

RECEIVED
APR 26 1985

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator Hondo Drilling Company Contact Party Margaret Longanecker
Address Drawer 2516, Midland, Texas 79702 Phone No. 915-682-9401
County UNION TX STATE Well No. 1 UT N Sec. 17 TWP 19-S RGE 29-E
Well Name ~~XXXXXXXXXXXXXXXXXXXX~~ Minimum Rate Requested 722 mcf/day
Transporter Name EL PASO NATURAL GAS CO. Purchaser (if different) _____

Are you seeking emergency "hardship" classification for this well? X yes _____ no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)

Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

- a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.
- b) Mechanical condition of the well (provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:
 - i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

Present historical data which demonstrates conditions that can lead to waste. Such data should include:

- a) Permanent loss of productivity after shut-in periods (i.e., formation damage).
- b) Frequency of swabbing required after the well is shut-in or curtailed.
- c) Length of time swabbing is required to return well to production after being shut-in.
- d) Actual cost figures showing inability to continue operations without special relief

If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

- a) Minimum flow or "log off" test; and/or
- b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

Submit any other appropriate data which will support the need for a hardship classification.

If the well is in a prorated pool, please show its current under- or over-produced status.

Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

HONDO DRILLING COMPANY
CASE NO. 8609
7/2/85 EXAMINER HEARING
EXHIBIT NO. 1

GENERAL INFORMATION APPLICABLE TO HARDSHIP GAS WELL CLASSIFICATION

1) Definition of Underground Waste.

"Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas."

- 2) The only acceptable basis for obtaining a "hardship" classification is prevention of waste with the burden of proof solely on the applicant. The applicant must not only prove waste will occur without the "hardship" classification, but also that he has acted in a responsible and prudent manner to minimize or eliminate the problem prior to requesting this special consideration. If the subject well is classified as a "hardship" well, it will be permitted to produce at a specified minimum sustainable rate without being subject to shut-in by the purchaser due to low demand. The Division can rescind approval at any time without notice and require the operator to show cause why the classification should not be permanently rescinded if abuse of this special classification becomes apparent.
- 3) The minimum rate will be the minimum sustainable rate at which the well will flow. If data from historical production is insufficient to support this rate (in the opinion of the Director), or if an offset operator or purchaser objects to the requested rate, a minimum flow ("log off") test may be required. The operator may, if he desires, conduct the minimum flow test, and submit this information with his application.
- 4) If a minimum flow test is to be run, either at the operator's option or at the request of the Division, the offset operators, any protesting party, the purchaser and OCD will be notified of the date of the test and given the opportunity to witness, if they so desire.
- 5) Any interested party may review the data submitted at either the Santa Fe office or the appropriate OCD District Office.
- 6) The Director can approve uncontested applications administratively if, in his opinion, sufficient justification is furnished. Notice shall be given of intent to approve by attaching such notice to the regular examiner's hearing docket. Within 10 days following the date of such hearing, the affected parties will be permitted to file an objection. If no objection has been filed, the application may be approved.
- 7) Should a protest be filed in writing, the applicant will be permitted to either withdraw the application, or request it to be set for hearing.
- 8) An emergency approval, on a temporary basis for a period not to exceed 90 days, may be granted by the District Supervisor, pending filing of formal application and final action of the OCD Director. This temporary approval may be granted only if the District Supervisor is convinced waste will occur without immediate relief. If granted, the District Supervisor will notify the purchaser.
- 9) After a well receives a "hardship" classification, it will be retained for a period of one year unless rescinded sooner by the Division. The applicant will be required to certify annually that conditions have not changed substantially in order to continue to retain this classification.
- 10) Nothing here withstanding, the Division may, on its own motion, require any and all operators to show cause why approval(s) should not be rescinded if abuse is suspected or market conditions substantially change in the State of New Mexico.
- 11) A well classified as a "hardship well" will continue to accumulate over and under production (prorated pools). Should allowables exceed the hardship allowable assigned, the well will be permitted to produce at the higher rate, if capable of doing so, and would be treated as any other non-hardship well. Any cumulative overproduction accrued either before or after being classified "hardship" must, however, be balanced before the well can be allowed to produce at the higher rate.



HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

March 27, 1985

Energy & Minerals Department
Oil Conservation Division
Drawer DD
Artesia, NM 88210

Re: Application for Classification
as Hardship Gas Well
Lease: *UNION TX STATE*
Well No.: *1, SEC. 17, T-19-S, R-29-E*
Pool Name: *TURKEY TRACT MORROW*

Gentlemen:

In reference to the well as captioned above, we are respectfully requesting that the well be classified as a hardship gas well under Rule 409 and/or Rule 410.

The purchaser/gatherer on this well is El Paso Natural Gas. The gathering system pressure now exceeds our contract limitation. El Paso Natural Gas Company has raised and lowered their line pressure on numerous occasions over the past twelve months to a point that this well (1) will no longer produce or (2) after being shut-in the well when opened cones water out of the reservoir which kills the well. If this well is allowed to produce on a continual basis the coning of water does not take place in the reservoir and the well will continue to flow. On a non-flowing well this situation has caused a 100% loss of revenue and has caused gas to be left in the reservoir never to be recovered which constitutes waste of hydrocarbons.

Enclosed please find our bottom hole diagram of the well. No down-hole problems are indicated in this well and remedial work is not indicated downhole. The use of smallbore tubing, plunger lifts or rod pumping units would not be effective if the well is subjected to periods of shut-in. Due to the low productivity of this well it is not economically feasible to install a compressor. If the gathering system line pressure was at the contract pressure or below, this would not be necessary.

In cases where we have swabbed our wells back, in this area, they have not been capable of producing the previous amount of gas due to the intrusion of water into the reservoir which permanently damages and restricts the flow of gas to the wellbore. We have enclosed a copy of our latest swabbing invoice for an area well. At the rate at which

El Paso Natural Gas raises and lowers the line pressure, it would be necessary to retain a swabbing unit in the area, for our wells, almost full time.

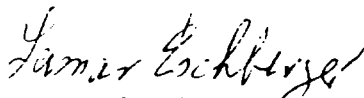
In the event a hardship gas well classification is not received on this well, we feel it would result in premature abandonment of this well. We estimate this well would continue to produce at a rate of 722 MCF per day for a minimum of 10 years. In the event we cannot produce the well at this rate, the economics of operating a non-producing well would force premature plugging and abandonment causing gas to be left in the reservoir never to be recovered.

The minimum flow rate we are requesting for this well is ~~722 MCF per day~~. This minimum flow rate was derived from well production history, the latest six months producing rate average. It is difficult to determine the production rate before and after shut-in periods as El Paso Natural Gas frequently raises and lowers the line pressure during a month's period of time.

We were notified this date that El Paso Natural Gas intends to cut this well off effective this date for an indefinite period of time. We feel we have done everything feasible as a prudent operator to minimize or eliminate damage to the reservoir and permanent loss of gas. We have checked our well for downhole problems and swabbed the well when it was indicated we could produce the well into El Paso's line. We have made numerous requests to El Paso Natural Gas to allow our wells to produce at a minimum rate and have received no cooperation from them.

