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

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, Gem-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.

Docket No. 21-85

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 Kaime 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 Yeso 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

TONEY 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:

SECTION	TOWNSHIP, NORTH	RANGE WEST	SECTION	TOWNSHIP, NORTH	RANGE WEST
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
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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 x C where C is conductivity in μmhos/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).