however small or however poor.

In view of these shortcomings we respectfully urge that sub-paragraph (b) be stricken or not adopted by the Commission if Rule 311 is amended as a result of this case. As a correlative matter we further urge that sub-paragraph (a) of the proposed amendment to Rule 1116 be stricken or not adopted by the Commission. This is the amendment or the part of it which deals with the Waste Oil Destruction Permit.

Respectfully submitted,
/s/ William V. Kastler
/t/ William V. Kastler
Attorney for
Gulf Oil Corporation"

CERTIFICATE

STATE OF NEW MEXICO)
: s:
COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, 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 19 day of Mountain 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Notary Public

My Commission Expires: October 5, 1960.

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. 1522

APPLICATION OF GENERAL PETROLEUM, INCORPORATED FOR REVISION OF RULE 311 OF THE STATEWIDE RULES AND REGULATIONS OF THE OIL CONSERVATION COMMISSION OF NEW MEXICO.

STATEMENT OF APPLICANT IN SUPPORT OF PROPOSED AMENDMENT

The applicant, General Petroleum, Incorporated, of Hobbs, New Mexico, originated the changes in the present Rules 311 and 312 in what was, and still is believed to be an honest conservation measure. We proposed, among other changes in the Rule 311 that oil recovered from tank bottoms and pits would not be charged to well allowables. The Commission in its Order provided for charging oil that was recovered from tank bottoms and pits to the allowable of the wells connected to the tanks or drained to the pits. Thus, the oil in sediment oil was placed in a category where if it was recovered and marketed, it was charged to the allowable of the wells which produced it, but if this same oil was destroyed by burning or used on the lease, it was not to be charged to the allowable. We propose to amend the present Rule 311 (c) in the second sentence to read "any merchantable oil recovered from sediment oil shall not be charged against the allowable for the wells on the originating lease."

We feel that the present Order actually encourages waste by destruction by charging against the allowable of the wells on the originating lease any oil salvaged and recovered. The Order also requires the associated accounting for the salvaged oil in exactly the same manner as the allowable oil produced. The present Order is inconsistent in itself and with the rules of the Commission. It provides that oil burned or used on the lease is not charged against the allowable, and in the same Order it provides that oil recovered and marketed is allowable oil and subject to the same regulations, taxes and accounting as other allowable production. We believe that oil recovered from sediment oil is not allowable oil whether it is burned, destroyed or put to beneficial use on the lease, and we further believe that it is illogical to assume that an operator will include in his allowable production any such oil when it is possible under the present rule to destroy this oil without the attendant allowable problems.

It is our position that the charging to the allowable of any oil recovered from sediment oil, including tank bottoms and pit oil, is improper and contrary to the definition and understanding of allowable oil. An allowable is granted to a proration unit; that is to say "per well" while sediment oil can be accounted for only on a lease tank battery basis. Sediment oil accumulates over a period of time during which any and all allowable requirements are met. Not only by definition, but historically, such hydrocarbon accumulation has been considered as a waste by-product of production and in no way a part of the

allowable production. This is borne out by the definition of tank bottoms in the Rules and Regulations as well as the other definitions and general knowledge and understanding of the industry.

We believe that there is from 4,000 to 10,000 barrels of sediment oil wasted each month. We further believe that this oil will not and can not be salvaged so long as the oil recovered therefrom is charged against the allowables. If we are mistaken in these assumptions and the allowable clause is removed, only we and the others with treating plants will be injured by having no oil to treat. If the allowable charge is retained and our assumptions and conclusions are correct, an inexcusable amount of oil will be destroyed which could be recovered in the interests of conservation. We have arrived at the above figures of waste through an analysis of the oil destruction permits for Lea County on file with the Commission. These figures are derived from the reported volumes of 3.35% of the wells in pools representing approximately 50% to 55% of the wells in Lea County. We feel the extensions to be fair as the reports from which they are taken are from producers who represent a cross-section of the New Mexico producers so far as efficiency and conservation practices are concerned. We feel there is no reason to believe that other producers are more or less efficient or more or less conservation minded than the ones who have filed their applications to destroy sediment oil from January 1, 1959 to June 1, 1959, the period covered by the accompanying chart.

At and after the previous hearings on this rule, the question of the possibility of theft in connection with the handling of sediment oil was raised. We do not believe in theft of oil in any manner, and we feel that the concern exhibited represents an honest and thoughtful attempt on the part of those expressing concern to guide the industry. However, we vehemently object to the levelling of such an insinuation against New Mexico treating plants investigated and licensed by this Commission, supervised by this Commission and bonded to operate under its regulations and rules and the laws of the State of New Mexico. We find it difficult to believe that a mature industry and informed Commission would allow the mere possibility of theft in connection with the salvage of a natural resource to be used as the excuse for the continued known destruction and waste of oil. We grant that the possibility of theft and dishonesty exists in all walks of life, but we deny that such a possibility justifies waste of a natural resource. If the possibility of theft is an adequate reason for waste, why not shut down the whole industry?

We grant to others the legal presumption that citizens act in a lawful manner, and we believe that treating plants, investigated, licensed, supervised and bonded, are entitled to the benefit of the presumption. We believe that the rules with the supervision provided render the possibility of theft in this instance much more remote than in other industries. No sediment oil can be removed from the originating lease without the knowledge and written consent of the operator. Merchantable oil recovered from sediment oil can not be marketed without the

knowledge of the Commission of the volume, source and disposition.

We are a legitimate business enterprise proposing an amendment to the present rules which will prevent the waste of 4,000 to 10,000 barrels of oil per month. For the reasons set out, we urge the adoption by the Commission of the proposed amendment to Rule 311 (c).

Respectfully submitted,

Charles M. Rieder, President General Petroleum, Incorporated

DOCKET: REGULAR HEARING APRIL 15, 1959

Oil Conservation Commission 9 a.m., Hobbs Auditorium, 1300 East Scharbauer

HOBBS, NEW MEXICO

ALLOWABLE:

- (1) Consideration of the oil allowable for May, 1959.
- (2) Consideration of the allowable production of gas for May 1959 from six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for May 1959.

CONTINUED CASES

CASE 1573:

Application of Southwestern, Inc. Oil Well Servicing for permission to make a "slim hole" completion. Applicant, in the above-styled cause, seeks an order authorizing it to utilize the "slim hole" method of completion for a well located in the SE/4 NW/4 Section 32, Township 16 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico. Applicant proposes to utilize 22 inch tubing as a substitute for casing in the above-described well in exception to Rule 107.

CASE 1600:

In the matter of the application of M. A. Romero and Robert Critchfield concerning the operation of gas prorationing in the Blanco Mesaverde Gas Pool and the ratable taking of gas from said Blanco Mesaverde Gas Pool in Rio Arriba and San Juan Counties, New Mexico, as well as from the Choza Mesa-Pictured Cliffs Gas Pool in Rio Arriba County, New Mexico.

CASE 1526:

Northwestern New Mexico nomenclature case calling for an order for the extension of an existing pool in San Juan County, New Mexico.

(h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 27: W/2
Section 28: E/2

CASE 1618:

Southeastern New Mexico nomenclature case calling for an order creating a new pool in Lea County, New Mexico:

(e) Create a new oil pool for Devonian production, designated as the Crosby-Devonian Oil Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM Section 21: SW/4

NEW CASES

- CASE 1631: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider changing the date of the Regular Commission Hearing in June 1959 from the 17th to the 9th.
- CASE 1632:

 Application of Humble Oil & Refining Company for permission to make a "slim hole" completion. Applicant, in the above-styled cause, seeks an order authorizing it to utilize the "slim hole" method of completion for its State "M" Well No. 14 to be located 1980 feet from the North line and 660 feet from the East line of Section 31, Township 22 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico. Applicant proposes to utilize 2-7/8 inch tubing as a substitute for casing in the above-described well in exception to Rule 107.
- Application of Humble Oil & Refining Company for permission to make a "slim hole" completion. Applicant, in the above-styled cause, seeks an order authorizing it to utilize the "slim hole" method of completion for its State "G" Well No. 19, to be located 580 feet from the South line and 1980 feet from the East line of Section 23, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico. Applicant proposes to utilize 2-7/8 inch tubing as a substitute for casing in the above-described well in exception to Rule 107.
- Application of The Pure Oil Company for an order promulgating temporary special rules and regulations for the South Vacuum-Devenian Pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating temporary special rules and regulations for the South Vacuum-Devonian Pool in Lea County, New Mexico, to provide for 80-acre proration units and well location requirements. Applicant further seeks permission to shut-in its South Vacuum Unit Well No. 3-35 located in the NE/4 NW/4 of Section 35, Township 18 South, Range 35 East, Lea County, New Mexico, and transfer the allowable to its South Vacuum Unit Well No. 1-35 located in the SW/4 NE/4 of said Section 35.
- Application of Mapenza Oil Company for an exception to the requirements of Order No. R-1224-A. Applicant, in the above-styled cause, seeks an order authorizing an exception to the salt water disposal requirements of Order No. R-1224-A for its State No. 1-A Well, located in the SE/4 SE/4 of Section 14, Township 18 South, Range 37 East, Hobbs Pool, Lea County, New Mexico.
- Application of The Atlantic Refining Company for an amendment of Rule 115 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order amending Rule 115 of the Commission Rules and Regulations insofar as said rule is related to required pressure rating of wellhead equipment.

CASE 1637;

Application of The Atlantic Refining Company for an order combining the Atlison-Pennsylvanian and the North Allison-Pennsylvanian Pools in Lea and Roosevelt Counties, New Mexico, and for the promulgation of special rules and regulations therefor. Applicant, in the above-styled cause, seeks an order combining the Allison-Pennsylvanian and the North Allison-Pennsylvanian Pools in Lea and Roosevelt Counties, New Mexico, and providing for the establishment of 80-acre proration units in said combined pool.

CASE 1638:

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the establishment of a procedure whereby amendments to unit agreements may be approved administratively.

CASE 1522:

Application of General Petroleum, Inc., for an amendment to Order No. R-1299. Applicant, in the above-styled cause, seeks an order amending Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for wells on the originating lease, which amendment would revise Rule 311.

CASE 1639:

Southeastern New Mexico nomenclature case calling for an order creating new pools and extending existing pools in Lea and Eddy Counties, New Mexico:

(a) Create a new oil pool for Tansil production, designated as the Custer-Tansill Oil Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM Section 7: NW/4

(b) Create a new oil pool for Pennsylvanian production, designated as the East Hightower-Pennsylvanian Oil Pool, and described as:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM Section 30: NE/4

(c) Create a new oil pool for Delaware production, designated as the Querecho Plains-Delaware Oil Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 25: NW/4

(d) Create a new oil pool for Abo production, designated as the West Warren-Abo Oil Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM Section 17: SW/4

(e) Create a new oil pool for Connell production, designated as the Warren-Connell Oil Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM Section 17: SW/4

(f) Extend the Atoka Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM Section 13: E/2 NE/4

(g) Extend the Bishop Canyon-San Andres Pool to include:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM Section 10: N/2 Section 11: NW/4

(h) Extend the Crosby-Devonian Gas Pool to include:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM Section 4: NE/4

(i) Extend the Culwin Pool to include:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM Section 1: NE/4

(j) Extend the Drinkard Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM Section 17: SW/4

(k) Extend the Eumont Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM Section 23: N/2 Section 24: SE/4 & N/2

(1) Extend the Justis Gas Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM Section 13: SE/4

(m) Extend the Langlie-Mattix Pool to include:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM Section 4: NE/4

(n) Extend the Wilson Pool to include:

TOWNSHIP 21 SOUTH, RANGE 35 EAST, NMPM Section 19: E/2 Section 20: SW/4

CASE 1640: Northwestern New Mexico nomenclature case calling for an order changing the designation of a pool and extending existing pools in San Juan and Rio Arriba Counties, New Mexico:

(a) Change the designation of the Otero-Graneros Dakota Pool in Rio Arriba County, New Mexico, to the Otero-Dakota pool.

(b) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM Section 29: E/2

(c) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM Section 25: S/2

(d) Extend the Angels Peak-Gallup Oil Pool to include:

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM Section 5: SW/4 Section 7: NW/4

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 1: All Section 2: NE/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 28: SW/4
Section 29: S/2
Section 32: All
Section 33: W/2

(e) Extend the Bisti-Lower Gallup Oil Pool to include:

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM Section 2: SW/4

TOWNSHIP 25 NORTH, RANGE 10 WEST, NMPM Section 19: S/2 S/2

(f) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM Section 2: W/2 SW/4

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM Section 19: SW/4 & S/2 SE/4 Section 29: NW/4

(g) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM Section 16: SW/4 NW/4 Section 17: E/2 Section 20: E/2

(h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 3: N/2

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 6: E/2 Section 9: W/2

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 22: W/2

DOCKET: REGULAR HEARING MAY 13, 1959

Oil Conservation Commission, 9 a.m., Mabry Hall, State Capitol, Santa Fe

ALLOWABLE:

- (1) Consideration of the oil allowable for June, 1959.
- (2) Consideration of the allowable production of gas for June, 1959, for six prorated pools in Lea County, New Mexico, and also presentation of purchasers' nominations for the six-month period beginning July 1, 1959; consideration of the allowable production of gas for seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for June, 1959.

CONTINUED CASES AND REHEARING

CASE 1615: (Rehearing)

In the matter of the rehearing requested by Malco Refineries, Inc. for reconsideration by the Commission of Case No. 1615, Order R-1363. Case 1615 was an application by Stanley Jones, et al, for an order requiring Malco Refineries, Inc. to purchase oil produced from wells in the Dayton-Abo Pool in Eddy County, New Mexico, under the provisions of the Common Purchaser Act. Case 1615 culminated in the entry of Order No. R-1363 which required Malco Refineries, Inc. to purchase all oil tendered to it which is produced from the Dayton Field in Eddy County, New Mexico.

CASE 1522:

Application of General Petroleum, Inc., for an amendment to Order No. R-1299. Applicant, in the above-styled cause, seeks an order amending Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for wells on the originating lease, which amendment would revise Rule 311.

CASE 1635:

Application of Mapenza Oil Company for an exception to the requirements of Order No. R-1224-A. Applicant, in the above-styled cause, seeks an order authorizing an exception to the salt water disposal requirements of Order No. R-1224-A for its State No. I-A Well, iccated in the SE/4 SE/4 of Section 14, Township 18 South, Range 37 East, Hobbs Pool, Lea County, New Mexico.

NEW CASES

CASE 278:

Application of Farm Chemical Resources Development Corporation and National Potash Company for an extension of the Potash-Oil Area as set forth in Order R-111-A. Applicants, in the above-styled cause, seek an order extending the Potash-Oil Area as defined in Order R-111-A to include additional acreage in Townships 19, 20, and 21 South, Ranges 29, 31, and 32 East, Lea and Eddy Counties, New Mexico.

CASE 1668:

Application of Phillips Petroleum Company for an order promulgating temporary special rules and regulations for the Ranger Lake-Pennsylvanian Pool in Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating temporary special rules and regulations for the Ranger Lake-Pennsylvanian Pool and certain adjacent acreage in Lea County, New Mexico, to provide for 80-acre spacing units and well location requirements, and such other provisions as the Commission deems necessary.

Docket No. 18-59

CASE 1669:

Application of Pan American Petroleum Corporation for the promulgation of temporary special rules and regulations for the Atoka-Pennsylvanian Gas
Pool in Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating temporary special rules and regulations for the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to provide for 320-acre spacing units and for well location requirements.

CASE 1670: Southeastern New Mexico nomenclature case calling for an order creating new pools, deleting a portion of a pool, and extending existing pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new oil pool for Queen production, designated as the Chisum-Queen Oil Pool, and described as:

TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPM Section 16: SW/4 Section 21: N/2

(b) Create a new gas pool for Yates production, designated as the Chisum-Yates Gas Pool, and described as:

TOWNSHIP 11 SOUTH, RANGE 27 EAST, NMPH Section 13: SE/4

(c) Create a new oil pool for Delaware production, designated as the Loving-Delaware Oil Pool, and described as:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM Section 1: SW/4

(d) Create a new oil pool for San Andres production, designated as the Prairie-San Andres Oil Pool, and described as:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NAPM Section 8: SW/4

(e) Delete a portion of the Square Lake Oil Pool described as:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM Section 3: W/2 NW/4

(f) Extend the Cave Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NAPM Section 3: W/2 NW/4

(g) Extend the Allison-Pennsylvanian Oil Pool to include:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NAPM Section 14: NW/4 Section 15: NE/4

(h) Extend the Crosby-Devonian Gas Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM Section 21: SW/4

- (i) Extend the Dean Permo-Pennsylvanian Pool to include:

 TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
 Section 4: Lots 3, 4, 5, 2 6
- (j) Extend the Empire-Abo Pool to include:

 TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
 Section 2: NE/4
 Section 3: SW/4
- (k) Extend the Eumont Gas Pool to include:

 TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
 Section 29
- (1) Extend the Gladiola-Wolfcamp Pool to include:

 TOWNSHIP 12 SOUTH, RANGE 37 EAST, NMPM
 Section 26: SW/4
- (m) Extend the Jalmat Gas Pool to include:

 TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
 Section 2: SW/4
- (n) Extend the Justis Blinebry Pool to include:

 TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
 Section 24: NW/4
- (o) Extend the Justis Fusselman Pool to include:

 TOWNSHIP 25 SOUTH, RANGE 37 EAST, NAPM
 Section 13: NW/4
- (p) Extend the Justis McKee Pool to include:

 TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
 Section 25: NE/4
- (q) Extend the Leamex-Pennsylvanian Pool to include:

 TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
 Section 23: NW/4
- (r) Extend the Maljamar Pool to include:

 TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
 Section 13: SE/4
- (s) Extend the North Mason-Delaware Pool to include:

 TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM
 Section 18: NE/4

(t) Extend the East Millman Queen-Grayburg Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM Section 12: SE/4

(u) Extend the Milnesand-San Andres Pool to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM Section 14: E/2

(v) Extend the Pearl-Queen Pool to include:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM Section 33: NE/4

(w) Extend the Saunders Pool to include:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM Section 28: SW/4
Section 29: SE/4

(x) Extend the South Sawyer-San Andres Pool to include:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM Section 28: SW/4 SW/4 Section 33: W/2 NW/4

(y) Extend the Shugart Pool to include:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM Section 25: W/2 SW/4
Section 26: SE/4

(z) Extend the North Shugart Queen-Grayburg Pool to include:

TOWNSHIP 18 SOUTH, RANGE 31 EAST NMPM Section 32: W/2 Section 29: SW/4

(aa) Extend the Shugart-Delaware Pool to include:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM Section 27: NW/4

(bb) Extend the Square Lake Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM Section 9: 5/2

(cc) Extend the Turkey Track Pool to include:

TO HISHIP 13 SOUTH, RANGE 29 EAST, NMPM Section 27: Soy 4

CASE 1671: Northwestern New Mexico nomenclature case calling for an order extending existing pools in San Juan, Sandoval and Rio Arriba Counties, New Mexico.

(a) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM Section 17: All Section 18: All Section 20: All Section 28: W/2 Section 29: N/2 Section 33: N/2 Section 34: N/2 & SE/4 Section 35: SW/4

TCWNSHIP 23 NORTH, RANGE 4 WEST, NMPM Section 11: SE/4

Sections 12 thru 15 inclusive: All Section 19: N/2

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 21: NW/4

(b) Extend the South Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM Section 6: W/2
Section 19: W/2
Section 30: NW/4

(c) Extend the Chimney Rock-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 17 WEST, NMPM Section 5: SE/4 SE/4 Section 9: NE/4 NE/4

(d) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM Section 4: W/2 SW/4
Section 6: NE/4 NE/4
Section 10: N/2 SW/4 & SE/4

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM Section 19: N/2 SE/4
Section 20: S/2 SW/4
Section 29: W/2 NE/4
Section 33: NW/4

TOWNSHIP 31 NORTH, RANGE 17 WEST, NMPM Section 23: NE/4 SE/4 Section 24: NW/4

(e) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 15 WEST, NMPM Section 26: N/2 NE/4
Section 34: NE/4 & NW/4 SE/4

(f) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 26: SW/4
Section 35: NW/4

DOCKET: REGULAR HEARING JUNE 9, 1959

Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe, New Mexico

ALLOWABLE:

- (1) Consideration of the oil allowable for July, 1959.
- (2) Consideration of the allowable production of gas for July, 1959, for six prorated pools in Lea County, New Mexico; consideration of the allowable production of gas from seven prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for July, 1959, and also presentation of purchaser's nominations for the six-month period beginning August 1, 1959, for seven prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico.

CONTINUED CASES

CASE 1522:

Application of General Petroleum, Inc., for an amendment to Order No. R-1299. Applicant, in the above-styled cause, seeks an order amending Order No. R-1299 to provide that any merchantable oil recovered from sediment oil shall not be charged against the allowable for wells on the originating lease, which amendment would revise Rule 311.

