

CASE 3565: Application of JOMAR
INDUSTRIES for NSP, NSL'S &
Capacity Allowable - Lea County.

CASE No.

3565

Application,

TRANSCRIPTS,

Small Exhibits

ETC.

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

P. O. BOX 2088
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

May 11, 1967

Mr. James Durrett
Rhodes, McCallister & Durrett
Attorneys at Law
619 Simms Building
Albuquerque, New Mexico 87101

Re: Case No. 3565
Order No. R-3234
Applicant:
Jomar Industries

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC

Other Mr. L. E. Thomas, Amerada - Midland, Texas

Mr. Joseph O. Walton - Windmill Oil Company, Hobbs, N.M.

Case, 3565

Heard 4-25-67

Rec. 5-1-67

1. Grant approval of 64 WSLs for reclamation oil wells 20 the Ogallala water aquifer. These locations shall be in the $S\frac{1}{2}NW\frac{1}{4}$ $SE\frac{1}{4}$ + $N\frac{1}{2}SW\frac{1}{4}SE\frac{1}{4}$

of sec. 30-185-38E.

Four wells shall be drilled on each $2\frac{1}{2}$ acre tract in which no well shall be closer than 82.5 ft. from each $2\frac{1}{2}$ Acre tract or nearer than 165' from any other oil reclamation well. In other way of describing the location, it would be "No well shall be drilled closer than 82.5 ft. from the boundary line of each $\frac{1}{4}\frac{1}{4}\frac{1}{4}$ section. ~~or~~ or nearer than 165 ft from another oil reclamation well"

2. Find that this is not an ~~oil~~ ~~pool~~ natural accumulation of oil but rather an Ogallala water aquifer designated by the State Engineer of which a local area has been contaminated by oil.

3. Find that these locations are granted only for the purpose of reclaiming the oil contaminant from the water aquifer

I recommend that the Commission
do not recognize this as an oil
pool but is only granting for
this location in order to decon-
taminated the water and authorize the
sale of the recovered oil.

Thos. H. [Signature]

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

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

**CASE No. 3565
Order No. R-3234**

**APPLICATION OF JOMAR INDUSTRIES, INC.,
FOR A NON-STANDARD OIL PRORATION UNIT,
SEVERAL NON-STANDARD LOCATIONS, TEM-
PORARY EXCEPTION TO RULE 307, AND
CAPACITY ALLOWABLES, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 26, 1967,
at Santa Fe, New Mexico, before Examiner Elvis A. Uts.

NOW, on this 8th day of May, 1967, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Jomar Industries, Inc., seeks
authority to drill 64 oil wells at non-standard locations on a
non-standard oil proration unit comprising the S/2 NW/4 SE/4 and
N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 38 East,
NMPM, Lea County, New Mexico, for the recovery of oil from the
Ogallala formation.

(3) That the applicant proposes to drill said wells to a
density of four wells to each 2.5 acres with no well being nearer
than 82.5 feet to the outer boundary of the unit and no nearer
than 165 feet to another oil well located on said unit.

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CASE No. 3565

Order No. R-3234

(4) That the applicant also seeks a temporary exception to Rule 307 of the Commission Rules and Regulations for each well in order to permit the utilization of a vacuum-type drilling unit during the drilling and completion of said wells.

(5) That the applicant further seeks authority to produce said 64 oil wells at capacity even though the aggregate production from said wells exceeds the 40-acre normal unit allowable.

(6) That the Ogallala formation is the major source of fresh water in the Lea County Underground Water Basin as declared by the State Engineer.

(7) That the oil existing in the Ogallala formation is not the result of a natural accumulation of oil and, therefore, does not constitute an oil pool as commonly understood in the oil and gas business.

(8) That the presence of oil in the Ogallala formation constitutes a hazard to the fresh water supplies therein.

(9) That said oil should be removed from the Ogallala formation, a fresh water aquifer, as quickly and efficiently as possible.

(10) That the utilization as proposed by the applicant of a vacuum-type drilling unit during the drilling and completion of said wells will not damage any stratum containing oil or gas.

(11) That in order to facilitate the removal of oil, an adulterous substance when present in the Ogallala formation, from said aquifer, the requests of the applicant to drill 64 oil wells at non-standard locations on a non-standard oil proration unit, to utilize a vacuum-type drilling unit during drilling and completion of said wells, and to produce said wells at capacity should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Jomar Industries, Inc., is hereby authorized to drill 64 oil wells on a non-standard drilling tract comprising the S/2 NW/4 SE/4 and the N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, for the purpose of removing oil from the Ogallala formation, a fresh water aquifer;

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CASE No. 3565
Order No. R-3234

PROVIDED HOWEVER, that no well shall be drilled nearer than 82.5 feet to the outer boundary of said tract and no nearer than 165 feet to another oil well located on said tract.

(2) That a 40-acre non-standard drilling tract comprising the S/2 NW/4 SE/4 and the N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, is hereby created and dedicated to a well or wells to be drilled thereon as authorized by Order No. (1) of this order.

(3) That the applicant is hereby authorized, as an exception to Rule 307 of the Commission Rules and Regulations, to utilize a vacuum-type drilling unit during the drilling and completion of each of the 64 oil wells authorized by Order No. (1) of this order.

(4) That the applicant is hereby authorized to produce the above-mentioned 64 oil wells at maximum capacity until further order from the Commission.

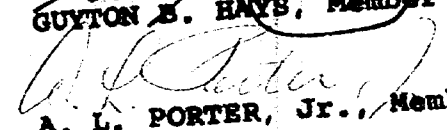
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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



csr/

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM (29)...

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=International Letter Telegram

1201 (4-60)

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

LA118 KB735

K TUB273 PD=FAX TULSA OKLA 27 423PCST=
STATE OF NEW MEXICO OIL CONSERVATION COMMISSION=
STATE LAND OFFICE BLDG SANTA FE NMEX=

RE: CASE 3565 HEARD: APRIL 26, 1967=

AMERADA PETROLEUM CORPORATION HAS NO OBJECTION TO
THE GRANTING OF THE APPLICATION OF JOMAR INDUSTRIES,
INC. CONCERNING WELLS TO BE COMPLETED IN THE OGALLALA
FORMATION.=

R L HOCKER PRORATION ENGINEERS=

MAIN OFFICE OCC

'67 Apr 27 PM 4 41

3565 26 1967=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

-3-

Docket No. 12-67

April 26, 1967 Examiner Hearing

CASE 3565: Application of Jomar Industries, Inc. for a non-standard oil proration unit, several non-standard locations, temporary exception to Rule 307, and capacity allowables, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill 64 oil wells at non-standard locations on a non-standard oil proration unit comprising the S/2 NW/4 SE/4 and the N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 33 East, Lea County, New Mexico, for production from the Ogallala formation. Said wells would be drilled to a density of four wells to each 2.5 acres and would be no nearer than 32.5 feet to the outer boundary of the unit and no nearer than 165 feet to another well producing from the same formation. Applicant also seeks a temporary exception to Rule 307 for each well to permit utilization of a vacuum-type drilling unit during the drilling and completion operation. Applicant further seeks authority to produce the wells at capacity even though the aggregate production from said wells exceeds the 40-acre normal unit allowable.

