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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 2860
Order No. R-2256

IN THE MATTER OF THE HEARING
CALLED ON THE MOTION OF THE
OIL CONSERVATION COMMISSION
TO CONSIDER THE REVISION OF
RULES 201 AND 1105.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 16, 1962, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of June, 1962, 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 Rules 201 and 1105 presently require that offset operators be notified prior to the commencement of well plugging operations.
- (3) That it appears that such notification is burdensome to all operators and that in the past the plugging of offset wells has infrequently been witnessed.

IT IS THEREFORE ORDERED:

- (1) That Rule 201 of the Commission Rules and Regulations is hereby revised to read in its entirety as follows:

RULE 201. NOTICE

Notice of intention to plug must be filed with the Commission by the owner or his agent prior to the commencement of plugging operations on Form C-102, which notice shall state the name and location of the well and the name of the operator.

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CASE No. 2560
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In the case of a newly completed dry hole, the operator may commence plugging by securing the approval of the Commission as to the method of plugging and the time plugging operations are to begin. He shall, however, file the regular notification form.

(2) That the third paragraph of Rule 1105 of the Commission Rules and Regulations is hereby revised to read as follows:

In the case of well-plugging operations, the notice shall give a detailed statement of the proposed work, including length and depth of plugs, plans for mudding, cementing, shooting, testing and removing casing, and the date of the proposed plugging operations. Failure to file notice before plugging shall constitute grounds for delaying the release of the bond. If not previously filed, a complete log of the well on Form C-105 shall accompany the notice of intention to plug the well, and the bond will not be released until this is complied with.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



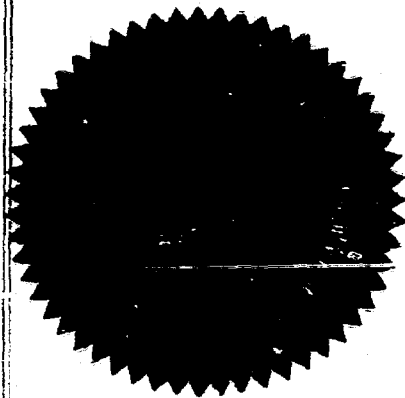
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/

PAN AMERICAN PETROLEUM CORPORATION

MAIN OFFICE, OCC

OIL AND GAS BUILDING

P. O. BOX 1410

FORT WORTH 1, TEXAS

KENNETH J. BARR
DIVISION ENGINEER

1962 MAY 14 AM 8:27
May 11, 1962

File: GHF-210-986.510.1

Subject: Amendment of Statewide Rules 201
and 1105, Case 2560

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

Dear Sir:

Reference is to Case 2560 on the regular hearing docket for May 16, 1962, which is on the application of the Commission to amend Statewide Rules 201 and 1105 to eliminate the requirement to notify offset operators prior to commencing well plugging operations. This is to advise that Pan American Petroleum Corporation concurs in the amendment of Rules 201 and 1105 as proposed by the Commission.

Yours very truly,

Kenneth J. Barr



SHELL OIL COMPANY

P. O. Box 1858
Roswell, New Mexico

May 10, 1962

1962 MAY 11 PM 1:23

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

Gentlemen:

With reference to your Case No. 2560 to revise Rules 201 and 1105 to eliminate the necessity of notifying offset operators when a well is plugged, we wish to record our concurrence of this proposal.

We commend this effort to eliminate unnecessary and nonproductive paper work in the industry and hope this philosophy will guide you in future rule making.

Yours very truly,

R. L. Rankin
Division Production Manager

No. 15-62

DOCKET: REGULAR HEARING - WEDNESDAY - MAY 16, 1962

OIL CONSERVATION COMMISSION - 9 A.M., - HIGH SCHOOL AUDITORIUM - 1300
EAST SCHARBAUER, HOBBS, NEW MEXICO

- ALLOWABLE:**
- (1) Consideration of the oil allowable for June, 1962.
 - (2) Consideration of the allowable production of gas for June, 1962, for ten prorated pools in Lea and Eddy Counties, New Mexico, and also presentation of purchaser's nominations for said pools for the six-month period beginning July, 1962; consideration of the allowable production of gas for nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for June, 1962.

CASE 2558: Application of the Oil Conservation Commission, on its own motion and at the request of El Paso Natural Gas Company, to amend Rule 314.