CASE 1569:

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the promulgation of an order prohibiting the flaring of casinghead gas from oil wells in San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico.

NEW CASES

CASE 1691:

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider amending Rule 107 of the Commission Rules and Regulations to provide that in certain instances "slim hole" completions may be approved without notice and hearing.

CASE 1689:

Southeastern New Mexico Nomenclature Case calling for an Order creating new pools and extending existing pools in Lea, Chaves and Eddy Counties, New Mexico.

(a) Create a new oil pool for San Andres production, designated as the Four Mile Draw-San Andres Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM Section 3: SW/4

(b) Create a new Gas pool for Ellenburger production, designated as the Little Lucky-Ellenburger Gas Pool, and described as:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM Section 29: NE/4

(c) Create a new gas pool for Pennsylvanian production, designated as the Los Medanos-Pennsylvanian Gas Pool, and described as:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM Section 36: SE/4

-2-Docket No. 22-59

(d) Create a new oil pool for Bone Springs production, designated as the Querecho Plains-Bone Springs Pool, and described as:

W ...

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 27: SW/4

(e) Create a new gas pool for Atoka production, designated as the Sombrero-Atoka Gas Pool, and described as:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM Section 12: W/2 Section 13: NW/4

(f) Create a new oil pool for Delaware production, designated as the Tecolote Peak-Delaware Pool, and described as:

TOWNSHIP 26 SOUTH, RANGE 28 EAST, NMPM Section 34: NM/4

(g) Create a new oil pool for Grayburg preduction, designated as the West Millman-Grayburg Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM Section 12: SW/4

(h) Create a new oil pool for San Andres production, designated as the Windmill-San Andres Pool, and described as:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM Section 9: SE/4

(i) Extend the Blinebry Gas Pool to include therein:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM Section 33: NW/4

(j) Extend the Culwin Pool to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM Section 36: SE/4

(k) Extend the Grayburg Jackson Pool to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM Section 10: SE/4

(1) Extend the High Lonesome Pool to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM Section 11: SE/4

(m) Extend the Langlie Mattix Pool to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM Section 22: NM/4

-3-Docket No. 22-59

(n) Extend the Red Lake Pool to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM Section 1: NE/4

(o) Extend the South Vacuum-Devonian Pool to include therein:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM Section 26: W/2 Section 27: SE/4

(p) Extend the Warren-Blinebry Gas Pool to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM Section 28: NE/4

(q) Extend the Warren Tubb Gas Pool to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM Section 28: NE/4

(r) Extend the Weir Pool to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM Section 15: SE/4

CASE 1690: Northwestern New Mexico Nomenclature Case calling for an order extending existing pools in San Juan, Rio Arriba and Sandoval Counties: New Mexico.

(a) Extend the Ballard-Pictured Cliffs Pool to include therein:

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM Section 31: N/2

TOWNSHIP 25 NORTH, RANGE 7 WEST, NMPM Section 31: N/2

(b) Extend the South Blanco-Pictured Cliffs Pool to include therein:

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM Section 7: W/2

(c) Extend the West Kutz-Pictured Cliffs Pool to include therein:

TOWNSHIP 27 NORTH, RANGE 11 WEST, NMPM Section 20: SW/4

(d) Extend the Bisti-Lower Gallup Oil Pool to include therein:

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM Section 11: N/2 NE/4

(e) Extend the Chimney Rock-Gallup Oil Pool to include therein:

TOWNSHIP 31 NORTH, RANGE 17 WEST, NMPM Section 3: SW/4 SW/4 Section 10: NW/4 & N/2 SW/4

-4-Docket No. 22-59

(f) Extend the Horseshoe-Gallup Oil Pool to include therein:

TOWNSHIP 30 NORTH, RANGE 16 MEST, NAPM Section 2: NW/4 NW/4 Section 14: N/2 N/2

TOWNSHIP 31 MORTH, RANGE 16 WEST, NMPM Section 19: S/2 NW/4
Section 34: SE/4 SE/4
Section 35: SW/4 SW/4

(g) Extend the Otero-Gallup Oil Pool to include therein:

TOWNSHIP 25 MORTH, RANGE 5 WEST, NMPM Section 27: \$/2 SW/4
Section 28: SE/4 & SE/4 NE/4
Section 32: NE/4 NE/4
Section 33: N/2
Section 34: N/2
Section 35: SW/4 NW/4 & NW/4 SW/4

(h) Extend the Verde-Gallup Oil Pool to include therein:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM Section 21: W/2 NW/4

FORM C-117-A: SEDIMENT OIL DESTRUCTION PERMITS

April 7, 1959

POOL AND OPERATION	LOADS	5-2-h	TYPE	VOLUNE	CHING	HEASON L
ANDTHUS RANGE TOLEGAD						
Continental Oil Company	Anderson Ranch Unit	11-16-32	Tank Bottom	150 bbls.	1-15-59	Accumulated Basic Sediment and Water
30%.as						
Humble Oil & Refling Co.	Bowers A	29-18-38	Tank Bottom	30 bbls.	1-13-59	Cil treated and parafin would not stay
	Bowers A	30 -1 0-38	Tank Sottom	10 bbls.	4-3-39	in suspension. Same as above.
		Pool :	Pool and Operator Total)¦∂ bbls.		
SAP HOOK - TO HOW						
Continental Cil Corpany	State n-3h	34-14-31	Pit 011	35 obis.	1-12-59	Basic Sediment and Water
CIWSSICAUS						
Nag nolia Petr oleum Company	Santa Re Pac. "B" /1	26-9-36		දිට bbl s.	3-26-79	Basic Sediment
	Santa Fo Fac. "G" L Capps Federal "1	13-9-35	Pit Cil	160 bbls.	2-23-59	Basic Sediment Basic Sediment
			Operator Total	ido bbls.		
Oil Devalopment Company	Santa re Pac. Ido	26-9-36	Tank Bottom Tank Bottom	50 bbls.	2-2-59 3-26-59	Attempts to salvage unsuccessful.
	Santa Fe Pac. No.	27-9-36	Tank Buttom		3-26-59	Same as above.
			Operator Total	160 bbls.		
Sunray Mid-Continent Cil Co.	De ssi e Sawyer U. D. Sawyor	27-9-36 27-9-36	Tank Bottom Tank Bottom Tank Bottom	120 bbls. 171 bbls. 175 bbls.	2-9-59 1-9-59 9-19-59	Basic Sediment Basic Sediment Dasic Sediment
			Operator Total	կ66 հելց.		
			Pool Total	1,666 bbls.		

	Belker Cil Corporation	Samoden Cil Corporation	i. M. Moran	Sumble Cil & Lefthing So.	нсирѕ	Surrey Mid-Continent	ran American Cil Scopery	Sellester fael Commany	tell (11 Coaper)	OF ICH-VERONE		Tellester Rull Compact	I'm moll. Fetrolous Co.	Stylly Cil Jongan	Lone Star Products, Josephy	CLOSIOAUS FALISIEVALLO.	Oil Sevelopment So. of Temas	CHOOSING ADS - DOVONT AN	TOOL AND GRANATON
	Terry	Turner 5-2	Hardin B	I.M. State A		E. Powell J. Adanson	State 4 19,4 5 19	H.M. Fed.A 122	Suckley I		(in the second of the second	F.E. Your	T. D. Pope Dat. "	. 0. 1111	Santa Je Leask		Santa Je Pac-fil		English A region
	10-19-38	ાપ-18-38	16-18-38	25-18-37		16-12-38 5-12-38	19-12-38	6 - 12-38	25-11-37			11,-15-37	26-11-27	6-21-37	56-3-36	Pool a	19-9-37		G-M-M
Pool Total	Tank Bottom	Tank Bottom	Pic Sil	Tank Bottom	Pool Total	Pit 011 Pit 011 Operator Total	Pit Cil	Tank Dotten	Tank Botton		Pool Total	Tank Bottom	P16 C11	Tank Botton	Tank Botton	and Sperator Total	Tank Bottom Tank Bottom		TYF:
17 bbls.	10 bbls.	22 bbls.	Jobls.	10 bbls.	115 bbls.	75 bbls. 175 bbls.	lo bbls.	200 bols.	60 blds.		ing bols.	370 bbls.	100 6015.	€.12 bbls.	115 bbls	90 bbls.	je bbls.		TOLUNC
	2-13-59	2-23-59	3-12-59	1-3-59		1-2-39	3-2-59	1-20-39	1-26-39			4-7-59	2-4-79	1-27-39	3 13 13 13		2-2-59 2-26-59		TATE
	Accumulated tank bottom.	Attempts to salvage unsuccessful.	Not economical to try to salvage small amount.	Oil treated and parafin would not stay in summersion.		Basic Sediment Basic Sediment	53/Parafin & Water	Sasie Gediment	Basic Sedimont			Basic Jeliment	Basic Sediment	Uneconomical for such a small accent.	Rasic Cedimont		Attempts to salvage unsuccessful. Attempts to salvage unsuccessful.		HENASON

beline specifications.	which would meet pipeline spec		2,667 66/5	Grend total 2	\tilde{v}		
io aplyshlo sti	Tank accumulation- no	-7-59	Operator Total/µ bbls.(approx) Bottom 60 bbls. 4	Pool & Operator Tota Tank Bottom	12-30-37	J.M. Skaggs 3-12	Continental Oil Company
emulsion. Unsaleable.	y water cut	1-16-59 2-59	ly bbls.(approx) ly bbls.(approx) ly bbls.(approx)	Water cut emulsion Water cut emulsion Water cut emulsion	24-17-32	Johns 3	Drilling & Exploration Co.Inc. SKACUS-MCHITA
mud.	Basic Sediment and mud.	3-23-59	27 bbls.	Tank Bottom	24-26-37	Dublin	Clsen Oil, Inc.
			25 bbls.	Pool Total			SOUTH LECNALD
Ferentin would not stay	suspension. ic Sediment	3-26-59	10 bbls.	Tank Bottom	76-25-37	D.E. Henry	A CONTRACTOR OIL CO.
	01? treated but may	3-1-59	15 bbls.	Tank Bottom	34-22-37	W.M. State H	Humble Cil & Refining Company Sunray Mid-Continent Street
	recovered except gl		30 bbls.	Pool Total			LANGULL TOURTE
dumped in pit. (3)		3-5-59	20 bbls.	Pit Oil	77-17-37	: : :	
	85 & Vater	2-23-59	10 bbls.		35-13-37	J.L. Reed et al	forest Mil Corporation
			7 C C				Calot Cathon Comments
			29 551 6	Pool Total			EING-EDVOULAR
	BS & Parefin	3-23-59	1/1 61 15.	Tank Bottom	17-25-37	(12 ± 3)	,
	stay in suspension. Foreign matter mixed with cil	2-23-59	5 bbls.	Pit Cil	36-21-35	Treate	olsen (il, Inc.
arafin would not	Cil treated and parafin would	3-1-59	10 bbls.	Tank Bottom	1.8-25-37		Humble Cil & hefining Company d. Don Hudgens, Inc.
xed with cil.	Forcigm matter mixed with oil.	2-23-59	le bbls.	+ + + + + + + + + + + + + + + + + + +	,		J ALMAT
				ਹ + ?	£-15-3),	Phillips State	0. For Hudgens, Inc.
ine gaugers.	nefused by pipeline	1-13-59	10 bbl s.	Tank Bottom	30-18-39	y	Huntle Oil a sefining Company
	REASON	DATE	VOLUNZ	TYPE	Ω -#	ENAGE	NAST HOBBS-SAN ANDLES

FOCE AND OPENATOR

120 1500

Sp. 1

SEDIMENT OIL DESTRUCTION PERMITS AND VOLUME EXTENSIONS

JAMUARY 1, 1959 TO JUNE 1, 1959

<i>J</i>	WELLS REPORTED	VOLUME REPORTED	% POOL WELLS REPORTED	POOL ALLOCATION JUNE, 1959	NO. OF WELLS IN POOL	WASTE VOLUME
DERSON RANCH-DEV.	1	40 bbl.	10.0	2261 bbl.	10	400 bbl.
ANDERSON RANCH- W.C.	5	150 bbl.	33.3	999 bbl.	15	450 bbl.
BLINERRY	2	790 bbl.	12.5	447 bbl.	25	6325 bbl.
POWERS	5	40 bbl.	9.6	402 bbl.	48	400 bbl.
BRUNSON	2	35 bbl.	24.4	1705 bbl.	82	1435 bb1.
CAPROCE QUEEN	7	35 bbl.	1.16	18535 bbl.	599	3000 bbl.
CROSSROADS	12	1466 bbl.	57.0	4215 bbl.	21	2570 bbl.
CROSSROADS-E. DEV.	1	90 bbl.	33.3	729 bbl.	3	270 bbl.
CROSSROADS-PENN.	1	115 bbl.	33.3	87 bbl.	3	345 tbl.
DENTON	10	400 bbl.	10.0	16956 bbl.	109	4000 bbl.
DENTON- W. C.	1	60 bb1.	1.06	5497 bbl.	94	5650 bbl.
DRINKARD	5	260 hbl.	1.1	5100 bbl.	455	2460 bbl.
EUNONT	18	28 bbl.	3.0	10524 bbl.	597	970 bbl.
GLADIOLIA	10	415 bbl.	10.7	21161 bb1.	93	3880 bbl.
HARE	2	27 bbl.	2.3	2167 bbl.	86	1160 bh1.
H O DBS	12	61 bbl.	3.76	9876 bbl.	319	1620 bb1.
HOBBS-EAST S. A.	4	10 bbl.	17.4	774 bbl.	23	57 bbl.
H.ME-GREEN	3	15 bbl.	33.3	284 bbl.	9	45 bbl.
JALMAT	9	44 bbl.	2.26	7282 bbl.	397	1940 bb1.
KING-DEVONIAN	5	30 bbl.	31.2	2517 bbl.	16	96 bbl.
LANGLIE-MATTIX	12	42 bbl.	1.55	7851 bbl.	773	2710 661.
LEONARD, SOUTH	7	27 bbl.	53.8	79 bbl.	13	50 bbl.
MALJAMAR	10	44 bbl.	6.1	3225 bbl.	164	722 bbl.
MONUMENT	2	15 bb1.	0.45	11802 bbl.	447	3340 ыл.
SKAGGS-GLORITA	1	60 bbl.	50.0	96 hbl.	2	120 bb1.
TUSB	_1	14 bbl.	8.33	315 bbl.	_12	168 bbl.
TOTALS	148	4313 bbl.		134886 bbl.	4415	44183 bbl.

4-\125/c,

THE ATLANTIC REFINING COMPANY Incorporated 1870 Petroleum Products

Demostic Producing Department West Texas-New Maxico Region Meiling Address P. O. Box 66k0 Rossell, New Mexico

June 8, 1959

Har Mexico Oil Conservation Commission P. O. Box 871 Sents Pe, New Mexico

> BACK ALLOWABLE, STATE "T" LEASE, DESITON DEVONIAN POOL

Gentlement

Following is a tabulation of back allowable requested for Atlantic Refining Company's State "T" Lease, Denton (Devonian) Pool, Lea County, New Mexico.

This back allowable occurred during the months August 1, 1957, to July 1, 1958, while the Gulf Pipeline Company curtailed their pipeline runs in the Denton Field. Application for back allowable in the amount tabulated below has been made to the Oil Conservation Commission's office in Hobbs, New Mexico, for each month of the period in which pipeline provation occurred,

BACK ALLOWABLE, BARRELS

WELL NUMBER	SE/1 SH/1	2 SB/1 94/4	hr/l Sw/l	SW/1; SW/E	PASE TOTAL
	Sec. 2-15S-37B	Sec. 2-155-37E	Sec. 2-155-378	Sec. 2-15	
Aug., 1957	1295	1296	1296	1121	5008
Sept, 1957	1559	1581	1569	1588	6280
Oct. 1957	1298	1298	1298	2760	6654
Mov., 1957	9 66	1050	1050	1050	41.36
Dec, 1957	1442	1231	1199	1231	51.03
Jan, 1958	O	O	0	0	0
Feb, 1958	0	0	0	0	0
Kar, 1958	0	0	0	O	ð
Apr., 1958	19h	193	193	179	759
May, 1958	30b0	1010	10k0	3040	4160
June, 1958	1095	1095	1096	1096	4382
TOTALS	8909	8767	8741	10,065	36,482

Yours very truly,

THE ATLANTIC REFINING COMPANY

Van R. Cammack

VEC: Dem

STDIMENT CIL DESTRUCTION PERMITS AND VOLUME EXTENSIONS

JATTARY 1, 1959 TO JUNE 1, 1959

	REPORTED	WELIS RFPORTE	POOL ALLOCATION	NO. OF WELLS	WASTE
1	40 bbi.		D JUNE, 1959	I!' P00)	L VOLUME
		10.0	2261 bb1.	10	400 661
		33.3	999 bb1.	15	450 bb1
	790 hb1.	12.5	447 bbl.	25	6325 661
5	40 bhi.	9.6	402 bbl.		
2	35 bbl.	24.4			400 bb1.
7	35 bh1.	1.16			1435 661.
1.2	1466 bb1.				3000 bbl.
1				21	2570 bbl.
1			729 bbl.	3	270 hhl.
		33.3	87 bbl.	3	345 bbl.
		10.0	16956 bbl.	109	4000 661.
	60 bbl.	1.06	5497 bbl.	94	5650 bbl.
5	260 bbl.	1.1	5100 bbl.	455	2460 bb1.
18	28 bbl.	3.0	10524 bbl.		
10	415 bbl.	10.7			970 bb1.
2	27 bbl.	2.3			3880 bbl.
12	61 bal.			86	1160 вы.
4				319	1620 bb1.
			774 bbl.	23	57 bbl.
		33.3	284 bhl.	9	45 bbl.
•		2.26	7282 bbl.	397	1940 hb1.
	30 bb1.	31.2	2517 bhl.	16	96 bh1.
12	42 bhl.	1.55	7851 bbl.	7 73	
7	27 162.	53.8			2710 bhl.
16	44 bbl.	6.1			50 bbl.
2	15 bb1.				722 bbl.
<u>.</u>				447	3340 bbl.
_				2	120 bb1.
_		8.33	315 bb1.	_12	168 bbl.
±€ 431	13 bb1.	.]	134886 bb1.	4415 4	4183 hh1.
	7 12 1 1 10 1 5 18 10 2 12 4 3 9 5 12 7 10 2 1	2 790 bb1. 5 40 bb1. 2 35 bb1. 7 35 bb1. 12 1466 bb1. 1 90 bb1. 1 115 bb1. 10 400 bb1. 1 60 bb1. 1 8 28 bb1. 10 415 bb1. 12 61 bb1. 12 61 bb1. 13 15 bb1. 14 bb1. 15 30 bb1. 16 44 bb1. 17 27 bb1. 10 44 bb1. 11 15 bb1. 11 12 15 bb1. 11 12 15 bb1. 11 12 15 bb1. 11 11 11 11 11 11 11 11 11 11 11 11 11	2 790 bbl. 12.5 5 40 bbl. 9.6 2 35 bbl. 24.4 7 35 bbl. 1.16 12 1466 bbl. 57.0 1 90 bbl. 33.3 1 115 bbl. 33.3 10 400 bbl. 10.0 1 60 bbl. 1.06 5 260 bbl. 1.1 18 28 bbl. 3.0 10 415 bbl. 10.7 2 27 bbl. 2.3 12 61 bbl. 3.76 4 10 bbl. 17.4 3 15 bbl. 33.3 9 44 bbl. 2.26 5 30 bbl. 31.2 12 42 bbl. 1.55 7 27 bbl. 53.8 10 44 bbl. 6.1 2 15 bbl. 0.45 1 60 bbl. 50.0	790 bbl. 12.5 447 bbl. 790 bbl. 12.5 447 bbl. 796 402 bbl. 795 bbl. 24.4 1705 bbl. 795 bbl. 1.16 18535 bbl. 12 1466 bbl. 57.0 4215 bbl. 1 90 bbl. 33.3 729 bbl. 1 115 bbl. 33.3 87 bbl. 1 60 bbl. 1.06 5497 bbl. 1 60 bbl. 1.06 5497 bbl. 1 8 28 bbl. 3.0 10524 bbl. 10 415 bbl. 10.7 21161 bbl. 2 7 bbl. 2.3 2167 bbl. 12 51 bbl. 37.6 9876 bbl. 1 10 bbl. 17.4 774 bbl. 3 15 bbl. 33.3 284 bbl. 9 44 bbl. 2.26 7262 bbl. 12 42 bbl. 1.55 7851 bbl. 12 42 bbl. 1.55 7851 bbl. 12 42 bbl. 6.1 3225 bbl. 10 44 bbl. 6.1 3225 bbl. 11 60 bbl. 50.0 96 bbl. 11 14 bbl. 8.33 315 bbl.	790 bbl. 12.5 447 bbl. 25 40 bbl. 9.6 402 bbl. 48 2 35 bbl. 24.4 1705 bbl. 82 7 35 bbl. 1.16 18535 bbl. 599 12 1466 bbl. 57.0 4215 bbl. 21 1 90 bbl. 33.3 729 bbl. 3 1 115 bbl. 33.3 87 bbl. 109 1 60 bbl. 10.0 16956 bbl. 109 2 60 bbl. 1.06 5497 bbl. 94 5 250 bbl. 1.1 5100 bbl. 455 18 28 bbl. 3.0 10524 bbl. 597 10 415 bbl. 10.7 21161 bbl. 93 2 7 bbl. 2.3 2167 bbl. 86 12 61 bbl. 3.76 9876 bbl. 319 4 10 bbl. 17.4 774 bbl. 23 3 15 bbl. 33.3 284 bbl. 9 4 4 bbl. 2.26 7262 bbl. 397 5 30 bbl. 31.2 2517 bbl. 16 12 42 bbl. 1.55 7851 bbl. 13 10 44 bbl. 6.1 3225 bbl. 13 10 44 bbl. 6.1 3225 bbl. 164 2 15 bbl. 0.45 11802 bbl. 447 1 60 bbl. 50.0 96 bbl. 12



