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**GENERAL
CORRESPONDENCE**

**YEAR(S):
1986**

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6
7 2 April 1986

8 DIVISION HEARING

9 IN THE MATTER OF:

10 Application of Loco Hills Water Dis- CASE
11 posal Company for an oil treating 8855
12 plant permit, Eddy County, New Mexico.

13 BEFORE: Michael E. Stogner, Examiner
14
15

16 TRANSCRIPT OF HEARING
17
18

19 A P P E A R A N C E S
20

21 For the Division:

22 Jeff Taylor
23 Attorney at Law
24 Legal Counsel to the Division
25 State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James T. Jennings
Attorney at Law
JENNINGS & CHRISTY
P. O. Box 1180
Roswell, New Mexico 88201

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I N D E X

RAY WESTALL

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MR. STOGNER: We will call next

3

Case Number 8855.

4

MR. TAYLOR: The application of

5

Loco Hills Water Disposal Company for an oil treating plant

6

permit, Eddy County, New Mexico.

7

MR. STOGNER: We will now call

8

for appearances.

9

MR. JENNINGS: I'm James T.

10

Jennings of Jennings and Christy, appearing upon behalf of

11

the applicant, Loco Hills Water Company, and we will have

12

one witness, Mr. Ray Westall.

13

MR. STOGNER: Are there any

14

other appearances?

15

16

(Witness sworn.)

17

18

MR. JENNINGS: Mr. Examiner, a

19

search was made of the Commission records a little earlier

20

today and we couldn't locate the bond which we had supplied

21

in this case; however, I have here a copy of the letter of

22

March 13th indicating the bond was approved on March 12th.

23

MR. STOGNER: May I see that

24

letter?

25

MR. JENNINGS: Yes.

1 MR. STOGNER: Do you need a
2 copy of this, by any chance?

3 MR. JENNINGS: No, sir, we can
4 enter it, if you want. I didn't know whether you wanted us
5 to introduce it or just --

6 MR. STOGNER: We'll just take
7 administrative notice and make this part of the record.

8 MR. JENNINGS: Would you also
9 take administrative notice of the order which was heretofore
10 entered in Case Number 8611A and B, that pertains to the Lo-
11 co Hills Salt Water Disposal, December 30, 1982.

12 MR. STOGNER: Is that Order No.
13 R-8611A and B?

14 MR. JENNINGS: Yes, sir.

15 MR. STOGNER: We'll take admin-
16 istrative notice of Order No. 8611, as amended.

17 MR. JENNINGS: If you would
18 like, I have a copy of the missing bond.

19 MR. STOGNER: I don't believe
20 so.

21 MR. JENNINGS: Okay.

22 MR. STOGNER: I think it's just
23 been misplaced in our office --

24 MR. JENNINGS: Just misplaced.

25 MR. STOGNER: -- by somebody

1 looking it over.

2 MR. JENNINGS: I'm sure that's
3 it.

4
5 RAY WESTALL,
6 being called as a witness and being duly sworn upon his
7 oath, testified as follows, to-wit:

8
9 DIRECT EXAMINATION

10 BY MR. JENNINGS:

11 Q Would you please state your name, occupa-
12 tion and place of residence?

13 A My name is Ray Westall. I am President
14 of Loco Hills Water Disposal Company; also President of
15 Hughes Services, Incorporated, and also operate some 100
16 producing oil wells in the Loco Hills area.

17 Q And where do you reside, Mr. Westall?

18 A I reside in Loco Hills.

19 Q Are you familiar with the application
20 which has been filed herein on behalf of Loco Hills Water
21 Company?

22 A Yes, I am.

23 Q Generally this is an application for an
24 oil treating plant. What's the general purpose of this
25 plant?

1 A Well, at the time the water we get into
2 our disposal, we have 1-1/2 to 2 percent of it is oil and
3 we're needing a plant to treat this oil out.

4 Q You don't propose to treat any sediment
5 oil, do you?

6 A No, just oil coming in with the water.

7 Q Now, where is the plant located?

8 A It's one mile north of Loco Hills.

9 Q And what kind of -- is it on State Lease
10 BL-1149?

11 A Yes, sir.

12 Q And located in the southwest quarter
13 southwest quarter of Section 16, Township 17 South, Range
14 30?

15 A Yes, it is.

16 Q Is that immediately adjacent to your
17 water disposal plant?

18 A Yes, it is.

19 Q Now, Mr. Westall, will you give us just a
20 rough idea as to the amount of water that you receive at
21 this plant either per day or per month, on a monthly basis?

22 A We get between 100 and a 150,000 barrels
23 per month of water.

24 Q I hand you now what's been marked as Ex-
25 hibit One and ask you to identify that and tell just -- tell

1 us what it is.

2 A This is Exhibit One. This is a diagram of
3 our disposal and also our treating plant that we currently
4 in working order there.

5 We have four 500-barrel holding tanks.
6 We have five treating tanks, 2000 barrels, and three 500's,
7 and then we have two 500-barrel oil skim tanks and one 300
8 barrel tank.

9 Q Where, generally, is the treating plant
10 located?

11 A The treating plant is located on the
12 south side of our water disposal system, just -- it's just
13 adjacent to our water treating system.

14 Q Generally, most all of the tanks that are
15 indicated on this diagram, other than the three small water
16 tanks right at the bottom by the control building, are con-
17 nected with your oil treating facility.

18 A Yes, they are. We have the three 500's
19 that the water goes through them going to the 300 barrel
20 tanks and then down into the skim tanks -- skim pits that go
21 right into our large pits.

22 Q Generally would you just explain how you
23 -- how you treat this oil?

24 A We get the oil into the plant, which is
25 in emulsion with the water.

1 We put it in our holding tanks and bleed
2 what water we can off, pump it down into our 1000 barrel
3 treating tank, use a boiler and chemical and a fresh water
4 wash to take and knock the iron sulfide and water that's in
5 the emulsion to clean it up to where we can sell the oil.

6 Q Where do you sell your oil, Mr. --

7 A We're selling oil to Navajo Refinery in
8 Artesia.

9 Q Is it treated up the quality that can be
10 sold as pipeline oil?

11 A It's treated to less tha 2 percent BS &
12 W.

13 Q I hand you here a photo which is marked
14 Exhibit Two and tell you to (not understood) and then I'll
15 hand it to the examiner.

16 You might tell us what it is.

17 A Okay. It's a photo of our -- the front
18 part of our plant there, that -- it shows our treating plant
19 to be on the right side of that photo and the water plant
20 that's on the left side of it.

21 Q I'll hand you another photo which has
22 been marked Exhibit Three.

23 A This one shows our oil treating tanks
24 there that -- you can kind of see the two 1000 barrels and
25 three 500's of the oil treating plant that are insulated.

1 Then they've got the lines where we pull
2 off the oil on the different stages on how to treat it out.

3 Q Now, Mr. Westall, in connection with this
4 operation of oil treating plant and also with your water
5 disposal plant, have you made any efforts to construct the
6 plant so that you will have protection against spillage?

7 A Yes. I believe this next picture here
8 shows --

9 Q That would be what is identified Exhibit
10 Number Four?

11 A Exhibit Four shows our cement slab we
12 poured plus all of our drainage ditches that all drain down
13 into a sump where there will not be any spillage.

14 Q And finally, I believe you testified that
15 you ran this through a boiler?

16 A Well, we heat the -- we have coils in the
17 heating tank where we pump water or steam through that heats
18 the oil.

19 Q You heat the steam in the boiler and then
20 run it through this tank.

21 A Right.

22 Q I hand you what's been marked as Exhibit
23 Number Five and ask you to identify that.

24 A This is -- this is our boiler that we use
25 to heat our water.

- 1 Q What's that in the background?
- 2 A That's our sump pit with all the excess
3 oil or any spillage from our disposal.
- 4 Q And beyond that?
- 5 A That's our brine storage --
- 6 Q Facilities and the bank?
- 7 Mr. Westall, I believe you testified that
8 this is on a State business lease?
- 9 A Yes, sir.
- 10 Q Have you planned any addition or improve-
11 ments to the facility, the oil treating facility?
- 12 A Yes, sir, we've already made application
13 to the State business to take and add another 1000 barrel
14 treating tank and also another boiler so that we can treat
15 this oil out faster (not understood).
- 16 Q Can you say -- give us some idea as to
17 the amount of oil that you're actually treating and proces-
18 sing and selling per month?
- 19 A We're selling between 12 and 1500 barrels
20 of oil. In order to take and get this much good oil we have
21 to take and treat out about, oh, probably 5 to 6000 barrels
22 of emulsion, because it's approximately 25 to 30 percent
23 good oil.
- 24 Q Just to refresh the examiner's recollect-
25 tion, about how many acres of tankage -- tanks -- or not

1 tanks but pits do you have at this location?

2 A We have 20 acres.

3 Q How many are actually -- have pits on
4 them?

5 A Probably 15 acres.

6 Q Mr. Westall, what would happen to this
7 oil in the event you were not salvaging under this --

8 A Well, we almost have to salvage it in or-
9 der to take and keep our pits clean. There's just no really
10 any other way to do it, any other way to keep the oil off
11 the top of our -- our main water pits, evaporation pits.