It is proposed to amend Rule 314 by the addition of paragraph (i) thereto to further regulate the transportation of drip and to require the reporting of such transportation on Form C-110-A.

CASE 2559: Application of Gulf Oil Corporation for an amendment of Rule 112-A. Applicant, in the above-styled cause, seeks an amendment of Rule 112-A to delete that portion of said rule which requires that offset operators be notified of the taking of packer-leakage tests. Applicant further proposes that said rule be amended to provide for notification to an offset operator of the taking of such a test where the offset operator has previously requested that such notification be given.

CASE 2560: In the matter of the hearing called on the motion of the Oil Conservation Commission to consider the revision of Rules 201 and 1105 to eliminate the requirement that offset operators be notified prior to the commencement of well plugging operations.

CASE 2561: In the matter of the hearing called on the motion of the Oil Conservation Commission to consider revising Rule 111, Deviation Tests and Whipstocking. Applicant, in the above-styled cause, seeks an order revising Rule 111 to read in its entirety as follows:

RULE 111. DEVIATION TESTS AND WHIPSTOCKING

(a) Any well which is drilled or deepened with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical and a tabulation thereof filed with Form C-105, Well Record. When such deviation averages more than five degrees in any 500-foot interval, no oil or gas shall be sold until it has been established that the bottom of the hole is on the proration unit assigned to the well by means of a deviational and directional survey. In lieu of said survey, the operator may, with specific approval of the Commission, establish the location of the bottom of the hole by filing a notarized tabulation of all deviation tests, assuming the deviation from the vertical and the drift to be in a constant and continuous direction to the nearest boundary of the proration unit.

(b) No well shall be whipstocked and directionally drilled without special permission from the Commission. Permission to whipstock to straighten a crooked hole, to sidetrack junk in the hole, or to control a blow-out may be obtained from the appropriate District Office of the Commission on Commission Form C-102 with copies of said Form C-102 being furnished all offset operators. Permission to whipstock for any other reason will be granted only after notice and hearing. Upon completion of any whipstocked well and prior to producing any oil or gas therefrom, a deviational and directional survey shall be conducted and a report thereof filed with the Commission.

CASE 2562: Southeastern New Mexico nomenclature case calling for an order creating new pools and extending certain existing pools in Eddy, Lea and Roosevelt Counties, New Mexico.

- (a) Create a new oil pool for San Andres production, designated as the CLR-San Andres Pool, and described as:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
Section 31: NW/4

- (b) Create a new oil pool for Delaware production, designated as the North Double X-Delaware Pool and described as:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM
Section 11: SE/4

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

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 4: Lots 9, 10, 15 & 16

- (d) Create a new gas pool for Morrow production, designated as the Quail Ridge-Morrow Gas Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 21: W/2

Section 28: N/2

- (e) Create a new oil pool for Permo Pennsylvanian production designated as the East Saunders Permo-Pennsylvanian Pool and described as:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 17: SW/4

- (f) Create a new oil pool for Drinkard production, designated as the Vacuum-Drinkard Pool and described as:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 7: N/2 NW/4

- (g) Extend the Artesia Pool to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 34: NW/4

- (h) Extend the Atoka-Pennsylvanian Gas Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 19: E/2

- (i) Extend the Blinebry Gas Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 30: N/2

- (j) Extend the Drinkard Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 19: NE/4 SW/4

Section 30: W/2 NW/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM

Section 33: W/2 NW/4

- (k) Extend the Empire-Abo Pool to include:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 16: NE/4 SE/4

- (l) Extend the Jalmat Gas Pool to include:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM
Section 33: E/2 NW/4

- (m) Extend the Justis-Blinebry Pool to include:

TOWNSHIP 26 SOUTH, RANGE 38 EAST, NMPM
Section 6: NW/4

- (n) Extend the North Justis-Blinebry Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 35: SE/4
Section 36: SW/4

- (o) Extend the North Justis-Devonian Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 35: SE/4
Section 36: SW/4

- (p) Extend the North Justis-McKee Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 2: SE/4

- (q) Extend the Justis Tubb-Drinkard Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 35: E/2 NE/4

- (r) Extend the Lea-Bone Springs Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 1: SW/4

- (s) Extend the Loco Hills Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 19: W/2 SE/4

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- (t) Extend the Loco Hills-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 21: S/2 NW/4

