




STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

June 2, 1986

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

MEMORANDUM NO. 4-86

TO: ALL OPERATORS AND INTERESTED PARTIES
FROM: R. L. STAMETS, DIRECTOR 
SUBJECT: CLARIFICATION OF ADMINISTRATIVE APPROVAL PROCESSES IN CERTAIN
POOLS WITH SPECIAL RULES

Division Rule 1 provides in part that: "Special rules, regulations and orders have been and will be issued when requested and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply."

Over the years, many special pool rules have been written. Many of these contained special rules providing for administrative exceptions to such matters as location requirements or spacing unit size while others did not. One prevailing opinion is that the intent of those special rules without administrative exception provisions was to preclude such exceptions. The counter opinion is that when read with Rule 1, if nothing is said, then the administrative exception provisions in the General Rules shall apply.

Notice is hereby provided that it is henceforth to be Division policy to utilize the administrative exceptions or approval procedures of the General Rules when special pool rules are silent as to such exceptions. This policy will save both the Division and operators the cost of unnecessary hearings.

Any person who is aware of any pool with special rules which should preclude any of the administrative exceptions or approvals provided in the General Rules should notify this office of such situation at the earliest possible date providing the reasoning for precluding administrative exceptions. Thereafter, we would suspend this policy for such pool and schedule a case to modify such special rules to incorporate the necessary prohibitions.

RLS:dp




STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

June 11, 1986

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

MEMORANDUM NO. 5-86

TO: ALL OPERATORS AND INTERESTED PARTIES
FROM: R. L. STAMETS, DIRECTOR 
SUBJECT: EPA SAMPLING OF PRODUCED WATER AND DRILLING FLUIDS, NOTICE OF
OPEN MEETING

As required by Congress in the 1980 amendments to the Solid Waste Disposal Act, the USEPA is required to undertake studies of "drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil or natural gas or geothermal energy." These studies are to determine if these wastes should be regulated as "hazardous wastes" under provisions of the Resource Conservation and Recovery Act (RCRA). The studies are to include a nationwide field sampling program in oil and gas producing states to identify waste and pollutant characteristics. New Mexico sampling will begin June 25. Because of Congressional deadlines and budget constraints, EPA plans to sample only a few sites in New Mexico. Operators selected for visits will be notified separately.

The OCD is cooperating with the EPA by assisting in site selection, and providing information and some logistical support. This includes visits to the two major oil and gas production areas, and discussions with EPA staff on the existing State-run fresh water protection program.

The EPA has offered to participate in an informal open meeting to discuss the Congressional requirement for studies of oil and gas production wastes, the field sampling program, timetables, and other informational requirements related to this study. Before any standards or regulations on these wastes will be promulgated, EPA is required to complete these studies, hold formal public hearings, and make recommendations to Congress.

The meeting will be held at 9:30 a.m., Tuesday, June 24, in the OCD Conference Room (Room 205), in the State Land Office Building in Santa Fe. Copies of EPA's oil and gas sampling strategy document and other information are available from David Boyer of this Division at 827-5812.

RLS:DGB:dp



TONY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

June 11, 1986

50 YEARS



1935 - 1985

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(505) 827-5800

MEMORANDUM NO. 6-86

TO: ALL INTERESTED PARTIES

FROM: MICHAEL E. STOGNER, PETROLEUM ENGINEER *M.S.*

SUBJECT: PROPOSED NGPA RULE CHANGES AND AMENDMENTS TO DIVISION
ORDER NO. R-5878-B, AS AMENDED, PURSUANT TO CASE
NO. 8903

The following amendments are being proposed for Division Order No. R-5878-B, as amended, Special Rules for Applications for Wellhead Price Ceiling Category Determinations, in Case No. 8903.

Definitions:

"[USGS]: [United-State-Geological-Survey]

USBLM: United States Bureau of Land Management"

RULE 1.

" An application for Wellhead Price Ceiling Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any. The application shall be signed by the applicant or his authorized representative or agent."

RULE 2.