CASE 3566: Application of William A. and Edward R. Hudson for a water-flood expansion, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to expand their Puckett Waterflood Project, Maljamar Pool, by the injection of water into the Grayburg-San Andres formations through 10 wells in Sections 24 and 25, Township 17 South, Range 31 East, Eddy County, New Mexico. Applicant further seeks an administrative procedure for future expansion of said project.

ir/

- CASE 3559: Application of BTA Oil Producers for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the South Flying "M"-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre proration units.
- CASE 3560: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Hat Mesa Unit Area comprising 7874 acres, more or less, of Federal and State lands in Township 21 South, Ranges 32 and 33 East, Lea County, New Mexico.
- CASE 3561: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Meyer B-4 Well No. 19 located in Unit O of Section 4, Township 21 South, Range 36 East, to produce oil from an undesignated Paddock pool and from the Oil Center-Blinbry Pool through parallel strings of tubing.
- CASE 3562: Application of Continental Oil Company for a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Table Mesa Well No. 29 in Unit H of Section 9, Township 27 North, Range 17 West, San Juan County, New Mexico, to produce gas from the Table Mesa-Pennsylvanian "C" Gas Pool and from an undesignated Mississippian gas pool through the casing-tubing annulus and 2-inch tubing, respectively.
- CASE 3563: Application of Skelly Oil Company for an amendment to the Southeast New Mexico Gas Proration Rules and Regulations. Applicant, in the above-styled cause, seeks an amendment to Order No. R-1670, as amended, Rules and Regulations for Pro-rated Gas Pools, Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, to provide an administrative procedure whereby wells ordered shut-in for extended periods to make up accumulated overproduction could be permitted to produce up to 500 MCF each month during such shut-in.
- CASE 3564: Application of Maxwell Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Taylor Unit Area comprising 640 acres, more or less, of federal lands in Sections 12 and 13, Township 18 South, Range 31 East, Eddy County, New Mexico.

Docket No. 12-67

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 26, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner,
or Daniel S. Nutter, Alternate Examiner:

- - - -
- CASE 3554: Application of Coastal States Gas Producing Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Flying "M" San Andres Unit Area comprising 4080 acres, more or less, of State, Federal and Fee lands in Township 9 South, Range 33 East, Lea County, New Mexico.
- CASE 3555: Application of Coastal States Gas Producing Company for a pressure maintenance expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the pressure maintenance project in its Flying "M" San Andres Unit by the injection of water into the San Andres formation through 8 injection wells located in Sections 15, 16, 17, 20, 22, 28, 29 and 33, Township 9 South, Range 33 East, Lea County, New Mexico. Applicant further seeks the promulgation of special rules for said project, including provision for future expansion.
- CASE 3556: Application of Southland Royalty Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed Devonian gas test well at an unorthodox gas well location 660 feet from the North and West lines of Section 12, Township 25 South, Range 35 East, Lea County, New Mexico. The well would be dedicated to the N/2 of said Section 12.
- CASE 3557: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Inbe-Pennsylvanian Pool underlying the E/2 SW/4 of Section 13, Township 11 South, Range 33 East, Lea County, New Mexico.
- CASE 3558: Application of BTA Oil Producers for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Lowe 671 Ltd. Well No. 1 as an exception to the well location requirements of Order No. R-2929 for the Nonombre-Upper Pennsylvanian Pool and the Nonombre-Lower Pennsylvanian Pool, Lea County, New Mexico. The proposed well would be located 560 feet from the North and West lines of Section 5, Township 14 South, Range 34 East.

RHODES, McCALLISTER & DURRETT
ATTORNEYS AT LAW

JERRY P. RHODES
ORVILLE C. McCALLISTER, JR.
J. M. DURRETT, JR.

619 SIMMS BUILDING
ALBUQUERQUE, NEW MEXICO 87101
TELEPHONE 243-8748

March 31, 1967

Case 3565

Mr. D. S. Nutter
Chief Engineer
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

MAIN OFFICE 000

Dear Dan:

'67 APR 3 AM 8 03

I am enclosing an original and two copies of Jomar Industries, Inc's. application to produce oil from the Ogalalla formation. In accordance with our telephone conversations, will you please look this application over and let me know if you or George Hatch have any suggestion or questions before the application is filed.

APR 3 AM 8 07

I am enclosing a plat showing the proposed spacing pattern and a plat of the area showing existing wells and Jomar's lease. I also am forwarding a copy of the application to Frank Irby, Joe Ramey, and to John Anderson as the case involves a federal lease.

000 301230

Please contact me if you have any questions or suggestions.

Very truly yours,

Rhodes, McCallister & Durrett

By

J. M. Durrett, Jr.
J. M. Durrett, Jr.

JMD/jb
Encls.

cc: Mr. Frank Irby
Mr. J. D. Ramey
Mr. John Anderson

DOCKET MAILED

Date 4-14-67

RHODES, McCALLISTER & DURRETT
ATTORNEYS AT LAW

JERRY P. RHODES
ORVILLE C. McCALLISTER, JR.
J. M. DURRETT, JR.

619 SIMMS BUILDING
ALBUQUERQUE, NEW MEXICO 87101
TELEPHONE 243-9746

March 31, 1967

Clear 3565

Mr. D. S. Nutter
Chief Engineer
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

MAIN OFFICE 000

Dear Dan:

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000 501330 111

Please contact me if you have any questions or suggestions.

Very truly yours,

Rhodes, McCallister & Durrett

By

J. M. Durrett, Jr.
J. M. Durrett, Jr.

JMD/jb
Encls.

cc: Mr. Frank Irby
Mr. J. D. Ramey
Mr. John Anderson

DOCKET MAILED

Date 4-14-67

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

Application of

JOMAR INDUSTRIES, INC.

for Nonstandard Locations, ~~Special-~~
~~Allowables~~, and An Exception to
Rule 307

Case No. 3565

A P P L I C A T I O N

COMES NOW the applicant, Jomar Industries, Inc., by
and through its attorneys, Rhodes, McCallister & Durrett, and
respectfully states:

I.

The applicant is the owner and operator of the South
Half of the Northwest Quarter of the Southeast Quarter (S/2 NW/4
SE/4) and the North Half of the Southwest Quarter of the Southeast
Quarter (N/2 SW/4 SE/4) of Section Thirty (30), Township Eighteen
(18) South, Range Thirty-eight (38) East, N.M.P.M., Lea County,
New Mexico, for production from the Ogalalla formation.

II.

The applicant is informed and believes that the
Ogalalla formation underlying said acreage contains fresh water
supplies designated by the State Engineer and crude oil which may
constitute a hazard to said fresh water supplies.

III.

The applicant proposes to drill 64 oil wells at nonstandard
locations on said acreage and seeks authority to drill 4 wells on each

2 1/2 acre tract locating said wells no nearer than 82 1/2 feet from the lease line and no nearer than 165 feet to another producing well.

IV.

Approval of the proposed nonstandard locations will result in recovery of otherwise unrecoverable oil, prevent waste and protect correlative rights.

V.

~~As production of oil from the Ogalalla formation will decrease the hazard of contaminating fresh water supplies, the applicant seeks authority to produce said wells at capacity.~~

VI.

The applicant seeks an exception to rule 307 of the Commission Rules and Regulations to utilize a vacuum type drilling unit to drill the subject wells which will not cause damage to any formation underlying the above described acreage.