12 Q All right, and in your opinion does this
13 prevent economic waste in that this oil was being sold?

14 A Definitely.

15 Q And is not impairing the correlative
16 rights of any party?

17 A Not that I know of.

18 Q Mr. Westall, was Exhibit Number One pre-
19 pared by you or under your direction and supervision?

20 A Under my supervision, yes.

21 Q And were the photographs which are marked
22 Exhibits Numbers Two through Five taken under your direc-
23 tion?

24 A Yes, sir.

25 Q And when?

1 A Within the last week.

2 MR. JENNINGS: I believe that
3 we have nothing further at this time.

4
5 CROSS EXAMINATION

6 BY MR. STOGNER:

7 Q Mr. Westall, you said that you are now
8 treating presently between 12 to 15 thousand -- hundred
9 barrels?

10 A That's -- we're treating approximately
11 5000 barrels to get the 12 to 1500 barrels of oil, yes, sir.

12 Q Is that a monthly rate?

13 A Monthly rate.

14 Q Okay. Of that 5 to 6000 barrels of emul-
15 sion that you come in, you recover about 12 to 1500 barrels
16 of oil?

17 A Yes, sir.

18 Q What happens to the other 4500?

19 A The main part of the other part is -- is
20 iron sulfide and water.

21 Q Okay, and the water, I am going to as-
22 sume, goes to your treating facility --

23 A Yes, uh-huh.

24 Q -- to be treated.

25 A Yes, right.

1 Q Okay, what happens to the iron sulfide?

2 A Well, it -- your iron sulfide mostly,
3 whenever you take and put the fresh water into it, it will
4 dissipate. It just falls to the bottom of the pits.

5 Q Okay. Is there any BS & W that forms with
6 this?

7 A You get some but very little.

8 Q Okay, what you do get, how is it disposed
9 of?

10 A We take and send it over to Oil Proces-
11 sing over at Monument.

12 Q I'm sorry, I couldn't hear you.

13 A Oil Processing at Monument, or was Oil
14 Processing at Monument.

15 Q Okay. Will you be using any chemicals to
16 treat this oil?

17 A Yes, we do.

18 Q Okay, and what kind of chemicals?

19 A An emulsion breaker and paraffin solvent.

20 Q What are the chemicals in those solvents
21 and emulsions?

22 A I have no idea.

23 Q Do you know what the manufacturer's
24 named?

25 A NALCO.

1 Q NALCO?

2 A It's just oilfield chemicals.

3 Q For the record so that we could substan-
4 tiate this file, could you send me a brochure or a letter or
5 something telling me about the chemicals that are being used
6 out there --

7 A Yes, sir.

8 Q -- so that we can be more complete in
9 this record?

10 A I can give you a copy of their, you know,
11 what their recommendation, you know, they've got an analysis
12 of it.

13 Q If you would, I would appreciate that.

14 A Sure will.

15 Q Supply to me a folder and we'll just --
16 you can just submit that as a -- extra information.

17 A Okay.

18 Q We can take administrative notice of it.
19 Will you be building any new tanks at
20 this --

21 A Yes, sir, like I stated there. We'll
22 probably be putting another 1000 barrel treating tank in.

23 Q Okay, now you show two 1000 barrel. Are
24 those presently --

25 A Yes, sir, everything that's there right

1 now is there.

2 Q Where will your new 1000 barrel treating
3 tank be?

4 A It will be on the south side of that
5 there, which will be adjacent to the -- those two right
6 there.

7 Q To what side, looking at it, my left or
8 right?

9 A To your right.

10 Q My right. Between the boiler and the
11 other 1000 treating plant?

12 A Yes, sir, we've got a big berm between
13 those.

14 MR. STOGNER: I have no further
15 questions of this witness.

16 Are there any other questions
17 of Mr. Westall?

18 If not, he may be excused.

19 Mr. Jennings, do you have any-
20 thing further --

21 MR. JENNINGS: Nothing further,
22 sir.

23 MR. STOGNER: All right. Does
24 anybody else have anything further in Case 8855?

25 If not, we're going to hold the

1 record open until this extra information gets here concern-
2 ing the chemicals.

3 Thank you.

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5 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8855 heard by me on 2 April 1986.

Michael E. Rogers Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

19 March 1986

DIVISION HEARING

IN THE MATTER OF:

Disposition of cases called on
Docket No. 10-86 for which no tes-
timony was presented.

CASE 8852,
8853, 8854,
8839, 8855,
8773, 8798,
8806, 8856,
8857.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

May 13, 1986

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

Mr. James Jennings
Jennings & Christy
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

Re: CASE NO. 8855
ORDER NO. R-6811-C

Applicant:

~~Loco Hills Water Disposal Company~~

Dear Sir:

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

Sincerely,

R. L. STAMETS
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD EC
Artesia OCD X
Aztec OCD X

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8855
Order No. R-6811-C

APPLICATION OF LOCO HILLS WATER DISPOSAL
COMPANY FOR AN OIL TREATING PLANT PERMIT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of May, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Loco Hills Water Disposal Company, seeks authority to construct and operate an oil treating plant for the purpose of treating produced water at its salt water disposal facility authorized by Division Order No. R-6811-A, as amended, located in the SW/4 of Section 16, Township 17 South, Range-30 East, NMPM, Eddy County, New Mexico.
- (3) Dikes, dams and/or emergency pits should be constructed around the treating plant capable of holding the entire capacity of all tanks and vessels at the plant location in order that sediment oil, reclaimed oil, or waste oil cannot escape from the immediate vicinity of such plant or into the salt water disposal facility.
- (4) The proposed treating plant will have a 3,500 barrel capacity and will use chemicals, fresh water and heat for the processing of the materials received.

(5) The proposed treating plant and method of processing will efficiently process, treat, and reclaim the aforementioned waste oil, thereby salvaging oil which would otherwise be wasted.

(6) The Director of the Division should be authorized to administratively grant approval for the expansion or modification of said plant.

(7) The subject application should be approved as being in the best interests of conservation.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Loco Hills Water Disposal Company, is hereby authorized to install and operate a chemical, freshwater, and heat-treatment type oil treating plant at its salt water disposal site in the SW/4 of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, for the purpose of treating produced water being delivered to their salt water disposal facility authorized by Division Order No. R-6811-A, as amended.

PROVIDED HOWEVER THAT, the continuation of the authorization granted by this order shall be conditioned upon compliance with the laws of the State of New Mexico and the rules and regulations of the New Mexico Oil Conservation Division;

PROVIDED FURTHER THAT, prior to commencing operation of said plant, the applicant shall file with the Division and obtain approval of a performance bond in the amount of \$10,000.00 conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations and orders of the Oil Conservation Division.

(2) The operator of the above-described oil treating plant shall clear and maintain in a condition clear of all debris and vegetation a fireline at least 15 feet in width and encircling the site upon which the treating plant is located.

(3) Dikes, dams and/or emergency pits capable of holding the entire capacity of all tanks and vessels at the plant location and capable of preventing the escape of any sediment oil, reclaimed oil, or waste oil from the immediate vicinity of said plant shall be constructed and maintained around the treating plant.

(4) The disposal of waste water accumulated in conjunction with the operation of the above-described plant on

the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies is hereby prohibited.

(5) The Director of the Division may administratively grant authority for the expansion or modification of said plant upon request and a demonstration that such expansion or modification is upon contiguous acreage and is otherwise consistent with this order and Division Rules and Regulations.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. Stamets
R. L. STAMETS,
Director

Dockets Nos. 11-86 and 12-86 are tentatively set for April 2 and April 16, 1986. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1986
8 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

CASE 8852: Application of the Oil Conservation Division on its own motion to consider establishing six non-standard proration and spacing units for all formations and/or pools developed on 160-acre spacing from the base of the Blanco Mesaverde Pool downward in Sections 6, 7, 18, 19, 30, and 31, Township 26 North, Range 2 West, Rio Arriba County, New Mexico. Said non-standard units are necessitated by irregular Sections resulting from survey corrections in the United States Public Lands Survey.

CASE 8853: Application of the Oil Conservation Division on its own motion to consider establishing six non-standard proration and spacing units for any and all formations and/or pools developed on 320-acre spacing from the base of the Blanco Mesaverde Pool downward in Sections 5 through 8, 17 through 20, and 29 through 32, all in Township 26 North, Range 2 West, Rio Arriba County, New Mexico. Said non-standard units are necessitated for the orderly development of this area due to the irregular sections resulting from survey corrections in the United States Public Lands Survey.

CASE 8854: Application of the Oil Conservation Division on its own motion for exceptions to the Special Rules for the Gavilan-Greenhorn-Graneros-Dakota and Gavilan Mancos Oil Pools as promulgated by Division Order Nos. R-7745 and R-7407, respectively, Rio Arriba County, New Mexico. The OCD seeks exceptions to the spacing and one well per proration unit limitation provisions of the Special Rules and Regulations governing the Gavilan-Greenhorn-Graneros-Dakota and Gavilan-Mancos Oil Pools as promulgated by Division Orders Nos. R-7745 and R-7407, authorizing the establishment of seven non-standard oil spacing and proration units for both pools in Township 25 North, Range 2 West, as described below:

- 1) Lots 3 and 4, S/2 NW/4, SW/4 of Section 5 and all of Section 6 consisting of 505.20 acres, more or less;
- 2) W/2 of Section 8 and all of Section 9 consisting of 505.84 acres, more or less;
- 3) W/2 of Section 17 and all of Section 18 consisting of 506.36 acres, more or less;
- 4) All of Section 19 and the W/2 of Section 20 consisting of 506.76 acres, more or less;
- 5) N/2 of Section 29 and Lots 1 and 2 of Section 30 consisting of 413.59 acres, more or less;
- 6) S/2 of Section 29 and Lots 3 and 4 of Section 30 consisting of 413.73 acres, more or less, and,
- 7) All of Section 31 and the W/2 of Section 32 consisting of 507.88 acres, more or less.