" ~~[The-application-shall-be-signed-by-the-applicant-or-his authorized-representative-or-agent]~~. A non-refundable filing fee in the amount of \$25.00 for each category sought per application must accompany each application when submitted to the New Mexico Oil Conservation Division. Payment must be by check or money order payable to the Oil Conservation Division. Cash will not be acceptable."

RULE 3.

" If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the [USGS] USBLM. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated."

RULE 4.

" Two complete copies of the application shall be filed with the Division's Santa Fe office. ~~[and a copy of the C-132 or C-132-A with the appropriate district office]~~."

RULE 13.

(Existing Rule 13 to be replaced in its entirety with the following.)

" For the purposes of NGPA only a proration unit for a given formation or pool shall automatically expire when the last well on the proration unit dedicated to said unit in that formation or pool has either been:

1. plugged and abandoned;
2. recompleted in another pool or formation;
3. converted to water injection within the producing horizon of said pool.

A copy of the Division Form C-103 for such well evidencing such plugging and abandonment, recompletion, or conversion shall be submitted, along with a copy of the Division Order approving water injection if applicable."

RULE 14.1.c.

" A location plat which locates and identifies the well for which the determination is sought and ~~[any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought]~~ all other wells within a 2.5 mile radius of the subject well with sufficient information on those wells to determine whether or not they are considered to be marker wells."

RULE 14.2.c.

" A location plat which locates and identifies the well for which the determination is sought and all wells [~~which produced natural gas after January 1, 1970, and before April 20, 1977,~~] within the 2.5 mile radius drawn from the well for which a determination is sought, [~~including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought,~~] with sufficient information on those wells to determine whether or not they are considered to be marker wells."

RULE 16A.4.

" The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing and/or injecting from the same pool or reservoir as the subject well the spud date, recompletion date, cumulative production, and date of plug and abandonment, if any."

RULE 17.5 (New Addition)

"5. Occluded Natural Gas Produced from Coal Seams

- a. FERC Form No. 121;
- b. Division Form C-132 and the required attachments;
- c. Geological information sufficient to support a determination that the gas being produced is naturally occurring gas released from entrapment from the fractures, pores, and bedding planes of coal seams. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:
 - (1) well logs;
 - (2) a subsurface cross-section chart;
 - (3) gas analysis;
 - (4) all well completion reports for the well for which a determination is sought; and,
 - (5) a copy of the Division Order resulting from a hearing to establish a "Coal Seam Pool" if such a hearing was held by the Division;

- d. A detailed description of the production process if the gas is not produced through a well bore;
- e. A statement by the applicant, under oath, that the gas was produced from a coal seam and that the applicant has no knowledge of any information not described in the application which is inconsistent with his conclusion."

Dockets Nos. 21-86 and 22-86 are tentatively set for July 9 and July 23, 1986. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 25, 1986
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, Alternate Examiner:

CASE 8909: (Continued from June 12, 1986, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to amend Rule 312 to provide for administrative approval of applications for treating plants, to require a cash or surety bond sufficient for surface reclamation of the treating plant facility site, and to additionally condition the bond upon land surface reclamation to OCD standards.

CASE 8903 (Continued from May 28, 1986, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS, pursuant to the Natural Gas Policy Act of 1978, as promulgated by Division Order No. R-5878-B, as amended. The proposed amendments to be considered include:

- 1) adopting an administrative procedure for NGPA Section 107, Occluded Natural Gas Produced from Coal Seams, wellhead filing requirements;
- 2) instituting a \$25.00 filing fee for each Application for Wellhead Price Ceiling Category Determination; and,
- 3) minor changes and/or clarification to the GENERAL RULES, DEFINITIONS, AND FILING REQUIREMENTS for NGPA Categories 102, 103, 107, and 108.

CASE 8912: (Continued from June 12, 1986, Examiner Hearing)

Application of Parabo, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4300 feet to 4950 feet in its Royalty Holding Well No. 4, located 660 feet from the North and East lines of Section 25, Township 21 South, Range 37 East.

CASE 8925: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Sandsage State Unit Area comprising 3,360.00 acres, more or less, of State and Fee lands in Township 15 South, Range 35 East.