FORM C-117-A: SEDIMENT OIL DESTRUCTION PERMITS

To June 1, 1959

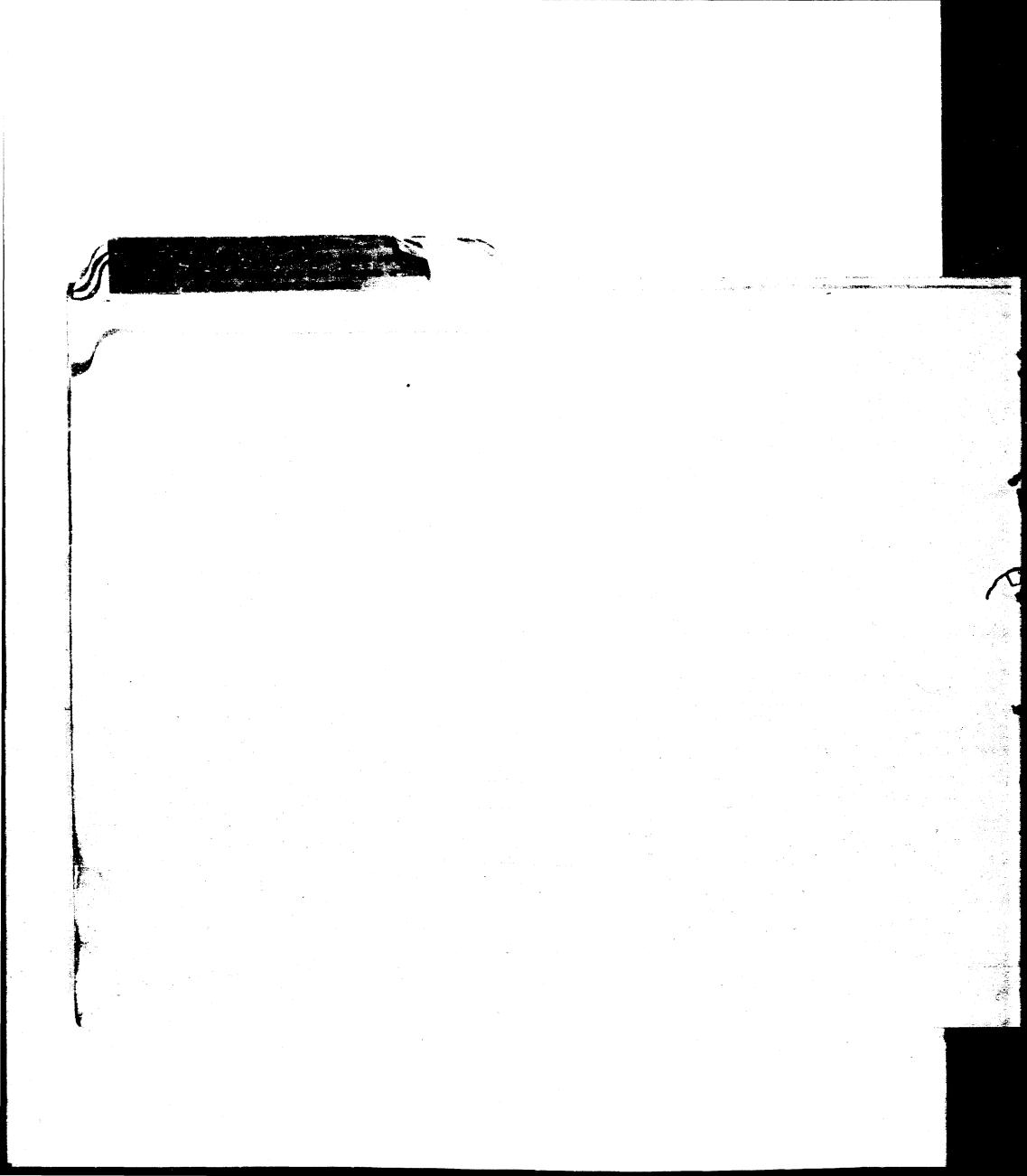
•		35 bbls.	Pool Total			
No Oil was Destroyed Basic Sediment and Water	1-12-59	35 bbls.	Pit 011	34-14-31	State R-34	Continental Oil Company
Fire in the Burning Pit was to Destroy Paraffin and Tumbleweeds-	1-23-59	None	None	2-14-31	Gulf State 1-2	Ada Oil Company
						CAPROCK QUEEN
Oil Treated and Paraffin would not Stay in Suspension	4-22-59	35 bble.	Tank Bottom	10-21-37	New Mexico State	Humble Oil & Refining Cc.
						BRU: SON
Same as Above	4-3-59	10 bbls.	Tank Bottom Pool Total	30-18-38	Bowers "A"	
Oil Treated and Paraffin would not	1-13-59	30 bbls.	Tank Bottom	29-18-38	Bowers "A"	Humble 011 & Refining Co.
						BOLIERS
and the companies that		790 bbls.	Pool Total			
Oil Treated and Paraffin would not Stay in Sugmension	4-22-59	50 bbls.	Tank Bottom	10-21-37	New Mexico State	Humble Oil & Refining Co.
Unit For Sale	4-28-59	740 bbls.	Pit-Frac Oil	17-21-37	Lockhart "A-17"	Continental Oil Compacy
						PLINEBRY
Acoumulated BS&W	1-15-59	150 bbls.	Tank Bottom	11-16-32	Anderson Ranch Unit	Continental Oil Company
O REGOVER						ANDERSON RANCE - WOLFCAMP
2 Tr. Accumuation-Uneconomical	4-24-59	40 bbls.	Pit 011	2-16-32	Stateland "76" #1	Sunray Mid-Continent Oil Company
						ANDERSON RATCH - DEVONIAN
REMARKS	DATE	VOLUME	TYPE	S-I-R	LEASE	POOL AND OPERATOR
			To June 1, 1959	To		

PRIMARD Markham, Cone, & Redfern Sunrey Mid-Continent Oil Co.	Shell Oil Company	MoAlester Fuel Company	Pagnolia Petroleum Company	Ione Star Producing Company	011 Development of Texas	Summay Mid-Continent 011 Co.	Oil Development Company	Magnolia Petroleum Co.	POOL AND OFFEATOR
Enbanks E. Elliot "A"	Buokley "B"	P. H. McClure	T.D. Pope, Btty. #4	Santa Fe Lease	Santa Fe Pac. MR	Dessie Sawyer U. D. Sawyer	Santa Fe Pac. MR	Santa Fe Pac. "B" #1 Santa Fe Pac. "G" #1 Capps Federal #1	TRAST
14-21-37 21-21-37	25~14-37	14-25-37	26-14-37	20-9-36	19 -9-3 7 19 -9-3 7	27-9-36 27-9-36 27-9-36 27-9-36	26-9-36 26-9-36 27-9-36 27-9-36	26-9-36 35-9-36 13-9-35	S-3-3-
Pit 011 Pit 011 Pool Total	Tank Bottom	Tank Botton Fool Total	F1t 011	Tank Bottom	Tank Bottom Tank Bottom Fool Total	Tank Bottom Tank Bottom Tank Bottom Tank Bottom Tank Bottom Tank Bottom	Tank Bottom Tank Bottom Tank Bottom Tank Bottom	Pit 011 Pit 011	EEAL
200 bbls. 60 bbls. 260 bbls.	60 bbls.	300 bble.	100 Pbls.	115 pg.	90 bbls.	120 bhls. 150 bbls. 171 bbls. 175 bbls. 175 bbls.	75 bbls. 50 bbls. 50 bbls. 60 bbls.	80 hhls. 200 bhls. 160 bhls.	THULLOW
4-23-59	1-26-59	4-7-59	34-59	2-9-59	2-2-59	2-9-59 2-9-59 2-9-59 2-9-59	2-2-59 1-30-59 3-20-59 3-20-59	3-26-59 3-13-59 2-23-59	DATTE
Accumulated over 2 Irs. Unsuccessful to Recover	Basic Sediment	Basic Sediment	Basic Sediment	Basic Sediments	Attempts to Salvage Unsuccessful Same as Above	Basic Sediments Not Economically Salvageable Basic Sediments Basic Sediments Not Economically Salvageable	Attempts to Selvage Unsuccessful Same as Above Same as Above Same as Above	Basic Sediment Basic Sediment Basic Sediment	REMARKS

J. Don Hudgens, Inc.	HUMBLE OIL & Refining Co.		Walker Oil Corporation	Samedan Oil Corporation	R. M. Moran	Humble Oil & Refining Co.	SHELL	Skelly Oil Company		Sunray Mid Continent	Fan American Oil Company	McAlester Fuel Company	VITOLOFIE		Skelly 011 Company	Humble 011 & Refinging Co.	THOME	POOL AND OPERATOR
Phillips State	S. F. Cain		Terry	Turner B-Z	Hardin wys	N. M. State "A"		E. A. Stitcher		N. Powell J. Adamson	State A19 & B19	N.M. Fed. MAT 1 & 2			M. C. H. 11	New Mexico State		ESVET
8-16-34	30-18-39		10-19-38	34-18-38	18-18-38	25-18-37		4-22-37		18-12-38 5-12-38	19-12-38	6-12-38			6-21-37	26-21-36		S-1-R
Pt 011	Tank Bottom	Pool Total	Tank Bottom	Tank Bottom	Ptt O11	Tank Bottom		Tank Bottom	Pool Total	P1 011	P1t 011	Tank Bottom		Fool Total	Tank Bottom	Tank Bottom		TYPE
15 bbls.	10 8618.	61 bbls.	24 bbl.	22 bbls.	5 bbls.	10 bbls.		27 bbls.	415 bble.	75 bbls. 100 bbls.	40 bbls.	200 bbls.		28 bbls.	8 6615.	20 bbls.		VOLUME
2-23-59	1-13-59		2-13-59	2-23-59	3-12-59	4-3-59		1-19-59		4-2-59	3-2-59	1-20-59			1-27-59	4-22-59		DATE
Foreign Matter Mixed with Oil	Refused by Pipeline Gauger		Accumulated Tank Bottoms	Attempts to Salvage Unsuccessful	Not Economical to Salvage	Oil Treated and Paraffin Would not		Part on Firewall - Rest not Economic		Basic Sediment	BS/Paraffin and Water	Basic Sediment			Uneconomical for such Small Amounts	Oil Treated and Paraffin Would Not Stay in Suspension		REMARKS

Dedliday & Ergloration Co., Tone	'ALJA' AR	Olsen Oils, Inc. Dublin	LEONARD SOUTH		Sunvey Mid-Coutinest Oil Co. D. H	Olso Oit, Isc. Oilft	Humble 011 & Refining Co. New 1	IANGLIF - MATTIX		Morest 043 Componention H. L	Cairry Carbon Corporations T. L	KIWA - DE/ONIAN		Olsen Off, Inc. Lang	J. Don Hudgens, Inc. Free	Timble Oil a Refining So. R. C	Continental Oil Company Well	TAKIAL	POOL OPERATOR LEASE
Cones non		.5			D. H. Heury	c*	New Mexico State "H"			H. L. Love Etal	L. Reed Btal			Langlie Fed. 17	Freedman State	F. C. Winters	Wells A-II & A-I2		H
24-17-32 24-17-32 24-17-32		24-25-37			25-25-37	3-25-37	34-22-37			35-13-37	35-13-37			17-25-37	36-21-35	18-25-37	12-25-36		S-T-R
Tank Bottom Tank Bottom Tank Bottom		Tank Bottom		Pool Total	Tank Botton	Tank Bottom	Tank Bottom		Pool Total	Pit 013	P1t 0:1		Pool Total	Tank Bottom	P1t 011	Tank Bottomo	P1+ 011		TYPE
15 5515. 14 5515.		27 bbls.		42 bbls.	10 bbls.	17 bh1s.	15 bbls.		30 btls.	20 6615.	10 bbls.		44 bbls.	14 bbis.	5 bble.	10 bbls.	IS bbls.		VOLUME
2-15-59 3-30-59		3-23-59			3-26-59	4-14-59	3-4-54			3-5-59	2-23-59			3 -23-59	2-23-59	3-4-59	5-26-59		DATE
Budly Water Cut Emulsion, Unsaleable Same as Ahove Same as Ahove		Basic Sediment and Mud			Dasic Seliment	Heavy Paraitin	Oil Treated but Papuffile Would not Stay in Suspension			Oil accidentally Durpol in Pit	Pasic Sediment and Water			BS and Paractin	Foreign Matter Mired with Oil	Oil Treated and Paraffin Would not	Uneconomical to Salvage		REVARKS

POOL AND OPERATOR	LEASE	S-T-R-	TYPE	VOLUME	PATE	REMARKS
INDMUNE						
C. E. Long	Sinclair - Federal	21-19-37	21-19-37 Tank Bottom	15 bbls.	5-11-59	15 bbls. 5-11-59 Badly Gut Emulsion
SKAGOS - GLORITA						
Continertal Oil Company	J. M. Skaggs B-12	12-30-37	12-30-37 Tank Bottom	60 bhle.	4-7-59	Tank Accumulation- No salvageable Oil
TURB						
Olsen Oile, Inc.	Belcher	7-22-38	Tauk Bettom	14 6518.	4-14-59	BS, Water and Mud
			Grand Tetal	4313 bbls.		



DEFORE THE GIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN	THE	MA	TTER	OF	THE	APPI	LICAT	'ION	
OF	RL	PAS	O NA	TUR	AL G	as co	MPAN	ΙΥ	
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EST	CABI	.ISH	ING	320	-ACRI	E DR	ILLI	IG	
ANI	SF	ACI	NG U	NIT	S FO	R THU	E DAK	OTA	
FOF	LAMS	'ION	IN	ALL	DAK	OTA (JAS E	COOLS	
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							REC		
TAT	MOTO	IS P	ERTA	INI	NO T	HERR	MO.		

CASE	мо	1508
ORDER	NO.	_

APPLICATION

Comes now El Paso Natural Gas Company, a Delaware corporation, authorized to do business in the State of New Mexico, Applicant herein, and respectfully alleges and states as follows:

1. Heretofore by the respective orders listed below, this Commission has designated the following fifteen Dakota gas pools located in San Juan and Rio Arriba Counties, New Mexico.

	Pools	Order No.
(a)	Angels Peak - Dakota	R-13
(b)	Barker Creek - Dakota	R-13
(c)	Blanco - Dakota	R-347
(d)	South Blanco - Dakota	R-347
(e)	West Blanco - Dakota	R-466
(f)	East Companero	R-739
(g)	Companero Dakota	R-347
(h)	Huerfanito Dakota	R-624
(1)	Huerfano - Dakota	R-347
(1)	West Kutz - Dakota	R-347
(k)	Largo - Dakota	R-739
(1)	North Los Pinos - Dakota	R-624
(m)	South Los Pinos - Dakota	R - 624
(n)	Ute Dome Dakota	R-13
(0)	Otero Graneros - Dakota	R-1080

2. Applicant is the owner of oil and gas leases covering lands located within some of the said designated Dakota gas pools and of oil and gas leases in areas surrounding many of such designated Dakota gas pools which, if productive in the Dakota formation, will

be included in said gas pools.

- 3. A separate common source of supply of gas in the Dakota formation has been established by completion of wells drilled to the Dakota formation in the above designated Dakota gas pools.
- 4. A study of geological and engineering data now available pertaining to the said Dakota formation indicates that one well will efficiently and economically drain the recoverable gas in place in the Dakota formation underlying an area of not less than 320 acres. A drilling and spacing unit for gas wells drilled to the Dakota formation would properly be composed of one-half section according to U. S. Land Surveys, containing approximately 320 acres, in which unit all of the interest should be consolidated by pooling agreement or otherwise. No gas well should be drilled on such drilling unit on which another gas well has been completed or approved for completion in the Dakota formation.
- 5. Said 320-acre drilling and spacing units should consist of two contiguous governmental quarter sections within a single section as designated by the operators thereof, and the unit well should not be drilled closer than 990 feet from the boundary of either such governmental quarter section included in a unit; provided a tolerance of 200 feet be allowed, but all wells commenced prior to the date the commission issues its order in this case and located on less than a 320-acre drilling and spacing unit and located closer than 990 feet to the boundary of a governmental quarter section should be recognized as exceptions to this order. The operator should be allowed to locate such unit well on any quarter section within such unit to permit maximum flexibility for the dual completion of such well with a shallower formation.
- 6. The establishment of drilling and spacing units as herein requested is necessary for the orderly development of the common source of supply in the designated Dakota gas pools and areas adjacent thereto and of any other gas pool to the Dakota formation within San Juan and Rio Arriba Counties, New Mexico that may hereafter be designated. This will protect the correlative rights of all parties affected, will prevent waste, will eliminate drilling unnecessary

wells and will promote the recovery of gas from each of said pools in an efficient and economical manner.

7. In the interest of conservation and for the protection of correlative rights, this Commission should promulgate rules and regulations governing the drilling and spacing of wells to the Dakota formation.

WHEREFORK, Applicant respectfully requests that this matter be set for hearing after due notice as prescribed by law, and, upon such notice and hearing, the Commission issue its order establishing 320-acre drilling and spacing units for said common source of supply in the manner described herein and that the Commission promulgate special rules and regulations with respect thereto.

Sautt P. Whitworth Attorney for El Paso Natural Gas Company

nnlicat		adopt and join in the foregoing respectfully request the Commission
	the relief	

Set Page 1568

DOCKET: REGULAR HEARING OCTOBER 15, 1958

Oil Conservation Commission 9 a.m. Apache School Gymnasium, 600 Block West Apache. Farmington, New Mexico

ALLOWABLE: (1) Consideration of the oil allowable for November, 1958.

(2) Consideration of the allowable production of gas for November, 1958, from six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from seven prorated pools in San Juan and Rio Arriba Counties, New Mexico, for November, 1958.

NEW CAL E

CASE 1522:

Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms. Applicant, in the above-styled cause, seeks an order to revise Rules 311, 312, 1116 and 1117 of the Commission Rules and Regulations, to replace the present Commission Form C-117 with two forms to be designated as C-117-A and C-117-B, and to revise Commission Form C-118.

CASE 1523:

Application of El Paso Natural Gas Company for an order establishing 320-acre drilling and spacing units and promulgating special rules and regulations for certain formations in San Juan and Rio Arriba Counties. New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre drilling and spacing units in San Juan and Rio Arriba Counties, New Mexico, and promulgating special rules and regulations for the gas producing interval lying between the base of the Greenhorn limestone of Cretaceous age and the base of the productive upper portion of the Morrison sandstone of Jurassic age, which includes undifferentiated Graneros, Dakota, and Morrison sands. The application includes all currently designated Dakota Gas Pools, Graneros Gas Pools and Graneros-Dakota Gas Pools with exception of the Barker Creek-Dakota Gas Pool and the Ute Dome Gas Pool.

CASE 1524.

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for the establishment of rules and regulations for secondary recovery projects in the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Applicants, in the above-styled cause, seek an order promulgating special rules and regulations governing the operation of secondary recovery projects in the Bisti-Lower Gallup Oil Pool in the following areas:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NHPM Section 6: S/2, NE/4, S/2 NW/4, & NE/4 NW/4 Section 7: E/2 & NW/4 TOWNSHIP 25 NORTH, RANGE 13 WEST, NMPM Section 1: NW/4, SE/4, S/2 NE/4, & NW/4 NE/4 Section 12: NE/4

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM Section 31: SE/4, E/2 SW/4, & NW/4 SW/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM Section 35: All

Applicants propose that said special rules would include, among other things, a system for transfer of allowable from injection to shut-in wells and an administrative procedure for conversion of additional wells to LPG and gas injection.