WHEREFORE, the applicant requests the Commission to enter its order approving the proposed nonstandard locations, ~~authorizing special capacity allowables for the subject wells;~~ and granting an exception to the rule 307 of the Commission Rules and Regulations.

Rhodes, McCallister & Durrett

By J. M. Durrett, Jr.
J. M. Durrett, Jr.

MAIN OFFICE

'67 APR 12 AM 8 00

April 10, 1967

File
Case 3564

Mr. J. M. Durrett, Jr.
Attorney at Law
Rhodes, McCallister & Durrett
619 Simms Bldg.
Albuquerque, N. M. 87101

Dear Mr. Durrett:

The application of Jonar Industries, Inc., which you filed with the Oil Conservation Commission appears to be for the purpose of drilling an oil well. You are aware that this Office has no authority over oil wells.

I would suggest that your client be advised that our records do not reflect that he has any right to withdraw water from the Ogallala formation in the Lea County Basin.

FBI/ma

cc-Mr. A. L. Porter, Jr.
Mr. J. D. Ramey
Mr. John Anderson
Mr. F. M. Hennighausen

Yours truly,

S. E. Reynolds
State Engineer

By:

Frank E. Irby
Chief
Water Rights Div.

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

April 26, 1967

Application of Jomar Industries, Inc.
for a non-standard oil proration unit,
several non-standard locations,
temporary exception to Rule 307, and
capacity allowables, Lea County, New
Mexico.

Case 3565

TRANSCRIPT OF HEARING

MR. UTZ: Case 3565.

MR. HATCH: Case 3565, application for Jomar Industries, Incorporated, for a non-standard oil proration unit, several non-standard locations, temporary exception to Rule 307, and capacity allowables, Lea County, New Mexico.

MR. DURRETT: If the Examiner please, J. M. Durrett, of the firm of Rhodes, McCallister and Durrett, representing applicant and I have one witness.

(Witness sworn.)

MR. UTZ: Are there any other appearances in this case?

MR. WALTON: Yes, sir, Joseph O. Walton, W-a-l-t-o-n appearing in my own behalf.

MR. UTZ: Are there any other appearances? You may proceed.

JOHN W. ECK, called as a witness on behalf of the applicant, first having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DURRETT:

Q Mr. Eck, would you please state your full name?

A John W. Eck, E-c-k.

Q And are you employed by Jomar Industries, Incorporated?

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
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1400 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO 87108

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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PAGE 3

A Yes.

Q What is your position?

A Vice-President.

Q And, where are you located?

A Dallas, Texas.

Q Are you in charge of Jomar Industries proposed operation to recover oil from the Ogallala formation in Lea County?

A Yes.

Q And are you thoroughly familiar with what they propose?

A Yes.

Q In that regard?

A Yes.

Q Would you please briefly state to the Examiner what it is that Jomar is seeking by this application?

A Jomar is seeking to produce oil from shallow wells under a farm-out from Humble and Refinery Company in the Ogallala formation.

Q And are you seeking non-standard locations in connection with this application?

A Yes, sir.

Q Approximately, how many?

A That would be sixty-four.

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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Q And you also have a non-standard oil proration unit, is that correct?

A Right.

Q And are you seeking capacity allowables and an exception to Rule 307 of the Commission rules?

A Yes.

(Whereupon, applicant's Exhibit Number 1 was marked for identification.)

Q Now, Mr. Eck, will you please refer to your Exhibit Number 1. Please state to the Examiner what Exhibit 1 portrays, Mr. Eck, will you please?

A Exhibit 1 is the basic property ownership in Section 30, Township 18 South, Range 38 East, in Lea County, and the properties that would involve the shallow Ogallala development to date.

Q Is that color coded to show the leases in affect to the best of your knowledge or maybe I should say, the operations that are presently in affect?

A Yes, sir.

Q What acreage specifically, by quarter-quarter section, if you would, does Jomar have?

A Jomar has the south half of the Northwest Quarter of the Northeast Quarter and the north half of the Southeast Quarter of the Southeast Quarter.

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Q And that is all in Section --

A In Section 30, Township 18 South, Range 38 East.

Q All right, sir, now I believe you have stated previously but I will ask you again, what is the nature of your interest in this acreage?

A Our interest is developing oil in the Ogallala formation at approximately thirty feet and --

Q Let me rephrase that question, what I meant was, what is your legal interest? Do you have a farm-out?

A We have a farm-out from Humble Oil.

Q All right, and what is that farm-out -- It is an operating agreement, isn't it?

A Right.

Q Farm-out or an operating agreement?

A Operating agreement.

Q What does that provide, that you can, you have the right to produce --

A Oil from the Ogallala formation. It is restricted to the Ogallala formation.

Q Would you briefly describe to the Examiner the characteristics of the Ogallala formation as far as to the best of your knowledge?

A Well, to the best of my knowledge, the Ogallala formation is a fresh water formation and there appears in

dearnley-meier

various parts of this formation oil bearing sands just above the water bearing level in the formation. This formation, we have determined, ranges from approximately twenty feet on down to -- I do not know the bottom. We have only drilled down as deep as fifty feet in a core test.

(Whereupon, Applicant's Exhibit Number 2 was marked for identification.)

Q All right, if you will, please, now, refer to your Exhibit Number 2 and state to the Examiner what that represents?

A This is actually an expanded, just a blow-up of our property, of the section shown on Exhibit Number 1.

Q This is your acreage then?

A This is our acreage separated into two and a half acre blocks.

Q Now, you have some, I believe, well locations on that exhibit, is that correct?

A Right.

Q Are those proposed well locations?

A Those are proposed well locations.

Q What is the, what appears to be a dry hole or plugged well up in the northwest corner?

A This is a core test that was conducted and plugged in which oil saturation was found from thirty-two and a quarter

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feet to thirty-four and a quarter feet.

Q And did you drill that hole?

A Yes.

Q And it presently is plugged?

A It presently is plugged.

Q All right, if you will, go down to the bottom southeast corner of your plat there and state what your other dry hole or plugged hole is?

A This is also a core test drilled to a total depth of thirty feet in which there was no showing of oil or anything, consequently, it was plugged also.

Q Now, what are the footage locations on your requested non-standard locations, Mr. Eck?

A Spacing would be four to each two and one-half acre tract, eighty-two and a half feet in from the lease line and one hundred and sixty-five feet between the wells.

Q And would you state to the Examiner the manner in which you propose to complete these wells?

A We propose to drill these wells down to the oil bearing sand, just barely underneath the oil saturation into the water and complete and produce the wells from these holes as shown on here, starting basically in the upper left-hand corner and working the pattern outbound. This would be the northwest to the southeast.

Q Now you are going to use a special type of rig to drill these wells with, is that correct?

A Right.

Q Do you have an exhibit concerning the rig?

MR. DURRETT: Would you mark this, please?

(Whereupon, applicant's Exhibit Number 3 was marked for identification.)

Q (By Mr. Durrett) Now, what is Exhibit Number 3, Mr. Eck?

A This is a specialized mineral exploration rig. Actually, in just general language, it is a rotary rig that drills on a reverse circulation basis. The rig takes complete samples of all footage drilled from the surface down to the bottom of a hole. This way, we are able to take an inch by inch visual sample of everything we are cutting. The rig works on reverse circulation of air. Whenever fluids are encountered, it also circulates these fluids through the system, so we can tell the exact time that we are at the top of the fluid level, as in this case it was oil we could tell when we reached the bottom of this sand and broke into water. The water would also be immediately visible in this system.