CASE 8926: Application of Sage Energy Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Saunders-Upper Permo Pennsylvanian Pool in the perforated interval from approximately 9565 feet to 9890 feet in its Lowe State Well No. 1 located 1980 feet from the South line and 660 feet from the West Line (Unit L) of Section 10, Township 15 South, Range 33 East.

CASE 8915: (Continued from June 12, 1986, Examiner Hearing)

Application of Tenneco Oil Company for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority for the directional drilling of four wells to the Basin-Dakota Pool on its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, Farmington city limits, as follows:

- 1) Well No. 1
Surface Location (S.L.) - 2160' FSL -1591' FEL
Bottom Hole Location (B.H.L.) - 1750' FSL - 1775' FEL
- 2) Well No. 1-E
S.L. - 2203' FSL - 1653' FEL
B.H.L. - 1650' FN & EL
- 3) Well No. 2
S.L. - 2159' FSL - 1712' FEL
B.H.L. - 1650' FS & WL
- 4) Well No. 2-E
S.L. - 2246' FSL - 1712' FEL
B.H.L. - 1650' FN & WL

Wells Nos. 1 and 1-E to be dedicated to the E/2 of said Section 10 and Wells Nos. 2 and 2E to be dedicated to the W/2 of said Section 10.

CASE 8927: Application of BHP Petroleum Company Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its proposed S. E. Dean Federal "10" Well No. 1 to be drilled 1000 feet from the North line and 1100 feet from the East line of Section 10, Township 16 South, Range 37 East, Northeast Lovington-Pennsylvanian Pool, the N/2 NE/4 of said Section 10 to be dedicated to the well.

CASE 8891: (Continued from June 12, 1986, Examiner Hearing)

Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its proposed Hartman Well No. 1-E to be drilled 1230 feet from the North line and 55 feet from the East line of Section 22, Township 29 North, Range 11 West, Basin-Dakota Pool, the E/2 of said Section 22 to be dedicated to the well.

CASE 8892: (Continued from June 12, 1986 Examiner Hearing)

Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its proposed Nancy Hartman Well No. 1 to be drilled 1100 feet from the North line and 55 feet from the East line of Section 22, Township 29 North, Range 11 West, Bloomfield-Chacra Pool, the NE/4 of said Section 22 to be dedicated to the well.

CASE 8928: (This case will be dismissed)

Application of Union Oil Company of California for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Esperanza Delaware Pool in the perforated interval from approximately 2832 feet to 3794 feet in its Wersell Federal Well No. 1 located 810 feet from the North line and 1980 feet from the West line (Unit C) of Section 4, Township 22 South, Range 27 East.

CASE 8874: (Continued from June 12, 1986, Examiner Hearing)

Application of Union Texas Petroleum Corporation for Pool Reclassification, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Crosby-Devonian Gas Pool as an associated pool and the promulgation of special pool rules therefor.

CASE 8929: Application of ARCO Oil and Gas Company for exception to the Division "No-Flare" General Rule No. 306, for two wells in the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Division General Rule 306 to flare casinghead gas from its ARCO Leeson Well No. 1 located 1740 feet from the South line and 1800 feet from the West line (Unit K) of Section 27, and from its ARCO Leeson Well No. 2 located 1855 feet from the North line and 515 feet from the West line (Unit E) of Section 27, both in Township 25 North, Range 3 West.

CASE 8866: (Continued from May 28, 1986, Examiner Hearing)

Application of Amoco Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox well location 180 feet from the South line and 130 feet from the East line of Section 9, Township 27 North, Range 12 West, Wildcat Gallup/Basin Dakota Pool, the SW/4 and S/2, respectively, of said Section 9, to be dedicated to the well.

CASE 8922: (Continued from June 12, 1986, Examiner Hearing)

Application of Amoco Production Company for the reinstatement of cancelled underproduction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules for prorated gas pools in Southeast New Mexico to permit the reinstatement of underproduction cancelled for the 1983-84 and 1984-85 proration periods for the existing 640-acre standard gas proration unit comprising all of Section 11, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool and dedicated to its Smith Federal Well No. 1 located 1650 feet from the North and West lines (Unit F) of said Section 11.