CASE 1525: Southeastern New Mexico nomenclature case calling for an order for the creation of new pools and extension of existing pools in Lea, Eddy and Chaves Counties, New Mexico.

(a) Create a new oil pool for Devonian production, designated as the Arkansas Junction-Devonian Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM Section 28: NW/4 Section 29: NE/4

(b) Create a new oil pool for Grayburg production, designated as the East Leo-Grayburg Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM Section 20: SE/4

(c) Create a new gas pool for Pennsylvanian production, designated as the South Salt Lake-Pennsylvanian Gas Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM Section 25: SE/4

(d) Extend the Allison-Pennsylvanian Pool to include:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM Section 2: NE/4

(e) Extend the Atoka Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM Section 13: NE/4 SW/4 & NW/4 SE/4

(f) Extend the Caprock-Queen to include:

TOWNSHIP 14 SOUTH, RANGE 31 EAST, NMPM Section 4: W/2 NW/4

(g) Extend the South Carter-San Andres Pool to include:

TOWNSHIP 18 SCUTH, RANGE 39 EAST, NMPM Section 6: SE/4

(h) Extend the High Lonesome Pool to include:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM Section 14: N/2 Section 15: NE/4

(i) Extend the West Henshaw-Grayburg Pool to include:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM Section 3: Lots 11, 12, & 14

(j) Extend the Jalmat Gas Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM Section 34: NE/4

(k) Extend the South Paddock Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM Section 32; SW/4

(1) Extend the Reeves-Pennsylvanian Pool to include:

TOWN TIP 18 SOUTH, RANGE 35 EAST, NMPM Section 23: SW/4
Section 26: W/2
Section 27: S/2

(m) Extend the South Sawyer-San Andres Pool to include:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM Section 31: S/2 Section 32: S/2

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM Section 6: NW/4

in) Extend the Square Lake Pool to include:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM Section 15: NW/4

(o) Extend the Young Pool to include:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM Section 8: S/2 SE/4

-4-Dechet No. 27-58

CASE 1526: Northwestern New Mexico nomenclature came calling for an order for the extension of existing pools in Rio Arriba and San Juan Counties, New Mexico.

(a) Extend the Aztec-Fruitland Pool to include:

TOWNSHIP 29 MORTH, RANGE 11 WEST, NMPM Section 25: SW/4 Section 36: W/2

(b) Extend the Ballard-Pictured Cliffs Pool to include:

TOWNSHIP 25 NOBTH, RANGE 7 WEST, NMPM Section 28: NW/4 Section 29: All Section 30: N/2

(c) Extend the Canyon Largo-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 3: SE/4 Section 4: N/2

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM Section 1: NE/4

(d) Extend the Otero-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM Section 23: 3/2
Section 27: NE/4

(e) Extend the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM Section 15: SE/4

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM Section 29: SW/4 Section 30: E/2

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM Section 13: SW/4 Section 24: All Section 25: N/2

(f) Extend the South Blanco-Pictured Cliffs Poel to include:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM Section 20: E/2
Section 21: All

-5-Docket No. 27-18

> TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM Section 1: W/2 All Section 2: Section 3: All Section 10: NE/4 E/2Section 14: TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM Section 33: SW/4 TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM Section 13: S/2 Section 13: Section 15: 5/2 Section 16: All Section 23: N/2Section 24: N/2 TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM Section 1: AII Section 11: W/2 Section 12: E/2 Section 13: E/2TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM Section 5: E/2 Section 8: All W/2 Section 9:

(g) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 27 NORTH, RANGE 8 WEST, NMPM Section 7: All

(h) Extend the Angels Peak-Dakota Pool to include:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM Section 2: NW/4

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM Section 35: SW/4

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM Section 27: W/2 Section 28: E/2

(i) Extend the Bisti-Lower Gallup Oil Pool to include:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM Section 3: SE/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM Section 19: NW/4

-6--Docket No. 27-58

(j) Extend the Horseshoe-Gallup Oil Pool to include:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM Section 10: NW/4 NE/4

(k) Extend the Otero-Gallup Oil Pool to include:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM Section 32: S/2 NE/4

(1) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM Section 20: NW/4

CONTINUED CASE

GASE 1508:

Application of El Paso Natural Gas Company for the establishment of 320-acre spacing units for the Dakota formation in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre spacing units for all gas wells drilled to or completed in the Dakota formation in San Juan and Rio Arriba Counties, New Mexico, including the fifteen presently designated Dakota gas pools in said counties; and for the promulgation of special rules and regulations for said pools.

SUPPLEMENTAL DOCKET: REGULAR HEARING OCTOBER 15, 1958

Oil Conservation Commission 9 a.m. Apache School Gymnasium, 500 Block
West Apache, Farmington, New Mexico

CASE 1519:

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for an order authorizing a secondary recovery project. Applicants, in the above-styled cause, seek an order authorizing a secondary recovery project in the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico. Applicants propose to inject liquefied petroleum gas and dry gas into the Gallup formation through the British American Marye Well No. 2 located in the NE/4 NE/4 of Section 12, Township 25 North, Range 13 West, and the Sunray Mid-Continent Federal "C" Well No. 20 located in the SW/4 NW/4 of Section 7, Township 25 North, Range 12 West, all in San Juan County, New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico

IN THE MATTER OF:

Case No. 1508

TRANSCRIPT OF PROCEEDINGS

September 18, 1958

DEARNLEY MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
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CASE

NO. 1508

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico September 18, 1958

IN THE MATTER OF:

Application of El Paso Natural Gas Company:
for the establishment of 320-acre spacing:
units for the Dakota formation in San Juan:
and Rio Arriba Counties, New Mexico.

Applicant, in the above-styled cause, seeks:
an order establishing 320-acre spacing:
units for all gas wells drilled to or completed in the Bakota formation in San Juan:
and Rio Arriba Counties, New Mexico, including the fifteen presently designated:
Dakota gas pools in said counties; and for:
the promulgation of special rules and regulations for said pools.

BEFORE:

Edwin L. Mechem Murray Morgan A. L. Porter

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: The first case on the docket this morning will be consideration of Case 1508.

MR. PAYME: Case 1508. Application of El Paso Natural Gas Company for the establishment of 320-acre spacing units for the Dakota formation in San Juan and Rio Arriba Counties, New Mexico.

MR. BROWN: I am A. M. Brown --

MR. PORTER: A. M. Brown?

MR. BROWN: A. N. Brown from Denver, Colorado, and we have three Dakota wells producing in Section 34, 27, 10, on the W. R. Weaver base in the Dakota Field, and this is the only Field that we are interested in. I would like to request continuation of this case, pending further study. I was only notified last Friday of this hearing, and have not had a chance to prepare any evidence to present to the Commission at this time in opposition to this application. We are seriously considering suggesting to the Commission that we dedicate our Number 2 well, which is an offset on 160-acres, to an interference test, and further study will help us to make up our mind in that connection.

MR. HOWELL: Ben Howell, representing El Paso Natural Gas Company. If it please the Commission, I think the notice that was given is the usual notice for cases of this character, and there certainly would not be time to conduct any interference test that would be of any particular value. It seems to us that the determination of this questions is long overdue. We certainly know more now and have more information about the Dakota formation than was available at the time the Mesa Verde spacing was established, and the postponement or continuation of a hearing would permit more drilling, which would be unorthodox, and create more problems, and we suggest that the Commission can act, and certainly in any hearing

regarding spacing, opportunity to show that the spacing is too wide, that too much acreage is allotted to a well, can be made available in later months; whereas, if drilling is continued and permitted on spacing which is too narrow, then not only the parties that have drilled, but offset operators are likely to be injured, and the Commission will be faced with the question of unorthodox locations, and probably granting some sort of allowable relief, such as was recently done in connection with the early Pictured wells that were drilled that were on narrow spacing. We urge that it be appropriate to proceed with the hearing, and certainly at any time in the future that an operator might make application for spacing on narrower bases, I think this Commission has established that it is usually willing to hear such matters, and the industry is willing to be heard on such matters. A person can't be hurt by entering an order for wider spacing, but one can be hurt where narrower spacing continues.

MR. BROWN: Mr. Secretary, it was not our intention that the suggested interference test be conducted in 30 days. From the information we have now, we feel that it would take at least six months to a year to determine adequately whether or not the Dakota a well in the Dakota will drain more than 160-acres, and if we went in this project in cooperation with the El Paso Natural Gas, it would be our recommendation that it be conducted for six months.

and if we did this, we would dedicate our Number 2 well, which is the only well situated so that such test could be run conclusively.

MR. PORTER: Any further discussion for the motion for continuation?

MR. HCWELL: Mr. Brown, would you be willing to have an interim -- a temporary order entered pending further testing?

MR. BROWN: So long as it does not interfere with the production of our wells at the present time, other than the one we dedicate to the experiment.

MR. HOWELL: If the Commission please, this application does not request the establishment of proration, but wider production.

MR. PORTER: Mr. Brown, the Commission has decided to deny your motion for a continuance, and will proceed to hear testimony at this time.

MR. WHITWORTH: Garrett C. Whitworth, representing El Paso
Natural Gas Company. At the outset, we would like to exclude from
our application two pools, being the Barker Creek, which is listed
as a pool --

MR. PORTER: What is that pool's name?

MR. WHITWORTH: Barker Creek, B-a-r-k-e-r -- and the other one is the Ute Dome which is listed as being in the application.

MR. PORTER: You do not wish those two pools included in

the application?

MR. WHITWORTH: Yes, sir. This is done because at the time we prepared the application --

MR. PORTER: Are you moving for revision of your application at this time?

MR. WHITWORTH: Yes, sir, an amendment to exclude those two pools.

MR. PORTER: Is there objection?

(No response.)

MR. PORTER: It will be so amended.

MR. WHITWORTH: We have done that because at the time we prepared the application, we were not aware of the extent of development in these two pools on 160-acre spacing. Now, our first witness is Mr. Loleit, to be sworn.

(Witness sworn.)

ALLAN LOLEIT

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. WHITWORTH:

Q Will you state your name, and the capacity in which you are employed, and by whom.

A Allan Loleit, geologist, El Paso Natural Gas Company.

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- Q Would you state to the Commission your scholastic qualifications and experience.
 - A Colorado School of Mines, Geological Engineer, 1950.
 - Q What experience have you had, Mr. Loleit, as a geologist?
- A Two and a half years with the Texas Company, and with El Paso Natural Gas since May 1953.
- Q In your connection as a geologist with El Paso Natural Gas Company, have you had occasion to make a geological study of the San Juan Basin?
 - A Yes, sir.
- Q And the wells that are drilled to the Dakota formation in the Basin?
 - A Yes, sir.
 - Q How long have you been engaged in that study?
 - A Approximately a year.
- MR. WEDDWORTH: We ask that the witness be accepted as qualified.
- MR. PORTER: His qualifications are accepted. Would you spell your name for the record?
 - A L-o-l-e-i-t.
- Q New, in making this geological study of the San Juan Basin with respect to the Dakota formation, what data was available to you?

- A Geologic maps, electric logs, gamma may neutron logs of the wells drilled, and surface study of the Dakota.
- Q Do you have information of the wells that have been drilled to the Dakota formation in the San Juan Basin?
 - A Practically all.
 - Q Are those listed on a map or plat?
 - A Yes, sir, exhibit 1.
 - Q That is El Paso Exhibit 1, is it not?
 - A Yes.
- Q Bid you indicate the wells on that exhibit that you have studied?
 - A Practically all of them.
 - Q Practically all of them?
 - A Yes, sir.
 - Q Did you prepare this exhibit, Mr. Loleit?
 - A Yes, I did.
- Q And what information did you use in the preparation of the exhibit?
 - A Electric logs and scout reports.
 - Q Now, would you explain Exhibit 1 to the Commission?
- A On this map are lecated Dakota wells from Range 1 West to 13 West, and from Township 22 North to 34 North. The blue circle indicates the well that has penetrated the Dakota but is not pro-

ducing. The red indicates a gas well from the Dakota; black, an oil well; and half red and half black oil and gas from the Dakota. The green outlines are the Dakota field, and this thin red outline is the extent of the Blanco-Mesa Verde field. The lines across here connecting various wells are cross sections of subsequent completions.

- Q About how many dry holes are listed, indicated, on your exhibit?
 - A Oh, probably about 30.
- Q And how would that compare to the producing wells in the Dakota formation?
- A Well, there is probably more than 30 dry holes, I imagine; there is about 20 producing holes in the Dakota.
- Q How do you account for the dry holes that are indicated on the exhibit?
- A In the southwestern portion of the map, the Dakota sometimes carries water in there and probably lacks permeability in the confines of the Blanco-Mesa Verde Field. And, slightly to the southeast in the Huerfano, Angel Peak and West Kutz some of those dry holes were probably dry because of probable lack of adequate testing on the Dakota.
- Q Now, on what information that you have studied do you base this opinion?

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- A By Scout Tickets and electric log characteristics.
- Q Have you made any inquiry as to the extent of the Dakota formation in the San Juan Basin?
 - A Yes, I have.
 - Q And what have you used in making that inquiry?
 - A Geologic map of Northwestern New Mexico.
 - Q Do you have that map with you?
 - A Yes.
 - Q And that is El Paso Exhibit Number 2?
 - A Yes.
 - Q What does this map show, Mr. Loleit?
- A This map shows, in green is the outcrop pattern of the Dakota formation around the perforated San Juan Basin, extended a little further south of the Basin to the Basin proper, and this shows the Dakota outcrop is all around the Basin except for a few areas where it is covered up by more recent sediments.
 - Q Does it indicate the Mesa Verde?
- A Yes, but that is not colored; Mesa Verde comes around in here (indicating), roughly parallels the Dakota outcrops.
 - Q Where did you get this map, this exhibit?
- A That is United States Geological Survey Preliminary Map, I-224.
 - Q Now, what information did you use in obtaining the outcrop

around the periphery of San Juan Basin for the Dakota formation?

- A Just on the information that it is the same as the Dakota is presently.
- Q In your opinion does that indicate to you that the Dakota formation is continuous throughout the whole San Juan Basin?
 - A Yes, it does.
- Q Would you compare the extent of the Dakota formation in the San Juan Basin with that of the Mesa Verde?
 - A I believe the aerial extent is further than the Mesa Verde
- Q Have you had occasion to inquire as to the depth, generally, of the Dakota formation in the San Juan Basin?
- A Oh, probably from around 6,000 to 8,000 feet to the top of the Dakota.
 - Q You mean it varies according to --
 - A Yes, depending on where you are in the Basin.
- Q Is this the producing part of the formation that you are talking about?
 - A Yes.
- Q Wherewould you say the deepest portion of the Dakota formation is in the San Juan Basin?
 - A How deep it is?
 - Q The area where you find the deepest portion.
 - A It probably would be right along in here (indicating),

about 31, 32 North, somewhere between 7, 8 and 9 West.

- Q What depth is it in that area that you just indicated?
- A I believe it is about 8600.
- Q And you are speaking now of the producing part of it?
- A Yes.
- Q Have you determined the top of the Dakota formation throughout the San Juan Basin?
 - A Not precisely. I depicted the top within 50 to 100 feet.
- Q And can you explain why it can't be done with more precision than that?
- A Just based on electric log characteristics, there is sand coming in the Graneros which is above the Dakota, coming in and eut, and we do not have any evidence whether it is Dakota or Graneros in age.
 - Q How is the top of the Dakota formation determined?
- A We usually pick it up about 100 feet below the base of the Green Horn, below the first good sand coming in.
- Q Can an accurate determination of the base of the Green Horn be determined?
 - A Yes, very well.
 - Q Can you determine the base of the Dakota formation?
- A At present, no, but at this time we usually pick up about 250 foot of sand, and then we consider that the bottom of that is

usually the base of the Dakota. I believe we need Paleontological evidence to precisely determine where your Dakota sand, or Morris, or lower cretaceous starts.

- Q And that evidence is not available to you?
- A Not at this time, no.
- Q How does the depth of the Dakota formation in San Juan Basin compare with that of the Mesa Verde?
- A It's about 3,000 feet deeper, two or three thousand feet deeper.
- Q The Dakota is about two or three thousand feet deeper than the Mesa Verde?
 - A Yes.
- Q Based on your studies of the Dakota formation in the San Juan Basin, what would you recommend be the vertical limits?
 - A What do you mean?
 - Q That should be included in a spacing pattern?
- A Well, that would be kind of hard to say, because we still do not definitely know where the base of the Dakota is. I would say several hundred feet at least, maybe three or four hundred.
- Q Now, in your geological studies of the Dakota formation, you have had an objective in mind of determining the continuity of the Dakota formation throughout the whole San Juan Basin, is that right?

A Yes.

- Q Do you have any exhibits which would indicate that continuity?
 - A Tes.
 - Q What is the exhibit that you have just put on the board?
 - A This cross section runs from Northeast --
 - Q First of all, that is El Paso's Exhibit Number 1?
 - A Three.
 - Q Number 3, that is right.
- a This is cross section Number 1. This illustrates a cross section through the Basin from the Northeast to the Southwest, the El Paso Natural Gas Company-Allison Number 1 to El Paso Natural Gas Products Company-Frontier Number 1-B, two gamma ray logs and three neutron. The solid red indicates where gas is being produced. In this Markae-Federal you get gas and oil from the zone, and I cannot differentiate where the oil is coming from, and where the gas is coming from. And partially half filled track indicates there is a show of gas on the drill stem test or core analysis, or something to that effect; it is not producing from there.

 This shows, I believe, that the Dakota is present; this horizontal line is the base of the Green Horn, and you have this continuous sand body, well sand and shale bodies, below the Green Horn, and then maybe about 100 feet, 150 feet through there which we call

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the Dakota.

- Q What portion of the San Juan Basin does this cross section cover?
 - A This should go through about the despest portion of it.
- Q Would you indicate to the Commission the particular portion of the San Juan covered by this particular exhibit?
 - A It is on this index.
 - Q Would you do that?
- A It is, cross section I goes through this portion of the Basin right here (indicating).
 - Q New, what wells are shown on this exhibit cross section?
- A El Paso Natural Gas Company-Allison Unit 1, Blackwood-Nichols Northeast Blanco Number 1, Delhi-Taylor Florance Number 26, and El Paso Natural Gas Products-Frontier Number 1-B.
 - Q Have you studied any logs pertaining to these wells?
 - A Yes.
 - Q All of them, or some of them?
 - A Yes, I looked at all of them.
 - Q What did they show with respect to the Dakota formation?
 - A Mainly that it consists of alternating sands and shales.
- Q Would you say that the Dakota is present in each one of them?
 - A Yes, I would.

- Q Do you have another exhibit showing another portion of the San Juan Basin?
 - A Yes.
 - Q And this is El Paso's Exhibit 4?
 - A Yes, that's right.
 - Q What does this exhibit show?
- A This is the Northwest-Southeast cross section of the San Juan Basin, and it is more or less a long strike, and the legend is the same as what was on the previous exhibit.
- Q Now, would you indicate by your Exhibit Number 1, what portion of the San Juan Basin is covered by this exhibit?
 - A That would be the Southwest portion of the Basin.
 - Q The Southwest portion?
 - A Yes.
 - Q What wells are covered?
- A Pardon me. This section, this is Number 2, roughly goes East-West across the Basin right along in here (indicating), and prehably on a long strike to the sediments.
 - Q Driving from East to West?
 - A Yes.
 - Q What wells are covered by this exhibit?
- A British American-Scott Number 1-D, Pan American-Gallegos Canyon Number B, McRae Oil-Federal Number 1, Byrd-Frost-Hughes

Number 2, Southern Union-Hodges Number 7, El Paso Natural Gas-Canyon Largo Number 29, Amerada Jicarilla Number F-1, Amerada Jicarilla Number 4-3, and Conoce Jiearilla Number 30-1, and Magnolia Ingwerson Number 4:

- Q Have you studied any geological data pertaining to these wells?
 - A Just electric logs.
 - Q Are they all electric logs, or --
- A Here is a gamma ray-heutron on the McRae Federal, Byrd-Frost gamma ray-neutron, and Amerada Jicarilla F-1 and Conoco Jicarilla 30-1.
 - Q You studied the gamma ray also, did you not?
 - A Yes.
 - Q Your studies of this well indicate what with respect to the Dakota formation?
 - A That it is present in this area that this cross section covers, and also consists of sand and shale.
 - Q All right; now, you have another exhibit showing another portion?
 - A Yes.
 - Q This is El Paso's Exhibit 5?