All of the information submitted with this application is true and correct to the best of my knowledge. One copy of this application has been submitted to the appropriate Division District office at Artesia, New Mexico. Notice of the application has been given to El Paso Natural Gas Company and all offset operators, as per the plat enclosed with this application.

Yours truly,



Lamar Eschberger
Consulting Registered
Professional Engineer
Honda Drilling Company

LE:sg
Enclosure



HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702 2516 • (915) 682-9401

March 29, 1985

Hondo Drilling Company
Union TX State #1
Sec. 17, T-19-S, R-29-E, NMPM
Eddy County, New Mexico

<u>Sales Month</u>	<u>Total MCF</u>	<u>Average/Day MCF</u>
August, 84	23,313	752.1
September	21,394	706.5
October	20,414	658.5
November	20,134	737.9
December	22,810	735.8
January, 85	22,893	738.5
Total Six Months	130,762	721.6 Average/Day

Note:

The high line pressure has effected this well, but it does not load up with water yet. New completion of offsetting well to the south will cause drainage so that shut-in will effect this well.

ILLEGIBLE



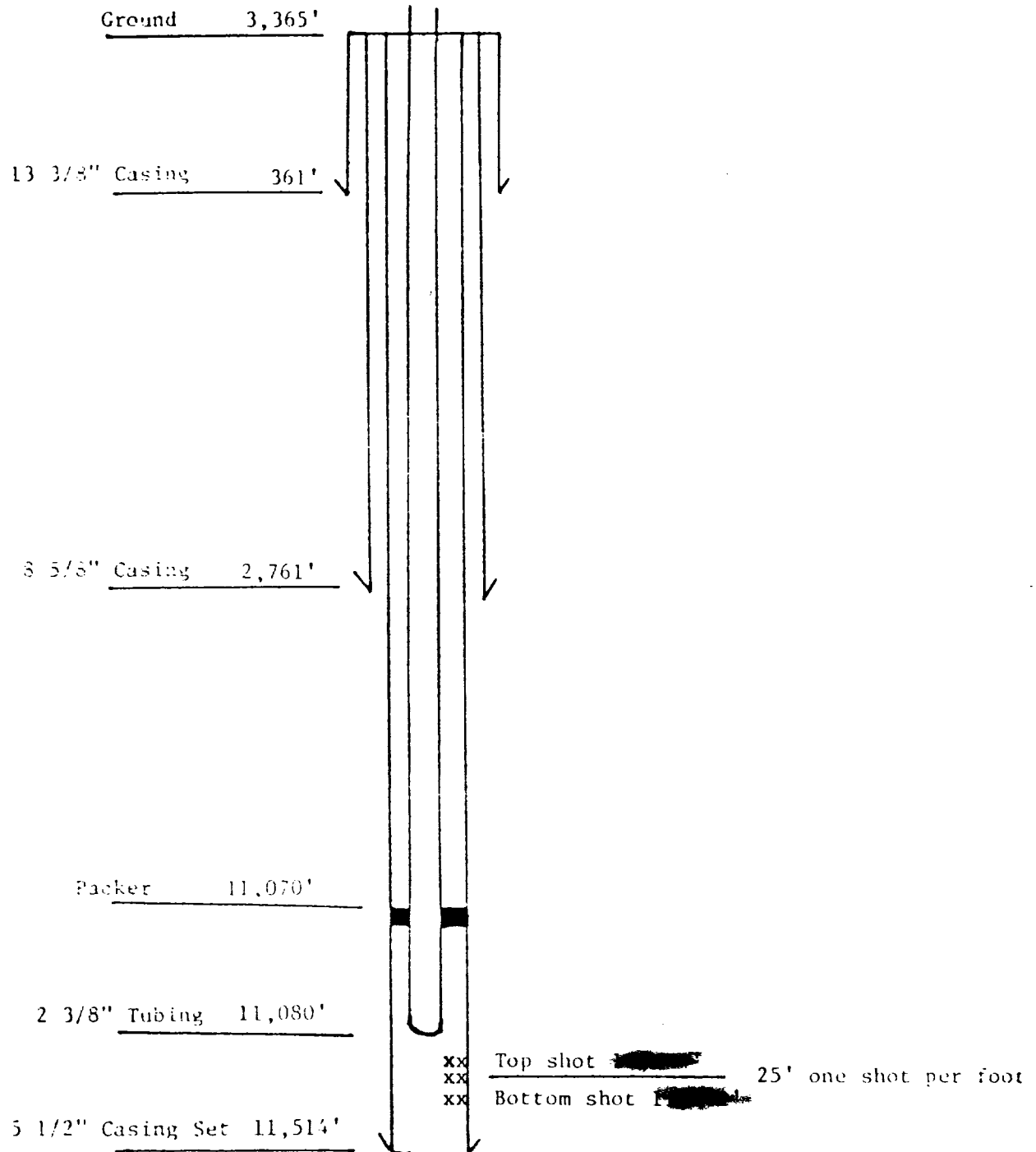
HONDO DRILLING COMPANY

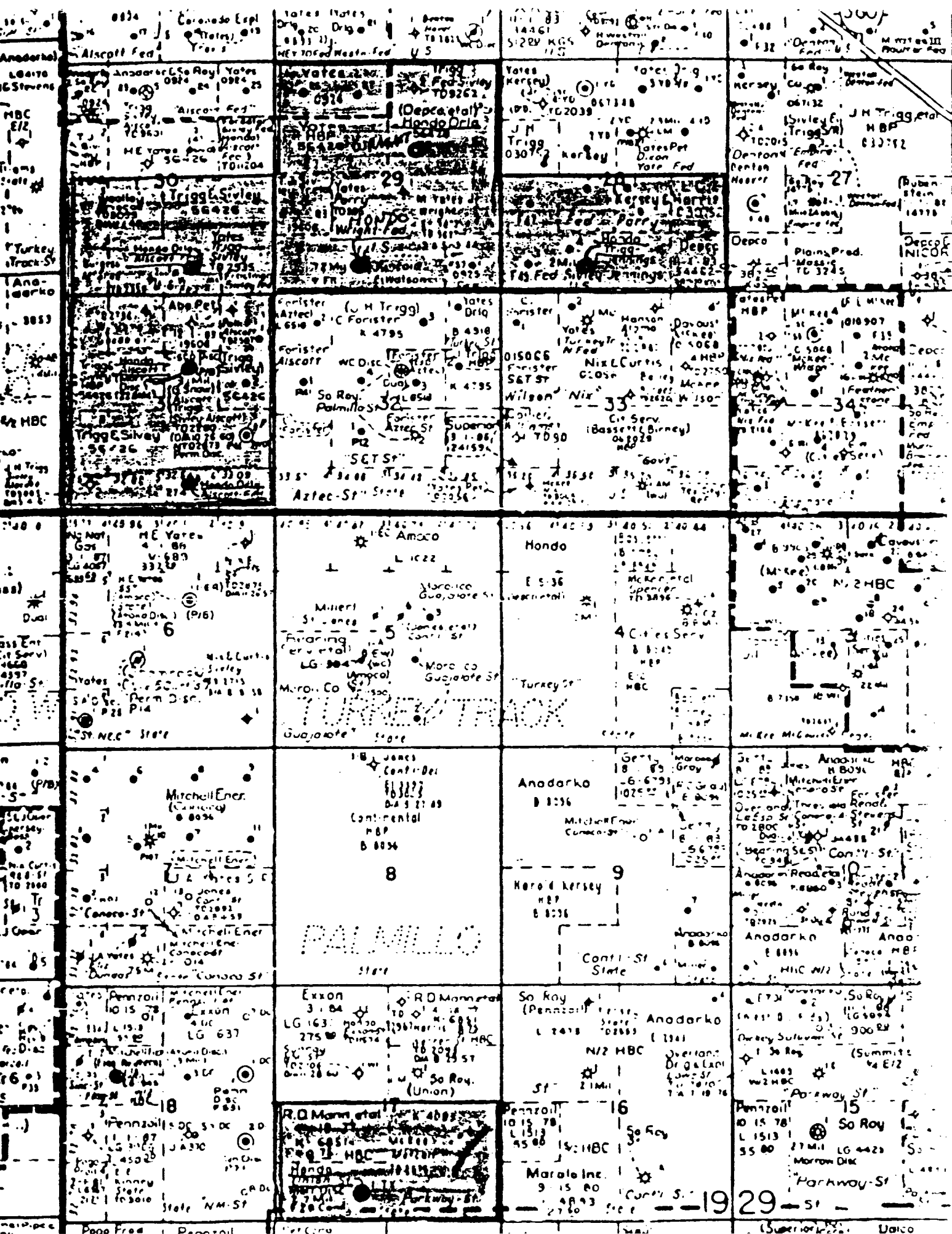
POST OFFICE DRAWER 2516 • MIDLAND TEXAS 79702 2516 • (915) 682 9401