CASE 8923: (Continued from June 12, 1986, Examiner Hearing)

Application of Amoco Production Company for the reinstatement of cancelled underproduction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules for prorated gas pools in Southeast New Mexico to permit the reinstatement of underproduction cancelled for the 1983-84 and 1984-85 proration periods for the existing 640-acre standard gas proration unit comprising all of Section 12, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool and dedicated to its Smith Federal Gas Com Well No. 1 located 1650 feet from the North line and 2310 feet from the West line (Unit F) of said Section 12.

CASE 8930: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, assigning a discovery allowable, reclassifying, and extending certain pools in Lea County, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Queen production and designated as the North Lovington-Queen Pool. The discovery well is the Lynx Petroleum Consultants Inc. Geraldine Doughty Well No. 1 located in Unit K of Section 25, Township 16 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
Section 25: SW/4

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas well for Mississippian production and designated as the South Shoe Bar-Mississippian Gas Pool. The discovery well is the Manzano Oil Corporation Apple MS Well No. 1 located in Unit C of Section 12, Township 17 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 12: N/2

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Stallion-Devonian Pool. Further, assign approximately 60,845 barrels of discovery allowable to the discovery well, the American Trading & Production Corporation Lowe Federal Well No. 1 located in Unit D of Section 7, Township 13 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 38 EAST, NMPM
Section 7: NW/4

(d) RECLASSIFY the Scharb-Queen Gas Pool in Lea County, New Mexico, as the Scharb-Queen Oil Pool due to the reclassification of the only producing well in the pool from gas to oil.

(e) EXTEND the South Humble City-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 14: NE/4

- (f) EXTEND the King-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM
Section 35: NE/4

- (g) EXTEND the Querecho Plains-Lower Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 26: SW/4
Section 27: SE/4

- (h) EXTEND the San Simon-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 5: NE/4

- (i) EXTEND the San Simon-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 4: SW/4

- (j) EXTEND the West Tonto-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 12: SE/4

CASE 8931: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico:

- (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Los Medanos-Morrow Gas Pool. The discovery well is the Pogo Producing Company Federal Neff Well No. 1 located in Unit C of Section 25, Township 22 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM
Section 25: N/2

- (b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Saladar-Strawn Gas Pool. The discovery well is the Yates Petroleum Corporation Stonewall EP State Com. Well No. 4 located in Unit H of Section 30, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 30: E/2

- (c) EXTEND the Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM
Section 13: NE/4

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM
Section 18: NW/4

- (d) EXTEND the Diablo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM
Section 21: SE/4

- (e) EXTEND the North Hackberry Yates-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 22: NW/4

- (f) EXTEND the High Lonesome-Queen Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
 Section 23: E/2
 Section 26: NE/4

- (g) EXTEND the West Millman-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
 Section 14: NE/4

- (h) EXTEND the Otis-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
 Section 25: W/2
 Section 26: E/2

- (i) EXTEND the Red Lake Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
 Section 12: SE/4

- (j) EXTEND the Ross Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM
 Section 25: N/2

- (k) EXTEND the Scoggin Draw-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
 Section 9: N/2
 Section 10: N/2

- (l) EXTEND the Shugart Yates-Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
 Section 35: NW/4

CASE 9309
PROPOSED TREATING PLANT RULE

RULE 312 Treating Plant

(a) Prior to the construction of a treating plant, application in the form of an affidavit for treating plant permit shall be filed in duplicate with the Santa Fe office of the Division and one copy to the appropriate district office. Such application shall be accompanied by:

- (1) a plat showing the location of the plant in relation to governmental surveys (section, township and range) and to highways or roads giving access to the plant site;
- (2) a description of the plant, type and process of treatment and design capacity;
- (3) a diagrammatic plan of plant layout including location of water wells, pits, dikes, dwellings, fences and cattle-guards within 1/4 mile of the site;
- (4) a description of containment dikes and pits, if any, with detailed information on construction and lining;
(Note: any pits, lined pits or below grade tanks used at the site must meet Division requirements for ground water protection);
- (5) a demonstration that any unmerchantable solids or liquids resulting from operation of the facility will be disposed of at a Division approved site;
- (6) a surety or cash bond in the amount of \$25,000, in a form approved by the Division, conditioned upon compliance with statutes of the State of New Mexico and rules of the Division and the satisfactory clean-up of site upon cessation of operation; and,
- (7) a demonstration that the notice requirements of Paragraph (b) of this rule have been met.

