

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

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

Telephone 982-4285  
Area Code 505

March 4, 1986

RECEIVED

MAR 4 1986

OIL CONSERVATION DIVISION

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

"Hand Delivered"

Re: Petro-Thermo Corporation  
NMOCD Case 8781

Dear Mr. Stamets:

Please find enclosed our application for a DeNovo hearing in the referenced case.

Very truly yours,



W. Thomas Kellahin

WTK:ca  
Enc.

cc: John P. Weber, Esq.  
Maddox, Renfrow, & Saunders  
P. O. Box 5370  
Hobbs, New Mexico 88214

Larry Squires  
Pollution Control  
P. O. Box 1060  
Lovington, New Mexico 88260

Mr. Joe D. Ramey  
P. O. Box 6016  
Hobbs, New Mexico 88241

J. W. Neal, Esq.  
Attorney at Law  
P. O. Box 787  
Hobbs, New Mexico 88241

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF PETRO-THERMO CORPORATION FOR  
AN EXCEPTION TO DIVISION ORDER  
R-3221 AND FOR AUTHORIZATION TO  
DISPOSE OF ASSOCIATED WASTE  
HYDROCARBONS AND OTHER SOLIDS  
OBTAINED IN CONJUNCTION WITH THE  
DRILLING AND PRODUCTION OF OIL  
AND GAS INTO A DISPOSAL SITE ON  
THE SURFACE, LEA COUNTY, NEW MEXICO.

RECEIVED  
MAY 1965  
OIL CONSERVATION DIVISION

CASE: 8781  
ORDER R-8161

APPLICATION FOR DE NOVO HEARING

Comes now SNYDER RANCHES, INC. and POLLUTION  
CONTROL, INC., by this attorneys, Kellahin & Kellahin,  
and respectfully requests that this matter be heard  
DeNovo before the Oil Conservation Commission.

Kellahin & Kellahin

By   
W. Thomas Kellahin  
P. O. Box 2265  
Santa Fe, NM 87504

CASE 8778: (De Novo)

Application of John Yuronka for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Langlie Mattix Pool in the perforated interval from 3351 feet to 3546 feet in his Hodges Well No. 1 located 660 feet from the South line and 1980 feet from the East line (Unit 0) of Section 8, Township 24 South, Range 37 East.

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

CASE 8781: (De Novo) (Rehearing)

Application of Petro-Thermo Corporation for an exception to Division Order No. R-3221 and for authorization to dispose of associated waste hydrocarbons and other solids, obtained in conjunction with the drilling and production of oil and gas into a disposal site on the surface, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Division Order No. R-3221, as amended, to permit the disposal of produced salt water onto the surface in the E/2 NE/4 of Section 16, Township 20 South, Range 32 East. Applicant further seeks authorization to dispose of associated waste hydrocarbons and other related solids, obtained in conjunction with the drilling and production of oil and gas, onto the surface in said area. Laguna Plata, sometimes referred to as Laguna Grande is located within a portion of the above-described area.

~~Upon application of Snyder Ranches, Inc. and Pollution Control, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.~~

CASE 8690: (Continued from February 26, 1986, Commission Hearing) (De Novo)

Application of Doyle Hartman for compulsory pooling, a non-standard proration unit, two unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of two wells to be located at unorthodox well locations, the first of which is to be at least 1325 feet from the South line but not more than 1650 feet from the South line and at least 660 feet from the West line but not more than 850 feet from the West line of Section 22, and the second of which is to be at least 250 feet from the North line but not more than 990 feet from the North line and at least 660 feet from the West line but not more than 1980 feet from the West line of Section 27, all in Township 25 South, Range 37 East, Jalmat Gas Pool and Langlie Mattix Pool, is necessary to effectively and efficiently drain that portion of a 400-acre non-standard gas proration unit in the Jalmat Gas Pool only, comprising the W/2 SW/4 and W/2 SE/4 of Section 22 and the NW/4 and W/2 NE/4 of Section 27, Township 25 South, Range 37 East, which cannot be so drained by the existing Jalmat wells. Applicant further seeks approval for the simultaneous dedication of said 400-acre non-standard Jalmat proration unit to the subject wells and the currently producing Carlson-Harrison Federal Com Well Nos. 1, 2, and 3. Applicant further seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the above non-standard proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