Lease Union TX State Com. Well Number 1

Location S/2 of Section 17, T-19-S, R-29-E, N.M.P.M. - 320 acres, more or less

County Eddy, New Mexico. State Lease #K-0493





29-1

19-1

16

18

15



HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

April 12, 1985

Re: Application for Classification
as Hardship Gas Well
Lease: *UNION TX STATE*
Well & Location: *1, SEC 17, T-19-S, R-29-E*
Pool: *TURKEY TRACT MORROW*
County: *EDDY COUNTY, N.M.*

Gentlemen:

According to our records you are a diagonal offset operator to the captioned well operated by Hondo Drilling Company. The proration unit assigned to this well includes the *SOUTH HALF OF SECTION 17, BEING 320 ACRES MORE OR LESS.*

Please be advised that Hondo has filed application with the New Mexico Oil Conservation Division for the *UNION TX STATE NO. 1* well to be placed in the Hardship Gas well Classification. This would allow the well not to be completely shut-in during periods of low gas demand. It is difficult to keep this well producing normally with the frequent purchaser shut-ins. It has already suffered formation damage because of previous shut-in periods.

If you have any questions let us hear from you.

Very truly yours,

Lamar Eschberger, Consulting Petroleum Engineer
HONDO DRILLING COMPANY

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HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702-2516 • (915) 682-9401

Oil Conservation Division

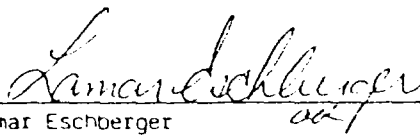
Drawer DD

Artesia, NM 88210

Re : Lease: *UNION TX STATE*
Well & Location: *1, SEC. 17, T-19-S, R-29-E*
Pool: *TURKEY TRACT MORROW*
County: *EDDY COUNTY, NM*

Copies of the "Application for Classification as Hardship Gas Well" for the well captioned above have been sent on this the 18th day of APRIL 1985 to the following parties:

1. Pennzoil Company
P. O. Drawer 1828
Midland, TX 79702
2. Southland Royalty
21 Desta Drive
Midland, Texas 79702
3. Exxon, USA
P. O. Box 3116
Midland, Texas 79702
4. Union Oil of California
P. O. Box 3100
Midland, Texas 79702
5. El Paso Natural Gas Co.
Box 1492
El Paso, TX 79978



Lamar Eschberger
Consulting Petroleum Engineer
HONDO DRILLING COMPANY

John Shockley - Swabbing Service, Inc.

P. O. BOX 1857
EUNICE, NEW MEXICO 88231

PHONE
394-3435
393-1088

JOHN SHOCKLEY, PRESIDENT

RECEIVED

INVOICE N° 3416

TO: Hondo Drilling Co.
P.O. Drawer 2516
Midland, Texas 79702
Attention: George Bullard

DEC 6 1984

Ans'd.....

Date December 5, 1984

Contract No.

AFE No.

Req. or

Purchase Order No.

Lease & Well No.

Wright #1 Swab Unit #14

11-30-84 #7819 Roaded unit to location, Rigged up, 0# on Csg., 0# on Tbg.,
First fluid at 9200', Swabbed appx. 8 Bbl. of water to
pit, Very light gas, Last fluid at 11,000', 0# on Csg.,
Closed well in, Rigged down.

Two Man Crew	7½ Hrs.	@	63.25	474.38
Swab Cups	6	@	15.50	93.00
OSR	2	@	9.75	19.50

	586.88
4½% NM Tax	24.94
	611.82

Job Complete
Thank You

TERMS: NET. DUE IN 30 DAYS.



HONDO DRILLING COMPANY

410 NORTH LORAIN • DRAWER 2516 • MIDLAND, TEXAS 79702 • (915) 682-9401

February 14, 1985

Mr. Bill G. Lane
Systems Dispatching
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Re: Shut-in of Union TX State,
Alscott #1, Alscott #2,
Alscott #3, Wright #1,
Wright #2, and Trigg-
Jennings wells.

Dear Mr. Lane:

Enclosed is a copy of the exemptions on the above captioned wells from the State of New Mexico Energy and Minerals Department as per our conservation today. These reports were signed by Joe B. Murray, Field Well Testing Supervisor on August 24, 1984.

If there is any further information, please let me know.

Yours truly,

HONDO DRILLING COMPANY

George D. Bullard

George D. Bullard
Production Superintendent

GDB/ml

Enclosures

*Exempt from shuttling
wells in to test them -
Jerry Sexton
Oil Conservation Division
Hobbs, NM*

(MORROW WELL)

Hondo Drilling Union Tx #1

NO SHUT IN TIMES
(GAS SOLD)
Monthly Gas Meter



3 YEARS BY MONTHS
40 0000
HIM 10 P.S.A.
KEUFFEL & PAER CO.



HONDO DRILLING COMPANY
CASE NO. 8609
7/2/85 EXAMINER HEARING
EXHIBIT NO. 4

HONDO DRILLING COMPANY

POST OFFICE DRAWER 2516 • MIDLAND, TEXAS 79702 • [915] 682-9401

UNION TX STATE COM #1

State Lease #K-0493 - S/2 of Section 17, T-19-S, R-29-E,
N.M.P.M., Eddy County, New Mexico, 320 acres more or less