(b) The applicant shall give written notice to the owners of the surface of the plant site (and an area within one-half (1/2) mile). The applicant shall also give notice of his application by advertisement in a paper of general circulation published in the county in which the treating plant is to be located. Both the written notice and published notice shall state the name of the plant operator, the nature of the proposed operation, the design capacity, and that any person seeking to oppose such application must file a protest within 20 days of the date of the notice.

(c) The Director of the Division may issue a treating plant permit upon a finding that a complete and proper application has been filed and that no party has objected within 20 days following submittal of the application.

The permit shall be consistent with the application and appropriate requirements of Division rules and The Oil and Gas Act.

The Director of the Division may set any application for a treating plant permit for public hearing.

(d) The Director of the Division may suspend any treating plant permit when it appears that such suspension is necessary to prevent waste, to protect fresh water, or to assure compliance with Division rules.

(e) Such permit shall entitle the treating plant operator to an approved Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas, for the total amount of products secured from sediment oils and miscellaneous hydrocarbons processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(f) No treating plant operator may accept sediment oil at or into the treating facility unless the same is accompanied by an approved Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit).

(g) Except as provided under Rule 311(h), no treating plant operator may accept tank bottoms from pipeline stations, crude oil storage terminals or refineries, pipeline break oil or other miscellaneous hydrocarbons for processing or mixing with recovered pipeline oil unless the same is accompanied by an approved Form C-117-A.

(h) All treating plant operators shall file a monthly report which shall detail the net oil recovered and sold during the preceding month. See Rule 1118.

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 Manual of Petroleum Measurement Standards, Chapter 10, Section 4. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

(i) Upon cessation of treating plant operations for 6 consecutive months, the operator will complete cleanup and restoration of the facility site to Division standards within 6 months, unless an extension of time is granted by the Director of the Division.

Dockets Nos. 20-86 and 21-86 are tentatively set for June 25 and July 9, 1986. Applications for hearing must be filed at least 12 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 12, 1986
3:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before David P. Catanach, Examiner, or Michael E. Stogner, Alternate Examiner:

CASE 8909: In the matter of the hearing called by the Oil Conservation Division on its own motion to amend Rule 312 to provide for administrative approval of applications for treating plants, to require a cash or surety bond sufficient for surface reclamation of the treating plant facility site, and to additionally condition the bond upon land surface reclamation to OCD standards.

CASE 8910: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit A. F. Roberts, Jr., Great American Insurance Company, and other interested parties to appear and show cause why the Bogle Farms SWD Well No.1 located 660 feet from the South and West lines of Section 16, Township 11 South, Range 34 East, Lea County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8911: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit I. & W., Inc. to appear and show cause why its Form C-133, Authorization to Haul Water, should not be cancelled for non-compliance with Oil Conservation Division's regulations.

CASE 8912: Application of Parabo, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4300 feet to 4950 feet in its Royalty Holding Well No. 4, located 660 feet from the North and East lines of Section 25, Township 21 South, Range 37 East.

CASE 8913: Application of Exxon Corporation for an unorthodox gas well location and a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 1980 feet from the North line and 525 feet from the West line of Section 7, Township 17 South, Range 29 East, Undesignated South Empire-Morrow Gas Pool, the NE/4, E/2 NW/4, and Lots 1 and 2 of said Section 7 to be dedicated to said well forming a 292.32-acre non-standard gas spacing and proration unit.

CASE 8914: Application of Chase Energy, Inc. for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Slick Rock-Dakota Oil Pool in the open-hole interval from 750 feet to 758 feet in their DEB Well No. 18 located 510 feet from the South line and 420 feet from the East line (Unit P) of Section 36, Township 30 North, Range 17 West.