Q Now, is this actually a vacuum rig?

A No, the reverse circulation is created by a vacuum pump, but actually, it is removal of air from the

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inside of the drill pipe, which in turn creates a circulation of the air down the outside of the pipe up through the system and this circulation carries with it the cuttings which are then run through a cyclonic separator and the air is then exhausted and this is the cycle we work on.

MR. UTZ: It is just an overgrown vacuum cleaner.

THE WITNESS: That is just about exactly it. It is very similar to a soda straw, in that it removes the pressure from one end and it is the replacement of whatever is at the bottom of the tube, you have coming through the tube.

Q (By Mr. Durrett) Now, Mr. Eck, you have asked for an exception to Rule 307. Was this for the reason that you feel that there might be for just a few moments some type of a slight vacuum created in the formation when you initially drill into it?

A I mean, we are removing whatever is at the bottom, through this system and it could be referred to as a vacuum but there is nothing in this that we do not produce in any way with this unit, as far as a production unit. This is strictly a method of drilling and it is removal of cuttings, it is a point of removal of cuttings from the hole, but there would be no production in this, but this exception would be strictly on the basis of removal of cuttings.

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Q If you did place any kind of a vacuum, incidentally, on the formation how long would you think that would be, how long would the vacuum exist if there was one created in drilling?

A Actually, this, as it moves through the formation, it is removal of the cuttings. The only vacuum exerted would be in the moment when the cuttings are turning loose the circulation of air down the outside of the pipe. Through the formation above does not create any vacuum on the formation it would be right at the moment it is cutting is the only time it would be exerting this vacuum.

Q Is it your opinion that this rig will or will not damage this formation?

A No, we have found the rig does not, this is one of the reasons why we are utilizing this kind of rig in shallow formations, because we find that this, using this type of rig you don't have to put anything into a formation. You are not blowing air back into a formation. You are not taking, as a cable tool does, using pressure to cut through a formation and you are not circulating mud through a formation, so we come up with what we refer to as just a completely clean hole and this way, what we have cut, if there are any channels for circulation or anything else, they remain as they are.

Q Now, did you state what type of casing you intend

to use in these wells?

A We will just use casing ten feet down from the surface, a foot above the surface of casing as close to the diameter of the hole that we drill as possible, which would be a six and three quarter inch hole, with casing which would be as close to this o.d., what casing the closest outside diameter to place it in the hole without binding it.

Q All right, if you will refer back now to your Exhibit Number 2, I think I neglected to ask you what the contour intervals on there represent?

A The contours represent the bottom of the colichy. We found in these tests that the bottom of the colichy varies anyplace from twenty four and a half feet to a seventeen and three quarters feet. These were derived through the core holes, the test holes, which we drilled on the property. These holes are shown by the marks on the Exhibit Number 1. There were ten holes in this program.

Q Now, Mr. Eck, did you state that the Ogallala formation also contains fresh water supplies?

A Yes, it does.

Q Have those been designated as fresh water supplies by the state engineer?

A As far as I know they have.

Q Is it your opinion that the crude oil that is in

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this formation constitutes a hazard to the fresh water supplies?

A Yes, it does.

Q What do you propose to do? Well, let me back up and ask you, will you produce any water incidentally to the production of oil?

A We will produce some water incident to the production of oil, but we plan to keep this at a minimum. With our method of drilling we know exactly when we are coming out of any oil saturation into water and we plan only to drill deep enough to create a tail hole for the bottom of the down hole pumps, which we will use for production of the oil in this formation.

MR. UTZ: How deep would that be?

THE WITNESS: This would be -- Now, on this, the only hole in which we encountered oil saturation at all was a total depth of thirty-five feet, the oil stopped at thirty-four and a quarter feet. After thirty-four and a quarter feet, we did encounter that that is the water-oil line, so we would be maybe six to eight inches in the water. Actually, this would give a seat for our motor so that we could produce as low as possible on the level of the oil saturation.

MR. UTZ: You are going to need about a six to eight inch well for your motor to set in, your pump.

THE WITNESS: This is what -- We want to produce

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a minimum of water on any of this program.

Q (By Mr. Durrett) Am I correct that you are going to try to produce absolutely no water, but you feel that you may produce a very small amount?

A We will test each well to see if we can produce without producing any water. We don't know. There actually has been no pumping of any wells that we have been involved with in this area yet. I mean, we have not pumped any, so we do not know the characteristics of the pumping yet, but, as each well is completed we will endeavor to produce a minimum amount of water.

Q Now, have you discussed this matter with the State Engineer and the State Health Department?

A Yes.

Q And, what have they advised you?

A They propose that the water be returned to the formation through a closed system, which we are agreeable with and they have given us just the general scope of the return from the, of the fresh water, would be as far as we can designate it through any wells that do not cut oil. For instance, this hole down here in the bottom section, there was no evidence of oil whatsoever, even on the oil show, at all in this well.

I don't know where the oil line cuts off in this

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proposed program, but we would try to dispose of this water 330 feet in from our lease line into basically a completely dead formation. I mean, with no oil on top of the water.

The State Engineer has stated that he believes the formation will accept returned water and that he wanted a closed system to avoid any contamination due to bacteria or anything else. This is under the, the Health Department requested this and he requested that gravity flow and he said he believes, according to his department studies of the Ogallala, this can be accomplished so this is what we plan to try to do on it.

Q And is Jomar willing to meet any requirements that the State Engineer or the State Health Department may place on them concerning this fresh water?

A Yes.

Q Is it Jomar's intention to file an application with the Oil Conservation Commission seeking authority to return the water, the produced water, to the Ogallala formation?

A Yes, as soon as possible.

Q And, what would you intend to do with any water that you might produce between now and the time that the application to dispose of the water came before the Commission?

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A During the initial test on these wells, we would keep this in tanks. We will install two, what we plan now is two 250 barrel tanks, because this would be sufficient to take care of future capacity, but as these first wells are drilled, this will give us reserve to store water, if necessary until we find a supply for disposal on this water.

Q And, have you discussed that proposition with the State Engineer and the State Health Department?

A Yes, this would be in a closed tank.

Q And, have they advised you that they would have no objection to your proceeding in that manner?

A They said this was satisfactory.

Q Mr. Eck, Jomar is seeking in this case capacity allowables. Will you please state to the Examiner why you desire capacity allowables?

A Inasmuch as this is basically contamination and we do not, from everything we have seen, it has no drive and once we started production, we would want to keep as steady a flow as possible in order to take ultimate recovery of this oil from the top of the water and we do not have any experience what a shut-in might do in the formation or what might happen. So, we would like to produce basically at the capacity of the replacement oil in the well, so that we would not be storing against the reservoir that is gradually replacing here. I do

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not know how much the wells will produce. We have no idea until we put them on pump, but these would be working on down hole pumps, in which we work on a replacement basis and we just like to create as steady as possible flow of oil as we could, and just avoid any interruption of this flow once we started it, because of lack of drive, from everything we can learn there is lack of drive in the formation.

Q What do you think might happen if you had to shut one in?

A I think it is possible that we could, it would affect future production, just gum up our flow and in this way, just leave us in position. The well then would just produce a small amount of what it had been producing and not be as effective in cleaning up the formation. The primary purpose is to clean as much oil out as possible from the top of this formation.