 - Q Can you indicate by your Exhibit Number 1, what portion

of the San Juan Basin of that area is covered by this cross section?

- A This is roughly an East-West cross section of the Basin,
 parallel with cross section Number 2, and a little bit North of it:
- Q Running generally from East to West, a little North of what was indicated by Exhibit Number 2?
 - A Yes.
 - Q That is correct?
 - A Yes.
 - Q What does your Exhibit Number 5 indicate?
 - A It indicates that the Dakota is composed of sand and shales.
- Q And what geological data did you study with respect to these wells?
 - A Electric logs, and gamma ray-neutron logs.
 - Q What wells are shown on the exhibit?
- A British American-Scott Number 1-D, Pan American-Gallegos Canyon Number 1-B, Southern Union Culpepper-Martin Number 2, El Paso Natural Gas-Mudge Number 3, Delhi-Taylor Florance Number 26, El Paso Natural Gas-San Juan 28-7 Number 12, El Paso Natural Gas-San Juan 27-5 Number 1, El Paso Natural Gas-San Juan 27-4 Number 14, and Conoco-South Dulce Number 1.
- Q Now, those first two wells that you read on this exhibit, were they not on the previous exhibit?
 - A Pan American and Gallegos Number 8 was; this well here --

- Q What is the first well on Exhibit Number 5?
- A Pardon me. I got an overlap of the map here, this was Exhibit 4, this is Exhibit 3, I had included too many wells.

 Southern Union Culpepper-Martin Number 2, El Paso Natural Gas-Mudge Number 3, do you want me to go through them?
 - Q Your Southern Union well is your first on Exhibit Number 5?
 - A Yes.
 - Q And the two that you read previously were on Exhibit 4?
 - A That's right.
- Q What does this Exhibit Number 5 indicate to you with respect to the existence of the Dakota formation?
 - A I believe the Dakota is present.
- Q And is the presence of the Dakota indicated in every one of those wells?
 - A Yes, sir.
 - Q All right. Do you have another exhibit, or another portion?
 - A Yes.
 - Q Will you indicate to the Commission the portion it covers?
- A This portion here covers the Southwest portion of the San Juan Basin, and on a long strake.
 - Q Now, what wells are shown on this exhibit?
- A Pan American-Davies Number 1, 0. J. Lilly-O. J. Riddle
 Number 1, El Paso Natural Gas-Hill Number 1, Shell Oil Company-

Carson Number 1, Skelly Oil Company H-Bolack Number 1, Deep Rock
Oil Corporation Edgar Number 1, El Paso Natural Gas English Number
1, Great Western Chaco Canyon Number 2, and Humble Oil Company
South Chaco Number 4.

- Q You made a study of the geological data of each of these wells?
 - A Yes.
 - Q What has that data indicated?
 - A That the Dakota is present.
 - Q What particular data did you study?
 - A Electric logs, and gamma ray-neutron.
- Q You say that the Dakota formation is present in each of those wells?
 - A Yes, sir.
 - Q All right. Do you have another exhibit?
 - A Yes.
- Q Now, Exhibit 5 covers what -- Exhibit 6 covers what -- Exhibit -- this is El Paso's Exhibit Number 7?
 - A That's right.
 - Q It covers what portion of the San Juan Basin?
- A It covers the San Juan Basin from North to South, starts out in Colorado in the Ignacio area, through the Allison area, and down through the Companero Field. It roughly parallels possibly

the deep axis of the Basin.

- Q What wells are covered by this exhibit?
- A Pacific Northwest-San Juan 33-8 Number 4-13, El Paso Natural Gas -Allison Number 1, Pan American-Rosa Unit Number 1, Phillips
 Petroleum Dakota Unit 30-5 Number 6-19, El Paso Natural Gas San
 Juan 27-5 Number 1, El Paso Natural Gas San Juan 27-4 Number 14-X,
 and Northwest Production Jicarilla *N* Number 8-8.
 - Q Did you study geological data with respect to these wells?
 - A Yes, sir.
 - Q Each of them?
 - A Yes, sir.
 - Q What data did you study?
 - A Electric logs and neutron logs.
- Q Based on that study, what does it indicate with respect to the Dakota formation?
 - A That the Dakota is present.
 - Q In each of the wells?
 - A Yes, sir.
- Q Now, on this particular exhibit, how many dry holes are indicated?
- A Two. Pan American Rosa Unit, and Phillips Petroleum Dakota Unit 30-5 Number 6-19.
 - Q Can you account for those dry holes?

A This Pan American-Rosa Unit had gas on a drill stem test, and I believe they had several drill stem tests and then they shot the interval from 7866 to 8056, gauged 1,730,000 M.C.F. and from the data that I have, they did not try to complete it in that some And in the Phillips Petroleum-Dakota Unit, no testswhatsoever were taken in the Dakota.

- In other words, they didn't try to --
- Q Now, on the dry holes on your other exhibits, cross sec-A They didn't try a thing. tions, are there indications that the reasons for the dry holes were that there was no attempt to complete the wells in the Dakota formation?

 - Q And are there any dry holes indicated by Exhibit Number 6? A Tes, that is right.
 - A Yes, sir, 1, 2, 3, 4, 5, 6 -- Six dry holes.

 - A El Paso Natural Gas-Hill Number 1, Shell-Carson Number 1, Q And what wells are they? Skelly-Bolack Number One, Deep Rock-Edgar Number 1, El Paso Natura Gas-English Mumber 1, Great Western Chacon Canyon Number 2.
 - Q Can you account for the reason for these dry holes? A Yes. El Paso's wells, they made one drill stem test, from
 - test failed and they did not try to do anything more with it. 5635 to 5728, which would be this

The Shell Oil-Carson Unit Number 1, they made no attempt to drill stem test or anything. On Skelly-Bolack, they had no tests made, no attempt to test it. And Deep Rock-Edgar, they tested 5810 to 5845 this interval right here, but they recovered salt water, they didn't test anything up in here. And El Paso-English, they have no shows in the samples, and they didn't attempt to test anything. And Great Western Chaco Canyon they had a test, I do not remember the interval, but they got brackish water.

- Q Now, you stated previously the portion of the San Juan Basin that that cross section covers, will you restate that?
 - A Yes, Number 4 --
 - Q Number 6.
 - A Yes. That's the Southwest portion of the Basin.
- Q Is the Dakota formation considered productive of gas in that formation, in that area?
- A I do not believe so; I believe you will have water trouble based on what evidence I have.
 - Q Generally it is productive, is that right?
 - A That's right.
- Q Do you regard that particular portion of the San Juan Basin outside the productive limits in the San Juan Basin of the Dakota formation?
 - A With what evidence I have now, I would, yes.

- Q All right. Are any dry holes indicated on Exhibit Number
- 5? A Yes, 1, 2, 3, 4, 5.
 - Q Can you account for these dry holes?
- A Southern Union attempted to make a drill stem test there, and the test failed and I believe the hole caved in, and they didn't try to complete it, and besides there is 30 feet of log missing, they do not know what is there, might have been sand or shale.
 - Q What well is that?
 - A Southern Union Culpapper. El Paso-Mudge Number 3, we made a drill stem test here, got a show of gas, but didn't try to complete it there. Delhi-Taylor Florance was drilled with gas and made no attempt whatsoever to try to make a drill stem test in that area. El Paso San Juan 28-7 Number 12 had some gas shows in there apparently as they were drilling it, gauged every connection, but a frac was attempted in this area right in here (indicating); the frac didn't take so they didn't try again. And Coneco South Dulce Number 1, I think they made drill stem tests in this area partially covered with red, they had some gas and salt water in
 - Q What area is covered by this exhibit?
 - A That's roughly East-West across the Basin, cross section 3

- Q All right. Are there any dry holes on Exhibit Number 4?
- A There are 1, 2, 3, 4, 5, 6 dry holes.
- Q What wells are they?
- A Dry holes are British American Scott 1-D, Southern Union Hodges Number 7, El Paso Natural Gas Canyon Largo Number 29,
 Amerada Jicarilla Number F-1, Conoco Jicarilla Number 30-1, and
 Magnolia Ingwerson Number 4.
 - Q Will you explain these dry holes?
- A British American they made two drill stem tests in the Dakota and they recovered gas cut mud, they didn't try any other completion method so far as I know. The Southern Union Hodges they didn't attempt to make any tests in the Dakota. El Paso Canyon Largo was previously a Superior CD1-7, they made several tests in the Dakota, they got small amounts of gas, too small to measure, they didn't try to complete it. Amerada Jicarilla F-1 they recovered gas on the drill test, it was too small to measure. Cenoco Jicarilla Number 30-1 had quite a number of DST's which recovered some gas, but too small to measure, and didn't try to complete it. Magnolia Ingwerson Number 4 they got some oil here in the, possibly in the basal Dakota but they didn't try to retest that.
 - Q Will you state what portion of the Basin is covered?
 - A This is Number 2, and it is on the flank of the Basin,

getting into the deeper portion of the Basin, comes outside the

- Q You say that that portion of the San Juan Basin is gener-Blanco-Mesa Verde Pool outline. ally productive of gas in the Dakota formation?
 - A Portions of it, I imagine, are. Based on what swidence I have, such as this Amerada Jicarilla A-3, the Otero Field, and thereis a couple of dry holes in between there, but there is a lot of spacing and a lot more room for more drilling.
 - Q are there any dry holes indicated on Exhibit Number 3?
 - A Yes, Delhi-Taylor Florance 26.
 - Q Will you explain the reason for that dry hole?
 - A They made no D.S.T.'s in the Dakota.
 - Q You mean drill stem tests?

 - Q What portion of it is covered by that? A Yes.
 - A Roughly recent from the Northeast to the Southwest portion
 - Q Now, based an all these exhibits, and your studies of the logs of each well, what would you say with respect to the centinuity of the Basin. of the Dakota formation in the San Juan Basin?
 - A I think it is continuous throughout the Basin.
 - Q Now, what actually makes up the Dakota formation, what sands de you include in the Dakota formation?

- A What do you mean, what sands?
- Q What is the composition of the Dakota formation?
- A Oh, sand and shales.
- Q Sand and shales?
- A Yes.
- Q And can you identify them?
- A Well, there are, some of them are silts to very coarse sand.
- Q Can you explain the nature of them?
- A Will you restate that question?
- Q Well, these sands and shales, do they indicate to you a continuity of the Dakota throughout the whole Basin?
 - A Oh, yes, they do.
- Q What is the nature of the deposit with respect to these sands and shales? How were they deposited there?
- A I believe they are deposits of a transgressive-regressive sea.
- Q What is the result of being deposited in a transgressiveregressive sea?
- A The fact that you have alternating sand and shales, and second you might take one sand zone and not be able to follow it for many, many miles.
- Q Would you say that this characteristic is included in the whole Dakota formation in the San Juan Basin?

- A Based on the evidence I have now, yes.
- Q In your opinion, it is common to all of it?
- A Yes.
- Q Is that the same deposition features that you find with respect to the Mesa Verde formation in the San Juan Basin formation?
 - A Yes.
- Q What would you say with respect to all these wells that you talked about, the difference in completion methods, if any, of the wells?
- A Well, some of these wells, the reason I think they are dry holes, they were tried to be completed by shooting which I do not think was an effective method of fracing, producing artificial fractures in the Dakota, and I believe a lot of these wells, if they had a different completion method, would be producers. Some were produced before the sand-water and sand-oil fracs.
- Q In your studies of these wells in Dakota formation and San Juan Basin, did you make any inquiry with respect to the thickness of the Dakota formation?
 - A The Dakota is about 225 feet thick.
 - Q Does the thickness vary?
- A Well, it is hard to say, because we still do not definitely know where the base of the Dakota is.
 - Q Well, now, how would you compare the thickness of the

Dakota formation in the San Juan Basin with the Mesa Verde?

- A It would be thinker.
- Q How much?
- A Oh, maybe about 500 feet.
- Q Now, based on your studies also, de you have any opinion as to the likelihood of production of a well drilled to the Dakota formation in the San Juan Basin?
 - A Yes.
 - Q And what is that opinion?
- A I believe that it is quite possible to get Dakota formation within the present outline of the Blanco-Mesa Verde Field, and also to the Southwest of that and parallel with the outline of the Field.
- Q Do you think that would become hely continuous over the entire area?
 - A Based on what evidence I have, yes.
- Q Should production obtained from the Graneros and Morrison be differentiated, or not included, from production in the Dakota formation?
 - A I do not think so.
 - Q In other words, you would include it?
 - A Yes.
 - Q Should it be produced concurrently in the same hole?
 - A I do not know.

- Q From a well drilled to the Dakota formation?
- A I think it should, yes.
- Q That's all we have. Now, these Exhibits 3, 4, 5, 6, and 7 have been prepared by you, have they not?
 - A Yes, sir.
 - Q In addition to Exhibit 1?
 - A Yes, sir.

MR. WHITWORTH: We offer the exhibits in evidence at this time.

MR. PORTER: Any objection to the admission of these exhibits?

(No Response)

MR. PORTER: They will be admitted into evidence. Anyone have a question of the witness?

CROSS-EXAMINATION

By MR. BROWN:

- Q Mr. Loleit, you have compared the Dakota with the Mesa Verde throughout the Basin, how would you say that the Dakota compares with the Mesa Verde in permeability and porosity?
 - A I am not qualified to answer that.
 - Q You are a geologist?
 - A Yes. We have another witness that can do that.
 - Q You understand permeability and porosity?
 - A Yes.

- Q And you understand these logs?
- A Yes.
- Q What in your opinion as an expert, is the comparison between the Mesa Verde and the Dakota?
 - A Well, how do you mean, comparison?
- Q How do they compare in permeability and porosity, a like section, with the Mesa Verde?
 - A I am not qualified to answer that.
 - Q You are an expert on that?
- A I didn't make any study of permeability and porosity; we have another witness that will testify to that.
- Q I would like your opinion on this as an expert; do you know a tight sand from a loose sand?
- A How does the Dakota compare with the Mesa Verde in permeability?

MR. HOWELL: If the Commission, please, this witness has testified that he has not studied that particular point. We have a witness who will testify as to the relationship as to permeability and porosity, but this witness has not made any study upon those particular points.

MR. BROWN: If this man is an expert, he should be an expert in the entire field, and not just in one particular phase of this examination, Mr. Secretary, and I asked him for an opinion,

as an expert as to what his opinion was, and I think that if he is qualified as an expert, he should be qualified to answer the question.

MR. MORGAN: Are you questioning the witness? qualifications?

MR. BROWN: If he can't answer this question, I am.

MR. MORGAN: Are you attempting to impeach the witness?

MR. BROWN: No, I just want his opinion in this particular phase. He has stated he made a study of these wells, and if he is an expert, he should be able to answer the question.

MR. PORTER: The witness has stated that he was not able to answer the question.

MR. BROWN: Then I would like to question his ability as an expert, and impeach all of his testimony.

MR. HOWELL: If the Commission please, it would seem that when we are prepared to put on a witness who has made a study of the point of a particular study, this witness has testified that he has examined the logs, he has testified as to what he found on the logs, he has not attempted to testify as to core analysis, and we have a witness who has made a general study of that, and we submit that the testimony of the witness who is prepared on the point is much preferable and better evidence than one who has not studied or prepared for a particular point.

MR. BROWN: Mr. Secretary, if this man is an expert, and

he has studied the logs, regardless of whether or not he studied for the purpose of determining where the Dakota is or where it isn't, he can determine from that log, in his opinion, whether this is tight or loose, sand, and my only question is what his opinion is as to this particular phase of the examination, as to whether the sand is tight or loose. If he can't do that, he isn't an expert..

MR. PORTER: Mr. Howell's objection is sustained.

MR. BROWN: Thank you, sir.

MR. WOODWARD: If the Commission, please, at this time,
John Woodward, representing El Paso Natural Ges Products Company;
I would like to suggest that the Commission grant a recess of ten
minutes, in order to give all parties desiring to cross examine
this witness, an opportunity to further study the exhibit, and get
them spread out where we can talk about them intelligently.

MR. PORTER: We will take a 10-minute recess.

(Recess.)

MR. PORTER: The hearing will come to order, please. Will the witness resume the stand? Mr. Brown, any further questions?

- Q (By Mr. Brown) You testified, Mr. Loleit, that you are familiar with the disposition of the Dakota over the San Juan Basin?
 - A Yes, sir.
 - Q And also the Mesa Verde?

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he has studied the logs, regardless of whether or not he studied for the purpose of determining where the Dakota is or where it isn't, he can determine from that log, in his opinion, whether this is tight or loose, sand, and my only question is what his opinion is as to this particular phase of the examination, as to whether the sand is tight or loose. If he can't do that, he isn't an expert.

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- A Yes, sir.
- Q And that the Dakota was made up of sand and shale, I presume that they are laminated throughout the section?
 - A Alternating sand and shale, yes, sir.
 - Q What percentage of sand would you say composes the Dakota?
 - A I'd say about fifty percent perhaps, or more.
- Q You would say thems would be 125 to 150 feet of producing sand in the Dakota Basin, basing it on 250 to 300 feet as the average thickness, and what percentage of the Mesa Verde was productive sand?
 - A I would say about the same.
 - Q About fifty percent?
 - A Yes.
 - Q Or, approximately 250 feet, is that --
 - A Yes.
 - Q -- on your previous testimony?
 - A Yes.
- Q In determining where the sand started and the shale started in these particular sones, in order to arrive at a figure, did you make any study of the sand?
 - A Pardon me, sir?
- Q Bid you make any study of sand in determining what portion of these sections were and and what portions were shale?

- A Just by mechanical logs.
- Q Is there any indication on the mechanical logs as to shale the sand, or dirty sand, or --
 - A Yes, sir, there are in some places.
 - Q Did you detect that on any logs?
 - A Not on these sections here.
 - Q It was all clean sand?
 - A Apparently so, yes.
- Q From your study, would those logs indicate any permeability or porosity, from looking at the log?
 - A Yes.
- Q Could you determine from your study whether or not there was any permeability in the Daketa formation?
 - A Yes.
 - Q Likewise in the Mesa Verde?
 - A Yes.
 - Q Then could you compare those two senes?
 - A You mean the Mesa Verde and Dakota? In what way?
- Q In permeability, you said you had to take the permeability in both the Mesa Verde and the Dakota fermation?
 - A Yes.
 - Q How did they compare?
 - A I believe the Dakota was just a little more tight than the

Mesa Verde, as a whole.

Q In your opinion, then, it would be more difficult for cas to permeate in the Dakota than the Mesa Verde?

A Yes.

Q Are you familiar with any test that has been drilled in the San Juan Basin by El Paso Natural Gas in the past few years to determine the existent reserves in the Mesa Verde formation?

A No, sir, I have not.

Q You have never heard of such things being done?

A No, sir, not to my knowledge.

Q Do you know, to your knowledge, whether any test wells have been drilled in the San Juan Basin by El Paso Natural Gas on less than 320 acre spacing?

A No, sir, I do not know of any.

MR. BROWN: The witness is under oath, I guess?

MR. PORTER: Yes.

MR. BROWN: That's all.

MR. PORTER: Anyone else have a question of the witness?

MR. KELLAHIN: If the Commission please, Jason Kellahin of Kellahin and Fox, representing Phillips Petroleum Company. I have a couple of questions I would like to ask the witness.

By MR. KELLAHIN:

Q I am not quite clear on your recommendations as to the

vertical limits that you resommend as being the Dakota formation, would you clarify that for me, please?

- A You mean where I pick the top of the Dakota?
- Q As I understood your testimony, you recommend something on the order of three to four hundred feet, is that correct?
- A Possibly so, we do not know exactly, precisely, where the base of the Dakota is.
 - Q Is it possible to precisely pick the top of the Bakota?
 - A No.
- Q For that reason, what is your recommendation as to those formations which may be producing formations immediately adjacent to the Dakota formation? I believe you referred to the Graneros and the Morrison.
 - A Yes.
- Q What is your recommendation as to those formations, should they be producing formation in any particular area?
 - A I would suggest doing it all together, producing oil.
 - Q In other words, consider it as one common source of supply?
 - A Yes, sir.
- Q Now, you had some testimony as to the dry holes which I believe you attributed in some instances at least to the recent methods used; are those elder wells that you referred to?
 - A Yes, sir.

- Q What was the practice as to completion at that time?
- A Shooting.
- Q Dc you know approximately when they developed this sand frac and water frac method up there?
 - A I think 1955.
- Q Are we to understand your opinion is that some of those areas which the cross section indicates being dry, are actually productive of gas in the Dakota?
 - A I believe they possibly could be.
- Q Now, then, in regard to the limits of the Dakota formation, the producing limits, what is that cross section, the lower one there, four.
 - A Number 4?
 - Q Yes, in general, what did they find in the Dakota formation?
 - A Brackish water.
 - Q You wouldn't consider that productive in that area?
 - A No.
- Q How far, moving in that direction -- does the Dakota formation, as a producing formation, extend further than say the Mesa Verde or the other poels?
 - A Yes.
- Q So you would, in your recommendation to the Commission, have them consider the areas to the North and East of that cross

section Number 4 as producing formation?