CASE 8891: (Continued from May 28, 1986, Examiner Hearing)

Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its proposed Hartman Well No. 1-E to be drilled 1230 feet from the North line and 55 feet from the East line of Section 22, Township 29 North, Range 11 West, Basin-Dakota Pool, the E/2 of said Section 22 to be dedicated to the well.

CASE 8892: (Continued from May 28, 1986, Examiner Hearing)

Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its proposed Nancy Hartman Well No. 1 to be drilled 1100 feet from the North line and 55 feet from the East line of Section 22, Township 29 North, Range 11 West, Bloomfield-Chacra Pool, the NE/4 of said Section 22 to be dedicated to the well.

CASE 8915: (This case will be continued to June 25, 1986)

Application of Tenneco Oil Company for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority for the directional drilling of four wells to the Basin-

Dakota Pool on its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, Farmington city limits, as follows:

- 1) Well No. 1
Surface Location (S.L.) - 2160' FSL - 1591' FEL
Bottom Hole Location (B.H.L.) - 1750' FSL - ~~1575'~~ FEL
1555'
- 2) Well No. 1-E
S.L. - 2203' FSL - 1653' FEL
B.H.L. - 1650' FN & EL
- 3) Well No. 2
S.L. - 2159' FSL - 1712' FEL
B.H.L. - 1650' FS & WL
- 4) Well No. 2-E
S.L. - 2246' FSL - 1712' FEL
B.H.L. - 1650' FN & WL

Wells Nos. 1 and 1-E to be dedicated to the E/2 of said Section 10 and Wells Nos. 2 and 2E to be dedicated to the W/2 of said Section 10.

Case 8870: (Continued from May 28, 1986, Examiner Hearing)

Application of Nearburg Producing Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in to the Cisco and Canyon formations in the perforated interval from approximately 7772 feet to 7850 feet in the Coquina Oil Corporation Aikman State Well No. 1 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 27, Township 19 South, Range 25 East.

Case 8874: (Continued from May 28, 1986, Examiner Hearing)

Application of Union Texas Petroleum Corporation for Pool Reclassification, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Crosby-Devonian Gas Pool as an associated pool and the promulgation of special pool rules therefor.

Case 8916: Application of Yates Drilling Company for waterflood expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Yates Artesia Metex Unit Waterflood Project, authorized by Division Order No. R-4609, dated August 13, 1973, by converting its Artesia Metex Unit Well No. 35 located 1650 feet from the North line and 330 feet from the East line (Unit H) of Section 26, Township 18 South, Range 27 East, Artesia-Queen-Grayburg-San Andres Pool, Artesia Metex Unit Area, from a producing oil well to a water injection well.

Case 8818: (Continued from May 28, 1986, Examiner Hearing)

Application of Yates Petroleum Corporation for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Avalon-Delaware Pool in the perforated interval from 2595 feet to 3685 feet in its Stonewall "YE" State Well No. 1 located 1650 feet from the South line and 1980 feet from the East line (Unit J), Section 30, Township 20 South, Range 28 East. In the absence of objection, this case will be approved pursuant to Division Rules and Regulations.

Case 8848: (Continued from May 14, 1986, Examiner Hearing)

Application of Amoco Production Company for NGPA Wellhead Price Ceiling Category Determinations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination by the Division that the following three wells in Township 19 South, Range 35 East, Scharb-Bone Springs Pool, meet the NGPA well category criteria for New Onshore Reservoir under Section 102 of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission:

- 1) Elkan Well No. 3 located 1980 feet from the South and East lines (Unit J) of Section 9;
- 2) Elkan Well No. 4 located 519 feet from the South line and 2121 feet from the West line (Unit N) of Section 9; and,

- 3) State "MX" Well No. 1 located 660 feet from the North line and 710 feet from the West line (Unit D) of Section 13.

CASE 8849: (Continued from May 14, 1986, Examiner Hearing)

Application of Southland Royalty Company for NGPA Wellhead Price Ceiling Category Determinations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination by the Division that the following four wells in Township 19 South, Range 35 East, Scharb-Bone Springs Pool, meet the NGPA well category criteria for New Onshore Reservoir under Section 102 of the Natural Gas Policy Act of 1978 and the applicable rules of the Federal Energy Regulatory Commission.