<u>Month</u>	<u>Gas Production</u>	<u>WI Income</u>	<u>Cost of Operations</u>	<u>Profit or Loss</u>
January 1984	22,932	\$ 18,864.65	\$ 6,202.12	\$ 12,662.53
February	21,591	19,782.70	6,616.28	13,166.42
March	22,353	18,575.23	6,817.81	11,757.42
April	20,319	18,892.59	6,208.39	12,684.20
May	22,712	20,600.61	6,482.00	14,118.61
June	20,438	17,273.52	6,665.82	10,607.70
July	18,823	17,889.32	6,143.52	11,745.80
August	23,315	19,564.84	6,659.75	12,905.09
September	21,194	19,791.48	6,787.22	13,004.26
October	20,414	19,283.85	6,865.98	12,417.87
November	22,136	18,805.21	4,014.07	14,791.14
December	22,810	6,713.18	9,217.64	(2,504.46)
January 1985	22,893	19,234.68	5,299.46	13,935.22
February	19,955	16,868.63	6,472.51	10,396.12
March	18,668	16,041.89	6,279.98	9,761.91
April	19,075	16,402.29	7,706.91	8,695.38
May	21,638	20,075.14	8,315.81	11,759.33

Dockets Nos. 23-85 and 24-85 are tentatively set for July 17 and 31, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - JULY 2, 1985

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

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

CASE 7955: (This case will be dismissed.)

Application of Bliss Petroleum, Inc. for the rescission of Order No. R-2789, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Order No. R-2789, which approved the South Penrose Skelly Unit.

CASE 8593: (Continued from June 5, 1985, Examiner Hearing)

Application of Corinne B. Grace for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Carlsbad Grace Well No. 1 located 1980 feet from the South line and 660 feet from the East line of Section 36, Township 22 South, Range 26 East, South Carlsbad-Strawn Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8615: (Continued from June 5, 1985, Examiner Hearing)

Application of Corinne B. Grace for HARDSHIP GAS WELL CLASSIFICATION, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Poco Loco Well No. 1 located 1980 feet from the South and West lines of Section 8, Township 15 South, Range 30 East, Double "L"-Queen Associated Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8635: Application of Energy Reserves Group, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Fusselman formation in the perforated interval from 8150 feet to 8220 feet in its McClellan Well No. 1 located 2000 feet from the South line and 1900 feet from the West line of Section 10, Township 6 South, Range 33 East.

CASE 8609: (Continued from June 19, 1985, Examiner Hearing)

Application of Hondo Drilling Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Union Texas State Com Well No. 1 located 660 feet from the South line and 1980 feet from the West line of Section 17, Township 19 South, Range 29 East, Turkey Track-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8610: (Continued from June 19, 1985, Examiner Hearing)

Application of Hondo Drilling Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Alscott Federal Well No. 1 located 1650 feet from the North line and 1980 feet from the East line (Unit G) of Section 31, Township 18 South, Range 29 East, North Turkey Track-Cisco Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8611: (Continued from June 19, 1985, Examiner Hearing)

Application of Hondo Drilling Company for five HARDSHIP GAS WELL CLASSIFICATIONS, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that each of the following described wells in Township 18 South, Range 29 East, North Turkey Track-Morrow Gas Pool, are hardship gas wells which should be granted priority access to pipeline takes in order to avoid waste:

Alscott Federal Well No. 2
660' FSL - 1980' FEL (Unit O)
Section 30

Alscott Federal Well No. 3
660' FSL - 1980' FEL (Unit O)
Section 31

Trigg Jennings Com Well No. 1
660' FSL - 1980' FWL (Unit N)
Section 28

Wright Federal Com Well No. 1
660' FSL - 1980' FWL (Unit N)
Section 29

Wright Federal Com Well No. 2
1980' FNL - 1980' FEL (Unit G)
Section 29

Examiner Hearing - Tuesday - July 2, 1985

CASE 8627: (Continued from June 19, 1985, Examiner Hearing)

Application of TXO Production Corp. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface through the base of the Strawn formation underlying the SW/4 SW/4 of Section 36, Township 24 South, Range 26 East, to form a standard 40-acre oil spacing and proration unit, to be dedicated to a well to be drilled at a standard oil well location 660 feet from the South and West lines of said Section 36. Applicant further seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of said Section 36, to form a standard 320-acre gas spacing and proration unit, also to be dedicated to the above-described well which is an unorthodox gas well location for the W/2, 320-acre gas spacing and 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.

CASE 8621: (Continued from June 5, 1985, Examiner Hearing)

Application of Kaiser-Francis Oil Company for HARDSHIP GAS WELL CLASSIFICATION, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Federal "30" Well No. 2 located 2310 feet from the South line and 1980 feet from the West line of Section 30, Township 19 South, Range 33 East, Gam-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8636: Application of Benson-Montin-Greer Drilling Corp. for compulsory pooling and an unorthodox well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Mancos formation underlying all of Section 29, Township 25 North, Range 1 West, which is a standard 640-acre oil proration and spacing unit in the West Puerto Chiquito-Mancos Oil Pool only, to be dedicated to a well to be drilled at an unorthodox oil well location 393 feet from the North line and 2367 feet from the East line of said Section 29. 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 8637: Application of Southland Royalty Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Mancos formation to the base of the Dakota formation underlying the N/2 of Section 25, Township 25 North, Range 2 West, to be dedicated to a well to be drilled at a standard 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 8620: (Continued from June 5, 1985, Examiner Hearing)

Application of Mesa Petroleum Co. for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Scharb-Bone Spring Pool in Lea County, New Mexico, including a gas-oil ratio limitation of 14,000 cubic feet of gas per barrel of oil.

CASE 8606: (Continued from June 19, 1985, Examiner Hearing)

Application of Doyle Hartman for simultaneous dedication and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the NW/4 of Section 8, Township 24 South, Range 37 East, forming a previously approved 160-acre non-standard spacing and proration unit in the Jalmat Gas Pool, to be simultaneously dedicated to his existing E. E. Jack Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 8 and his proposed E. E. Jack Well No. 5 to be drilled at a standard 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 8638: Application of Doyle Hartman for compulsory pooling and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the SE/4 of Section 36, Township 23 South, Range 36 East, forming a 160-acre non-standard gas proration unit to be dedicated to a well to be drilled at a standard 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.

Examiner Hearing - Tuesday - July 2, 1985

CASE 8545: (Continued from June 19, 1985, Examiner Hearing)

Application of Myco Industries for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the perforated interval from 13,820 feet to 14,200 feet in the Shell Oil Company Big Eddy Unit Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 36, Township 21 South, Range 28 East.

CASE 8639: Application of Zia Energy, Inc. for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication on a previously approved 280-acre proration and spacing unit comprising the SW/4, the E/2 NW/4, and the SW/4 NW/4 of Section 20, Township 22 South, Range 36 East, Jalmat Gas Pool, of its existing Cities Federal Wells Nos. 1 and 2 located in Units L and M, respectively, and of the Penroc Oil Corporation CSO-Federal Well No. 2, to be recompleted to the Jalmat Gas Pool, located 1650 feet from the North line and 2310 feet from the West line of said Section 20, which is an unorthodox gas well location for the Jalmat Gas Pool.CASE 8623: (Continued from June 5, 1985, Examiner Hearing)

Application of Caulkins Oil Company for dual completion, downhole commingling, and non-standard gas proration units, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Kaima Well No. 1-R to be located at a standard location in the NE/4 of Section 20, Township 26 North, Range 6 West, in such a manner that Blanco-Mesaverde and Basin-Dakota production would be commingled separately and the aforesaid intervals dually completed with commingled South Blanco-Pictured Cliffs and Otero-Chacra production and both commingled zones produced through parallel strings of tubing. The applicant further seeks approval of a 160-acre non-standard gas spacing and proration unit in the Basin-Dakota and Blanco-Mesaverde Pools comprising the NE/4 of said Section 20.