A Yes, possibly this area down in here.

Q Could you describe it for the record so, with reference to the cross section you have on this, you say "this area down here",

just where are you pointing, approximately?

A Within the area of cross section Number 2, that would be

Q And that would actually, what you would consider producing area would lie South of that line, but North of your cross section Exhibit 4. Number 4, is that correct?

A Yes.

MR. KELLAHIN: That's all I have. MR. WOODWARD: John Woodward, El Paso Natural Gas Products

Company. I have some questions.

Q Mr. Loleit, I would like to briefly go over with you, your Questions By MR. WOODWARD: Beginning with El Paso Exhibit Number 1, does the area shown on this exhibit represent something like testimony here in summary. the center of the Dakota formation in the San Juan Basin?

Q Approximately the center two thirds? A Yes.

Q Now, are the northern and southern limits of the Dakota A Yes.

formation in the San Juan Basin shown in this area?

A No, the northern limit would be probably off the map a little bit to the North, and probably in Range 1 West, or maybe 1 East in this direction, and the Dakota on the South and West portions of the map.

Q And then there is some portion of the Dakota formation that is not shown, East or West?--

A Yes.

Q -- by this exhibit? Now, the productive limits of the Dakota formation in the area shown, I believe you have testified are limited by the presence of water to the Southwest on the flank of the Basin, is that correct?

A Yes, sir.

Q And out in the center of the Basin you have some dry holes shown on this exhibit, do you not?

A Yes.

Q And you have stated that in your opinion these dry holes in the center of the Basin are the result of failure to test properly, or a failure to frac the wells, is that correct?

A Yes, sir.

Q That with present completion and testing practices, a number of these wells would have indicated the presence of gas, is that correct?

- A Yes, sir.
- Q Now, turning to the vertical limits of the area to be spaced, you stated that the top of the Graneros would represent the upper vertical limits of production?--
 - A Yes, sir.
 - Q -- in your opinion?
 - A Yes.
- Q Would the Commission, in your opinion, be safe in adopting a vertical limit from the top of the Graneros to a depth of 400 feet below the top of the Graneros at this time?
 - A Yes, sir.
- Q Is it your recommendation that those vertical limits be assigned to the Dakota formation for the purpose of this application?
 - A Yes, sir.
- Q Now, as a geologist, Mr. Loleit, you understand that the core analysis is the best and most accurate indication of porosity and lithology of the sand in this area?
 - A Yes, sir.
- Q However, as a geologist, in the examination of logs, are you able in a general way to reach any conclusions concerning the lithology of the Mesa Werde and the Dakota sand?
 - A Yes, sir.
 - Q In general, what is that lithology?

- A They are composed of sand and shales.
- Q Are these sands relative tight, or relative loose, in your opinion?
 - A Relatively tight.
 - Q How would you compare the Mesa Verde and Dakota sand?
- A I believe the Mesa Verde has a little more permeability than the Dakota.
 - Q But they are both relatively tight sands, is that correct?
 - A Yes.
- Q Now, turning to your cross sections which you have shown as cross section Number 3, I believe that would be El Paso's Exhibit Number 5, would it not?
 - A Yes.
- Q The red markers indicate the presence of gas in the well shown on this exhibit, is that correct?
- A Yes, when the deep track is filled in solid, it is produced from that some; when it is partially filled, it has a show of gas, but was not completed in that zone.
- Q You have testified as to the possible reasons why gas was not found in the Southern Union Culpepper Number 2 well, the Delhi Taylor Florance 26 well, and the El Paso Natural Gas San Juan 28-7 Number 12 well?
 - A Yes, sir.

- Q Was the reasoning because of lack of testing or completion
- A Lack of testing.
- Q These cross sections that traverse the center of the area you have shown, roughly the center of the Basin, have you reached a conclusion as to the possibilities of production in the area North of the water saturated area and in the center of the Basin?
 - A Yes, sir.
 - Q What is your conclusion?
- A I believe that there are a lot of gas possibilities in there.
- Q You have also testified, Mr. Loleit, that the same bodies within the Dakota formation are interspersed or interlaced by sand and silt bodies?--
 - A Yes, sir.
- Q -- as a result of fluctuations possibly in the change of an old shoreline basin?
 - A Yes, sir.
- Q Would these sand and shale bodies interfinger over the center of the Basin?
 - A Yes, sir.
- Q Do you have any opinion as to the possibility of these sand bodies being interconnected throughout the Basin?
 - A I believe they could be interconnected.

- Q Let me ask you this, Mr. Loleit, if this is a picture of the situation which you have here. Would it be accurate to compare the Dakota formation, as a continuous or blanket sand body, to a peanut brittle, with the peanuts being areas of perhaps relatively tight porosity, and the brittle a continuous and interconnected sand body?
 - A Yes, sir, that is a very good analogy.
- Q And that some of these dry holes that are shown on these maps, in your opinion, are drilled into the brittle and could have been completed, as gas wells, or would have shown some gas production?
 - A Yes, sir.

MR. WOODWARD: I believe that's all the questions I have.

MR. PORTER: Mr. Nutter, do you have a question?
By MR. NUTTER:

- Q Mr. Loleit, I believe you described the conditions under which the Dakota was laid down as purely a transgressive-regressive sea, is that correct?
 - A Yes.
- Q Well, as a result of these transgressive-regressive seas, are the beds in the Dakota continuous, or do they exist as trends scattered throughout the --
 - A I believe they exist as trends.
- Q Well, now, referring to Mr. Woodward's peanut brittle, until there is more development, can you tell whether the areas of no porosity and permeability are peanuts or whether they are

brittle?

- A Well, I just -- based on the evidence we have, I couldn't say. His analogy is very logical, but we do not have enough information to see if there are any definite trends.
- Q And we do not know how many peanuts are in this brittle, is that correct?
 - A That is right.
- Q Do you believe that the existence of these trends in the Dakota formation is more similar to the trend such as we find in the Pictured Cliffs, or is it more similar to a rather continuous bed, as we see in the Mesa Verde?
- A Based on the evidence I have, I think it might be a little more like the Pictured Cliff.
- Q I see. You are acquainted with the Pictured Cliffs and Mesa Verde formations, are you not?
 - A Yes.
- Q Generally speaking, is the Dakota more similar to the Pictured Cliffs, or Mesa Verde?
 - A I think it would be more similar to the Mesa Verde,
 - Q Although it exists in trends similar to the Pictured Cliffs?
 - A Possibly exists in trends like the Pictured Cliff.
 - Q In what manner is it dissimilar from the Pictured Cliffs?
 - A Well, I do not have enough evidence to pinpoint it down to

the Pictured Cliffs, but I think it might end up being in trends like the Pictured Cliffs.

- Q How is it dissimilar from the Pictured Cliffs?
- A I do not have enough evidence to prove that it isn't dissimilar.
- Q Do you have any evidence to indicate that it is dissimilar from the Mesa Verde?
 - A None so far.
- Q Mr. Loleit, your cross sections there do not purport to show continuity of production across the Basin from one area to the other, do they?
 - A No.
- Q It is more to show the existence of the Dakota formation itself?
 - A Yes, some of them do show continuity of production.
- Q What is the major factor that you would believe to exist to cause the breaks in the production?
 - A Possibly permeability and sedimentation of the Dakota.
- Q So that there would be very tight permeables which separate the zones of production as you go from one well to another?
 - A Yes.
 - Q How about porosity, is there variation in porosity also?
 - A There is, yes, based on a few core analyses we have had.

- Q Now, Mr. Loleit, I noticed in discussion of some of those dry heles there, that you frequently use the term, "No test what-soever was made of this sone".
 - A Yes, sir.
 - Q Were most of these wells drilled as Dakota tests?
 - A Yes, sir.
- Q They probably made an analysis of the cutting, or locked at the electric logs before they abandoned the wells?
 - A I believe so, yes, sir.
- Q So in effect, they tested the Dakota formation, even thoughthey didn't run a drill stem test?
 - A What I had in mind for testing was run a drill stem test.
- Q You didn't mean to imply that there is a possibility that there is gas there, but didn't run a drill stem test to determine if the gas was there?
 - A Yes.
 - Q Has oil been encountered in the Dakota formation?
 - A Yes.
 - Q Where in the Dakota is oil generally encountered?
- A Probably in the upper part, if you call it the upper, or maybe upper and middle part of the Dakota, as you can see on these cross sections. Are you including the Granerous in that?
 - Q If the Granerous is within this 400 feet --

- A Yes.
- Q -- vertical limits that you have proposed, yes.
- A Yes.
- Q Geographically speaking, as far as the oil production is concerned, where does this occur?
- A Oh, it seems to be down in the South part of the Basin in 25 North and 2 to 5 West, and then a couple here in the Angel Peak Field, that's oil and gas there.
- Q Are you acquainted with Skelly-Roberts Number 3 well that is an oil well in the Dakota formation?
 - A Yes. I have seen the logs.
- Q Isn't that in the area that you just mentioned as being oil productive?
 - A Yes.
- Q Well, does this oil occur as a general rule in the Granerous or Dakota when you find oil?
 - A In the Otero Field, in the Granerous.
 - Q How about in the Rattlesnake area further to the West?
 - A It is not in the Granerous.
 - Q Is there oil in the Dakota?
 - A Yes ..
 - Q What's the explanation for finding this oil in the updip side of the Basin when you speak of the Rattlesnake Dakota area?

- A I believe those are stratigraphic traps, Rattlesnake and Tocito.
- Q Now, you stated that most of the dry holes to the Southwest were in an area where you encountered lack of permeability and the presence of water; now, is this generally lower or higher than the Mesa --
 - A It is higher.
- Q How do you account for the presence of water on an upstructure?
 - A Probably permeability traps.
- Q I see. Are Barker Creek and Ute Dome in the same Dakota formation as the rest of this Basin?
 - A Yes, sir.
- Q Is there any geological reason why the spacing in this pool should be greater than the rest in the Dakota formation?
 - A I can't answer that.
 - Q I meant, is there any geological reason?
 - A I do not know of any.
- Q Well, do you have any opinion as to whether the Dakota formation as a whole in Rio Arriba and San Juan counties should be drilled and spaced on 160 or 320 acre spacing?
 - A Well, I do not believe I am qualified to answer that.
 - Q I asked if you had an opinion?
 - A In my opinion, it would be 320.

- Q What is your reason geologically speaking for that opinion?
- A Well, we do not know yet whether we, if 320, we probably figured that maybe 320 spacing will drain the area; if you had 160 you would be drilling unnecessary wells.--
 - Q In other words --
- A -- based on the evidence of what we know about the Dakota as of this time.
- Q Geologically speaking then you feel that one well will drain 320 acres?
 - A I believe so.

MR. NUTTER: Thank you, that's all.

By MR. ARNOLD:

- Q Mr. Loleit, on the top of the vertical limits, what do you recommend that be used as a marker?
 - A The base of the Green Horn.
 - Q Base of the Green Horn?
 - A Yes.
- Q You wouldn't recommend that you use the top of these Granerous sands which come in on the middle of Granerous shale, in other words?
- A Well, sometimes they vary a little bit; I think the top of your Green Horn would be a more definite marker.
 - Q The base of the Green Horn?

A Base of the Green Horn, pardon me.

MR. ARNOLD: Thank you.

MR. PORTER: Off the record.

(Discussion off the record.)

MR. PORTER: Back on the record, please. Does anyone have any further questions of the witness? Mr. Stamets.

Questions by MR. STAMETS:

Q I have here the Four Corners Geological Guide Book for 1957, and on page 97, half way down on the right hand side, if I can find it, it says, "In general the Dakota of this area represents a transgressive deposit, partly fluvial, partly lagoonal, partly in sandy off-shore marine units." Does that agree with your interpretation?

A Probably inside the Basin you could have some regression of the seas too.

- Q It would seem that within these sandy units there are several types of sand?
 - A Yes, sir.
- In other words, within the sand units, you would expect gas to flow at probably different rates in each one of these different sands?
 - A Possibly.
 - Q Wouldn't it seem that possibly a closer spacing pattern

would more effectively drain these sands within the Dakota sand?

A I can't answer that. I do not know.

MR. STANETS: That's all I have.

MR. PORTER: Anyone else have a question of the witness?

By MR. KENDRICKS:

- Q With the type of deposition that occurred to create the Dakota formation, you have alternating sand and shales, do you not
 - A Yes.
- Q Does this tend to separate the sand into lenses such as they might not be continuous across a short span or long span?
- A They could be in lenses, but I think there might be communication between one interval and another interval.
- Q Well, are there any particular places where the Dakota formation has abrupt changes in permeability or porosity?
 - A Abrupt changes in permeability and porosity?
 - Q Yes, sir.
 - A I do not remember of any.
- Q On your cross section Number 4, the well on the right hand side being the Magnolia English well, is that correct?
 - A Lec's see, this one (indicating).
- Q Excuse me, it is Exhibit 2, I am sorry. Cross section 2, Exhibit Number 4, on Exhibit I, you show three wells in the very close proximity of the termination of that cross section, is that

correct?

- A Yes.
- Q Did you study the logs on those three wells?
- A I looked at them some time ago.
- Q You show those three wells, three wells as not producing, however, in 1957 one of those wells had produced twenty and three-quarter thousand barrels of oil, and something over 17 million feet of gas, and is still producing according to the September report of the Oil Proration Schedule, and it is located in the Southeast, Southeast of Section 20, I believe. Yes, sir, Southeast, Southeast of Section 20.
 - A Is that that Magnolia well?
 - Q Yes, sir.
 - A It is an error on my part; it is still producing.

 MR. KENDRICKS: That's all.

MR. PORTER: Any further questions of this witness?
The witness may be excused.

MR. LOLEIT: Sir, I wonder if I could make one correction on the record. Mr. Brown asked me before if I had any knowledge of core testing in the Mesa Verde. I misunderstood his question. I believe we have had about three. I do not know the location, or have any information on those wells.

MR. COOLEY: Mr. Chairman, at this time I would like to

state for the record that in view of the testimony and recommendations of the witness, Mr. Loleit, regarding the inclusion of
Granerous formation in the proposed vertical limits in this case,
that it would appear from both the application and the resulting
advisement in this case that it was called by the Commission to
include only the Dakota formation, and in the call of the hearings
did not include spacing with regard to the Granerous formation.

In view of this fact, it fails to be beyond the jurisdiction of the
Commission to consider the inclusion of Granerous formation in the
call of this case, and I therefore recommend that the case be
continued to the regular October hearing, at which time the interested parties can make determination as to what further action
they would like to take in this regard.

MR. PORTER: Is there any objection to counsel's motion?

MR. HOWELL: El Paso Natural Gas Company will concur in that motion.

MR. BROWN: We concur with that motion.

MR. PORTER: Case will be continued to the October regular hearing, to be held in Farmington.

STATE OF NEW MEXICO) : SE COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, 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 day of Ottober 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

NOTARY PUBLIC.

My Commission Expires:

October 5, 1960.

DEARNLEY - MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE, NEW MEXICO Phone Chapel 3-6691 CLEOND THE OIL CONSERVATION COMMISSION FARMINGTON, NEW MEXICO

IN THE MATTER OF:

1 Maria

CASE NO. 1508 and 1523

TRANSCRIPT OF HEARING

October 15, 1958

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
Phone Chapel 3-6691

BEFORE THE OIL CONSERVATION COPERISSION FARMINGTON, NEW MEXICO OCTOBER 15, 1958

IN THE MATTER OF:

CASE 1500 Application of El Paso Matural Gas Company:
for the establishment of 320-acre spacing:
units for the Dakota formation in San Juan:
and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an:
order establishing 320-acre spacing units:
for all gas wells drilled to or completed in:
the Dakota formation in San Juan and Rio Are:
riba Counties, New Mexico, including the
fifteen presently designated Dakota gas:
pools in said counties; and for the promule:
gation of special rules and regulations for:
said pools.

CASE 1523 Application of El Paso Natural Gas Company for an order establishing 320-acre drilling: and spacing units and promulgating special : rules and regulations for certain formations: in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks an order establishing 320-acre: drilling and spacing units in San Juan and : Rio Arriba Counties, New Mexico, and promul-: gating special rules and regulations for the: gas producing interval lying between the base of the Greenhorn limestone of Cretace-: ous age and the base of the productive upper: portion of the Morrison sandstone of Juras-: sic age, which includes undifferentiated Graneros, Dakota, and Morrison sands. The : application includes all currently designa- : ted Dakota Gas Pools, Graneros Gas Pools and: Graneros-Dakota Gas Pools with exception of : the Barker Creek-Dakota Gas Pool and the Ute: Dome Gas Pool.

BEFORE:

Mr. A. I. Porter Mr. Murray Morgan

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: The meeting will come to order, please. At this time the Commission will consider Cases 1508 and 1523.

MR. PAYNE: Case 1503. Application of El Paso Natural Gas Company for the establishment of 320-acre spacing units for the Dakota formation in San Juan and Rio Arriba Counties, New Mexico.

CASE 1523. Application of El Paso Natural Gas Company for an order establishing 320-acre drilling and spacing units and promulgating special rules and regulations for certain formations in San Juan and Rio Arriba Counties, New Mexico.

pany. If it please the Commission, Case 1503 was continued from the last hearing when it developed that within the area of the Dakota formation were certain other formations that had been included with the Dakota in the designation of certain pools and that probably should be produced with the Dakota. As a result of that development, the case was continued and Case 1523 filed which defines with more accuracy the lateral limits of the area under consideration. Therefore, at this time, I would like to move to consolidate the two cases and to have the evidence which was introduced in Case 1508 applicable and to be considered in Case 1525. That will prevent us spending a couple of hours of going back over that testimony.

MR. PORTER: Is there objection to the counsel smotion?

MR. COOLEY: Mr. Howell, I take it that you expect only
one order to be written as a result of the two cases?

MR. PORTER: Without objection, the motion will be granted.

MR. HOWELL: Now, there have been other developments since we have been at this hearing. At the last hearing it appeared that an operator represented -- I think Mr. Brown is representing himself and Mr. Weaver, who have some wells in the Angels Peak-Dakota Fool, which have been developed on a 160-acre spacing, wished to have some additional time for testing, and after consultation with them, we feel that in the interest of expediting action for the rest of the basin and narrowing any controversy that we may have with each other to that one area, that we move now and ask for permission to withdraw and exclude the Angels Peak-Dakota Pool from the consolidated cases.

MR. PORTER: You are making a motion to amend your application to that effect?

MR. HOWELL: I so move.

MR. PORTER: Is there objection to the counsel's motion for amendment of the application?

MR. WHITING: Kenneth R. Whiting, attorney for Sunset International Petroleum Corporation. I would just like to make it clear if the withdrawal of the Angels Peak Pool from the effect of the order would only affect the Angels Peak Pool as it now exists, is that correct, Mr. Howell?

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Phone Chapel 3-6691

MR. WHITING: That area would be limited to the Pool as it now exists and we would defer the petition today by the Commission to expand the Angels Peak Fool.

MR. HOWELL: I would ask the Commission to do that. Of course, I can't speak for what the Commission would do.

MR. PORTER: Any further discussion on counsel's motion for amendment to the application? The motion will be granted.

At this time I would like for all who would like to have appearances in this case or intend to make appearances, will you please identify yourselves?

MR. HOWELL: El Paso Matural Gas Company is represented in this case by Oliver Seth, Garrett Whitworth and Ren R. Howell.

MR. KFLLAHIN: Jason Ketlahin of Kellahin & Fox, Santa Fe, representing Phillips Petroleum Company.

MR. BUELL: Guy Buell for Pan American Petroleum Cor-

poration.

Petroleum Corporation.

MR. CHRISTIE: R. S. Christie, Amerada Patroleum.

MR. BRATTON: Howard Bratton, Hervey, Dowe & Hinkle, Roswell, appearing for Humble Oil and mefining Company.

MR. PORTER: Anyone else that desires to make an appearance in the case?

Mr. Howell, will you proceed with your testimony at this time, please, sir?

MR. HOWELL: Our witness, who was on the stand the last time, I believe, was sworn, but possibly it should be well to have the witnesses re-sworn since there is a new case.

MR. PORTER: One of the witnesses was not sworn the last time, so suppose we have all of them sworn at this time.

MR. HOWELL: Fine, fine, Mr. Porter.

(Witnesses sworn)

MR. HOWELL: Will Mr. Loleit take the stand.

ALIAN LOLEIT,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

- Q Will you state your name for the record?
- A Allan Loleit.