- 1) Smith "5" Well No. 2 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 5;
- 2) Smith "5" Well No. 4 located 2149 feet from the South line and 700 feet from the East line (Unit I) of Section 5;
- 3) Scharb "8" Well No. 2 located 660 feet from the North line and 2180 feet from the East line (Unit B) of Section 8; and,
- 4) Scharb "9" Well No. 4 located 766 feet from the North line and 2086 feet from the West line (Unit C) of Section 9.

CASE 8917: Application of Amoco Production Company for compulsory pooling, Union County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Tubb formation from the base of the Cimmaron Anhydrite Marker to the top of the Precambrian Basement underlying all of Section 10, Township 19 North, Range 35 East, forming a standard 640-acre carbon dioxide gas spacing and proration unit to be dedicated to its Bravo Dome Carbon Dioxide Gas Unit 1935 Well No. 101 located 1650 feet from the North and West lines (Unit F) of said Section 10. 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.

CASE 8918: Application of Amoco Production Company for compulsory pooling, Union County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Tubb formation from the base of the Cimmaron Anhydrite Marker to the top of the Precambrian Basement underlying all of Section 1, Township 19 North, Range 35 East, forming a standard 640-acre carbon dioxide gas spacing proration unit to be dedicated to its Bravo Dome Carbon Dioxide Gas Unit 1935 Well No. 011 located 1980 feet from the South and West lines (Unit K) of said Section 1. 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 charge for risk involved in drilling said well.

CASE 8919: Application of Amoco Production Company for compulsory pooling, Union County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Tubb formation from the base of the Cimmaron Anhydrite Marker to the top of the Precambrian Basement underlying all of Section 9, Township 19 North, Range 35 East, forming a standard 640-acre carbon dioxide gas spacing and proration unit to be dedicated to its Bravo Dome Carbon Dioxide Gas Unit 1935 Well No. 091 located 2310 feet from the South and West lines (Unit K) of said Section 9. 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.

CASE 8920: Application of Amoco Production Company for compulsory pooling, Union County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Tubb formation from the base of the Cimmaron Anhydrite Marker to the top of the Precambrian Basement underlying all of Section 13, Township 19 North, Range 34 East, forming a standard 640-acre carbon dioxide gas spacing and proration unit to be dedicated to its Bravo Dome Carbon Dioxide Gas Unit 1934 Well No. 131 located 660 feet from the North line and 1973 feet from the East line (Unit B) of said Section 13. 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.

CASE 8921: Application of Amoco Production Company for Hardship Gas Well Classification, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Brantley Gas Com Well No. 1 located 1880 feet from the South line and 2080 feet from the West line (Unit K) of Section 22, Township 23 South, Range 28 East, North Loving-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8922: Application of Amoco Production Company for the reinstatement of cancelled underproduction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules for prorated gas pools in Southeast New Mexico to permit the reinstatement of underproduction cancelled for the 1983-84 and 1984-85 proration periods for the existing 640-acre standard gas proration unit comprising all of Section 11, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool and dedicated to its Smith Federal Well No. 1 located 1650 feet from the North and West lines (Unit F) of said Section 11.

CASE 8923: Application of Amoco Production Company for the reinstatement of cancelled underproduction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules for prorated gas pools in Southeast New Mexico to permit the reinstatement of underproduction cancelled for the 1983-84 and 1984-85 proration periods for the existing 640-acre standard gas proration unit comprising all of Section 12, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool and dedicated to its Smith Federal Gas Com Well No. 1 located 1650 feet from the North line and 2310 feet from the West line (Unit F) of said Section 12.

Docket No. 19-86

DOCKET: COMMISSION HEARING - THURSDAY - JUNE 19, 1986
9 A.M. - OIL CONSERVATION COMMISSION, ROOM 205, STATE
LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 8924: Application of Lewis B. Burleson, Inc. for a non-standard gas proration unit and unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 150-acre non-standard gas spacing and proration unit comprising the following described acreage in Township 25 South, Range 37 East, Jalmat Gas Pool:

E/2 NW/4 (80 acres);
NW/4 NE/4 (40 acres);
W/2 NE/4 NE/4 (20 acres); and
W/2 E/2 NE/4 NE/4 (10 acres);

Applicant further seeks approval for an unorthodox gas well location 1980 feet from the North line and 2180 feet from the West line of said Section 22, to be dedicated to the above-described non-standard proration unit.