The ultimate would be as close as we can to a hundred percent. I don't know what can be done on it. I don't think anybody does, but we want to establish a continuity to keep it producing as long as possible for the recovery of the contaminate, just move as much oil out of the way on a continuous basis.

Q Is it your opinion that your proposed operation will recover oil that would otherwise be unrecoverable?

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A Yes.

Q Is it your opinion that approval of this application would prevent waste?

A Yes.

Q And, are you of the opinion that your proposed spacing pattern will adequately protect correlative rights?

A This is what we are proposing, on this basis.

Q Are you also of the opinion that your proposed operation will decontaminate the fresh water contained in the Ogallala?

A Yes.

Q You don't mean ultimately, do you?

A I believe --

Q What I am saying is, you don't believe it will completely decontaminate it?

A No, I don't see where it can completely decontaminate it, because you are going to have some residual. Anytime you have oil there is going to be some residual left in the sand but there is, basically -- this seems to be, what would appear to be, more or less, free oil in the sand above the water.

Q Does Jomar have a rig standing by ready to move in right now, Mr. Eck?

A Yes, we do.

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Q Would you request the Commission to act on this application as soon as possible under those circumstances?

A I certainly would.

Q Do you have anything further you would like to present to the Examiner?

A No.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes.

Q Is Exhibit 3 a brochure concerning your rig that adequately represents this rig?

A It is a brochure prepared by myself on the rig, also.

MR. DURRETT: If the Examiner please, I would move the introduction of Exhibits 1, 2 and 3 and that will complete our direct examination.

MR. UTZ: Without objection, Exhibits 1, 2 and 3 will be entered into the record of this case.

(Whereupon, applicant's Exhibits 1, 2 and 3 were admitted into evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Eck, what type of a pump is it your intention to use?

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A Pardon me, sir.

Q What type of a pump?

A It would be a down hole centrifugal pump, electrical pump. Actually, just a water pump. A slim hole water pump, is what we would be pumping through, through a one inch pipe to the surface.

Q You would go from that to a separator?

A Yes, sir.

Q And then from the separator to storage water and storage oil tanks?

A Right.

Now, in the initial, on our testing we might move directly to the tanks. I mean, testing the first few holes before a separator was installed.

Q These are electrical pumps, right?

A Electric pumps, right, down hole pumps.

MR. UTZ: Any other questions of the witness?

MR. DURRETT: I have one additional question, Mr. Examiner.

RE-DIRECT EXAMINATION

BY MR. DURRETT:

Q I neglected to ask you, Mr. Eck, is it your opinion that your proposed spacing pattern will efficiently and effectively recover this oil that is in the Ogallala

formation.

A To the best of our knowledge, yes.

MR. DURRETT: That's all.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Statements in this Case? Would you give your name for the record, please?

MR. WALTON: Joseph O. Walton. I gave my name at first here and I am appearing on my own behalf. I am operating in the same Section 30, Township 18 South, Range 38 East, NMPM. I also have a farm-out from Humble on part of the land involved in Jomar's application. I have thirty-two wells operating down there. I have three pump jacks working off of one engine. I have eighteen windmills and I have the remainder in submersible pumps.

I do not know from the testimony given here, whether it is proposed that the Commission issue general rules and regulations or not, that would affect my operation. I am operating under Commission Order No. R-2902, that was rendered by the Commission after a hearing on May the 4th, 1965.

MR. PORTER: Let's go off the record for just a minute.

(Off-the-record discussion.)

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(Witness sworn.)

MR. WALTON: If it is proposed that rules and regulations be issued under the oil production, then I would have objections to the granting of this permit to produce oil. Now, we know that this oil is found on top of fresh water. Now, whether or not you call it a water well, as I do, and you produce water and oil, or whether you call it an oil well and produce oil and water, I don't think it makes much difference what you call it.

We are doing the same thing. We both think that we can make a financial go of it and at the same time perform a service that needs to be performed. Certainly, we wouldn't be in it, if we didn't think we could do it economically and to our advantage. To issue rules and regulations limiting the spacing would defeat the purposes for which this Commission originally granted my permit under the order previously mentioned, because this Commission is interested in preventing waste and to decontaminate the sole supply of water in Lea County and that is from the Ogallala water formation.

If you can get the water off and space your wells economically on a fifty foot basis or ten foot basis, then you ought to be permitted to do it.

There is a man operating just east of me and on my farm-out from ^{if} Geddie Oil Company. He has nine wells on

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less than an acre and a half. It is uneconomical to him. He is fighting to get his money back and he is going to get out, but, if he could do it economically, he would do it and then it would perform the ultimate purpose. It would get this oil that is going to be wasted and is contaminating the sole supply of water.

I also operate under the jurisdiction of the State Engineer. I get a permit for every well that I drill. I give him a quarterly report on the estimated amount of water that I recover incidental to my operation. I think that is necessary. You are in a fresh water area, so designated by the State Engineer and I think you should be subject to his jurisdiction as well as to the jurisdiction of this Commission.

The proposal here is to put this contaminated water that is salvaged from the oil back into fresh water. Now, that is going to further contaminate the fresh water area. The testimony here is that they are going to dispose of this water. For instance, in this well to the south there, that shows no sign of oil contamination. Why contaminate that area? I have permits from the State Engineer and from the Health Department to use a well disposal and my whole purpose there was to dispose of my contaminated water on top of contaminated water and I can't hurt anybody. I submitted to the Health Department a proposed diagram of my disposal

well and now it is true that during the winter months, I was having trouble shaking the water out of my oil. My disposal wells were forty feet deep. It did not take the contaminated water fast enough to get rid of it, and, because I had, as I say, I had too much water multiplied, or apparently so, with the oil and I couldn't get pipe line oil that is required.

So, temporarily I pitted my oil but now, I am better equipped. I have a gum barrel where I separate my oil. I have a water leg that takes it off constantly and it takes it off in a small enough stream that I think that my disposal well will take it all. But, I do violently object to any disposing of contaminated water back into fresh water.

Now, as far as shutting in these wells has hurt the reservoir, I have shut in my wells lots of times and it don't hurt your reservoir. The only thing it does, it accumulates more oil in there, so, when you start pumping it again, you are going to get a fresh production. You have no gas pressure. The only oil you get is by gravity that flows into the bore of your well. That is all you get. And, when my windmills are down, I expect a shut-in and when they start up again, I get to flush them out.

I have submersible pumps. I have got them on timers. I have got them on a fifteen minute cycle and I can set those timers on any percentage of that fifteen minutes

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that I want. One percent would be a minute and a half and it will pump a minute and a half every fifteen minutes. But, if one of them goes down and I pull it up for repairs, that oil is just coming in a little bit higher and when I put it back in, naturally, the first few pumps I am going to have to flush it out. So, you can't hurt the reservoir by pumping and, of course, you want all the oil you can produce because that is the purpose to get it away from there.

Now, Humble Oil made application to this Commission at a full hearing to do the same thing that Mr. Eck proposes to do for Jomar. Their objections to operating under Order Number R-2902, which is all inclusive for anybody. Humble objected to it because they would have to file a monthly report showing the daily production per well per day. I have a transcript of the testimony of Mr. Al Carpenter, the engineer for Humble in Hobbs. He also objected to the water permit requirement.