DEARNLEY - MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE, NEW MEXICO Phone Chapel 3-6691 Q Mr. Loleit, you are the same Allan Loleit who testified in Case 1508 a month ago at the last hearing?

A Yes, sir.

Q And the exhibits which have been placed on the board here are the exhibits which were introduced by El Paso Natural Gas Company at the last hearing?

A Yes, sir.

Very briefly what each exhibit consists of and if there have been any changes in the conditions or any additional information which you have obtained since the last hearing, and ask that you then state to the Commission what those changes have been.

A minibit No. 1 is this map here of the portion of san

Juan basin. It shows all Dakota wells as of September 29th of this

year. Blue indicates a well that has penetrated the Dakota,

but is not producing from the Dakota. Red indicates a well that is

producing gas from the Dakota. Black indicates a well that is pro
ducing oil from the Dakota. And half red and half black indicates

oil and gas from the Dakota. Those lines across the map there with

the numbers on it indicate cross sections which are Exhibits 3, 4,

5, 6 and 7; on this board there, and they more or less prove the

existence of the Dakota throughout the basin. On the cross sections,

the test tract, when it is filled in solid with red, indicates

that gas is being produced from that zone. And the black indicates

that there is oil producing from that zone.

A Yes. On one cross section Magnolia Ingwerson, which I ing? previously listed as a dry hole, is still producing oil and water and gas. That's on cross section No. 2. And also on cross section Culpepper No. 3, on the extreme left of the section southern Union Martin No. 2 is now Aztec's Culpepper Martin No. 2, and that has produced gas from the Dakota at one time, but it is plugged back and producing from the Mesaverde at present.

- Q I think in your testimony a moment ago, you stated that the Exhibit No. 1 showed all wells completed to September 29, which is after the last hearing.
 - A Pardon me.
 - Q Are you in error as to that date?
 - A The date is wrong, yes.
 - Q What should the date -- to what date does the Exhibit
 - A Those show to September 29th of this year; the last show the wells? hearing was the 17th, I believe.
 - Q And there were no wells completed between the 17th and
 - A Yes, there were some completed, and I added a few wells the 29th? to that Exhibit.
 - Q I see.

MR. PORTER: In other words, the map has been brought up to date, to September 29th, showing all completions?

A Yes, sir.

(By Mr. Howell) But has there been any significant change that would change the conclusions which you reached in your testimony at the last hearing?

A No, sir.

Q Now, before cross examination, I would like to recall your testimony under cross examination, I believe, by Mr. Nutter. In discussing the comparison between the characteristics of the Dakota formation with the Mesa Verde formation or the Pictured Cliffs formation, and in reading the testimony, it is not clear to me just what your opinion is. Will you please state to the Commission what your opinion is with reference to the comparison of characteristics of the Dakota formation, first with the Mesa Verde and then with the Pictured Cliffs?

A Well, the Mesa Verde formation itself, I believe the production aerially will be as widespread or more so than with the Mesa Verde.

Q That is the Dakota --

A The Dakota will be, yes. And the Pictured Cliffs formation has areas of spotty permeability which I don't -- with evidence up to this time, I can't see that carries through with the Dakota.

Q Have you found in your study of the Dakota formation any evidence of corridors of low permeability which separate trends

as there appear to be corridors of low permeability separating trends in the Pictured Cliffs formation and resulting in the designation of different Pictured Cliffs Pools?

A In the Dakota I found no such trends.

Q Now, have you collected, since the date of the last hearing, any data relating to the wells which you have shown on your cross sections and compiled it in the form of a schedule?

A Yes, sic.

MR. HOWELL: Would you mark that as El Paso's Exhibit No. 3.

what have you shown as to each well that is covered by the cross sections on El Paso's Exhibit No. 3?

A On these cross sections I have the name of the well, the location, the date of the completion, the top of the Graneros, the total depth, the potential, the producing interval, how the well was stipulated and what drill stem tests were run in the Dakota.

Q would you like to summarize your conclusions and reasons for your recommendations as to the vertical limits which should be established in this hearing? I might state that possibly, for convenience, we may refer to the producing gas sands lying below the base of the Greenhorn and above the upper producing portion of the Morrison as the Dakota reservoir. Now, what would you include within the Dakota reservoir to be subject to the spacing order which the Commission has been asked to issue?

A That includes the Dakota sand, the Dakota formation and

the upper part of the Morrison.

- Q have you found the gas produced from each of these sources to be comparable in quality and pressure?
 - A I believe they are.
- Q And what is the extent, generally, of the separation that you found to exist between these separate sources?
- A In the Graneros sand, between that and perhaps the top of the Dakota, there is sometimes an interval of maybe ten, twenty thirty feet of shale, and then between the lower Dakota and the upper Morrison, it is indefinite where you can definitely pick a top.
- Q Have you found any evidence of communication in places between the Graneros and the Dakota, or do you think there is communication in places?
- A I think there very well could be communication between the Dakota sand and Graneros sand.
- Q Now, is the Graneros sand a blanket-in sand condition underlying the same area as the Dakota?
- A It is a blanket sand except for several areas where the Graneros sand is not present.
- Q So that it does exist with the Dakota in some areas and not in others?
 - A Yes, sir.
- Q And is it a gas producing sand in all the places where it exists?

A Toward the deepest part of the basin, I believe it is all gas producing except in the Graneros Otero Field it is oil, producing oil and gas.

Would call the Graneros formation that are non-productive, is any part of it shale rather than sand formation?

A Yes, it's shale.

Q And is that situation one that is spotty over the Field?

A No. The Graneros sands, where it is present, covers considerable areas.

Q And then about what is the interval of separation between the Graneros sands and the Dakota in those places?

A Anywhere from perhaps a few feet to maybe twenty, thirty feet.

Q Now, approximately what vertical limits in feet would be covered by your recommended definition of the vertical limits for this Dakota reservoir?

A I'd include at least four hundred feet from the base of the Greenhorn down.

Q Briefly, about what is the interval between the top and the base of the Mesa Verde formation in the basin?

A About eight hundred feet.

Q And does the Mesa Verde formation have several producing -- gas producing members in it?

A Yes, sir.

A Toward the deepest part of the basin, I believe it is all gas producing except in the Graneros Otero Field it is oil, producing oil and gas.

- Q Produces both oil and gas. Any portions of what you would call the Graneros formation that are non-productive, is any part of it shale rather than sand formation?
 - A Yes, it's shale.
 - Q And is that situation one that is spotty over the Field?
- A No. The Graneros sands, where it is present, covers considerable areas.
- Q And then about what is the interval of separation between the Graneros sands and the Dakota in those places?
- A Anywhere from perhaps a few feet to maybe twenty, thirty feet.
- Q Now, approximately wnat vertical limits in fee+ would be covered by your recommended definition of the vertical limits for this Dakota reservoir?
- A I'd include at least four hundred feet from the base of the Greenhorn down.
- Q Briefly, about what is the interval between the top and the base of the Mesa Verde formation in the basin?
 - A About eight hundred feet.
- Q And does the Mesa Verde formation have several producing -- gas producing members in it?
 - A Yes, sir.

A Yes, sir.

Q And the lowest member, the Point Lookout, gas producing --

A Yes, sir.

Q -- or one of the lowest, let's say?

A Yes.

Q So, is the situation which exists in the Mesaverde formation comparable to that which exists in this Dakota reservoir?

A Yes, sir.

MR. HOWELL: That's all.

MR. PORTER: Anyone have a question of the witness at this time? Any questions of Mr. Loleit?

Mr. Howell, are there any exhibits that you wanted to enter at this time?

MR. HOWELL: If they have finished with his testimony, I would like to offer our Exhibit No. δ .

MR. PORTER: Without objection, El Paso's Exhibit No. 8 will be admitted into the record.

MR. KELLAHIN: I have a question here in just a moment

MR. PORTER: Mr. Kellahin.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Your definition of the vertical limits, am I correct in my understanding your recommendation, is the base of the Green-

horn through the undifferentiated Morrison formation, productive upper portion of the Morrison and no further than that?

A Well, it depends on how far -- well, let me say it is awfully hard to pick the top of the Morrison, and you might have some sand, maybe twenty, thirty, forty feet thick in the top of the Morrison, if our peaks are correct, but below that you will find perhaps the brushy basin shale, maybe some minor sand strands, and there is no production as far as I know, or no shows of gas from the brushy basin, so it would be the sand units above the brushy basin which are hard to differentiate between the Dakota.

- Q In other words, you would not then necessarily include the first producing interval encountered in a Morrison well?
 - A No.
- Q In your examination, did you find any evidence of vertical impermeability between the formations which you have discussed, that is, as between the Graneros and the Dakota, or between the Dakota and the Morrison?
 - A Vertical impermeability?
 - Q No, horizontal impermeability. I stated that wrong.
 - A There is probably some. I don't recall of any offhand.

 MR. KELLAHIN: Thank you.

QUESTIONS BY MR. COOLEY:

Q Mr. Loleit, I am still somewhat confused as to how you would identify the vertical limits of the producing interval about which you are testifying here. If you were to have to identify it

from an area, I take it from your testimony that the top would be picked as the base of the Greenhorn, is that correct?

A Yes, sir.

Q Now, tell me how you pick the bottom of this producing

A Well, the Graneros interval, the shale, including the sand, sometimes vary between fifty and a hundred feet, sometimes it might be less than that, than the average thickness of the Datit might be outcrop studies, I think the maximum we found was kota, from the outcrop studies, I think the maximum we found was about 225 feet, so that brings us to almost up to 375 feet total about 225 feet, so that brings us to almost up to 375 feet total thickness, then I allowed a little more for sand that might be below the Dakota that might be lower Cretaceous or Morrison.

Q You still haven't told me exactly how you would pimpoint this in defining the vertical limits of this area which is to be spaced. That's the problem that I am confronted with. Do you pick it from a formation, or do you pick it from a footage measurement it from the base of the Greenhorn?

on the average, the way I stated previously, it would probably be on a footage basis, but picking the top of your Morrison sometimes is a problem. What we usually do, we first drill through about 200 some odd feet of Dakota, the first conglomeration or first shale you meet, we would consider that the upper Morrison

Q Mr. Loleit, you still haven't pinpointed the base of the horizon or producing interval which you intend to space that you

are applying for spacing in this hearing, and before we can proceed I think it is necessary that you define the limits, the vertical limits of the interval which you propose to space. Now, there's got to be some way of determining what we are dealing with here.

A Yes.

Q You define the top of it as being the marker, or the base of the Greenhorn. Now, do you propose to define the base of this producing interval as possibly four hundred feet below the base of the Greenhorn, or do you intend to pick a formation as the bottom of this thing?

A well, in areas it would vary. It probably would be less than four hundred feet.

MR. HOWELL: May I interrupt --

MR. COOLEY: Please do.

MR. HOWELL: -- with a question that might clarify it?

Mr. Loleit, would it be possible to define the bottom as being a hundred feet into the Morrison formation, would that cover all producing gas sands that should be covered in this reservoir?

A I believe it would.

Q (By Mr. Cooley) Mr. Loleit, can you pick the top of the Morrison?

A Well, that's pretty hard.

Q You can't get a hundred feet below it?

A Let me say something. Your top of the Morrison would either be, possibly be a conglomerated or virgated shale, usually

a green shale in this area, and I don't recall of fhand of any virgated shale in the Dakota. They have some black shales in there.

Q Let's put it this way. If this interval which you propose to space were defined as that interval lying between the base of the Greenhorn and four hundred feet below the base of the Greenhorn, would you include anything in this interval which you desire here to exclude?

A No.

Q Would you include everything that you desire here to include?

A Yes.

MR. COOLEY: No further questions.

MR. PORTER: Anyone else have a question of the witness?

No further questions, the witness may be excused.

(Witness excused)

MR. PORTER: At this time the hearing will recess until

(Recess)

MR. PORTER: The hearing will come to order, please.
Mr. Howell.

MR. HOWELL: If the Commission please, at the last hearing some of the staff suggested that we produce testimony showing the areas in which the ownership above the base of the Mesaverde was different than the ownership below the base of the Mesaverde.

The next witness will testify as to that matter. With that intro-

duction, I will call Darryl Canfield.

DARRYL CAMPIELD,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

- Q Mr. Canfield, please state your name for the record.
- A Darryl Canfield.
- Q And what position do you occupy with El Paso Natural Gas Company?
 - A Division landman in Farmington, New Mexico.
- Q As such, do you have records showing the ownership of lands in the San Juan Basin in San Juan and Rio Arriba Counties, New Mexico?
 - A Yes.
- Q Have you prepared a map reflecting certain features of ownership?
 - A Yes.
- Q Will you mark that as El Paso's Exhibit No. 9, and state to the Commission what that map shows?
- A Yes. The acreage shown in blue on the map is acreage in which the Dakota and Mesaverde ownership and the working interest is owned by different parties. The acreage shown in yellow is acreage where the ownership in the Dakota and Mesaverde are basically the same, there being a difference in some acreage. There

is a second party that has a right to drill and explore in the Dakota, but should a gas well be completed, it can be turned over to the owner of the Mesaverde for operation.

Q Now, what does the area in white reflect?

A The area in white is where we did not have information available or did not obtain that information.

Q Well, does that map correctly reflect the information which has been accumulated in El Paso's Farmington office in the Land Department regarding the ownership?

A Yes.

MR. HOWELL: We offer Exhibit No. 9 in evidence.

MR. PORTER: Without objection, El Paso's Exhibit No. 9 will be admitted.

MR. HOWELL: That's all the questions I have.

MR. PORTER: Any questions of the witness? The witness may be excused.

(Witness excused)

F. NORMAN WOODRUFF,

called as a witness, having been first duly sworn on oath, testified as rollows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you state your name for the record?

A F. Norman Woodruff.

- Q What position do you hold with El Paso Natural Gas Company?
 - A I am the company's manager of gas proration operations.
- Q What experience have you had with reference to reservoir engineering?
- A I am a graduate petroleum engineer. Prior to assuming my present position with the company, I worked in the company's geological and reservoir engineering section doing reservoir engineering work, and I have testified before this Commission as a reservoir engineer on the San Juan basin on numerous previous occasions.
- Q In connection with your testimony today, have you had available and used the information which the company has in its reservoir engineering department?
 - A Yes, sir, I have.
- Q Well, now, will you please state briefly the type of data which you have studied and the records which you have studied in preparing to testify in this hearing?
- A I have reviewed the core analysis, certain electric logs, the drilling completion, testing and production history of the wells.
 - Q Now, of how many wells?
 - A Of forty-one wells.
 - Q Have you had core analysis of all of those?
 - A No, on twelve wells.
 - Q Now, is there any other information that you have used?

A I believe not.

Q Will you blease state your conclusions and opinions to the area that each refers to, as the Dakota gas reservoir which we've suggested would have vertical limits, the top of which would be the base of the Greenhorn limestone, and the bottom of which would be the producing portion of the Morrison formation, which the record shows, I think would include the Graneros and the Dakota sands, and possibly some portion of the Morrison?

A I agreed that is an appropriate definition of a Dakota reservoir.

Q Now, will you state what characteristics the Dakota reservoir in San Juan County and Ric Arriba County, New Mexico has?

A From the twelve core analyses available, we had determined that the average porosity of the Daketa formation is 7.2 percent, the average interstructural water 30.6 percent. Utilizing the cores and electric logs on forty-one wells, we've been able to determine that the average thickness is forty feet, and from the --

Q Now, average thickness, you mean -- what do you mean by average thickness?

A It is the average thickness that we pick for net effective pay.

Q Forty feet of net effective pay will be found in the Dakota reservoir?

A That is what has been found to exist within the fortyone wells presently drilled.

Q That is the average?

A That is correct. I might mention that some of these wells don't go through the Dakota; the majority don't, as we pointed out here today. Some of them just go into the upper portion, and we have taken the position that was open in the particular well bores and taken the effective net pay for that portion.

Q now, have you also had occasion to make studies and have data available concerning the Mesa Verde formation and the wells completed in the Mesa Verde formation?

- A Yes, sir, I have.
- Q Just state briefly what that is.
- A In comparison to the 7.2 phrosity for the Dakota, the Mesa Verde averages 9.1 percent. The Mesa Verde has 23.6 percent interstructural water content as compared to the Dakota's 30.6. The average thickness and not effective pay in the Mesa Verde is fifty-one feet as compared to the Dakota's forty feet.
 - Q Now, upon what data is that average ligure obtained?
- A From the same type of data utilized in our determination of the averages for the Dakota.
 - Q And averages how many wells?
 - A The major portion of the wells in the basin.
 - Q That have been drilled into the Mesa Verde formation?
- A That's correct. We had available forty-three core analyses.
 - Q For Mesa Verde wells?

- A For Mesa Verce wells.
- Q Now, what is the pressure, relative pressure as between the Dakota and Mesa Verde formation?
- A the average original shut-in pressure for the forty-one wells on which I had data was 2,377 STA. The average pressure of Mesa Verde wells has been determined to be 1,364 PSIA.
- Q Now, what other characteristics of either reservoir would

A Welve also attempted to analyze both the reservoirs to determine what average permeability characteristics were exhibited and reported on the core analysis. I found a great variety in both reservoirs. The Dakota weighted average permeability was 4.12 milladarceys. The Mesa Verde weighted average permeability was 4.30 milladarceys.

Q Now, in your study, did you give any attention to determine the extent, if any, of fracturing in the Dakota sands?

whether fractures were reported or whether fractures might be apparent because of the abnormal permeability characteristics. And we found that in five of the wells, vertical fractures were definitely reported, and that in all except two of the wells, there was an indication of probable fracturing. I also took this data in an effort to determine whether this condition existed fairly well from the base or the Greenhorn to the maximum depth cord which is approximately 260 feet below the base of the Greenhorn, and we find

Q Now, what effect does the existence of fractures and similar conditions in the aforementioned have with reference to the area which one well will economically and efficiently drain?

A It enables the well to more easily drain its reserve and probably drain a greater area than had the fractures not been present. And I might add that vertical fractures also tend to interconnect stringers which may not otherwise be interconnected through drilling, except through drilling.

- Q Did you make any estimate as to the receives per some in the Dakota formation in the areas which have been found to be productive of gas?
 - A Yes, sir, I did so.
- Q Will you state to the Commission what you found and the comparison of these estimates with those of the Masa Verde?

A Yes, sir, I will. Utilizing the reservoir characteristics that I have previously described, the average reserve recoverable, reserve for a 320-acre Dakota well, would be four billion, one hundred twenty-eight million cubic feet. Utilizing the data that I have previously expressed for the mess Verde, the recoverable reserves on a 320-acre tract are three billion, eight hundred seventy two million cubic feet. So that the recoverable reserves are very similar on a 320-acre with the Dakota being somewhat in excess of the Mesa Verde.

Q Incidently, those last reserve figures, are those the ones

that have been used before the Foderal Power Commission in hearings?

A Yes, sir, the resultant per acre foot are those same ones used in Federal Power Commission hearings.

Q The studies which you have conducted have led you to conclusions, I am sure, as to the comparison of the Mesa Verde with the Dakota reservoir in its producing characteristics, particularly with reference to the ability of a well to produce the reserves in the same length of time. Will you please comment to the Commission what you found and what your opinion is on that subject?

A Yes, sir, I will, and I believe it might be well to give the Commission some data that we had determined on delivery characteristics of wells. We have analyzed and averaged the initial potential flows of twenty-six Dakota wells for which data was available, and found that the initial potential flow is four million, two hundred seventy-three thousand cubic feet per well. We find that the average State deliverability is available for seventeen of those wells and that they -- and that the deliverability was 19.3 percent of the initial potential flow or an average of eight hundred twenty-five MCF State "D." I also determined that information for the Mesa Verde; found that the average Mesa Verde initial potential flow was three million, nine nundred fifty thousand cubic feet, that the average State deliverability was 13 percent, or approximately seven hundred and twelve MCF. The Mesa Verde's seven hundred twelve compares with the eight hundred twenty-five for the Dakota. The State deliverabilities reflect the formation's ability to deliver

gas into the well bore, and it would appear that under the same conditions of drawdown, that the Dakota formation is as able or more able to deliver its reserve into the well bore than the Mesa Verde. I further analyzed the deliverable capacity of the Dakota and Mesaverde against five hundred pound line pressure, and found that the Dakota could deliver an average of 2)., percent of its initial potential flow against five hundred pounds, and that that average deliverable capacity would be one million, one hundred thousand cubic feet per day. The Dakota formation is able to produce approximately 19 percent of its initial potential flow against five hundred pounds. That would equal seven hundred and fifty ACF per day. That seven fifty compares with the bleven number MCF deliverable capacity for Dakots wells, so that under initial conditions the Dakota formation is capable of producing approximately 46 percent more than the -- against five hundred pounds than the Mesa Verde reservoir. Here again I have utilized all wells on which data is available. That includes poor ones and good ones on the Dakota. Some of them were comparatively poor wells. It is conceivable that with better completion methods in the future there will be better relationships than is exhibited here today.