CASE 8690: (Continued from May 20, 1986, Commission Hearing)

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 8902: (Continued from May 20, 1986, Commission Hearing)

Application of Doyle Hartman for compulsory pooling, two non-standard proration units, two unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of a well located at an unorthodox well location, 1650 feet from the South line and 660 feet from the West line of Section 22, Township 25 South, Range 37 East, Jalmat Gas Pool and Langlie Mattix Pool, is necessary to effectively and efficiently drain that portion of a 200-acre non-standard gas proration unit in the Jalmat Gas Pool only, comprising the W/2 SW/4 of Section 22, and the W/2 NW/4 and SE/4 NW/4 of Section 27, Township 25 South, Range 37 East, which cannot be so drained by the existing Jalmat wells. Applicant further seeks approval of the simultaneous dedication of said 200-acre non-standard proration unit to the subject well in the currently producing Carlson-Harrison Federal Com Well Nos. 1, 2 and 3. Applicant also seeks the approval of an unorthodox well location 330 feet from the North line and 1650 feet from the West line of Section 27, Township 25 South, Range 37 East, Jalmat Gas Pool and Langlie Mattix Pool, to be dedicated to a 200-acre non-standard gas proration unit comprising the W/2 SE/4 of Section 22, and the NE/4 NW/4 and the W/2 NE/4 of Section 27, Township 25 South, Range 37 East, Jalmat Gas Pool only, and an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying this non-standard proration unit. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well.

CASE 8761: (De Novo)

Application of Chaveroo Operating Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Vacuum Grayburg-San Andres Pool in the perforated interval from approximately 4804 feet to 5212 feet in the Apollo Energy, Inc. State G-36 Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 36, Township 17 South, Range 35 East. Upon application of Chaveroo Operating Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8865: (De Novo)

Application of Santa Fe Exploration Company for Hardship Gas Well Classification, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Exxon State Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 2, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste. Upon application of Santa Fe Exploration Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8640: (De Novo) (Readvertised)

Application of Caulkins Oil Company for compulsory pooling, downhole commingling, and dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Dakota and Blanco-Mesaverde Pools underlying the N/2 of Section 20, Township 26 North, Range 6 West, forming a standard 320-acre gas spacing and proration unit in both zones, and in the Pictured Cliffs and Chacra formations underlying the NE/4 of said Section 20, forming a standard 160-acre gas spacing and proration unit in both of these zones, to be dedicated to a well to be drilled at a standard location thereon. Applicant further seeks approval to dually complete said well in such a manner that Blanco-Mesaverde and Basin-Dakota production would be commingled separately and the aforesaid intervals dually completed with commingled Pictured Cliffs and Chacra production and both commingled zones produced through parallel strings of tubing. 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 Meridian Oil Inc. and El Paso Natural Gas Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8901: (Continued from May 20, 1986, Commission Hearing)

Application of Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc., and Abo Petroleum Corporation for determination of reasonable well costs, Chaves County, New Mexico. The

New Mexico Oil Conservation Commission issued Division Order No. R-7393 on December 2, 1983 for Case No. 7984, which compulsorily pooled all mineral interests from the surface through and including the Abo formation underlying the SW/4 of Section 20, Township 9 South, Range 27 East, forming a standard 160-acre gas spacing and proration unit and all mineral interests from the top of the Wolfcamp formation to the PreCambrian underlying the W/2 of said Section 20, forming a standard 320-acre gas spacing and proration unit, named Jack J. Grynberg the operator of the units, and established a well costs schedule for each zone based on proposed total depth and depth of the Abo zone. Applicants, in the above-styled cause, as interest owners in the Grynberg State Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 20 which was drilled pursuant to the compulsory pooling provisions of said Order No. R-7393, now seeks an order ascertaining the reasonableness of actual well costs for the subject well.