If you drill an oil well, then you are going to eliminate a licensed water well driller. I don't see any necessity for burdening the operation we have down there with any additional rules and regulations. This Commission, by its order in its last paragraph, reserved jurisdiction of this cause and that is in all of Section 30 for the interest of such further orders as the Commission may deem necessary and

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I just don't want to be burdened with rules and regulations. I am burdened with enough of them. I didn't realize how much rules and regulations and reports and taxes and everything else that was connected with a private industry until I got into this. It takes, not a full time bookkeeper, but along about the 25th of the month, it takes a lot of time to get out your report and your taxes and oil for the County Commission, and every three months -- Every month I have to make my report to the Oil Conservation Commission and I do. I don't object to any of the rules I am operating under, but, it is burdensome and if you have to come in with new rules and regulations, then you are going to defeat the purpose for which we are operating down there.

I will answer any questions presented to me, if I can.

MR. PORTER: I have a couple of questions.

CROSS EXAMINATION

BY MR. PORTER:

Q Mr. Walton, as I understand it, you have really, two objections to this application. One, would be imposition of any further regulations on the existing operations in the pool?

A Yes, sir.

Q Any requirement for any more reports, tests,

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what have you.

A Yes, sir.

Q The other would be that you would object to the returning of any of the produced water to the Ogallala?

A To the fresh water area.

Q To the fresh water area of the Ogallala?

A Yes, sir. And, I do that, not because it will hurt my operation, but because I can't see the necessity of contaminating additional fresh water in this area.

Q Now, where did you say you were putting your water, your produced water?

A Right on there, I have a map. Let me show you.

MR. NUTTER: Maybe you can indicate where it is on this map.

THE WITNESS: Here it is, right here. I have a map prepared by Humble here that is very good. Now this well --

Q (By Mr. Porter) You are referring to Number 4?

A Yes, sir. Let me get -- That was an old map. Here is a better well prepared by Humble and it is Number 12 here.

Q Number 12?

A Yes, sir. That is a well that I drilled specifically for the purpose of recharging. I have one over here

on the Benson, and I am taking -- That is in the next section in the northeast quarter just across the road.

Q Did you say how far below, where you are producing the oil that you are injecting this water?

A I have it cased down to forty feet. My injection well.

Q Your injection well is cased down to forty feet?

A Yes, sir.

Q About what level are you producing your oil?

A About thirty.

Q About ten feet below?

A Yes, sir.

MR. PORTER: That's all I have at the moment,

Mr. Utz.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Walton, is that water that water that you inject into that well completely oil free?

A No, sir. Oh, there may be a little skim on it that would show up in the sunshine, but it is not coming out of that gum barrel or water leg; there completely free. It is not an amber color. It is lighter than that.

Q Well now, isn't it possible, Mr. Walton, if you are injecting this water down into the lower portion of the water

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sand below where the contamination is that the oil, by gravity seepage, is going to work its way back up through the water and contaminate the fresh water that isn't contaminated?

A Well, apparently, the water is contaminated further down than that and that is one purpose of putting it down, that is to bring it back up and if there is any oil in it, I am going to produce it. These recharge wells are within a hundred feet of my producing well.

Q It is going to get back up to the top where you have got your pumps eventually?

A Yes, sir.

Q After it works its way back up through. But, if the contamination is already by gravity segregation and you put oil in the top and clean water at the bottom, then you are perculating oil back up through the water again, aren't you?

A That is in affect, yes, sir, what I am doing. But, I am not putting it back in an uncontaminated area. Now, these people around there depend on this water outside of this contaminated area for their drinking water purposes. I know everyone of these people down there and Mr. Grimes, of course, owns the surface here that Humble has. He has no house or anything down there and fresh water wells are quite aways south of there and east but right across the road, in

the northeast quarter of this section, one of the men goes over to the southwest about three or four hundred feet and gets his fresh water. The other people living on the north-side of the road, go further north to get their fresh water and pipe it down to the house.

Q In other words, by setting a pump deep in the water sand here, you can't get uncontaminated water?

A They have tried that and it just don't come out uncontaminated. They have even tried a filter system. One man down there, Bob Benson, he spent over \$900.00 trying to filter it out. The man he had sold the property to worked for Halliburton and they went down there and pumped cement from top to bottom and cased it and it still came out contaminated.

Q Producing from the lower section of the pay?

A Yes, sir, and this man, Mr. Ayers, that is getting his fresh water from the southwest there, he drilled two wells and cased it all down to a 125 feet and cemented it and he is still getting contaminated water and if you go into an area there south, it chops off down there somewhere. Jomar drilled this well here and I have a list of the wells here they drilled and the depths and everything and they showed absolutely no contamination and yet that is where they are going to put their contaminated water.

MR. NUTTER: That's all I have.

MR. UTZ: Any other questions?

MR. DURRETT: I have a couple of questions, please.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Walton, I think I misunderstood you when you started your presentation. You didn't state that you had a lease on this forty acre tract that Jomar is talking about?

A No.

Q You're talking about that you had a lease in the same section?

A In the same section.

Q In the same section but on other land, is that correct?

A Yes.

Q Now, under Commission's Order R-2902, or any other regulation by any other regulatory agency, do you have any limitation on the amount of oil you can produce?

A Yes, sir, I do.

Q And you are not an oil operator, is that correct?

A That is a matter of terminology. I operate as a windmill oil company. I do produce oil. I do sell it. It is profitable.

Q But, you do not operate under authority granted by the Oil Conservation Commission?

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A No, sir. I operate as, I believe the order specifically states there that I can produce oil, this oil from the water wells that have previously been drilled or that thereafter may be drilled, water wells.

Q But you drill water wells not oil wells?

A Yes, sir. I get a permit to drill.

MR. PORTER: From the point of clarification, I believe the order just authorizes the oil which is produced from these water wells to be sold.

THE WITNESS: That's right.

MR. PORTER: There is no production authorized by the sale of the oil, disposition of it.

MR. DURRETT: I think that's all I have.

CROSS EXAMINATION

BY MR. PORTER:

Q As I understand you Mr. Walton, all you object to is any other regulation and the possibility of contamination by reinjecting this water?

A Yes, sir.

MR. PORTER: I think that's all.

MR. DURRETT: I will have a statement here in just a moment.

CROSS EXAMINATION

BY MR. UTZ:

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Q Mr. Walton, you're not necessarily objecting to Jomar operating under oil commission regulations, as long as it don't affect you?

A That's right.

Q But the thing that Jomar proposes to do here that you do object to is disposing of their water other than in the area of contamination?

A That is the general objection that does not affect my operation.

MR. NUTTER: Of course, that is actually not a part of this hearing.

THE WITNESS: No.

MR. PORTER: Excuse me a minute. This was the thought I was going to interject here. That the disposition of water is not a part of this application, although it was discussed to some extent here, what the residual would be.

MR. DURRETT: That's correct. We were going to make a separate application to the Commission to obtain that authority, or request that authority.

MR. PORTER: What you are asking for is a permit to drill so many wells on such and such spacing and unlimited allowables, producing it unlimited.

MR. DURRETT: That's correct, and an exception because of the rig --

MR. UTZ: 307

MR. DURRETT: 307.

MR. PORTER: Possibility of conflict with the vacuum pump.