Q From your studies, have you reached a conclusion as to the comparative ability of a Dakova well to drain an area currounding the well bore, compared to a Mesaverde well?

A Yes, sir, I have.

Q And what is that conclusion?

Q And you have pased that upon the studies and data that you have recounted here to the Conmission?

A That is correct.

Q Now, at the time that 320-acre spacing was established in the Mesa Verde, I believe that we had probably evenless information than we have today about the Dancia, is that correct?

A Yes, sir. I believe that to be correct.

rule as applicable to the Mesa Verde? That is, have you found any evidence that shows that Mesa Verde wells are actually capable of efficiently and economically draining an area of 320 acres?

A I consider that the hesa Verde has exhibited the ability to efficiently and economically drain 320 acres. We have definitely been able to determine that there has been communication over areas in excess of that, that is exhibited by the pressures shown by wells in-field in areas where the majority of the acreage has been developed and has been produced for a period of time, we find that the pressures are lower in those areas and apparently have been drained.

Q That is in situations in which some drilling has taken

place and wells are produced and then the later wells that are

drilled upon completion find a lower reservoir pressure than existed

at the time of the first wells?

- A Yes, sir. that's correct.
- Q And from that you conclude that there has been drainage of those areas?
 - A That is correct.
- Q So that the Mesa Verde wells have demonstrated generally their ability to drain at least 320 acres?
 - A I consider that they have.
- Q Now, what is your opinion as to the ability of a well completed in the Dakota formation to efficiently and economically drain an area of 320 acres?
- A Based on my studies, I believe that the well on 320 acres in the Dakota formation can more easily drain 320 acres than could a Mesa Verde well. Consequently, I feel confident that one well on 320 will efficiently and economically drain that size tract.
- Q What, in rather general terms, is the difference in cost between the drilling and completion of a well in the Mesa Verde formation and one in the Dakota reservoir?
- A Assuming that no unusual difficulties are encountered, a well in the Dakota reservoir will normally cost about \$135,000, and a well in the Mesa Verde reservoir will normally cost about \$35,000, or a difference of about \$50,000.
- Q I believe you have already testified that per acre reserves, according to your estimate, are substantially the same as between the Dakota reservoir and the Mesa Verde?

A That is correct.

velopment of the area and of reserves as a result of the order that we're asking for and continuation of the present statewide rule of 160 acres. In other words, which rule, the 320-acre spacing or 160-acre spacing will be most likely to result in reasonable development and proving of additional reserves in the Dakota formation?

A We may anticipate a more or less set number of wells to be drilled each year.

Q Why is that?

A Because normally a company budgets itself to just some wells. Now, if you are going to drill that many wells and space them on 160 acres rather than 320, you would prove about half as much acreage as you would otherwise prove, or as you would prove by drilling the 320. Actually, facilities are built and markets are fulfilled based on a determination of recoverable reserves. The sooner you can prove what you have, the sooner you can build the facilities and the sooner you can start taking the gas out, and it is important from that standpoint to prove your area as quickly as possible.

Q Insofar as an interstate pipeline subject to Federal Power jurisdiction is concerned, it is necessary to first establish reserves before you can get the certificate to move the gas, is that correct?

A That is correct.

Q What, in your opinion, would the adoption of a 320-acre spacing rule result in as compared with 160?

A Well, first, to prove up the Dakota reservoir reserves much more quickly, and secondly, I think that the drilling on 320 acres rather than 160 acres will prevent the drilling of unnecessary and probably uneconomic wells.

Q Will it be an inducement to the operator to go shead with Dakota development?

- A On 320 acres?
- Q Yes.
- A I certainly consider that it would.
- Q How would you classify the present stage of the development in the Dakota reservoir and the depletion of that reservoir?
- A I consider they are in initial stage of development and depletion.
- Q Has there been any opportunity to conduct any actual interference tests as between wells completed in the Dakota reservoir that you know of?
 - A No, sir.
- Q Does the Dakota reservoir, in your opinion, extend across the state line into Colorado?
 - A Yes, sir, I consider that it does.
- Q Do you know what the spacing is for the, what we have termed the Dakota reservoir which I believe is called in Colorado the Dakota-Morrison?

A May I say first that my answer to the last question is that I consider that the reservoir does, I think that the reservoir does extend, and is shown to extend by the geologic data that we have shown here today, and at the previous hearing last month, and in the Colorado portion of the Dakota reservoir, spacing has been established for 640 acres per well.

Q Have you any other points, comparisons that you would like to make, comments with reference to this Dakota reservoir?

- A I believe not.
- Q Have you prepared any suggestive rules for spacing in the Dakota reservoir?
 - A Yes, sir, I have.

MR. HOWELL: I guess we will mark this as El Paso's Exhibit No. 10.

Will you state very briefly the rules that you have suggested and why you have suggested these rules for spacing in the Dakota reservoir?

A The spacing rules shown are essentially the same rules as have been adopted for the Mesaverde. Rule 1 varies from the identical Mesaverde rule in that it permits the well to be drilled within any quarter section within the section. Now, we have recommended that this flexibility be granted the operators drilling Daketa wells in order that they may take full advantage of the possibilities of dually completing Daketa wells with other wells that are to be drilled or are to be worked over on the same acreage. We

think that we'll have more Dakota wells drilled if we can be assured of dual completions. And I think the nature of the Dakota reservoir is auch as to, unrecoverable reserves are such as to necessitate or to at least make desirable the additional incentive.

- Q You have -- by this cute, you have suggested that the operator be permitted to take to the Dakota a well in any quarter section of this section?
 - A That is correct.
 - Q Allocating to it a half of the section?
 - A That is correct.
- Q And that would then permit either the reworking of an existing Mesa Verde well or if there was another shallower formation, Pictured Cliffs, or some other formation, it might permit the dualing of the Dakota, is that correct?
- A That is correct. It may be that on a quarter section you have a Mesa Verda dualed with a Pictured Cliffs, and you could also dual the Dakota, the well bore very well.
- Q You can then go into the other quarter section and drill a dual, a Pictured Cliffs, and Dakota?
 - A That's correct.
- Q And by giving this flexibility, operators would be encouraged to test the Dakota because the test can be made more economically?
 - A That is correct.

MR. HOWELL: We would like to offer Exhibit No. 10.

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MW. PORTER: Without objection, al Paso's Exhibit No. 10 will be received.

MR. HOWELL: I think that's all of our questions.

MR. PORTER: Anyone have a question of Mr. Woodruff?

CROSS EXAMINATION

BY MR. COOLEY:

call it, in permitting the operator to drill in any quarter section rather than fixing them to a pattern as they have been in the Mesa Verde would tend to some degree to reduce the efficiency of drainage in the reservoir, wouldn't it, any time you vary from the pattern?

A I don't believe that it would have a significant variation in the efficiency of drainage in the Dakota reservoir.

economics of the matter for the moment, where you could develop a reservoir on a set pattern as opposed to an erratic pattern, wouldn't you expect some degree of efficiency, greater degree?

A I believe that would be a reasonable conclusion. I don't consider that it would be significant in this instant.

Q Now, as I understand it, the primary reason for your requested latitude in this regard is to permit the dual completion of wells in the area?

A That is correct.

Q In the event that 320-acre spacing were adopted, do you

think it would be extremely offensive or burdensome if a spacing pat tern or well pattern similar to that of the Mesaverde were adopted with provision to administratively permit dual completion such as, or as you have suggested, dual completion on ar off quarter so that the Pictured Cliffs and the Dakota might be dually completed?

A I think it would be overburdensome and an unnecessary requirement to set up the spacing, say identical to the Mesaverde and require exceptions where you go elsewhere. You often don't know, when you are drilling a new well, whether you are going to be able to dually complete it or not. I don't know what prerequisite of standards the Commission would set, but I do know that you can always obtain prior to drilling, I believe the latitude is reasonable as requested.

Q In the event the Commission determines that the set space ing pattern, such as that in the Mesaverde, be adopted; that 320acre spacing would not be fessible in the Dakota, assuming that set of facts, then would it be El Pasc's preference to have 320 with fixed location, or 160?

A It would be our preference to have fixed spacing on 320 acres.

MR. COOLEY: That is all.

MR. PORTER: Anyone else have a question of Mr. Woodruff? QUESTIONS BY MR. FISCHER:

Q Mr. Woodruff, when you are speaking of vertical fractures, horizontal fractures, do you think there is a greater degree of horizontal fracturing than there is vertical fracturing?

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A The only fractures that have been defined other than fractures are vertical fractures on the core analysis that have been reported, so I cannot positively say whether there also may have been horizontal fractures.

Q Did you notice any actual evidence of vertical fractures in any of the impermeable stringers in the vertical limits that we are talking about?

A Yes.

MR. FISCHER: Thank you.

MR. PORTER: Any Turther questions?

QUESTIONS BY HR. UTZ:

Q Mr. Woodruff, referring to Rule 3, of your Exhibit No. 4, again back to the vertical limits, in view of the testimony of the previous witness in this case, would it still be your recommendation to leave Rule 3 as printed on this exhibit or put it between the base of the Greenhorn?

A I believe, in view of his testimony, it would be better to tag it as four hundred feet below the base of the Greenhorn.

There is just some question as to what all that will include, but I think as we gain experience we can judge at that time whether that four hundred feet needed to be changed and make any changes as necessary when that is determined.

MR. UTZ: That's all I have.

MR. PORTER: Anyone else have a question of the witness? Mr. Kendricks.

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Q Ar. Woodruff, do you have any objections to a change in your Rule 2 which asks for notification of all offset operators in case of non-standard locations due to topographical conditions since it might reflect more the revised Rule 104, which requires notification of any operator closer than 790 feet to the well bore?

A I believe Rule 2 should be consistent with the provisions of Rule 104.

MR. KENDRICKS: Thank you.

MR. PORTER: Anyone else have a question? QUESTIONS BY MR. CHRISTIE:

Q Mr. Woodruff, in your proposed Rule 2, do I understand this minimum 990 feet is from the outer boundaries of the quarter section or the inner boundary?

A It would be from any boundary of the quarter section.

MR. CHRISTIE: Thank you.

MR. PORTER: Any further questions of Mr. Woodruff? If no one else has a question, the witness may be excused.

(Witness excused)

MR. HOWELL: That completes our evidence.

MR. PORTER: Anyone else have testimony to present in the case? Any comments or statements to be made? Mr. Buell.

MR. BUELL: May it please the Commission, Guy Buell for Pan American Petroleum Corporation. Pan American urges the Commission grant the 320-acre units for the Dakota formation as requested by El Paso. We are strongly supporting the adoption of 320-acre units, although our engineers believe. In fact, are confident that subsequent data will show that probably the none optimum unit is 540 acres. However, in our opinion, the most important thing at this time is to adopt 320-acre units so that we can at least minimize the drilling of unnecessary wells until we acquire subsequent data which will show 640-acre drainage. The Cormission docket is always open, but we strongly support the 320-acre Dakota unit.

MR. PORTER: Anyone else have a statement in this case concerning the matter?

MR. BRATTON: I am Howard Bratton, Numble Oil and Refining Company. We strongly urgo the adoption of ML Paso's proposal of 320-acre spacing in the Dahota formation. We believe the evidence justifies the issuance of the order as requested.

Company strongly urges the adoption of the 320-acre spacing for the Dakota formation under the proposed definition of the Dakota. In that connection I would like to make a brief observation on this testimony. While the witness frankly admits they have no interference tests, certainly the testimony offered is quite impressive in showing that this reservoir is at least as good and probably better as to drainage characteristics than the Mesa Verde. Until additional testimony on information is available, I think it would be a serious mistake to continue the development of this pool on 150-acres, and we strongly urge the adoption of this 320-acre rule.

MR. POHWER: Anyone else have anything to offer? Any comments, statements? Mr. Christie.

MR. CHRISTIE: I have a statement I would like to read in the record. I have some figures here that maybe you want me sworn to testify to, I don't know.

(Witness sworn)

R. S. CHRISTIE,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXARINATION

BY MR. COOLEY:

- Q Will the witness state his name and position, please?
- A My name is R. S. Christie. Engineer for Amerada Petroleum Corporation, Tulsa, Oklahoma.
- Q Mr. Christie, have you previously qualified before the New Mexico Oil Conservation Commission --
 - A Yes, sir, I have.
 - Q -- as an expert in the field of engineering?
 - A Yes, sir.
 - Q Proceed.
 - A Off the record.

(Discussion off the record)

A Amerada is not particularly in favor of El Paso's application in that we think the initial development, or at least the

initial stage of development of Dakota should be on 640-acres. give that for these reasons: If a well will drain 640 acres and El Paso has not proved otherwise, then to develop on 320-acre spacing will result in unmecessary wells. We feel that if a well will drain only 320 acres, it is our opinion development on 320 acres would not on the average be a very profitable venture. We have estimated in one particular area where we have interest in the Dakota that the recovery will be 6.3 million cubic feet per acre. At the present rate of production, we estimate that these reserves will be produced in approximately eleven years. Our cost of the Dakota well is a little bit higher than El Faso's. We estimate an actual cost of the Dakota well is approximately \$150,000, and Dakota Mess Verde dual completion \$184,000. If the reserves will be depleted in eleven years, then the present worth based on current price on a 640-acre unit is only \$174,000. Therefore, it is obvious if a second well is required on 640 acres, then the profit is only \$24,000. Of course, in addition to that, you have to pay out from dry holes. If it is necessary to drill on the Mesa Verde on 320 acres, savings of at least \$74,000 can be realized, if one single Mesa Verde well is drilled and one dual Dakota Mesa Verde well is drilled on the other 320 acres. This, then, would be a very substantial savings if large areas are involved, which this area is. Mr. Loleit testi fied in a previous hearing in this case that there have been fifty wells drilled in the Dakota basin, thirty of which have been dry. This means, of course, that one producer will pay out the cost of

one and a half dry holes as well as his own costs. While it is unlikely that under a development program there would be an additional thirty dry holes out of fifty wells drilled, the success ratio will be low. This further points out the questionable economics of 320acre spacing. I would like to recall here, too, that Mr. F. H. Lechish's analysis on dry holes drilled in gas areas, the percentage or the ratio is now one to about 10.78 wells, which is a little bit higher than the rate for oil. If we understand Paragraph 5, under El Pasc's application, in effect, they have indicated one well will drain 640 acres. This is apparent from Amerada's Exhibit No. 1 which I offer in evidence at this time. This brings out the question that Mr. Cooley asked Mr. Woodruff a while ago. Under their proposed rule, it would be possible to drill up your 320 acres under such a plan as this. It is evident from this exhibit that if wells were permitted under this spacing, that there would be a large area in between the locations that would not be drained, and I don't think El Paso would propose a plan such as this if they didn't think they were going to drain the whole entire area, so that to me, in effect I think they are probably admitting that one well will drain greater than 320 acres. If you would locate the wells 660 feet from the center of the quarter sections and have a 640-acre unit, you would drain the 640 acres just as adequately as you would to space them as the proposed rules suggest. Actually, the difference between the drainage, radius of drainage of a 320-acre unit and 640-acre unit, assuming a radial drainage, is only an additional 840 feet

approximately, so we submit that if a well with the permeability of the Dakota will drain 320, then it will drain 640.

We object to the language in Paragraph 6, Mr. Howell, I'm not sure whether you now ask for what was in the original application. If the language means that any other gas pool in the same sands within San Juan and Rio Arriba Counties should be developed on 320-acre spacing, we have some areas that you have no development at all, and we think that those areas ought to stand on their own feet and not be tied to 320, that will not be necessary.

MR. PORTER: You are referring to Paragraph 5 of the application?

MR. CHRISTIE: Of the application, yes, sir.

MR. HOWELL: Paragraph 6?

MR. CHRISTIE: Yes, I am sorry.

MR. HOWELL: The language, I think, is the same in the amended application.

MR. COOLEY: Mr. Christie, would you read the language to which you refer and state more particularly what your objection is?

MR. CHRISTIE: I am referring to this statement or this part in the first application, I'm not sure, "the establishment of drilling and spacing units as herein requested is necessary for the orderly development of the common source of supply in the designated Dakota gas pools and areas adjacent hereto and any other gas pool to the Dakota formation within the San Juan and Rio Arriba

Counties."

MR. COOLEY: Well, it is very clear, Mr. Christie, from the application that El Paso Natural Gas Company is, by this application, seeking 320-acre spacing in this horizon which has been designated as the Dakota producing interval wherever it may occur in San Juan or Rio Arriba Counties, with the exceptions of the four pools --

MR. HOWELL: Three.

MR. COOLEY: Three existing pools which have been expressly excluded from the application.

MR. CHRISTIE: Well, that's the way we interpret it, and it's our opinion that probably shouldn't include areas that are not now under development or haven't been developed. We may find entirely different conditions somewhere else in the county. For all these reasons, therefore, Amerada recommends 640-acre spacing with the well located 660 feet from the inner boundaries of the quarter sections. I think this would be a good time to remind the Commission that this is 0il Progress Week, and the majority of the companies are trying to make progress on this wider spacing, and I believe accreda believes that the regulatory bodies of the various states would be of great assistance to the industry as a whole if they would at least start out with wider spacing and then, if necessary, to come down to the denser spacing.

MR. PAYNE: Mr. Christie, you are aware, are you not, that the application is for 320-acre spacing?

MR. CHRISTIF: Yes, sir.

MR. PAYNE: And that we could not grant 640 under this application even if we so desired, and that at any time your company could come in and file an application for 640-acre spacing.

MR. CHRISTIE: Yes, I realize that.

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

QUESTIONS BY MR. NUTTER:

Q Mr. Christie, you don't anticipate the same development or progress in the Dakota as on these forty wells?

A No, I believe I made that statement that we don't.

MR. PORTER: Anyone else have a question of Mr.Christie?

You may be --

MR. COOLEY: I still am not sure that I understand his position. In view of what Mr. Payne just told you that the Commission in this application has but two choices, to establish 320-acre spacings in these areas, or remain on the statewide 160-acre spacing, in view of this fact, you are still objecting to approval of the application? I understand your company feels that 640 is more proper, but are you actually objecting to the granting of this application?

A If the Commission feels that there is sufficient evidence to substantiate the 320, we certainly would be in favor of that over the 160.

MR. COOLEY: That's the only choice we have in this hearing.

DEARNLEY - MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE, NEW MEXICO Phone Chapel 3-6691 MR. PORTER: Any further questions? The witness may be

excused.

(Witness excused)

MR. PORTER: Anyone else have testimony to present in the case? Any statements to be made that we haven't already heard? MR. PAYNE: The Commission has received notification to the effect that the following named companies adopt and join in El Paso's application. These companies are as follows: King-Loc Petroleum Company, Superior Oil Company, Brookhaven Oil Company, Dacresa Corporation, Northeast Blanco Development Corporation, Delhi-Taylor Oil Corporation, Pubco Petroleum Corporation and Texas

The following companies have concurred and recommend appro-National Petroleum Company. val of El Paso's application: Kingwood Oil Company, Aztec Oil and Gas Company, Western Natural Gas Company, Empire States Drilling Corporation and Southern Union Gas Company as the application was amended by deleting the Barker Creek and Ute Dome Pools.

MR. PORTER: If there are no further statements in this case, we will take the case under advisement.

W C GILMORE--359 CORBER BLDG ALBUQUERQUE N MEX. YOU ARE HEREBY AUTHORIZED TO APPEAR ON BEHALF OF KUTZ CANON OIL & GAS COMPANY WHICH HOLDS EXTENSIVE LEASEHOLD INTERESTS AND OPERATING RIGHTS IN THE ANGEL PEAK KUTZ CANON FULCHER AREA SAN JUAN COUNTY NEW MEXICO AT THE HEARING OF THE NEW MEXICO OIL AND GAS CONSERVATION COMMISSION

TO BE HELD OCTOBER 15, 1958 ON THE QUESTION OF SPACING OF DAKOTA
WELLS IN THAT AREA STOP THE POSITION OF KUTZ CANON OIL & GAS COMPANY
AS TO THE SPACING OF DAKOTA WELLS IN THAT AREA IS THAT THE SPACING
SHOULD BE ONE WELL FOR EACH ONE HUNDRED SIXTY ACRES-

KUTZ CANON OIL & GAS CO J F SEATON PRESIDENT:

DEARNLEY - MEIER & ASSOCIATES GENERAL LAW REPORTERS ALBUQUERQUE, NEW MEXICO Phone Chapel 3-6691

CERTIFICATE

STATE OF MEN MEXICO)

: se
COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, 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.

WITHESS my Hand and Seal, this, the 28 day of October 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph Q. Injella Notary Public

My Commission Expires:

October 5, 1960