Said units would allow for the orderly development of both pools within the irregular sections along the western side of the subject township resulting from survey corrections in the United States Lands Survey. The OCD proposes to allow two wells to be completed in both pools in each of the above-described units.

CASE 8839: (Continued from March 5, 1986, Examiner Hearing)

Application of Jerome P. McHugh for exceptions to the Special Pool Rules for the Gavilan-Mancos Oil Pool as promulgated by Division Order No. R-7407, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks exceptions to the spacing and well location provisions of the Special Rules and Regulations governing the Gavilan-Mancos Oil Pool as promulgated by Division Order No. R-7407, authorizing two unorthodox oil well locations 1980 feet from the South line and 660 feet from the East line of Section 19 and 660 feet from the South and East lines of Section 30, all of said Section 19 consisting of 186.76 acres, more or less, and all of said Section 30 consisting of 187.88 acres, more or less, to be dedicated to said wells, respectively, forming two non-standard oil spacing and proration units in said pool, said units to necessitate for the irregular sections along the western side of the subject Township resulting from survey corrections in the United States Lands Survey.

CASE 8855: Application of Loco Hills Water Disposal Company for an oil treating plant permit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at the site of its commercial salt water disposal facility located in the SW/4 SW/4 of Section 16, Township 17 South, Range 30 East.

CASE 8773: (Continued from February 19, 1986, Examiner Hearing)

Application of Bliss Petroleum, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its existing J. W. Grizzell "A" Well No. 1 located 1034 feet from the South line and 2635 feet from the West line of Section 5, Township 22 South, Range 37 East, San Andres formation, the SW/4 of said Section 5 to be dedicated to said well.

CASE 8798: (Reopened and Readvertised)

Application of Amerind Oil Company for contraction of the horizontal limits of the Casey-Strawn Pool, pool creation, special pool rules, and assignment of a discovery allowable, Lea County, New Mexico. Applicant, in the above-styled cause seeks an order contracting the horizontal limits of the Casey-Strawn Pool by the deletion therefrom of the NE/4 of Section 33, Township 16 South, Range 37 East. Applicant further seeks the creation of a new oil pool for Strawn production comprising the W/2 NE/4 of said Section 33 and the promulgation of special pool rules therefor including provisions for 80-acre spacing and proration units, designated well locations, and the assignment of an oil discovery allowable to its Shipp Well No. 1 located 660 feet from the North line and 1980 feet from the East line (Unit B) of said Section 33.

CASE 8806: (Continued from February 5, 1986, Examiner Hearing)

Application of Coquina Oil Corporation for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Cisco formation in the perforated interval from approximately 7870 feet to 8196 feet in its Pan Canadian Well No. 1 located 1980 feet from the North and West lines (Unit F) of Section 34, Township 19 South, Range 25 East.

CASE 8856: Application of Robert N. Enfield for compulsory pooling, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Canyon formation underlying the N/2 of Section 5, Township 19 South, Range 27 East, to be dedicated to a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8857: Application of Inexco Oil Company for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Strawn formation underlying the SW/4 SE/4 and all mineral interests in the South Humble City-Strawn Pool underlying the S/2 SE/4 of Section 35, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at an unorthodox well location 1050 feet from the South line and 1350 feet from the East line of said Section 35. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8858: Application of Exxon Company, USA for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of production from the Upper Pennsylvanian Formations (Cisco and Canyon) and from the Undesignated Sheep Draw Strawn Gas Pool in the wellbore of its Mary Federal Well No. 5 located 790 feet from the South line and 1829 feet from the West line of Section 11, Township 23 South, Range 25 East.

CASE 8842: (Continued from March 5, 1986, Examiner Hearing)

Application of Exxon Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its existing Mary Federal Well No. 1 located 1924 feet from the North line and 651 feet from the East line (Unit H) of Section 11, Township 23 South, Range 25 East, Sheep Draw-Strawn Gas Pool, the N/2 of said Section 11 to be dedicated to the well.

CASE 8859: Application of Robert E. Chandler Corporation for an amendment to Division Order No. R-8047, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-8047 by which compulsorily pooled the NE/4 SW/4 of Section 7, Township 23 South, Range 38 East, extending the effective dates of this order, including the commencement date of the subject well and a provision declaring certain leasehold interests to be excessive burdens and authorizing the applicant to recover out of production its well costs and risk factor penalty before any such excessive leasehold interests are paid.

CASE 8860: Application of Pennzoil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 1310 feet from the South line and 1980 feet from the West line of Section 3, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool or Undesignated Humble City-Strawn Pool, the E/2 SW/4 of said Section 3 to be dedicated to the well.

CASE 8845: (Continued from March 5, 1986, Examiner Hearing)

Application of Tenneco Oil Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of production from the Blanco-Mesaverde and Otero-Chacra Pools in the wellbores of two wells to be drilled in Section 8, Township 27 North, Range 8 West, and in Section 29, Township 28 North, Range 9 West.

CASE 8846: (Continued from March 5, 1986, Examiner Hearing)

Application of Tenneco Oil Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of production from the Blanco-Mesaverde and Undesignated Otero-Chacra Pools in the wellbores of five wells to be drilled in Sections 18, 20, 21, and 28, Township 27 North, Range 8 West.

CASE 8861: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Lea County, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the South Cass-Strawn Pool. The discovery well is the Conoco Inc. State 35 Well No. 1 located in Unit P of Section 20, Township 20 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 35: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Lower Wolfcamp production and designated as the EK-Wolfcamp Pool. The discovery well is the Manzano Oil Corporation Airstrip Northwest Deep Unit Well No. 1 located in Section 20, Township 18 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 20: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Laguna Valley-Morrow Gas Pool. The discovery well is the Chama Petroleum Company Rett Federal Com Well No. 1-Y located in Unit P of Section 23, Township 20 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 23: S/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the West Tonto-Bone Spring Pool. The discovery well is the Spectrum 7 Exploration Company Federal 12 Well No. 1 located in Unit G of Section 12, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

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

(e) EXTEND the Cline Drinkard-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 12: S/2

(f) EXTEND the Central Corbin-Queen Pool in Lea County, New Mexico, to include therein:

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

(g) EXTEND the Hardy-Drinkard Pool in Lea County, New Mexico to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 3: SE/4

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

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 13: NW/4

(i) EXTEND the Johnson Ranch-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 22: W/2

(j) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 8: NE/4
Section 10: S/2

(k) EXTEND the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 25: NE/4

(l) EXTEND the Mescalero-Permo Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 33: N/2

(m) EXTEND the Mescalero Escarpe-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 11: SW/4

(n) EXTEND the East Saunders-Permo Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 16: SW/4

(o) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 3: Lots 9, 10, 15, and 16

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

*Push
through please*

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

Case No. 8855
Order No. R-6811-C

APPLICATION OF LOCO HILLS WATER DISPOSAL
COMPANY FOR AN OIL TREATING PLANT PERMIT,
EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This Cause came on for hearing at 8:15 a.m. on April 2, 1986,
at Santa Fe, New Mexico before Examiner, Michael E. Stogner.

NOW, on this day of ^{May}~~April~~, 1986, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS THAT:

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

*As per application, loco Hills Water Disposal Company, seeks authority to
construct and operate an oil treating plant for the purpose of treating
produced water at its salt water disposal facility authorized by
Division Order No. R-6811-C, as amended, located in the SE 1/4 of Section 16,
Township 17 South Range 30 East, Eddy County, New Mexico.*

(3) Dikes, dams and/or emergency pits should be
constructed around the plant capable of holding the entire
capacity of all tanks and vessels at the plant location in
order that sediment oil, reclaimed oil, or waste oil cannot
escape from the immediate vicinity of such plant.

(4) ~~(A)~~ (B) That The proposed ^{oil treating plant} facility will have a 3,500 barrel
capacity and will use chemicals, fresh water and heat for the
processing of the materials received.

(5) ~~(A)~~ That ^{the oil treating plant} The facility and the method of processing will
efficiently process, treat and reclaim the oil produced with the
water, thereby salvaging oil which would otherwise be wasted.

(5) That the Applicant has furnished a \$10,000.00 bond dated
March 3, 1986 on which the Ohio Casualty Insurance Company is
surety which was approved by the Division on March 12, 1986.

(6) That The Director of the Division should be authorized to
administratively grant approval for the expansion or modification
of said plant.

(7) That The subject application should be approved as being
in the best interests of conservation.

IT IS THEREFORE ORDERED THAT:

(1) That the Applicant, Loco Hills Water Disposal Company, is hereby authorized to install and operate a chemical, freshwater and heat-treatment type oil treating plant at its water disposal site located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 16, Township 17 South, Range 30 East, Eddy County, New Mexico, for the purpose of treating produced water delivered to it at its disposal site *authorized by Division Order No. 2-6811-A, as amended.*

PROVIDED HOWEVER, ^{THAT} ~~the~~ the continuation of the authorization granted by this order shall be conditioned upon compliance with the laws of the State of New Mexico and the rules and regulations of the New Mexico Oil Conservation Division;

PROVIDED FURTHER THAT, prior to commencing operation of said plant, the applicant shall file with the Division and obtain approval of a performance bond in the amount of \$10,000.00 conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations and orders of the Oil Conservation Division.