- (u) Extend the Maljamar-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 33: N/2 NE/4

- (v) Extend the Paddock Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 30: W/2 NW/4

- (w) Extend the South Paddock Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM
Section 29: E/2 SE/4

- (x) Extend the Pearl-Queen Pool to include:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 23: W/2 NE/4
Section 31: SE/4

- (y) Extend the Red Lake Pool to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 23: W/2 SE/4

- (z) Extend the Saunders-Permo Pennsylvanian Pool to include:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 16: NE/4

- (aa) Extend the South Tonto-Yates Pool to include:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 30: NW/4

- (bb) Extend the Tubb Gas Pool to include:

TOWNSHIP 23 SOUTH, RANGE 38 EAST, NMPM
Section 6: N/2 NE/4

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- (cc) Extend the Turkey Track Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 33: NW/4 NW/4

- (dd) Extend the Vacuum-Abo Pool to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 6: SW/4

- (ee) Extend the Vacuum-Queen Pool to include:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 6: W/2

CASE 2563:

Northwestern New Mexico nomenclature case calling for an order creating new pools and extending certain existing pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) Create a new oil pool for Gallup production, designated as the Lybrook-Gallup Oil Pool and described as:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM
Section 2: S/2
Section 4: SW/4
Section 9: N/2 and SE/4
Section 10: All
Section 11: All
Section 14: N/2 NE/4
Section 15: N/2 NW/4

- (b) Create a new pool classified as an oil pool for Gallup production, designated as the Mesa-Gallup Oil Pool and described as:

TOWNSHIP 32 NORTH, RANGE 19 WEST, NMPM
Section 14: W/2 SE/4
Section 23: NE/4
Section 24: W/2
Section 25: NW/4 NE/4 and NE/4 NW/4

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

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM
Section 6: SW/4
Section 7: NW/4

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TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM

Section 5: NW/4

Section 6: NE/4

- (d) Extend the Puerto Chiquito-Gallup Oil Pool to include:

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 5: NW/4

Section 6: SE/4 NE/4

199/

BEFORE THE
OIL CONSERVATION COMMISSION
High School Auditorium
1300 East Scharbauer
Hobbs, New Mexico

May 16, 1962

REGULAR HEARING

IN THE MATTER OF:

In the matter of the hearing called on the motion of the Oil Conservation Commission to consider the revision of Rules 201 and 1105 to eliminate the requirement that offset operators be notified prior to the commencement of well plugging operations.

CASE NO.
2560

BEFORE: Edwin L. Mechem, Governor
E. S. "Johnny" Walker, Land Commissioner
A. L. "Pete" Porter, Secretary-Director of Commission

TRANSCRIPT OF HEARING

MR. PORTER: The next case is 2560.

MR. MORRIS: In the matter of the hearing called on the motion of the Oil Conservation Commission to consider the revision of Rules 201 and 1105 to eliminate the requirement that offset operators be notified prior to the commencement of well plugging operations.

MR. PORTER: Have the witnesses stand and be sworn.

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PHONE 243-6691



(Witnesses sworn.)

DANIEL S. NUTTER,

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Please state your name and position.

A Dan Nutter, chief engineer for the New Mexico Oil Conservation Commission.

Q Mr. Nutter, are you familiar with Rules 201 and 1105 of the Commission's official rules and regulations?

A Yes, sir, I am.

Q Referring first to Rule 201, the rule as it is presently constituted requires that the owner of a well notify his offset lessees prior to the commencement of well plugging operations. Is that in essence the gist of this ruling?

A Yes, sir, it is.

Q Has it been your experience, Mr. Nutter, in your familiarity with the working of this rule, that there is little, if any, desire on the part of offset operators to actually witness the plugging of wells?

A Yes, sir, this type of thing is much like the witnessing of a packer-leakage test that Mr. Hoover was referring to in the previous case.

The companies impose a good deal of paper work on the

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operator who observes the well and very few plugging operations are actually witnessed by offset operators.

Q Do you know of any plugging operations except perhaps in the Potash oil area that have been witnessed?

A By operators? I don't now. The Oil Conservation Commission does make spot checks of plugging operations themselves, and certain of the pluggings, such as the Potash area and Artesian water basins are all witnessed by Commission employees and some of the others spot witnessed.

Q In view of this, Mr. Nutter, do you feel that a revision of Rule 201 is proper and would alleviate certain requirements of the rule that now exists that are not being used?