CASE 8640: Application of Caulkins Oil Company for compulsory pooling, downhole commingling, and dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Dakota and Blanco-Mesaverde Pools underlying the N/2 of Section 20, Township 26 North, Range 6 West, forming a standard 320-acre gas spacing and proration unit in both zones, and in the Pictured Cliffs and Chacra formations underlying the NE/4 of said Section 20, forming a standard 160-acre gas spacing and proration unit in both of these zones, to be dedicated to a well to be drilled at a standard location thereon. Applicant further seeks approval to dually complete said well in such a manner that Blanco-Mesaverde and Basin-Dakota production would be commingled separately and the aforesaid intervals dually completed with commingled Pictured Cliffs and Chacra production and both commingled zones produced through parallel strings of tubing. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.CASE 8641: Application of Blanco Engineering, Inc. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Atoka Glorieta Yaso formation in the perforated interval from 2961 feet to 3665 feet in its Williams Well No. 9 located 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 25, Township 18 South, Range 26 East.CASE 8642: Application of Gulf Oil Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 2640 feet from the North line and 660 feet from the West line (Unit E) of Section 2, Township 16 South, Range 32 East, North Anderson Ranch-Wolfcamp Pool, Lots Nos. 4 and 5 of said Section 2 to be dedicated to the well.



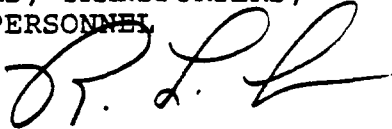
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

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

MEMORANDUM

TO: ALL SAN JUAN BASIN OPERATORS, TRANSPORTERS,
REFINERS, AND OIL AND GAS PERSONNEL

FROM: R. L. STAMETS, DIRECTOR 

SUBJECT: SUBMITTAL OF REQUIRED PIT REGISTRATION FORMS

DATE: JUNE 17, 1985

New Mexico Oil Conservation Commission Order No. R-7940 entered June 12, 1985, defined a "Vulnerable Area" in the San Juan Basin where special rules apply for the disposal of water produced in conjunction with the production of crude oil and/or natural gas. The definition of the "Vulnerable Area" is attached with this memo.

Pursuant to this order, owners and/or operators of any existing pit within the Vulnerable Area receiving produced water must have filed a Pit Registration Form with the Oil Conservation Division by January 1, 1986. A copy of this form, with instructions for use, is attached; additional copies are available at the Aztec district office. For new pits constructed since June 12, 1985, a Pit Registration Form must be filed within 90 days following initial production into or through the facility served by such pit. Any pit not registered in accordance with this order must be closed in a manner approved by the Division.

In addition to pit registration, the order prohibits use of most unlined pits for disposal of produced water within the Vulnerable Area effective January 1, 1987, requires OCD approval of existing lined pits and below grade tanks in the area by January 1, 1986, and requires that surface disposal locations for water removed from the Vulnerable Area be approved by OCD beginning October 1, 1985. A copy of the Rules of Order No. R-7940 is also attached.

If further information is needed, contact the OCD office in Aztec (334-6178) or the main office in Santa Fe at 827-5812.

dr/

attachments

IT IS THEREFORE ORDERED THAT:

(1) Within the San Juan Basin of New Mexico situated within the counties of Rio Arriba, Sandoval, San Juan, and McKinley, there is hereby designated the "Vulnerable Area" constituting the following:

- (a) That area which is defined as being within the valleys of the San Juan, Animas, and La Plata Rivers which is bounded by the topographic line on either side of the river that is 100 vertical feet above the river channel measured perpendicularly to the river channel.
- (b) Those areas outside the above described area in which ground water is subsequently found to be within 50 feet of the ground surface currently to include:

<u>SECTION</u>	<u>TOWNSHIP,</u> <u>NORTH</u>	<u>RANGE</u> <u>WEST</u>	<u>SECTION</u>	<u>TOWNSHIP,</u> <u>NORTH</u>	<u>RANGE</u> <u>WEST</u>
17	28	8	13	30	12
18	28	11	15	30	12
26	28	15	27	30	12
16	29	10	33	30	12
24	29	12	1	30	13
17	29	18	6	30	15
23	29	19	16	30	15
30	29	19	21	30	15
5	30	10	29	30	16
3	30	11	34	30	19
7	30	11	13	31	10
8	30	11	35	31	11
10	30	11	10	32	10
19	30	11	23	32	11
			25	32	12

(c) Those areas that lie between the above-named rivers and the following ditches as shown on United States Geological Survey Quadrangle Maps located in and available for the use of operators at the Division district office at Aztec:

Highland Park Ditch

Hillside Thomas Ditch

Cunningham Ditch

Farmers Ditch

Halford Independent Ditch

Citizens Ditch

Hammond Ditch

(2) That Special Rules and Regulations governing the disposal of produced water in the Vulnerable Area of McKinley, Rio Arriba, Sandoval and San Juan Counties, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE DISPOSAL OF
PRODUCED WATER IN THE VULNERABLE AREA IN
MCKINLEY, RIO ARriba, SANDOVAL AND
SAN JUAN COUNTIES, NEW MEXICO.

RULE 1. APPLICABILITY:

These rules shall apply to all produced water disposal within the Vulnerable Area.

These rules shall further apply to all produced water from the Vulnerable Area and to its disposal whether within or without said area.

RULE 2. DEFINITIONS:

- (a) Aquifer: An aquifer is a saturated permeable geologic unit (a geological formation, group of formations, or part of a formation) that can transmit significant quantities of water under ordinary hydraulic gradients.

For purposes of this definition, the word significant means that the water from the aquifer is used for or may reasonably be presumed to be usable for municipal, industrial, domestic, agricultural, or stock watering purposes.

- (b) Fresh Water (to be protected) includes all surface waters and includes all underground waters containing 10,000 milligrams per liter or less of total dissolved solids except for which, after notice and hearing, it is found there is no reasonably foreseeable beneficial use which would be impaired by contamination of such waters.
- (c) Produced Water shall mean those waters produced in conjunction with the production of crude oil and/or natural gas and commonly collected at field storage, processing, or disposal facilities including but not limited to: lease tanks, commingled tank batteries, burn pits, LACT units, dehydrators, and community or lease salt water disposal systems and which may be collected at gas processing plants, pipeline drips and other processing or transportation facilities.
- (d) Produced Water Pit: That pit which receives water produced from primary separation in conjunction with the production of crude oil and/or natural gas

whether or not such pit is located at the site of production.