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

CASE 8796: (Continued from February 26, 1986, Commission Hearing)

Application of Rio Pecos Corporation for enforcement of the Common Purchaser Requirements of Section 70-2-19 NMSA, 1978 (1984 Supplement) and other pertinent provisions of the Oil and Gas Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order requiring El Paso Natural Gas Company to purchase the applicant's share of gas production from the Yates Petroleum Corporation Little Box Canyon Unit Well No. 5 located 800 feet from the South line and 1600 feet from the West line of Section 7, Township 21 South, Range 22 East, without discrimination as to price paid, quantities purchased, bases of measurement or gas transportation facilities afforded as compared to gas from other wells of like quantity, quality, and pressure. Applicant further seeks an order requiring El Paso Natural Gas Company to take ratably the gas produced from aforementioned well and any such other relief as may be appropriate.

CASE 8783: (De Novo)

Application of TXO Production Corp. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause, seeks an order pooling all mineral interests in all formations from 4825 feet beneath the surface to the base of the Bone Spring formation underlying the SE/4 NW/4 of Section 26, Township 18 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Joseph S. Sprinkle, this case will be heard De Novo pursuant to the provisions of Rule 1220.

KELLAHIN and KELLAHIN

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

Telephone 982-4285  
Area Code 505

RECEIVED

April 7, 1986

APR 1986

OIL CONSERVATION DIVISION

Mr. Richard L. Stamets  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

"Hand Delivered"

*Case File*

Re: Application of Petro-Thermo  
Corporation for an exception  
to Division Order R-3221  
Commission Case 8781

Dear Mr. Stamets:

Pursuant to the provisions of Rule 1211, and on behalf of Synder Ranches and Pollution Control, Inc., I am requesting the issuance of the enclosed subpoena to Mr. William G. Abbott for his attendance and for the production of certain documents at the hearing of the referenced case on April 9, 1986.

The documents are necessary to determine the financial competency of Petro-Thermo Corporation to conduct prudent operations at this site in compliance with the terms and conditions of any order to be issued by the Commission.

Very truly yours,

*W. Thomas Kellahin*  
W. Thomas Kellahin

WTK:ca  
Enc.

cc: John P. Weber, Esq.  
P. O. Box 5370  
Hobbs, New Mexico 88241

*Contacted Tom 4-7-86  
and advised this fld too late  
for a hearing on 4-9-86. Told him  
I would hear arguments on  
this at the hearing  
and advise Petro Thermo  
of this request  
Bill*

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF PETRO-THERMO CORPORATION FOR  
AN EXCEPTION TO DIVISION ORDER  
R-3221, LEA COUNTY, NEW MEXICO

CASE NO. 8781

SUBPOENA DUCES TECUM

TO: William G. Abbott  
P. O. Box 1978  
Hobbs, New Mexico 88240

Pursuant to the power vested in this Division, you are commanded to appear at the Oil Conservation Commission on April 9, 1986, at 9:00 A.M., in Case 8781 and to produce and make available to all parties in said case all of the following documents under the possession or control of Petro-Thermo Corporation:

1. True and correct copies of Petro-Thermo Corporation's Articles of Incorporation, By-Laws and annual reports, from inception to a current date;
2. True and correct copies of any and all bonds covering operations in Lea County, New Mexico; and
3. True and correct copies of any profit and loss statements for the last 18 months.
4. True and correct copies of any and all financial statements submitted to any lending institution.

5. List of names and amounts for accounts payable which are over 90 days old.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries or predecessors.