(2) The operator of the above-described oil treating plant shall clear and maintain in a condition clear of all debris and vegetation a fireline at least 15 feet in width and encircling the site upon which the ^{existing} plant is located.

and maintained (3) Dikes, dams and/or emergency pits shall be constructed ^{existing} around the plant capable of holding the entire capacity of all tanks and vessels at the plant location and capable of preventing the escape of any sediment oil, reclaimed oil, or waste oil from the immediate vicinity of said plant.

(4) The disposal of waste water accumulated in conjunction with the operation of the above-described plant on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies is hereby prohibited.

(5) The Director of the Division may administratively grant authority for the expansion or modification of said plant upon request and a demonstration that such expansion or modification is upon contiguous acreage and is otherwise consistent with this order and Division Rules and Regulations.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7329
Order No. R-6811

APPLICATION OF LOCO HILLS WATER
DISPOSAL COMPANY FOR AN EXCEPTION
TO ORDER NO. R-3221, AS AMENDED,
EDDY COUNTY, NEW MEXICO.

Also see
R-6811-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 23 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of October, 1981, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That Order (3) of Division Order No. R-3221, as amended, prohibits in that area encompassed by Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, the disposal, subject to minor exceptions, of water produced in conjunction with the production of oil or gas, or both, on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which would constitute a hazard to any fresh water supplies and said disposal has not previously been prohibited.

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

(4) That the State Engineer has designated, pursuant to Section 70-2-23 (15), NMSA, 1978 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(5) That the applicant, Loco Hills Water Disposal Company, seeks as an exception to the provisions of the aforesaid Order (3) to permit the commercial disposal of salt water into an unlined surface pit or pits containing from 5 to 15 surface acres to be located in the N/2 SW/4 SW/4 of Section 16, Township 17 South, Range 30 East, Eddy County, New Mexico.

(6) That disposal rates would be from 2000 to 2500 barrels per month per acre or from 1000 to 1250 barrels per day at the maximum pit size.

(7) That neither the pit(s) nor the immediate underlying sediments are impervious and a percentage of the disposed water would leak into the subsurface to enter the Santa Rosa and Rustler Anhydrite formations.

(8) That while the Santa Rosa formation contains no fresh water in the immediate vicinity of the proposed pit(s), it does contain fresh water at various locations both up-dip and down-dip therefrom.

(9) That clay zones within the Santa Rosa could contribute to the horizontal migration of waters percolating from said pits which waters could reach and contaminate down-dip fresh water supplies in said formation.

(10) That if the salt water from said pits should percolate vertically through the Santa Rosa formation, it would enter the Rustler formation and move therethrough in a generally Southward direction to the Pecos River.

(11) That insufficient data was presented relative to the long term effect of the disposal of salt water in the proposed pit(s) and its potential affect on surface and subsurface waters in the following areas:

- (a) percolation rates;
- (b) fluid retention by the Santa Rosa formation (volume and area);

Case No. 7329
Order No. R-6811

- (c) Rustler formation water quality outside the immediate area; and,
- (d) the ground water regime vis-a-vis the Rustler formation and the Pecos River.

(12) That because of the potential for contamination of fresh water supplies in the Santa Rosa formation and because of insufficient data upon which to make reasonable determinations relative to the need for protection of or the long term effects upon waters in the Rustler formation or Pecos River, the subject application should be denied.

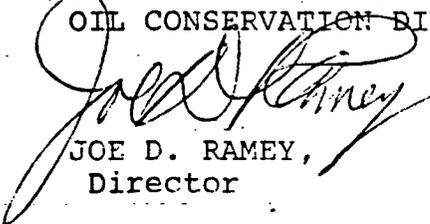
IT IS THEREFORE ORDERED:

(1) That the application of Loco Hills Water Disposal Company for approval of commercial surface salt water disposal facility, as an exception to Order (3) of Division Order No. R-3221, is hereby denied.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7329 DE NOVO
Order No. R-6811-A

APPLICATION OF LOCO HILLS WATER
DISPOSAL COMPANY FOR AN EXCEPTION
TO ORDER NO. R-3221, AS AMENDED,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 14, 1982, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of July, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Loco Hills Water Disposal Company, seeks an order permitting the installation of a commercial salt water disposal facility whereby salt water would be disposed of into 15 acres of unlined surface pits to be located in the SW/4 of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.
- (3) That the matter came on for hearing at 9 a.m. on September 23, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets and, pursuant to this hearing, Order No. R-6811 was issued on October 30, 1981, which denied Loco Hills Water Disposal Company's application.
- (4) That on November 25, 1981, application for Hearing De Novo was made by Loco Hills Water Disposal Company and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing de novo on July 14, 1982.

(6) That Order (3) of Division Order No. R-3221, as amended, prohibits in that area encompassed by Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, the disposal, subject to minor exceptions, of water produced in conjunction with the production of oil or gas, or both, on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which would constitute a hazard to any fresh water supplies and said disposal has not previously been prohibited.

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

(8) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(9) That the applicant seeks an exception to the provisions of the aforesaid Order (3) of Division Order No. R-3221, as amended, to permit the commercial disposal of produced salt water into the aforesaid pits at the site described above.

(10) That the applicant proposes to install and operate an effective system, composed of holding and separating tanks, and a skimming pit, for the removal of oily and solid wastes from the waters to be disposed of into said system.

(11) That there is no fresh water in the immediate vicinity of said disposal system, but there are wells producing fresh water some nine miles south of the proposed disposal pits.

(12) That the native soils underlying said pits will permit the vertical percolation of some of the waters disposed of in said system.

(13) That the vertical percolation of waters from said system should not endanger any fresh waters.

(14) That to ensure that waters percolating from said pits move only vertically, monitor wells should be drilled in a pattern as shown on Exhibit "A" designed to detect horizontal movement of water from said disposal area.

(15) That in the event salt water is detected in any monitor well, Case No. 7329 should be reopened within 90 days to permit applicant to appear and show cause why the authority to use said pits for water disposal should not be rescinded.

(16) That the maximum-volume of produced water to be disposed of through said system should not exceed 2500 barrels per acre per month.

(17) That a freeboard of a minimum of three feet should be maintained at all times.

(18) That the granting of the application will not cause waste or impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Loco Hills Water Disposal Company, is hereby authorized to install and operate a 15-acre commercial salt water disposal facility to be located in the SW/4 of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, said system to be limited to the maximum disposal of 2500 barrels per acre per month.

(2) That the operator shall install tanks and a skimming pit, sufficient to ensure that oil or other deleterious substances will not enter the disposal pits in harmful quantities.

(3) That a freeboard of a minimum of three feet will be maintained on all pits at all times.

(4) That monitor wells, as shown on Exhibit "A" attached to and made a part of this order, shall be drilled and equipped with perforated or slotted tubing/casing from a depth of four feet to total depth.

(5) That said monitor wells will be tested monthly to check for migration of the disposed salt water thereto and the results of these tests will be promptly delivered to the Artesia District Office of the Oil Conservation Division.

-4-

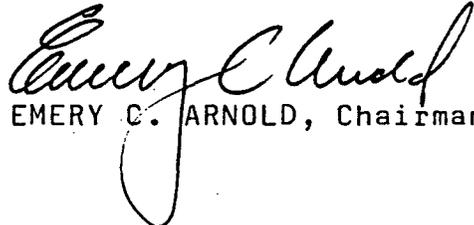
Case No. 7329 De Novo
Order No. R-6811-A

(6) That if disposed salt water is detected in any monitor well, Case 7329 will be reopened, within 90 days, to permit the applicant to appear and show cause why the disposal authority granted by this order should not be rescinded.

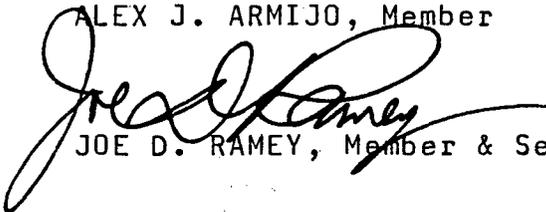
(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member


JOE D. RAMEY, Member & Secretary

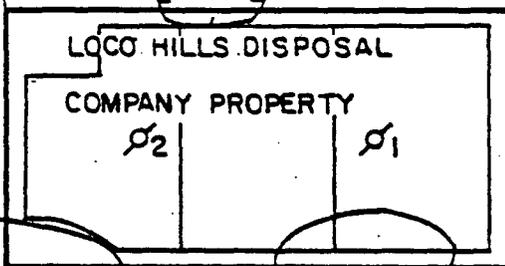
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TEST HOLE 3



DIKE ELEV. 3670
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SW/4 Sec. 16
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LEGEND

- 60' MONITOR HOLES
- RUSTLER DEPTH MONITOR HOLES
- φ CORE HOLE



SCALE IN FEET



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 7720
Order No. R-6811-B

APPLICATION OF LOCO HILLS WATER
DISPOSAL COMPANY FOR AN AMENDMENT
TO DIVISION ORDER No. R-6811-A,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 29, 1982, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 30th day of December, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Loco Hills Water Disposal Company, seeks an order amending Division Order No. R-6811-A to remove the present maximum disposal limit of 2,500 barrels per acre per month imposed upon the salt water disposal facility authorized, therein, in Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That said Order No. R-6811-A was issued by the Commission following the hearing of Case No. 7329 De Novo on July 14, 1982.