(e) Ancillary Pit: Those pits not receiving fluids, from primary separation including but not limited to dehydrator pits, tank drain pits, pipeline drip collector pits, blowdown pits and compressor scrubber pits. Examples are listed below:

- (1) Dehydrator Pit: Those pits which normally receive produced water only from the dehydration unit.
- (2) Blowdown Pit: Those pits which receive liquid only when a well is blown down.
- (3) Tank Drain Pit: Those pits which receive water that is drained from a production storage tank.
- (4) Pipeline Drip Collector Pit: Those pits which receive liquids which accumulate in gas pipelines.
- (5) Compressor Scrubber Pit: Those pits which receive liquids at the compressor suction in event of primary separator failure.

RULE 3. PROHIBITIONS:

Effective January 1, 1987, within the Vulnerable Area, disposal of produced water or fluids produced in connection with the production of oil and natural gas, or both, in unlined pits or on the surface is prohibited, except for disposal of produced water specifically exempted herein.

RULE 4. EXEMPTIONS:

(a) The provisions of this order shall not apply to:

- (1) Produced water pits which receive five (5) barrels or less per day (daily) of produced water provided that such produced water has a concentration of total dissolved solids of 10,000 milligrams per liter (mg/l) or less and that the base of such pit is at least 10 feet above the water table.

- (2) Unlined produced water or ancillary pits which receive one-half (1/2) barrel or less per day (daily) of produced water provided that the base of such pit is at least 10 feet above the water table.
- (3) Any pits, ponds, lagoons or impoundments resulting from activities regulated by a discharge plan approved and permit issued by The Division under Water Quality Control Commission Regulations authorized under the New Mexico Water Quality Act which permit specifically authorizes the disposal of produced water.
- (b) Notwithstanding the exceptions contained in this rule, the surface disposal of produced water in the Vulnerable Area at such a location or in such a manner or under such conditions as to cause contamination of fresh water is hereby prohibited.

RULE 5. SURFACE DISPOSAL FACILITIES TO BE APPROVED:

- (a) Beginning October 1, 1985, no produced water shall be removed from the Vulnerable Area for surface disposal except to such facilities as may be approved by the Division.
- (b) Surface disposal facility approval outside the Vulnerable Area may be made after notice and hearing or administratively upon a satisfactory showing that the proposed surface disposal does not endanger fresh water.
- (c) No produced water may be disposed of or stored in below grade tanks or lined pits within the Vulnerable Area except after approval of the Division.
- (d) The Director of the Division is hereby authorized to approve administratively the use of lined pits or below grade tanks within the Vulnerable Area for disposal or storage of produced water upon a proper showing that the tank or lined pit will be constructed and operated in such a manner as to safely contain the fluids to be placed therein and to detect leakage therefrom. Any existing lined pit or below grade tank shall be required to come into compliance with this rule by January 1, 1986.

RULE 6. PIT REGISTRATION:

- (a) By January 1, 1986, the owner/operator of any existing produced water pit or ancillary pit seeking to continue use of such pit for disposal purposes must have filed a Pit Registration Form with the Division in accordance with the directions thereon as shown on Exhibit "A" attached to this order.
- (b) The owner/operator of any unlined produced water pit or ancillary pit constructed on or after the date of this order must file a Pit Registration Form with the Division within 90 days following initial production into or through the facility served by such pit.

RULE 7. PIT CLOSURE:

That any pit which is not registered in accordance with RULE (6) above shall be closed in a manner approved by the Oil Conservation Division.

IT IS FURTHER ORDERED THAT:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



R. L. STAMETS, Chairman and
Secretary

S E A L

STATE OF NEW MEXICO
Energy and Minerals Department

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501
(505) 827-5800

AZTEC DISTRICT OFFICE
1000 Rio Brazos Road
Aztec, New Mexico 87410
(505) 334-6178

PRODUCED WATER
PIT REGISTRATION FORM
(Instructions on Back)

Owner/Operator: _____
(List information only for pits operated by you at a lease or at other locations)

Well and Lease, or Facility Name: _____

Location: _____

(A) Pit	(B) Maximum Daily Discharge to Each Pit	(C) Pit Type	(D) Depth to Ground Water	(E) Sample of Discharge to Each Pit	
				TDS (in mg/l) or conductivity & temperature	Sample Date
Primary Pit/ Produced Water Pit					
Ancillary Pit(s)					

This form is to be completed in accordance with Rule 6 of Order No. R-7940. The owner/operator of any produced water pit or ancillary pit used for disposal purposes within the Vulnerable Area of the San Juan Basin shall file this Pit Registration Form with the District Office and the Santa Fe Office of the Oil Conservation Division.

COLUMN

INSTRUCTIONS

- (A)
Pit List pits operated by you. If no primary pit is present or if discharge is to an ancillary pit, indicate which type ancillary pit receives produced water. Show sizes of all pits (L x W x D, ft.) and label ancillary pits as blowdown, dehydrator, tank drain, pipeline drip, etc. Use additional sheet if necessary.
- (B)
Maximum Daily Discharge to Each Pit Indicate maximum bbls/day and measurement method (counter, flowmeter, other). Specify.
- (C)
Pit Type Indicate:
- (a) Unlined Pit. Effective January 1, 1987, discharges of certain volumes of contaminants to unlined produced water pits will be prohibited. (See Rule 3 and Rule 4 of Order No. R-7940)
- (b) Lined Pit. Approval of Division is required. (See Rule 5 c and d of Order No. R-7940.)
- (c) Tank. Approval of Division is required for below grade tanks. (See Rule 5 c and d of Order No. R-7940).
- (D)
Depth to Ground Water Indicate depth to ground water and whether measured or estimated. Show source of data relied upon for estimate.
- (E)
Discharge to Each Pit TDS (Total Dissolved Solids) in mg/l may be analyzed and reported, or conductivity representing TDS reported. If conductivity is used, temperature of the discharge must be reported. The conductivity probe must be kept clean and free of any oil or paraffin. $TDS (mg/l) = 0.7 \times C$ where C is conductivity in $\mu mhos/cm$. Indicate date of each sample. Effective January 1, 1987, discharges of certain concentrations of contaminants to unlined produced water pits will be prohibited (See Rule 3 and Rule 4 of Order No. R-7940).

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

5 June 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Hondo Drilling Company CASE
for hardship gas well classification, 8609
Eddy County, New Mexico.

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant:

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MR. QUINTANA: We'll call next
Case 8609.

MS. LUNDERMAN: Application of
Hondo Drilling Company for hardship gas well classification,
Eddy County, New Mexico.

Mr. Hearing Examiner, there has
been a motion for continuance until June 19th.

MR. QUINTANA: For the sake of
expediency, let's just say that Cases 8609, 8610, and 8611,
all applications of Hondo Drilling Company for hardship gas
well location, they will all be continued until June 19th,
1985.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division 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 and correct transcript of the proceedings in
the Examiner's hearing of Case No. 2609.
heard by me on June 5 1985.
Gilbert P. Quintana, Examiner
Oil Conservation Division

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

5 June 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Hondo Drilling Company CASE
for hardship gas well classification, 8609
Eddy County, New Mexico.

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant:

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MR. QUINTANA: We'll call next
Case 8609.

MS. LUNDERMAN: Application of
Hondo Drilling Company for hardship gas well classification,
Eddy County, New Mexico.

Mr. Hearing Examiner, there has
been a motion for continuance until June 19th.