NEW MEXICO OIL CONSERVATION  
DIVISION

---

RICHARD L. STAMETS  
Director

ISSUED THIS \_\_\_\_ day of \_\_\_\_\_, 1986, at  
Santa Fe, New Mexico.

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF PETRO-THERMO CORPORATION FOR  
EXCEPTION TO DIVISION ORDER  
R-3221, LEA COUNTY, NEW MEXICO

CASE NO. 8781

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served the original Subpoena Duces Tecum to William G. Abbott, P. O. Box 1978, Hobbs, New Mexico 88241, on this \_\_\_\_ day of April 1986.

\_\_\_\_\_  
PROCESS SERVER

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 1986.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF PETRO-THERMO CORPORATION FOR  
AN EXCEPTION TO DIVISION ORDER  
R-3221, LEA COUNTY, NEW MEXICO

CASE NO. 8781

SUBPOENA DUCES TECUM

TO: William G. Abbott  
P. O. Box 1978  
Hobbs, New Mexico 88240

Pursuant to the power vested in this Division, you are commanded to appear at the Oil Conservation Commission on April 9, 1986, at 9:00 A.M., in Case 8781 and to produce and make available to all parties in said case all of the following documents under the possession or control of Petro-Thermo Corporation:

1. True and correct copies of Petro-Thermo Corporation's Articles of Incorporation, By-Laws and annual reports, from inception to a current date;
2. True and correct copies of any and all bonds covering operations in Lea County, New Mexico; and
3. True and correct copies of any profit and loss statements for the last 18 months.
4. True and correct copies of any and all financial statements submitted to any lending institution.

5. List of names and amounts for accounts payable which are over 90 days old.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries or predecessors.

NEW MEXICO OIL CONSERVATION  
DIVISION

---

RICHARD L. STAMETS  
Director

ISSUED THIS \_\_\_\_ day of \_\_\_\_\_, 1986, at  
Santa Fe, New Mexico.

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF PETRO-THERMO CORPORATION FOR  
EXCEPTION TO DIVISION ORDER  
R-3221, LEA COUNTY, NEW MEXICO

CASE NO. 8781

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served the original Subpoena Duces Tecum to William G. Abbott, P. O. Box 1978, Hobbs, New Mexico 88241, on this \_\_\_\_ day of April 1986.

\_\_\_\_\_  
PROCESS SERVER

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 1986.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

**MADDOX, RENFROW & SAUNDERS**

PROFESSIONAL CORPORATION

ATTORNEYS AND COUNSELORS AT LAW

POST OFFICE BOX 5370

HOBBS, NEW MEXICO 88241

THIRD FLOOR  
BROADMOOR BUILDING  
(505) 393-0505

DON MADDOX  
JAMES M. MADDOX  
JOHN M. RENFROW  
JAMES P. SAUNDERS, JR.

SCOTTY HOLLOMAN  
JOHN PAUL WEBER  
GARY L. CLINGMAN

April 23, 1986

RECEIVED

Mr. R. L. Stamets  
Chairman, Oil Conservation Commission  
Energy and Minerals Department  
State of New Mexico  
P. O. Box 2088  
State Land Office Building  
Santa Fe, New Mexico 87501

VIA FEDERAL EXPRESS

RE: Application of Petro-Thermo Corporation for Exception To  
Division Order No. R-3221, As Amended And For Authorization  
To Dispose of Associated Waste Hydrocarbons And Other Solids  
Obtained In Conjunction With The Drilling And Production Of  
Oil And Gas Into Unlined Pits, Lea County, New Mexico; Case  
No. 8781

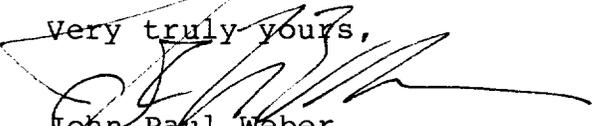
Dear Mr. Stamets:

Reference is made to the above-styled and numbered cause which  
came on for hearing on April 10, 1986.

In accordance with your directive, a proposed Order is submitted  
herewith for your consideration.