(4) That in said Order No. R-6811-A, the Commission made, among others, the following findings:

"(6) That Order (3) of Division Order No. R-3221, as amended, prohibits in that area encompassed by Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, the disposal, subject to minor exceptions, of water produced

in conjunction with the production of oil or gas, or both, on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which would constitute a hazard to any fresh water supplies and said disposal has not previously been prohibited.

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

(8) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(9) That the applicant seeks an exception to the provisions of the aforesaid Order (3) of Division Order No. R-3221, as amended, to permit the commercial disposal of produced salt water into the aforesaid pits at the site described above.

(10) That the applicant proposes to install and operate an effective system, composed of holding and separating tanks, and a skimming pit, for the removal of oily and solid wastes from the waters to be disposed of into said system.

(11) That there is no fresh water in the immediate vicinity of said disposal system, but there are wells producing fresh water some nine miles south of the proposed disposal pits.

(12) That the native soils underlying said pits will permit the vertical percolation of some of the waters disposed of in said system.

(13) That the vertical percolation of waters from said system should not endanger any fresh waters.

(14) That to ensure that waters percolating from said pits move only vertically, monitor wells should be

drilled in a pattern as shown on Exhibit "A" designed to detect horizontal movement of water from said disposal area.

(15) That in the event salt water is detected in any monitor well, Case No. 7329 should be reopened within 90 days to permit applicant to appear and show cause why the authority to use said pits for water disposal should not be rescinded.

(16) That the maximum volume of produced water to be disposed of through said system should not exceed 2500 barrels per acre per month.

(17) That a freeboard of a minimum of three feet should be maintained at all times."

(5) That said Order No. R-6811-A did contain provisions limiting the maximum disposal volume to 2500 barrels per acre per month, requiring maintenance of a minimum three foot freeboard in all pits and the drilling and equipping of monitor wells.

(6) That the applicant now seeks the amendment of said Order No. R-6811-A to remove only the 2500 barrels per acre per month disposal volume limitation.

(7) That the application was opposed by a surface and ground water interest owner in the area which might be affected by the disposal operation.

(8) That the applicant presented evidence designed to demonstrate that the change in disposal volume would not significantly alter the hydrologic regime established by institution of the disposal operation nor threaten contamination of any fresh water supplies.

(9) That the protestant presented new evidence which tended to show that there were both southeast and southwest trending slopes on the interface between the Santa Rosa formation and the Rustler formation under the disposal pits.

(10) That the protestant further presented testimony tending to show that an impermeable clay barrier exists at the base of the Santa Rosa formation which would effectively stop the vertical infiltration of the disposed waters into the Rustler formation.

(11) That if the disposed water which percolates through the Santa Rosa formation from said pits cannot move into the Rustler formation, it may move laterally through the Santa Rosa formation where it may endanger fresh water supplies.

(12) That in order to verify that any water percolating from said pits ultimately enters the Rustler formation and does not move laterally within the Santa Rosa formation, the well monitoring system provided for in said Order No. R-6811-A should be expanded.

(13) That the additional monitor wells should be drilled to the Rustler formation and should be located at points approximately 250 feet north of the present monitor well No. 9 located to the east of the disposal facility, approximately 150 feet from monitor well No. 2 along a line connecting monitor well 2 and monitor well 3, and at a third location approximately midway between the present monitor holes No. 4 and 5 all as depicted on Exhibit "A" to said Order No. R-6811-A.

(14) That provided that these additional monitor wells are drilled and utilized in the same manner as the original monitor wells, no increased threat to fresh water supplies should result from lifting the 2500 barrels-per-acre disposal limitation contained in Order No. R-6811-A.

(15) That the application should be approved and the additional monitor wells should be required.

(16) That the granting of this application restricted in the manner set forth above will not cause waste, or impair correlative rights, or endanger designated fresh water supplies.

IT IS THEREFORE ORDERED:

(1) That the application of Loco Hills Water Disposal Company for an amendment of Division Order No. R-6811-A to remove the 2500 barrel per acre per month disposal limitation included in Order No. (1), thereof, is hereby approved.

PROVIDED HOWEVER, that this order shall not become effective until the applicant has drilled and completed three additional monitor wells located approximately (1) 250 feet to the North of present monitor hole No. 9, (2) 150 feet from present monitor well No. 2 along a line connecting monitor well No. 2 and 3 and (3) midway between the present monitor holes Nos. 4 and 5.

PROVIDED FURTHER, that each of said monitor wells shall be drilled to the top of the Rustler formation and that such wells

-5-

Case No. 7720

Order No. R-6811-B

shall be cased and operated in the same manner as those monitor wells required by Order No. R-6811-A.

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

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

OIL CONSERVATION COMMISSION

ALEX J. ARMIJO, Member

Ed Kelley
ED KELLEY, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

March 13, 1986

50 YEARS



1935 - 1985

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

Here is a bond approval for the following:

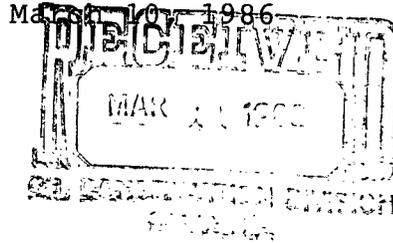
\$10,000 Treating Plant Bond
Loco Hills Water Disposal Co., Principal
Ohio Casualty Insurance Co., Surety
Bond No. 2-523-326
Approval date: March 12, 1986

cc: Oil Conservation Division
Hobbs and Artesia, New Mexico

LAW OFFICES OF
JENNINGS & CHRISTY
900 UNITED BANK PLAZA
P. O. BOX 1180
ROSWELL, NEW MEXICO 88202-1180

TELEPHONE 622-8432
AREA CODE 505
OMNIFAX
TELECOPY 625-2023
AREA CODE 505

JAMES T. JENNINGS
SIM B. CHRISTY IV
PHIL T. BREWER
HON. PAUL SNEAD
COUNSEL TO THE FIRM
VICTORIA S. ARENDS
A. D. "DIRK" JONES



Dec
3-11-86

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

Re: Loco Hills Water Disposal Company
Application for Oil Treating Plant
Case No. 8855

Dear Dick:

Pursuant to our letter to you of February 28, 1986, I assume that this case will be continued to the April 2, 1986 docket.

Yours very truly,

JENNINGS & CHRISTY

James T. Jennings

JTJ:el

Enclosure

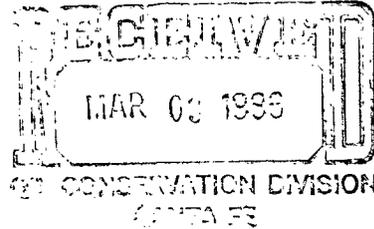
cc: Loco Hills Water Disposal Company

LAW OFFICES OF
JENNINGS & CHRISTY
900 UNITED BANK PLAZA
P. O. BOX 1180
ROSWELL, NEW MEXICO 88202-1180

TELEPHONE 622-8432
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JAMES T. JENNINGS
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PHIL T. BREWER
HON. PAUL SNEAD
COUNSEL TO THE FIRM
VICTORIA S. ARENDS
A. D. "DIRK" JONES

February 28, 1986



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

Case 8855

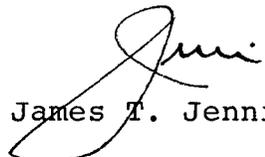
Re: Loco Hills Water Disposal Company
Application for Oil Treating Plant

Dear Dick:

Confirming our telephone conversation of earlier today, this is to advise that I am still somewhat indisposed and unable to get around very well and, accordingly, I would appreciate it if you could set the Loco Hills Application which we forwarded to you on February 7, 1986 for your April 2, 1986 docket, rather than the March 19, 1986 docket. If there are any problems, please call me.