MR. QUINTANA: For the sake of
expediency, let's just say that Cases 8609, 8610, and 8611,
all applications of Hondo Drilling Company for hardship gas
well location, they will all be continued until June 19th,
1985.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division 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 correct and true transcript of the proceedings in
the Examiner hearing of Case No. 8609
heard by me on June 5 1985
William P. Quintana Examiner
Oil Conservation Division

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

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Frank Andrews (1914-1981)

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Seth D. Montgomery
Frank Andrews III
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Jeffrey R. Brannen
John B. Pound
Gary R. Kilpatric
Thomas W. Olson
William C. Madison
Walter J. Melendres
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Robert P. Worcester
John B. Draper
Nancy M. Anderson
Janet McL. McKay
Jean-Nikole Wells
Mark F. Sheridan
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John M. Hickey
Timothy L. Butler
Mack E. With
Galen M. Buller
Katherine A. Weeks
Edmund H. Kendrick
Helen C. Sturm
Richard L. Puglisi
James A. Hall
Terri M. Couleur
Stephen R. Kotz
Christine Gray
James C. Murphy
B. Cullen Hallmark
James R. Jurgens
Ann M. Maloney
Deborah J. Van Vleck

June 19, 1985

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REPLY TO SANTA FE OFFICE

Mr. Richard Stamets
Director, Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Re: OCD Docket Nos. 8609, 8610 and 8611

Dear Mr. Stamets:

This firm enters its appearance in the above-referenced
in association with John F. Nance, Sr. Attorney for El Paso
Natural Gas Company.

Sincerely,

MONTGOMERY & ANDREWS, P.A.

Edmund H. Kendrick, for
Galen M. Buller

GMB: nas

Dockets Nos. 21-85 and 22-85 are tentatively set for July 2 and July 17, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 19, 1985
8:00 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 Gilbert P. Quintana, Alternate Examiner:

CASE 8562: (Continued from May 8, 1985, Examiner Hearing)

Application of Mar Oil & Gas Corp. Inc. for a unit agreement, Torrance County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Berkshire Unit Area comprising 27,840 acres, more or less, of State, Federal and Fee lands in Townships 6 and 7 North, Ranges 9 and 10 East.

CASE 8548: (Reopened and Readvertised)

Application of Hicks Oil & Gas, Inc. for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Gallup formation in the perforated interval from approximately 5623 feet to 5627 feet in its S. E. Cha Cha Unit Well No. 20 located 1980 feet from the South and East lines of Section 17, Township 28 North, Range 13 West.

CASE 8626: Application of Amerind Oil Co. for compulsory pooling, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn formation underlying the S/2 NW/4 of Section 28, Township 16 South, Range 37 East, Casey-Strawn Pool, to be dedicated to a well to be drilled at a standard 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 8627: Application of TXO Production Corp. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface through the base of the Strawn formation underlying the SW/4 SW/4 of Section 36, Township 24 South, Range 26 East, to form a standard 40-acre oil spacing and proration unit, to be dedicated to a well to be drilled at a standard oil well location 660 feet from the South and West lines of said Section 36. Applicant further seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of said Section 36, to form a standard 320-acre gas spacing and proration unit also to be dedicated to the above-described well which is an unorthodox gas well location for the W/2, 320-acre gas spacing and 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.

CASE 8628: Application of Texaco Inc. for salt water disposal, Lea County, New Mexico.

Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers and Yates formations in the open-hole interval from 3630 feet to 4200 feet in its B. V. Lynch "A" Federal Well No. 2 located 660 feet from the South and East lines of Section 34, Township 20 South, Range 34 East, Lynch Yates-Seven Rivers Pool.

CASE 8629: Application of Ray Westall for an exception to Order No. R-3221, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-3221 to permit the disposal of produced salt water into two pits located in Units G and O of Section 35, Township 18 South, Range 30 East. Applicant also seeks provision for disposal of possible produced salt water from four or more additional wells to be drilled in the W/2 of said Section 35.

CASE 8630: Application of Ray Westall for an exception to Order No. R-3221, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-3221 to permit the disposal of produced salt water into five pits located in Township 19 South, Range 31 East, as follows:

NE/4 NE/4 Section 20;
E/2 NE/4 Section 21;
E/2 NW/4 Section 21;
W/2 NW/4 Section 21; and
N/2 SE/4 Section 21.

CASE 8609: (Continued from June 5, 1985, Examiner Hearing)

Application of Hondo Drilling Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Union Texas State Com Well No. 1 located 660 feet from the South line and 1980 feet from the West line of Section 17, Township 19 South, Range 29 East, Turkey Track-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8610: (Continued from June 5, 1985, Examiner Hearing)

Application of Hondo Drilling Company for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its Alscott Federal Well No. 1 located 1650 feet from the North line and 1980 feet from the East line (Unit G) of Section 31, Township 18 South, Range 29 East, North Turkey Track-Cisco Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8611: (Continued from June 5, 1985, Examiner Hearing)

Application of Hondo Drilling Company for five HARDSHIP GAS WELL CLASSIFICATIONS, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that each of the following described wells in Township 18 South, Range 29 East, North Turkey Track-Morrow Gas Pool, are hardship gas wells which should be granted priority access to pipeline takes in order to avoid waste:

Alscott Federal Well No. 2
660' FSL - 1980' FEL (Unit O)
Section 30

Alscott Federal Well No. 3
660' FSL - 1980' FEL (Unit O)
Section 31

Trigg Jennings Com Well No. 1
660' FSL - 1980' FWL (Unit N)
Section 28

Wright Federal Com Well No. 1
660' FSL - 1980' FWL (Unit N)
Section 29

Wright Federal Com Well No. 2
1980' FNL - 1980' FEL (Unit G)
Section 29

CASE 8614: (Continued from June 5, 1985, Examiner Hearing)

Application of Yates Petroleum Corporation for an exception to the Special Rules and Regulations for the Bluitt-San Andres Associated Pool as promulgated by Division Order No. R-5353, as amended, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the Special Rules and Regulations for the Bluitt-San Andres Associated Pool as promulgated by Division Order No. R-5353, as amended, to authorize an unorthodox gas well location for its Bluestem "ZL" Federal Well No. 1 to be located 1650 feet from the North line and 2310 feet from the East line of Section 20, Township 8 South, Range 38 East, the S/2 NE/4 and N/2 SE/4 of said Section 20 to be dedicated to said well forming a non-standard 160-acre gas spacing and proration unit in said pool.

CASE 8631: Application of Lynx Petroleum Consultants, Inc. for an unorthodox gas well location, compulsory pooling, and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the SW/4 of Section 25, Township 16 South, Range 36 East, to be dedicated to a well to be recompleted at an unorthodox gas well location 1650 feet from the South line and 2100 feet from the West line of said Section 25. Also to be considered will be the cost of recompleting 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 recompleting said well. Applicant further seeks the dual completion of said well with the production from the Paddock formation.