MR. DURRETT: Yes.

MR. UTZ: Perhaps I'd better address this to the witness. Have you contemplated operating in the same manner that Mr. Walton does by getting approval from the State Engineer for a water well?

MR. ECK: No, sir, these would be strictly drilled as oil wells.

MR. UTZ: Have you discussed this with the State Engineer?

MR. ECK: No, this matter of disposal came up primarily through the State Engineer and this was strictly, I mean, its injection would be on his recommendation, I mean, we are just relying on him, between the State Engineer and the Health Department to determine the best possible location whether it is in completely free sand or whether it is in contaminated sand. This reinjection was on his recommendation, basically, is how we are operating this, we are not proposing that this definitely be a disposal well at all. This is basically, in our conversations with him, what he said, that, well, maybe it is best here. But, this is strictly between the

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-- we will go on whatever the Health Department and the State Engineer recommend. We want, number one, to not create any additional contamination.

The objective there is to take what contamination there is out and since it is a fresh water situation, we are going on the State Engineer's recommendations and the Health Department for the best possible way to reinject this so that number one, there would create a minimum of disturbance in any oil that is there possibly and still maintain a minimum of contamination on going back in and as I say, the location -- This was the State Engineer's recommendation really. We had not determined where it will be and we will undoubtedly have some more conference on this, on their best ideas to not create any contamination. We want to eliminate this possibly completely.

MR. UTZ: Back to the problem of drilling the well, did you discuss the possibility of getting water well permission to drill these wells?

MR. ECK: Not with the State Engineer. We have just gone on a, figuring this is -- We are seeking oil production. I mean, this is just strictly as an oil production venture.

MR. UTZ: In your opinion, could you produce this oil by requesting water well permits?

MR. DURRETT: Let me get in here Mr. Examiner. No, the answer to that would be no, we could not because Jomar is

an oil operator. They are drilling oil wells and not water wells and the basic problem involved is that Jomar has a mineral lease and does not have surface rights. So, we would have no right to use water. Therefore, we would have no right to apply to drill water wells as such.

MR. UTZ: Mr. Walton you have both surface rights and mineral leases for your operation?

MR. WALTON: I have a farm-out from Humble and I have an agreement with the surface owner where I pay him a percentage of my production to reimburse him for the damage I do on his land. I also have satisfied those people down there by making this payment to them and I have actually paid them over the years, the two years that I have been operating, more money than they were asking for the land. When I first started operating down there, if I had known it was going to be any more than a skimming process, I would have bought their surface right because, well Judge Benson there, he is the Justice of the Peace, he wanted \$1250.00 for two and a half acres and I have already paid him more than \$3,000.00.

One man wanted \$5,000.00 for five acres down in there. It was an outlandish price and I have already paid him more than \$4,000.00.

MR. DURRETT: He's not going to give you a deed though, is he Joe?

MR. WALTON: No, down there on Grimes I have twenty-five acres down there. I could have bought the stuff for \$100.00 an acre and I am paying him a \$1,000.00 a month.

MR. NUTTER: You must be doing an awful lot of damage to the surface down there.

MR. WALTON: Well, I will tell you one thing, they don't object to my doing it. Now, he says they don't have any surface rights. I know for a fact, that either he or Humble is going to have to pay Grimes \$50.00 a location for every well he drills, plus \$100.00 for every tank battery he has, plus a dollar a rod for the road and the pipe they use, gouging system. Now, whether that is surface rights or not --

MR. DURRETT: We will stipulate that we have a lease which requires that we pay surface damages as any oil operator does.

MR. WALTON: No, sir, this is in addition to regular oil spacing, because Humble has said this, that they don't have to pay anything for the usual spacing damages, but, they agreed with Grimes and I signed the agreement, approving that this is a non -- Well, in other words, it is not a regular spacing and that therefore, he was entitled to addition of damages. Now, they can call it paying for damages and I call it paying them a royalty and he is a lot more satisfied with my arrangement with him than he is at \$50.00 a location.

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MR. UTZ: Do you have something?

MR. DURRETT: I have a short statement. I think we have discussed --

MR. UTZ: Are there any other questions of the witness?

MR. PORTER: Either witness.

MR. UTZ: Either witness. You may be excused, both witnesses.

(Witnesses excused.)

MR. UTZ: Any statements in this case?

MR. DURRETT: I believe, Mr. Examiner, that we have discussed most of the things that I was going to mention in my closing statement but I would like to first clarify this point. Jomar is not requesting special rules and regulations in this case. They are requesting non-standard locations, a non-standard unit, temporary exception to Rule 307 and capacity allowables on their acreage only. Jomar is not trying to affect the rights of Mr. Walton or any other person in that area that is operating oil wells or water wells. Jomar is merely seeking the authority from this Commission to drill and produce oil wells at non-standard locations, as I have stated.

We are not water drillers. Jomar is an oil operator, for the purpose of this application at least. They are not seeking authority to operate as a water well driller and producer

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of oil. They are seeking authority to drill oil wells and to be regulated by this Commission. They can't operate under Order R-2902 because they are not drilling water wells, they are drilling oil wells. As I have previously stated, I believe on the record, Jomar has the mineral rights, not the surface rights. They are not trying to operate under surface rights.

MR. UTZ: Oil wells and water pools, you mean.

MR. DURRETT: Something like that.

Now, we are not taking a position, whatsoever, on the State Engineer's jurisdiction on this matter. We are strictly neutral on that point. We may be in a position of concurrent jurisdiction, I really don't know. I don't think it is necessary to determine that for the purposes of this application. In order to avoid any conflict or conflicting jurisdiction, Jomar has approached the State Engineer and has satisfied him and will continue to meet any requirements that the State Engineer would put on, in addition to the requirements that the Oil Conservation Commission would put on as far as producing oil wells and injecting water, and anything else like that.

I would like to reiterate that it is not the purpose of this hearing to determine the question of where the water is to be injected, if it is to be injected at all, that is not part of this case. We are not asking for authority to

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dispose of water at this hearing.

I might state Mr. Eck has testified but I will again, as a resume, restate that Jomar is willing to put the water anyplace that the Oil Conservation Commission and the State Engineer and the Health Department want them to put it. They are completely willing to put the water anyplace that would be satisfactory to all, but that will be brought up, as I stated, at the next hearing.

We believe that Jomar should be granted the right to drill the wells as proposed in the application and we submit to the Commission that this in no way can impair correlative rights. It will prevent waste, recover oil from the Ogallala formation, decontaminate the water as an incidental process of producing the oil and will permit Jomar to operate under the mineral rights that it has. For that reason, we believe that the application should be approved.

MR. PORTER: Let me ask one further question, Mr. Utz. Now, as I understand it, you would operate these wells as oil wells.

MR. DURRETT: Yes, sir.

MR. PORTER: But you have no objection to Mr. Walton continuing to operate his skimming operations on what he prefers to call water wells.

MR. DURRETT: Absolutely. We have no objection to

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anyone continuing in the manner --

MR. PORTER: And it would not be your intention, at some future date, to ask for further rules and regulations in this area, which might affect Mr. Walton's operations.

MR. DURRETT: That is correct. It is not our intention to do that. Jomar intends to operate only on its own lands and be concerned only with its own lands, the lands that it has the mineral rights to. It is not concerned with any other operations in this area.