Yours very truly,

JENNINGS & CHRISTY


James T. Jennings
JTJ:el

cc: Loco Hills Water Disposal Company

LOCO HILLS WATER DISPOSAL PLANT

P.O. BOX 68

LOCO HILLS, N M 88255

1 MILE NORTH ON EDDY COUNTY ROAD

SEC. 16 TWP. 17S RGE 30E ACRES 40

BUSINESS LEASE BL-1149

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

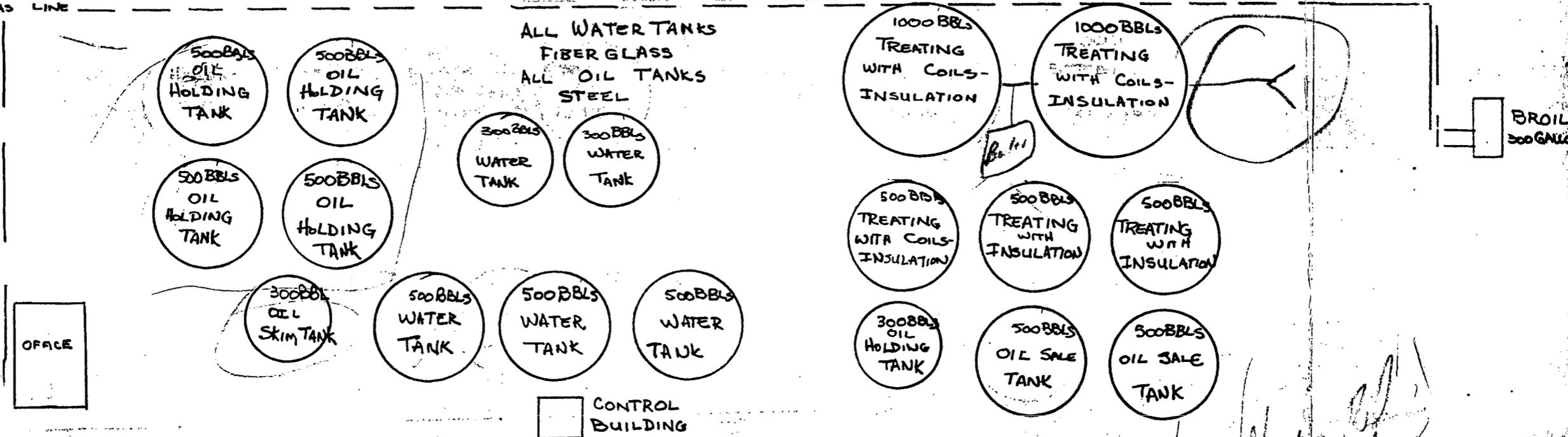
EXHIBIT NO. /

CASE NO. 4855

PIT 45' x 145'
FOR SKIM OIL

PIT 45' x 145'
FOR SKIM OIL

WATER LINE
GAS LINE



#3



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. 8855



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
EXHIBIT NO. 3
CASE NO. 8855



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

EXHIBIT NO. 4

CASE NO. 8855



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
EXHIBIT NO. _____ 5
CASE NO. _____

LAW OFFICES OF
JENNINGS & CHRISTY
900 UNITED BANK PLAZA
P. O. BOX 1180
ROSWELL, NEW MEXICO 88202-1180

TELEPHONE 622-8432
AREA CODE 505
OMNIFAX
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AREA CODE 505

JAMES T. JENNINGS
SIM B. CHRISTY IV
PHIL T. BREWER
HON. PAUL SNEAD
COUNSEL TO THE FIRM
VICTORIA S. ARENDS
A. D. "DIRK" JONES

February 7, 1986

FEB 12 1986
JENNINGS & CHRISTY
ROSWELL, N.M.

Case 8855

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

Re: Loco Hills Water Disposal Company
Application for Oil Treating Plant Permit

Dear Dick:

Enclosed herewith you will find Loco Hills Water Disposal Company's Application for an oil treating plant permit to be located at the site of its Loco Hills Water Disposal Company Plant in Eddy County. I would appreciate it if you would set this down for hearing, however, I will be out of the office for about two weeks commencing February 10 and would appreciate it if you would have this matter placed on the docket for March 19, 1986.

Yours very truly,

JENNINGS & CHRISTY


James T. Jennings

JTJ:el

Enclosure

cc: Loco Hills Water Disposal Company

BEFORE THE OIL CONSERVATION DIVISION
ENERGY & MINERALS DEPARTMENT
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF LOCO HILLS WATER DISPOSAL COMPANY
FOR AN OIL TREATING PLANT PERMIT,
EDDY COUNTY, NEW MEXICO.

Case 8856

APPLICATION

COMES NOW Loco Hills Water Disposal Company, a New Mexico Corporation, by its attorneys, Jennings & Christy, and seeks a treating plant permit pursuant to Rule 312 to operate a chemical and heat treatment type oil treating plant to reclaim the oil salvaged in connection with the operation of its water disposal plant, and in support of its Application states:

1. That the Applicant is the owner and operator of the water disposal facility authorized in Case No. 7329, Orders No. 6811 A & B, located on the SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 16, Township 17 South, Range 30 East, N.M.P.M., No. BL-1149, Eddy County, New Mexico on State of New Mexico Business Lease dated November 26, 1984.

2. That in the operation of its water disposal system, the Applicant receives in excess of 100,000 barrels of produced water per month, which is delivered to the Applicant's system by truck and that the water contains a small amount of oil which Applicant separates from the water by the use of chemicals, fresh water and heat.

3. That the oil treating plant will have a capacity of 3,500 barrels for treating purposes consisting of 5 tanks and a capacity of 3,000 barrels of storage tanks. The tanks are constructed with the necessary drains so that any spillage will be drained into the existing pits currently in use in connection with the water disposal facility.

4. That the oil treating plant and method of processing the salvaged oil will efficiently process, treat and reclaim the oil disposed of in connection with the disposal of produced water, thereby salvaging oil which would otherwise be wasted.

5. That it is possible that it will be necessary to expand, modify or modernize the plant after it has been placed in operation.

WHEREFORE, Applicant requests that this Application be set down for hearing and after notice and hearing, the Division enter its Order issuing a permit to the Applicant to operate an oil treating plant.

JENNINGS & CHRISTY

By 
James T. Jennings, Attorneys
for Loco Hills Water Disposal
Company
P. O. Box 1180
Roswell, New Mexico 88201

Rough 1
ET 5-8-86

RUSH

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

M.S. 5/8/86 (3:30 PM)
DEC-5-886 3:47 PM
JT 5/8/86 4:13 PM
WTH 5/9 11:10 AM

CASE NO. 8855

Order No. R-6811-C

APPLICATION OF LOCO HILLS WATER DISPOSAL
COMPANY FOR AN OIL TREATING PLANT PERMIT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2,
1986, at Santa Fe, New Mexico, before Examiner Michael E.
Stogner.

NOW, on this _____ day of May, 1986, the Division
Director, having considered the testimony, the record, and the

recommendations of the Examiner, and being fully advised in the premises,

FINDSTHAT:

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

(2) ~~The~~ The applicant, Loco Hills Water Disposal Company, seeks authority to construct and operate ^{an} ~~a chemical~~ *for the purpose of treating produced water* ~~and heat treatment type~~ oil treating plant at its salt water disposal facility authorized by Division Order No. R-6811-A, as amended, located in the SW/4 of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico,

(3) Dikes, dams and/or emergency pits should be constructed around the treating plant capable of holding the entire capacity of all tanks and vessels at the plant location in order that sediment oil, reclaimed oil, or waste oil cannot escape from the immediate vicinity of such plant or into the salt water disposal facility.

(4) The proposed treating plant will have a 3,500 barrel capacity and will use chemicals, fresh water and ~~heat~~ ^{heat} for the processing of the materials received.

2 2 6

(5) The proposed treating plant and method of processing will efficiently process, treat, and reclaim the aforementioned waste oil, thereby salvaging oil which would otherwise be wasted.

(6) The Director of the Division should be authorized to administratively grant approval for the expansion or modification of said plant.

(7) The subject application should be approved as being in the best interests of conservation.

IT IS THEREFORE ORDERED THAT:

✓

(1) The applicant, Loco Hills Water Disposal Company, is hereby authorized to install and operate a chemical, freshwater, and heat-treatment type oil treating plant at its salt water disposal site in the SW/4 ~~quadrant~~ of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, for the purpose of treating ~~and reclaiming sediment oil to be obtained from tank produced water being delivered to their salt water disposal facility bottoms, waste pits and disposal water~~ authorized by Division Order No. R-6811-A, as amended.

PROVIDED HOWEVER THAT, the continuation of the authorization granted by this order shall be conditioned upon compliance with the laws of the State of New Mexico and the rules and regulations of the New Mexico Oil Conservation Division;

PROVIDED FURTHER THAT, prior to commencing operation of said plant, the applicant shall file with the Division and obtain approval of a performance bond in the amount of \$10,000.00 conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations and orders of the Oil Conservation Division.

(2) The operator of the above-described oil treating plant shall clear and maintain in a condition clear of all debris and vegetation a fireline at least 15 feet in width and encircling the site upon which the treating plant is located.

(3) Dikes, dams and/or emergency pits ~~shall be constructed and maintained around the treating plant~~ capable of holding the entire capacity of all tanks and vessels at the plant location and capable of preventing the escape of any sediment oil, reclaimed oil, or waste oil from the immediate vicinity of said plants, *shall be constructed and maintained around the treating plant.*

(4) The disposal of waste water accumulated in conjunction with the operation of the above-described plant on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies is hereby prohibited.

(5) The Director of the Division may administratively grant authority for the expansion or modification of said plant

upon request and a demonstration that such expansion or modification is upon contiguous acreage and is otherwise consistent with this order and Division Rules and Regulations.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. STAMETS,
Director

S E A L

Dockets Nos. 12-86 and 13-86 are tentatively set for April 16 and April 30, 1986. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 2, 1986
8 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

CASE 8852: (Continued from March 19, 1986, Examiner Hearing)

Application of the Oil Conservation Division on its own motion to consider establishing six non-standard proration and spacing units for all formations and/or pools developed on 160-acre spacing from the base of the Blanco Mesaverde Pool downward in Sections 6, 7, 18, 19, 30, and 31, Township 26 North, Range 2 West, Rio Arriba County, New Mexico. Said non-standard units are necessitated by irregular Sections resulting from survey corrections in the United States Public Lands Survey.