CASE 8569: (Continued from May 8, 1985, Examiner Hearing) (This case will be dismissed)

Application of Inexco Oil Company for compulsory pooling and an unorthodox oil 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 South Humble City Strawn Pool underlying the NE/4 NE/4 of Section 14, Township 17 South, Range 37 East, to be dedicated to a well to be drilled at a standard oil well location 900 feet from the North line and 810 feet from the East line of said Section 14. Applicant further seeks an order pooling all mineral interests in the South Humble City Strawn Pool underlying the E/2 NE/4 of said Section 14 to form a standard 80-acre oil spacing and proration unit within said pool also to be dedicated to the above-described well which is located at an unorthodox oil well location for said pool. 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 8545: (Continued from June 5, 1985, Examiner Hearing)

Application of Myco Industries for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the perforated interval from 13,820 feet to 14,200 feet in the Shell Oil Company Big Eddy Unit Well No. 1 located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 36, Township 21 South, Range 28 East.

CASE 8632: Application of Amoco Production 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 2080 feet from the North line and 1980 feet from the West line of Section 32, Township 13 South, Range 34 East, Nonombre-Upper Pennsylvanian Pool, the NW/4 of said Section 32 to be dedicated to the well.CASE 8606: (Continued from June 5, 1985, Examiner Hearing)

Application of Doyle Hartman for simultaneous dedication and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the NW/4 of Section 8, Township 24 South, Range 37 East, forming a previously approved 160-acre non-standard spacing and proration unit in the Jalmat Gas Pool, to be simultaneously dedicated to his existing E. E. Jack Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 8 and his proposed E. E. Jack Well No. 5 to be drilled at a standard 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 8619: (Continued June 5, 1985, Examiner Hearing)

Application of Mesa Petroleum Co. for an unorthodox oil well location, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location 2270 feet from the North line and 1390 feet from the East line of Section 9, Township 20 North, Range 2 West, Rio Puerco-Mancos Pool, the E/2 of said Section 9 to be dedicated to the well.

CASE 8633: Application of Southland Royalty Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the Basin-Dakota Pool underlying the NW/4 of Section 15, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard 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 8607: (Continued from June 5, 1985, Examiner Hearing)

Application of ARCO Oil and Gas Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Ojito Gallup-Dakota Oil Pool to provide for 160-acre spacing or proration units.

CASE 8634: Application of ARCO Oil and Gas Company for pool extension, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the West Lindrith Gallup-Dakota Oil Pool in Township 25 North, Range 3 West.

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

22 May 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Hondo Drilling Company CASE
for hardship gas well classification, 8609
Eddy County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant:

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MR. STOGNER: Call next Case

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Number 8609.

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MR. TAYLOR: Application of

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Hondo Drilling Company for hardship gas well classification,

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Eddy County, New Mexico.

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MR. PEARCE: Once again, Mr.

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Examiner, I am W. Perry Pearce of the law firm Montgomery

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and Andrews of Santa Fe, representing El Paso Natural Gas

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Company.

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We request that we be allowed

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to make a statement at this time in Cases 8609, 8610, and

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8611, rather than having the El Paso personnel make another

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trip for these cases.

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MR. STOGNER: At this time I'm

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going to call Case 8610 and 8611, which are both applica-

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tions of Hondo Drilling Company for hardship gas well clas-

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sification, Eddy County, New Mexico.

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The applicant has requested

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that these cases be continued to the Examiner Hearing sched-

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uled for June 19th, 1985.

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At this time we will consoli-

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date these cases for the purposes that a statement may be

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made by El Paso Natural.

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Please continue, Mr. Pearce.

1 MR. PEARCE: Thank you, Mr.
2 Examiner, I appreciate it.

3 As you stated, Mr. Examiner,
4 these cases are on the applications of Hondo Oil & Gas Com-
5 pany for hardship gas well determinations.

6 In each of these cases El Paso
7 Natural Gas is the purchaser of gas from the wells and has
8 for some period of time been attempting to arrive at a co-
9 operative effort with the operator of these wells to assure
10 ratable taking of gas from them.

11 El Paso Natural Gas has in fact
12 incurred substantial added expense on each of the wells in-
13 volved in these three cases by installing additional valves
14 that El Paso would control at the wells in question so that
15 they can be regulated to produce only a ratable amount of
16 gas.

17 These efforts began in approxi-
18 mately May of 1984.

19 Now, approximately a year later
20 the applicant has applied for hardship gas well classifica-
21 tion after El Paso has incurred substantial additional ex-
22 pense.

23 El Paso has now journeyed to
24 Santa Fe to participate in this hearing which should finally
25 resolve the questions of whether or not these wells are pro-

1 perly entitled to hardship gas well classification. On ar-
2 riving at Santa Fe, El Paso discovered that the applicant in
3 these cases has requested continuance until June 19th of
4 1985.

5 These wells currently are pro-
6 ducing under emergency hardship gas well classification
7 granted by the District Supervisor and our review of the
8 correspondence from the District Supervisor to the applicant
9 in these cases indicates to us a very wide range of produc-
10 ing abilities of these wells.

11 Running through them, one well
12 has been granted emergency hardship classification for 285
13 MCF per day; another for 722; one for 11 MCF; one for 7.35
14 MCF; one well has been granted emergency hardship gas well
15 classification for 1000 MCF a day; one for 40; and one for
16 322.

17 Mr. Examiner, we request that
18 the Division carefully review each of these applications to
19 insure that in order to prevent underground waste it's
20 necessary for that amount of gas to be produced from any of
21 these wells if, in fact, any steady production is necessary.

22 In addition, El Paso is con-
23 cerned that these cases not be continuously continued until
24 the full ninety-day period is up. Our recollection is that
25 when these rules were instituted the ninety-day period was

1 inserted to insure that the Division would have sufficient
2 time to act on these applications. I not understand that
3 grant of ninety days to be a guaranteed ninety days produc-
4 tion under that emergency status.

5 We would request that these
6 cases not be granted another continuance after June 19th;
7 that is the applicant is not prepared to go forward at that
8 time, we would request that the cases be dismissed and that
9 the emergency hardship status be terminated.

10 Once again, Mr. Examiner, El
11 Paso understands that there are wells which deserve and need
12 hardship classification in order to prevent underground
13 waste. We think the historically pursued goal of ratable
14 taking, which has been pursued by the State of New Mexico
15 and El Paso Natural Gas, is an important element in the
16 natural gas production system of the State of New Mexico.

17 Therefore, we ask you to care-
18 fully review each application brought before you to insure
19 that all possible steps have been taken; to interfere in the
20 least possible way with the ratable take system; and that no
21 hardship gas well classification be granted unless the
22 granting of the application is necessary to prevent under-
23 ground waste.

24 Thank you, sir.

25 MR. STOGNER: Thank you, Mr.

1 Pearce, your statement will be made part of the record on
2 ech of these cases.

3 Is there anything further in
4 any case -- in Cases 8609, 8610, or 8611 to be considered at
5 this time?

6 If not, all three of these
7 cases will be continued to the Examiner's hearing scheduled
8 for June 5th, 1985, at which time they will be continued
9 again to the Examiner Hearig scheduled for June 19th, 1985.

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(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 that the foregoing Transcript of Hearing before the
Oil Conservation Division 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 and correct transcript of the proceedings in
the Examination of Case No. 8609.
heard by me on 22 May 1985.

Michael J. Stanger Examiner
Oil Conservation Division