MR. PORTER: There would be no objection on your part for him to continue his skimming operations and withdraw as much oil as his equipment will allow him to?

MR. DURRETT: Yes, we have no objection to it.

MR. NUTTER: Do you have any objection to people drilling a well three feet from your lease line? A water well, to skim oil?

MR. DURRETT: I would say no, that we would not have any objection to that. We are taking the position that the water well drillers may operate under R-2902, as they are presently regulated and that we will operate as oil well drillers and producers under the Commission's order that it gives out.

MR. UTZ: You have no intentions of requesting that this be determined the common source of oil supply?

MR. DURRETT: No, we are not requesting that.

MR. PORTER: In other words, you are not asking for a pool designation in the event you get production.

MR. DURRETT: Right. We are not asking for that, we are merely asking for authority to produce oil as oil operators.

MR. PORTER: I see.

MR. WALTON: May I have one other comment. I hope that this statement will be remembered when I go down there four feet from their line and start drilling a series of water wells and they are going to stay eighty-two and a half feet from my line.

MR. DURRETT: Well, I made the statement that we would not come back to the Commission. I didn't state we wouldn't sue Mr. Walton.

MR. WALTON: Well, I have been sued by better people than Jomar. That is one thing I am not worried about.

MR. UTZ: Any further statements?

MR. THOMAS: Mr. Commissioner, I am L. E. Thomas with Amerada Petroleum Corporation and we have a fee lease in this immediate area and are quite interested in testimony put on by both witnesses. We would like permission from the Commission to submit a written statement and we request a ten day period in which to do this, prepare the statement and

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submit it to you.

MR. DURRETT: Mr. Examiner, I have got a split problem. If the Commission should decide to approve the application, we would like to have the order as soon as possible. We have got a rig standing by right now ready to go on this location. It is not on another job.

MR. PORTER: Mr. Thomas, you are now skimming oil off of one or two water wells?

MR. THOMAS: We have completed two wells in the area. One is in affect abandoned, the other is in operation.

MR. PORTER: You have one in operation. You have operated two. How far are they from this portion of Section 30?

MR. DURRETT: They are pretty close.

MR. THOMAS: We are a direct off-set to Mr. Walton, some of his property and probably a thousand feet from the edge of Jomar. We own the northwest quarter of Section 30.

MR. ECK: I think that map that you have got, Joe, shows it a little clearer than this one, doesn't it?

MR. PORTER: And Amerada might contemplate future development on it?

MR. THOMAS: Yes.

MR. WALTON: Mr. Porter here is the two wells that Amerada operates. They both have had windmills on them. They originally put pump jacks on both of them, then it went to

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windmills and now it is going back to pump jacks on this one.

MR. PORTER: Yes, sir.

MR. DURRETT: I think, Mr. Examiner, I might want to clarify a point here. I don't want to be misleading and I don't want to get statements in the record that might be contested later. I believe when we start talking informally about off-set wells, that I would have to state that Jomar might, I don't know, this would be a policy decision to be made by the company, but if you would assume the proposition where water wells producing oil came in five feet to the lease line, I think there is a very good possibility that Jomar might come in and ask authority to off-set those specific wells within five feet, if they are existing. I think that is possible, so I don't want to take the position that we won't come back to the Commission if there is a well.

I think we could state that we wouldn't come back to the Commission to prohibit someone from drilling a well. I think it is very possible that we would want permission to off-set the well. Wouldn't that be basically correct?

MR. ECK: I think that is the fairest thing. In other words, we are looking just to develop the piece of property we have and if off-sets would create better recovery to this, then we would apply for off-sets.

MR. DURRETT: In fact, we have an obligation, under

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the lease to off-set, under their operating agreement.

MR. WALTON: Then, we are going to need rules and regulations because I am obligated to off-set well for well, under my farm-out with them. We could get into a cut-throat proposition down there.

MR. DURRETT: Well, Jomar won't be drilling any closer than eighty-two and a half feet to the lease line.

MR. UTZ: Maybe the solution is for the Commission to require a directional survey to prove that you are on your own lease.

(Whereupon, an off-the-record discussion was held.)

MR. WALTON: I have had some off-sets to the west, I mean to the north and east of me, that are actually four feet from my fence line.

MR. ECK: This is the thing we wanted to avoid. We feel that we can make the recovery on the basis we are, that this will --

MR. WALTON: Excuse me, I'm sorry, go ahead.

MR. ECK: This would just give us a good economical operation and this is why we set up as we did. As Mr. Walton said, there have been people here that put ten wells in a row and they haven't been economical and they haven't actually helped anybody either way.

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MR. UTZ: It did get some of the oil out of the water reservoir, didn't it?

MR. ECK: I'm not familiar. I think Mr. Walton is better qualified to answer this than I am on just how effective they have been as opposed to wider spacing if the wider spacing had been achieved because he is familiar with these wells, whether nine in a row would get more oil than say two in the same position. This I don't know.

MR. UTZ: Did you have something else?

MR. WALTON: Yes, sir, I have this last statement to make. When Humble made their application to drill an oil well, they stated to the Commission that they would draw reasonable rules and regulations to be submitted to the Commission and that they would do that after having conferred with me and it is to prohibit this cut-throat business. I didn't object to the people to the west and north of me drilling seven feet -- four feet from my line, simply because I had a farm-out on it and I just notified their purchaser. I hated to see them pay it twice on that oil they were producing, so they came around and we had an agreeable understanding with them, but I am not going to sit idly by and not develop my property as I think it ought to be developed.

If I want to get four feet from the line, I am going to get four feet from the line. I have already had it

surveyed, I know where my line is and I just think that the operations under this existing order is all that is necessary and that there is no need for the rules and regulations, unless we do get into this cut-throat proposition. I am obligated to drill well for well, so Humble is playing us against the middle. We might just have something like the California pools over there, just as close as the rig will get. Humble is standing by and just don't care.

MR. DURRETT: Mr. Walton, you don't think that the owner of the mineral rights would have any standing at all to obtain authority to drill a water well, do you?

MR. WALTON: I did and I got -- I imagine -- I haven't seen your farm-out.

MR. DURRETT: But, you obtained that as owner of the surface, did you not?

MR. WALTON: No, I don't own the surface.

MR. DURRETT: But, you are not an oil operator.

MR. WALTON: That is just a matter of terminology. He is not an oil operator. He has never operated an oil well in his life.

MR. DURRETT: Your operation is not an oil operation.

MR. WALTON: That is just a question of terminology. I am selling lots of oil.

MR. DURRETT: Under the --

MR. WALTON: Under the water well operation.

MR. DURRETT: But, you drill water wells under the authority of the State Engineer?

MR. WALTON: And the Oil Commission and sell all of the oil I produce from those water wells.

MR. UTZ: With the permission of the surface owner?

MR. WALTON: Yes.

MR. UTZ: Any further statements? The case will be taken under advisement.

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STATE OF NEW MEXICO)
) SS.
COUNTY OF BERNALILLO)

I, JERRY POTTS, Court Reporter, do hereby certify that the foregoing and attached transcript of the proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 15th day of June, 1967.

Jerry Potts
Notary Public - Court Reporter

My Commission Expires:

July 10, 1970

I do hereby certify that the foregoing is a true and correct record of the proceedings in the hearing of Case No. 3565, dated June 15, 1967.
[Signature]
The State of New Mexico

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