CASE 8853: (Continued from March 19, 1986, Examiner Hearing)

Application of the Oil Conservation Division on its own motion to consider establishing six non-standard proration and spacing units for any and all formations and/or pools developed on 320-acre spacing from the base of the Blanco Mesaverde Pool downward in Sections 5 through 8, 17 through 20, and 29 through 32, all in Township 26 North, Range 2 West, Rio Arriba County, New Mexico. Said non-standard units are necessitated for the orderly development of this area due to the irregular sections resulting from survey corrections in the United States Public Lands Survey.

CASE 8854: (Readvertised)

Application of the Oil Conservation Division on its own motion for exceptions to the Special Rules for the Gavilan-Greenhorn-Graneros-Dakota and Gavilan Mancos Oil Pools as promulgated by Division Order Nos. R-7745 and R-7407, respectively, Rio Arriba County, New Mexico, the OCD seeks exceptions to the spacing and one well per proration unit limitation provisions of the Special Rules and Regulations governing the Gavilan-Greenhorn-Graneros-Dakota and Gavilan-Mancos Oil Pools as promulgated by Division Orders Nos. R-7745 and R-7407, authorizing the establishment of seven non-standard oil spacing and proration units for both pools in Township 25 North, Range 2 West, as described below:

- 1) Lots 3 and 4, S/2 NW/4, SW/4 of Section 5 and all of Section 6 consisting of 505.20 acres, more or less;
- 2) All of Section 7 and the W/2 of Section 8 consisting of 505.84 acres, more or less;
- 3) W/2 of Section 17 and all of Section 18 consisting of 506.36 acres, more or less;
- 4) All of Section 19 and the W/2 of Section 20 consisting of 506.76 acres, more or less;
- 5) N/2 of Section 29 and Lots 1 and 2 of Section 30 consisting of 413.59 acres, more or less;
- 6) S/2 of Section 29 and Lots 3 and 4 of Section 30 consisting of 413.73 acres, more or less, and
- 7) All of Section 31 and the W/2 of Section 32 consisting of 507.88 acres, more or less.

Said units would allow for the orderly development of both pools within the irregular sections along the western side of the subject township resulting from survey corrections in the United States Land Survey. The OCD proposes to allow two wells to be completed in both pools in each of the above-described units.

CASE 8862: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Gipson Oil Corporation and other interested parties to appear and show cause why the John Bergin Well No. 2 located 2440 feet from the North line and 1520 feet from the West line of Section 21, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8863: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Alana Oil & Gas Corporation, Fidelity and Deposit Company, and other interested parties to appear and show cause why the Samantha Wells Nos. 1, 2, and 3 located 1580 feet from the South line and 1202 feet from the West line (Unit L), 1985 feet from the South line and 2290 feet from the West line (Unit K), and 1105 feet from the South line and 2490 feet from the West line (Unit N), respectively, all in Section 26, Township 28 North, Range 1 East, and the Alana Well No. 1 located 511 feet from the South line and 2144 feet from the West line (Unit N) of Section 11, Township 27 North, Range 1 East, all in Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 8864: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Suntex Energy Corporation, Fidelity and Deposit Company of Maryland, and other interested parties to appear and show cause why the following wells in Township 28 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program:

Suntex #1
1824 feet from the North line and 570 feet from the West line
(Unit E) of Section 26;

Suntex #2
660 feet from the South line and 365 feet from the East line
(Unit P) of Section 22;

Suntex #3
1858 feet from the North line and 1800 feet from the West line
(Unit F) of Section 14;

Suntex #4
935 feet from the North line and 1650 feet from the West line
(Unit C) of Section 23;

Suntex #5
2004 feet from the South line and 2310 feet from the West line
(Unit K) of Section 11;

Suntex #6
1980 feet from the South line and 660 feet from the West line
(Unit L) of Section 23.

CASE 8855: (Continued from March 19, 1986, Examiner Hearing)

Application of Loco Hills Water Disposal Company for an oil treating plant permit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at the site of its commercial salt water disposal facility located in the SW/4 SW/4 of Section 16, Township 17 South, Range 30 East.

CASE 8773: (Continued from March 19, 1986, Examiner Hearing)

Application of Bliss Petroleum, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its existing J. W. Grizzell "A" Well No. 1 located 1034 feet from the South line and 2635 feet from the West line of Section 5, Township 22 South, Range 37 East, San Andres formation, the SW/4 of said Section 5 to be dedicated to said well.

CASE 8865: Application of Santa Fe Exploration Company for Hardship Gas Well Classification, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Exxon State Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 2, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8805: (Continued from February 5, 1986, Examiner Hearing)

Application of Gary-Williams Oil Producer for a pressure maintenance project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the Rio Puerco-Mancos Oil Pool by the reinjection of natural gas into the perforated interval from approximately 3691 feet to 4127 feet in its San Isidro "13" Well No. 11 located 1980 feet from the South and West lines of Section 13, Township 20 North, Range 3 West.

CASE 8866: Application of Amoco Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox well location 180 feet from the South line and 130 feet from the East line of Section 9, Township 27 North, Range 12 West, Wildcat Gallup/Basin Dakota Pool, the SW/4 and S/2, respectively, of said Section 9, to be dedicated to the well.

CASE 8849: (Continued from March 5, 1986, Examiner Hearing)

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

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

CASE 8867: Application of Marshall Pipe and Supply Company for the amendment of Division Order No. R-8074, Roosevelt County, New Mexico. Division Order No. R-8074, dated November 5, 1985, compulsorily pooled all mineral interests from the top of the Wolfcamp formation to the top of the Precambrian underlying the S/2 of Section 27, Township 2 South, Range 29 East, forming a standard 320-acre gas spacing and proration unit, within said vertical limits, named Yates Petroleum Corporation the operator of the unit, and provided that the operator commence the drilling of a well at a standard gas well location thereon on or before January 31, 1986. Applicant in the above-styled cause, seeks the amendment of Division Order No. R-8074, extending the provisions of the order to allow an additional 60 days to commence the drilling of the well and that Marshall Pipe and Supply Company be named the operator of the subject well and unit.

IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE APPROVED PURSUANT TO DIVISION RULES AND REGULATIONS.

CASE 8868: Application of Mobil Producing Texas and New Mexico Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its Bridges State Well No. 509, 1400 feet from the North line and 125 feet from the West line of Section 23, Township 17 South, Range 34 East, Vacuum (Grayburg-San Andres) Pool, Bridges State Waterflood Project, the SW/4 NW/4 of said Section 23, to be dedicated to the well.

CASE 8869: Application of Texaco Producing, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Northeast Lovington-Pennsylvanian Pool underlying the S/2 SE/4 of Section 20, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 8870: Application of Nearburg Producing Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Cisco and Canyon formations in the perforated interval from approximately 7772 feet to 7850 feet in the Coquina Oil Corporation Aikman State Well No. 1 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 27, Township 19 South, Range 25 East.

DOCKET: COMMISSION HEARING - WEDNESDAY - APRIL 9, 1986
9 A.M. - OIL CONSERVATION COMMISSION, MORGAN HALL, STATE
LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 8835: (Continued from February 26, 1986, Commission Hearing)

Application of the Oil Conservation Division on its own motion to require Division approval of all commercial and centralized oil field fluid waste collection or disposal facilities utilizing ponds, pits, and below-grade tanks in McKinley, Rio Arriba, Sandoval and San Juan Counties, New Mexico. Applicant also seeks to require commercial disposal pit operators to keep and make available records on the volume, source, dates, and type of oil field fluid waste received, and the hauling companies using their facilities. Copies of the proposed rules are available at Santa Fe and at the Aztec District Office.

CASE 8219: (Continued from February 26, 1986, Commission Hearing) (De Novo)

Application of Dinero Operating Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Little Squaw Comm. Well No. 1 located in Unit F of Section 27, Township 22 South, Range 28 East, Dublin Ranch-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

Upon application of Dinero Operating Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8220: (Continued from February 26, 1986, Commission Hearing) (De Novo)

Application of Dinero Operating Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Big Chief Comm. Well No. 4 located in Unit N of Section 15, Township 22 South, Range 28 East, Dublin Ranch-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

Upon application of Dinero Operating Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8712: (Continued from February 26, 1986, Commission Hearing) (De Novo)

Application of Kimbell Oil Company of Texas for HARDSHIP GAS WELL CLASSIFICATION, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Salazar Well No. 4-E located 1630 feet from the North line and 1460 feet from the West line (Unit F) of Section 34, Township 25 North, Range 6 West, Basin-Dakota Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

Upon application of Kimbell Oil Company of Texas, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8758: (De Novo)

Application of Monsanto Company for an unorthodox gas well location, dual completion, and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of a well to be drilled at an unorthodox gas well location 330 feet from the South and West lines of Section 36, Township 21 South, Range 23 East, to produce gas from the Indian Basin-Upper Pennsylvanian and Indian Basin-Morrow Gas Pools, all of said Section 36 to be simultaneously dedicated in both zones to the well and to their existing Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line of said Section 36.

Upon application of Monsanto Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8802: (De Novo)

Application of Southland Royalty Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the South Corbin-Wolfcamp Pool in Township 18 South, Range 33 East, including a provision for 80-acre oil spacing and proration units.