Pursuant to your authorization given at the close of the hearing,  
a copy of correspondence from Dr. Daniel B. Stephens is also  
submitted for inclusion in the record, as are Petro-Thermo  
Corporation's Exhibits numbered 10 and 11.

Very truly yours,

  
John Paul Weber

JPW:sfp

xc: Petro Thermo Corporation

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING DE NOVO  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 8781

APPLICATION OF PETRO-THERMO  
CORPORATION FOR AN EXCEPTION TO  
DIVISION ORDER NO. R-3221, AS AMENDED,  
AND FOR AUTHORIZATION TO DISPOSE OF  
ASSOCIATED WASTE HYDROCARBONS AND OTHER  
SOLIDS, OBTAINED IN CONJUNCTION WITH THE  
DRILLING AND PRODUCTION OF OIL AND GAS  
INTO UNLINED PITS, LEA COUNTY, NEW MEXICO.

PROPOSED ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on April 10,  
1986, at Santa Fe, New Mexico.

NOW, on this \_\_\_\_\_ day of May, 1986, the Commission,  
having considered the testimony, the record, and being fully  
advised in the premises,

FINDS THAT:

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

(2) Decretory Paragraph No. (3) of the Division Order No.  
R-3221, as amended, prohibits in that area encompassed by Lea,  
Eddy, Chaves, and Roosevelt Counties, New Mexico, the disposal,  
subject to minor exceptions, of water produced in conjunction  
with the production of oil or gas, or both, on the surface of  
the ground, or in any pit, pond, lake, depression, draw,  
streambed, or arroyo, or in any water course, or in any other  
place or in any manner which would constitute a hazard to any  
fresh water supplies.

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

(4) The State Engineer has designated all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(5) That the applicant, Petro-Thermo Corporation, seeks as an exception to the provisions of Order No. R-3221 to permit the commercial disposal of produced salt water into unlined surface pits to be located in the SW/4 SE/4 NE/4 of Section 16, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico.

(6) The applicant further seeks authorization to dispose of associated waste hydrocarbons and other related solids obtained in conjunction with the drilling and production of oil and gas into separate unlined pits also located within the above-described area.

(7) That the applicant proposes to install and operate an effective system, consisting of separating tanks, 5 water disposal pits, 4 solid disposal pits, one overflow pit, and associated skimming equipment for the removal and reclamation of oil and basic sediments from the produced water to be disposed of and a dispersal area to dispose of other solid waste.

(8) A naturally occurring salt lake (Laguna Plata) is located in the northern portion of Section 16, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico, and is approximately one quarter mile from the proposed disposal area.

(9) The hydrogeologic evidence presented in this case established that:

(a) Triassic redbeds, comprised of the Chinle Shale, Santa Rosa sandstone and the Dewey Lake formation, underlie both Laguna Plata and the proposed water disposal site;

(b) Shales within triassic redbeds underlying the proposed waste disposal site and Laguna Plata are virtually impermeable and therefore prevent vertical seepage of the waters from the site and Laguna Plata into sand stringers within the redbeds which may contain fresh water;

(c) The surface of the Triassic redbeds is depressed in the vicinity of the waste disposal site and Laguna Plata thus creating a "collapse feature";

(d) The major flow of surface and subsurface water within the boundaries of the "collapse feature" is toward Laguna Plata;

(e) Seepage from the impoundments at the proposed waste disposal site will infiltrate into the subsurface and migrate toward Laguna Plata;

(f) After the seepage reaches Laguna Plata, practically all of the seepage will evaporate.

(g) The evaporation of Laguna Plata is more than 60 times the proposed estimated average sustained rate of fluid waste disposal, which should be approximately 30,000 barrels per day;

(h) The concentration of total dissolved solids in the seepage from the impoundments is less than that in the waters of Laguna Plata;

(i) The concentration of total dissolved solids in the waters of Laguna Plata is 335,108 parts per million. There is no present or reasonably foreseeable beneficial use of the waters of Laguna Plata.