A Yes, sir. I do.

Q What would be your recommendation with respect to a revision of Rule 201?

A I would recommend that Rule 201 be amended by the deletion of the following words: "And contained an affidavit that the owner or his agent has notified all offset lessees, giving the names of such lessees and the location of their leases."

Q Now, that phrase that you just read was an affidavit that had to be attached to the Form C-102 filed with the Commission, the notice of intention to plug?

A That is referring to that.

Q You would propose that language that you quoted be omitted from the rule as it presently reads?

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A Yes, sir.

Q Now, if Rule 201 is to be revised as you recommend, will it also be necessary to revise Rule 1105 in order to conform to the changes?

A Yes, sir, Rule 1105 is in the section of the Conservation Commission rules that relates to forms, and I would recommend that Rule 1105 be amended as follows, the deletion in the third paragraph of this sentence: "Before plugging any well that has had commercial production, the owner shall give notice to all adjoining lessees and relates that such adjoining lessees may be present to witness the plugging if they so desire." I recommend that be deleted from that paragraph.

Q Do you feel that the changes that you have proposed would in any way impair the rights or lead to waste?

A They wouldn't if the rules and regulations were complied with.

Q Do you have anything further you would like to add to your testimony in this case, Mr. Nutter?

A No, sir, not at this time.

MR. MORRIS: That, then, concludes the direct examination of Mr. Nutter.

MR. PORTER: Mr. Nutter, if the Commission should change the rules to omit these requirements, that is the statewide rule, it would, the change would not apply to areas covered by special order which require notification, such as the Potash oil



area and the water basin, I believe, and the Artesian water basin?

A No, sir, those rules would not be affected at all.

MR. PORTER: It would not be affected by any change in the statewide rules?

Anyone else have a question of the witness?

The witness may be excused.

(Witness excused.)

MR. MORRIS: I would again like to address a question to the audience as to whether anyone present, outside of Mr. Ramey, has taken advantage of the rule as it is presently written to actually witness the plugging of one of the wells?

(No response.)

MR. MORRIS: Let the record show there is no response.

MR. PORTER: Anyone else have anything to offer in this case?

MR. MORRIS: Yes, sir, the Commission has received correspondence from Pan American Petroleum Corporation concerning the subject case to amend Rules 201 and 1105 and also concurred on behalf of Shell Oil Company.

MR. PORTER: Mr. Gordon.

MR. GORDON: J. C. Gordon, Jr., of Socony Mobil supports the proposed revision of the rule.

MR. PORTER: Mr. Bratton.

MR. BRATTON: Howard Bratton on behalf of Humble Oil & Refining Company to interject in the removal of portions of the

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ruling. We have a question or two about the proposed change; in view of the increased importance of secondary recovery operations, and in view of the importance of adequate plugging of wells in locations which might be subject to secondary recovery operations, Humble feels that the operator should be entitled to notice of the plugging of offset wells.

For that reason, Humble would suggest that a requirement of notice be retained, and if the Commission is desirous of changing the rule, Humble would suggest that it might be amended substantially as was suggested by Gulf in connection with the packer-leakage test that any offset operator so desiring could notify operators, and upon that notification would be entitled to notice of plugging operations.

MR. PORTER: Anyone else have a statement?

MR. KASTLER: We of Gulf concur with the application of the Commission.

MR. MORRIS: Mr. Nutter, do you have something further you would care to add to your testimony?

A Yes, sir, as you will recall, you and I discussed this very matter such as Mr. Bratton has mentioned. We felt at the time that it would be a rather complex procedure to provide that offset operators would witness just some or be notified of some of the plugging operations but not all of them. I think, in the light of what Mr. Bratton has stated, it would be possible to work something similar to his suggestion into this rule, and if any

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operator thought an offset operator was going to plug a well in a pool which did have secondary recovery possibilities, it would behoove him to make his request from the offset operators that they notify him when they get ready to plug a well, and I certainly would have no objection to trying to incorporate this provision into this rule if it can be done.

MR. PORTER: Anyone else have anything to say?

(No response.)

MR. PORTER: The Commission will take the case under advisement.

** ** *

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, JAMES MALONEY, NOTARY PUBLIC in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

James Maloney
NOTARY PUBLIC

My Commission Expires:

April 12, 1966

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