Upon application of Southland Royalty Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8778: (De Novo)

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

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

CASE 8781: (De Novo)

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

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

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

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

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

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

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

CASE 8783: (De Novo)

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

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

LAW OFFICES OF

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APR 14 1986
April 11, 1986
SANTA FE
SANTA FE DIVISION

TELEPHONE 622-8432
AREA CODE 505
OMNIFAX
TELECOPY 625-2023
AREA CODE 505

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: Michael J. Stogner, Examiner

Re: Loco Hills Water Disposal Company
Case No. 8855

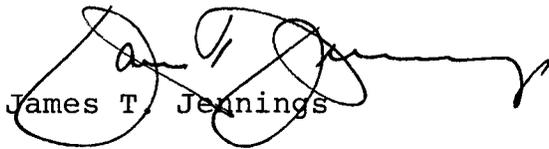
Dear Mr. Examiner:

In accordance with your request, I have obtained and you will find enclosed herewith a Material Safety Data Sheet obtained from Nalco Chemical Company which describes the chemical which it furnishes to Loco Hills Water Disposal Company, the Applicant in the above-numbered case in connection with the oil treating plant. It is my understanding that you were interested in knowing the materials used and when the request was made of the manufacturer, the enclosed information was received. Hopefully, this is satisfactory; if not, call me and I will try to get a better description of the contents of the the chemical.

I do not have any pride of authorship, but while I had this matter before me, I did take a crack at preparing a tentative Order which I submit for what it might be worth. I did not have the transcript before me when I prepared this and my memory is somewhat hazy. However, I would call the Examiner's attention to the Byrum Statehouse Reporting Service dated April 4, 1986, which reflects that Loco Hills sought authority for the construction of an operation of an oil treating plant for the purpose of treating and reclaiming sediment oil. If the Examiner will recall, I think the testimony showed that Loco Hills does not accept sediment oil as defined by Rule 311 and its sole purpose of this application is to reclaim the oil in produced water delivered to the Loco Hills Water disposal facility.

Yours very truly,

JENNINGS & CHRISTY


James T. Jennings

JTJ:el

cc: Loco Hills Water Disposal Company

MATERIAL SAFETY DATA SHEET

Required under USDL Safety and Health Regulations for Ship Repairing,
Shipbuilding, and Shipbreaking (29 CFR 1915, 1916, 1917)

SECTION I

MANUFACTURER'S NAME Nalco Chemical Company		EMERGENCY TELEPHONE NO. (312) 920-1510
ADDRESS (Number, Street, City, State, and ZIP Code) P. O. Box 87, Sugar Land, Texas 77478		
CHEMICAL NAME AND SYNONYMS Fatty amide oxyalkylated mixture		TRADE NAME AND SYNONYMS Visco 910 (Rev. 8-1-74)
CHEMICAL FAMILY Solids Dispersant	FORMULA ----	

SECTION II - HAZARDOUS INGREDIENTS

PAINTS, PRESERVATIVES, & SOLVENTS	%	TLV (Units)	ALLOYS AND METALLIC COATINGS	%	TLV (Units)
PIGMENTS			BASE METAL		
CATALYST			ALLOYS		
VEHICLE N/A			METALLIC COATINGS N/A		
SOLVENTS			FILLER METAL PLUS COATING OR CORE FLUX		
ADDITIVES			OTHERS		
OTHERS					
HAZARDOUS MIXTURES OF OTHER LIQUIDS, SOLIDS, OR GASES				%	TLV (Units)
Isopropanol				15	ppm
Aromatic hydrocarbons, heavy				21	

SECTION III - PHYSICAL DATA

BOILING POINT (°F.)	---	SPECIFIC GRAVITY (H ₂ O=1) @ 60° F.	0.967
VAPOR PRESSURE (mm Hg.)	---	PERCENT VOLATILE BY VOLUME (%)	---
VAPOR DENSITY (AIR=1)	---	EVAPORATION RATE (_____ =1)	---
SOLUBILITY IN WATER	dispersible pH		10-11
APPEARANCE AND ODOR	Amber liquid with pungent odor.		

SECTION IV - FIRE AND EXPLOSION HAZARD DATA

FLASH POINT (Method used)	85° F. TOC	FLAMMABLE LIMITS	LeI	UeI
EXTINGUISHING MEDIA	CO₂, foam, dry chemical			
SPECIAL FIRE FIGHTING PROCEDURES	Fight as any hydrocarbon type fire.			
UNUSUAL FIRE AND EXPLOSION HAZARDS	May evolve toxic NO₂ fumes.			

SECTION V - HEALTH HAZARD DATA	
THRESHOLD LIMIT VALUE None established for product. See Appendix B ² of 1973 TLV Guide.	
EFFECTS OF OVEREXPOSURE May cause eye and skin irritation.	
EMERGENCY AND FIRST AID PROCEDURES Skin: Wash contaminated areas thoroughly with soap and water.	
Eyes: Flush with water 15 minutes, consult physician.	
Ingestion: Do not induce vomiting, consult physician.	

SECTION VI - REACTIVITY DATA			
STABILITY	UNSTABLE		CONDITIONS TO AVOID
	STABLE	X	
INCOMPATIBILITY (Materials to avoid) Not known.			
HAZARDOUS DECOMPOSITION PRODUCTS Unburned hydrocarbons, NO₂			
HAZARDOUS POLYMERIZATION	MAY OCCUR		CONDITIONS TO AVOID
	WILL NOT OCCUR	X	

SECTION VII - SPILL OR LEAK PROCEDURES	
STEPS TO BE TAKEN IN CASE MATERIAL IS RELEASED OR SPILLED Contain on absorbent material.	
WASTE DISPOSAL METHOD Complete combustion.	

SECTION VIII - SPECIAL PROTECTION INFORMATION			
RESPIRATORY PROTECTION (Specify type) None			
VENTILATION	LOCAL EXHAUST	-	SPECIAL
	MECHANICAL (General)	-	OTHER
PROTECTIVE GLOVES Rubber		EYE PROTECTION Face shield or safety goggles	
OTHER PROTECTIVE EQUIPMENT None			

SECTION IX - SPECIAL PRECAUTIONS	
PRECAUTIONS TO BE TAKEN IN HANDLING AND STORING Do not pour, spill, or store near heat or open flame. Handle in adequately ventilated areas.	
OTHER PRECAUTIONS Avoid prolonged inhalation of fumes. Avoid eye and skin contact. Do not take internally.	

SECTION 1 - PRODUCT IDENTIFICATION

Trade Name Vi-Sep 103	Formula No. _____
Synonyms Blend of amine neutralized aryl sulfonates	
Chemical Family Organic	

SECTION 2 - HAZARDOUS INGREDIENTS

MATERIAL OR COMPONENT	%
Isopropanol	2

SECTION 3 - PHYSICAL PROPERTIES

Boiling Point, 760 MM HG	Pour Point
	<-22°F
Specific Gravity (H ₂ O=1)	Vapor Pressure
0.98 @ 60°F	
Vapor Density (Air=1)	Solubility in H ₂ O, % By Wt.
	Dispersible
% Volatiles By Vol.	Evaporation Rate (Butyl Acetate=1)
Appearance and Odor	
Dark red-black liquid, typical hydrocarbon odor pH (20% sol'n) = 3.5	

SECTION 4 - FLAMMABILITY AND EXPLOSIVE PROPERTIES

Flash Point (Test Method)			
70°F (PMCC)			
Flammable Limits in Air, % By Vol.		Lower	Upper
Extinguishing Media			
CO ₂ , dry chemical, alcohol foam			
Special Fire Fighting Procedures			
Wear air supplied breathing apparatus in enclosed areas			
Unusual Fire and Explosion Hazard			
Treat as any oil type fire			

SECTION 5 - HEALTH HAZARD DATA

Threshold Limit Value
None established for the product. Isopropanol (skin) = 400 ppm
Effects of Overexposure
May cause eye and skin irritation.
EMERGENCY AND FIRST AID PROCEDURES
Eyes
Flush with water for 15 minutes. Call a physician.
Skin
Wash thoroughly with soap and water.
Ingestion
Do not induce vomiting. Give milk. Call a physician.
Inhalation
Remove to fresh air. Treat symptoms.

MATERIAL SAFETY DATA SHEET
 Product **Vi-Sep 103**

NALCO CHEMICAL COMPANY
 2901 BUTTERFIELD ROAD • OAK BROOK, ILLINOIS 60521

SECTION 6 - REACTIVITY DATA

Stability: Stable Unstable Conditions to Avoid

Materials to Avoid None

Hazardous Decomposition Products Unburned hydrocarbons, SO₂, NO₂

Hazardous Polymerization: Will Not Occur May Occur Conditions to Avoid

SECTION 7 - SPILL OR LEAK PROCEDURES

Steps to Take in Case Material is Released or Spilled Contain with absorbent material.

Waste Disposal Method Complete incineration

SECTION 8 - SPECIAL PROTECTION INFORMATION

Type of Respiratory Protection Required None normally required

Ventilation: Local Exhaust ; Mechanical (General) ; Special (Specify) Other (Specify)

Protective Gloves Rubber Eye Protection Goggles

Other Protective Equipment None

SECTION 9 - SPECIAL PRECAUTIONS

Handling and Storage Precaution Keep away from heat, sparks and open flames. Use with adequate ventilation.

Other Precautions Do not take internally. Avoid eye and skin contact. Do not breathe vapors or mist.

Prepared By

[Signature]

Title

Corporate Toxicologist

Date

3/4/82