(j) Due to fracturing in this collapse feature a minor amount of seepage may filtrate through this impermeable layer; however, there are no known sources of potable groundwater in sediments underlying the Triassic redbeds at Laguna Plata.

(k) The utilization of the proposed Petro-Thermo Corporation disposal site adjacent to Laguna Plata for the disposal of water produced in conjunction with the production of oil or gas, or both, and oil-field waste products, including drill cuttings and drilling muds should not constitute a hazard to any fresh water supplies.

(10) That the applicant should be authorized to utilize unlined pits as described in Finding Paragraph (7) above, which are within one quarter of a mile from Laguna Plata for the disposal of water produced in conjunction with the production of oil or gas, or both, and oil-field waste products, including drill cuttings and drilling muds.

(11) The proposed disposal system should be constructed and maintained in accordance with the engineering plat and topographic map presented at the time of the hearing de novo and marked as Petro-Thermo Corporation Exhibit No. (8) for the case and in accordance with such additional conditions and requirements as the Director of the Division may deem necessary.

(12) At the time of the hearing the applicant stated that the maximum fill level in all of the above-mentioned pits is to be limited to a plane three feet below the crest of the dikes surrounding the pits.

(13) Said facility should have adequate fencing, gates, and cattle guards installed and maintained to preclude livestock and unauthorized persons from entering the property.

(14) In order to assure that the Division should have an opportunity to assess the potential for migration of heavy metals, soluble hydrocarbons, or other deleterious materials in the subsurface from the disposal pits to the lake surfaces, the development of a monitor well and sampling program satisfactory to the Director of the Division should be required.

(15) The granting of this application should not endanger designated fresh water supplies, and should prevent waste by permitting production of oil associated with large amounts of water.

IT IS THEREFORE ORDERED:

(1) That the applicant, Petro-Thermo Corporation is hereby granted an exception to Decretory Paragraph No. (3) of Division Order No. R-3221, as amended to dispose of water produced in conjunction with the production of oil or gas, or both, and oil-field waste products, including drill cuttings and drilling muds in unlined pits adjacent to Laguna Plata in the SW/4 SE/4 NE/4 of Section 16, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico;

PROVIDED HOWEVER THAT, the disposal facility shall be constructed and maintained in accordance with the engineering plat and topographic map presented at the time of the hearing de novo and marked as Petro-Thermo Corporation Exhibit No. (8);

PROVIDED HOWEVER THAT, the facility shall have adequate fencing, gates, and cattle guards installed and maintained to preclude livestock and unauthorized persons from entering the facility;

PROVIDED FURTHER THAT, the total disposal volume at the facility shall not exceed 30,000 barrels per day and the maximum fill level in each pit at the facility shall be limited to a plane three feet below the crest of the dikes surrounding the pits.

(2) That the applicant's plan for installation and sampling of monitor wells is approved. Such plan will be implemented, prior to operation of the disposal facility, so that the

subsurface movement of heavy metals, soluble hydrocarbons, or other deleterious materials from the pits to the lake surface may be detected in sufficient time prior to their arrival at the lake surface in order that appropriate action may be taken if needed.

(3) The Director of the Division may by administrative order rescind the authorization and/or require additional conditions ~~be met~~ if it is determined that such rescission or additional conditions would serve to protect fresh water supplies from contamination, assure the protection of human health or livestock, and the prevention of waste.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

---

S E A L



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

TONY ANAYA  
GOVERNOR

May 21, 1986

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Mr. John Paul Weber  
Maddox, Renfrow & Saunders  
Attorneys at Law  
Post Office Box 5370  
Hobbs, New Mexico 38241

Re: CASE NO. 3781  
ORDER NO. R-8161-A

Applicant:

Petro-Thermo Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Sincerely,

R. L. STAMETS  
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD     x      
Artesia OCD     x      
Aztec OCD           

Other Thomas Kellahin