

CASE NO.

7437

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

22 December 1981

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the
amendment of Division Rule 105 to
prescribe certain requirements
governing the disposition of drill
cuttings and drilling fluids.

CASE
7437

BEFORE: Mr. Ramey
Mr. Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. RAMEY: Call Case 7437.

3 MR. HALL: The Commission will consider
4 the amendment of Division Rule 105 to prescribe certain re-
5 quirements governing the disposition of drill cuttings and
6 Drilling fluids.

7 MR. RAMEY: This case was heard on
8 December 3rd and due to an error in advertisement was re-
9 opened today.

10 Does anyone have anything to add to the
11 Case 7437?

12 If not, the case will be taken -- the
13 Commission will take the case under advisement.

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15 (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 Conserva-
tion 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

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7469

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 December 1981

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the
amendment of Division Rule 105 to
prescribe certain requirements
governing the disposition of
drill cuttings and drilling fluids.

CASE
7437

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	W. Perry Pearce, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
Commission: For the Applicant:	J. Scott Hall, Esq. ENERGY & MINERALS DEPT. Santa Fe, New Mexico 87501

A P P E A R A N C E S

For Amoco Production Company:

Clyde Mote, Esq.
AMOCO PRODUCTION COMPANY
Houston, Texas

As Chairman of the
Regulatory Practices
Committee for the New
Mexico Oil and Gas
Association:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

(REPORTER'S NOTE: All other interested
parties who made comments or asked
questions during these hearings are
listed on the Commission roster for
3 December 1981.)

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3	I N D E X	
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5	RICHARD L. STAMETS	
6	Direct Examination by Mr. Pearce	4
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12	E X H I B I T S	
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14	Division Exhibit One	
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2 MR. RAMEY: Call next Case 7437.

3 MR. HALL: The Commission will consider
4 the amendment to Division Rule 105 to prescribe certain re-
5 quirements governing the disposition of drill cuttings and
6 drilling fluids.

7 MR. PEARCE: May it please the Commis-
8 sion, I am W. Perry Pearce, appearing on behalf of the New
9 Mexico Oil Conservation Division.

10 I have one witness in this matter who
11 has been previously sworn and qualified and would like the
12 record to so reflect, and at this time with the permission
13 of the Commission we will proceed to the presentation of
14 this matter.

15 MR. RAMEY: You may proceed, Mr. Pearce.

16 MR. PEARCE: Thank you, Mr. Commissioner.

17
18 RICHARD L. STAMETS
19 being called as a witness and being previously sworn upon his
20 oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. PEARCE:

24 Q Mr. Stamets, at this time would you de-
25 scribe and summarize the intent of what has been marked as

1
2 Exhibit One to Case Number 7437?

3 A Yes. What we're proposing here is an
4 amendment to our Rule 105, which sort of results from the
5 feedlot syndrome.

6 As everybody knows, a bunch of cattle
7 out in the field don't cause a whole lot of problems with
8 their -- their droppings and other eliminations, but when
9 you crowd them all together in a big feedlot, things get a
10 little overwhelming.

11 Well, the same thing can be true of
12 drilling mud. When drilling mud is disposed of at an indi-
13 vidual wellsite, as is the most common way of getting rid of
14 this, it's not really a major problem and we don't believe
15 that it represents a hazard to health or to either people
16 or animals.

17 But there have been a number of situa-
18 tions recently where drilling fluids have been hauled from
19 a drillsite for a variety of reasons to city dumps and other
20 facilities. The dumps got filled up; they overran, and these
21 fluids in one case got quite close to the San Juan River.

22 And so what we are doing with this parti-
23 cular rule is -- is making the standard practice of disposi-
24 tion of drilling fluids at the wellsite the declared accept-
25 able practice and the removal of the drilling fluids, or

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2 drill cuttings from off site disposal being allowed only
3 with approval of the Division District Supervisor, and we
4 recognize that there are times and conditions, for example,
5 a well being drilled on irrigated farm land, where the sur-
6 face owner may want the drilling fluids and cuttings removed,
7 and we're certainly not opposed to that, but we feel that
8 since we're given responsibility over these things we need
9 to know where they are so we can assure ourselves that they're
10 being disposed of in a proper manner.

11 The Rule 105, shown on Exhibit One, we
12 feel does that.

13 Q Mr. Stamets, at this time do you have
14 anything further in this matter?

15 A No.

16 MR. PEARCE: Mr. Commissioner, we move
17 the admission of Exhibit One to Case 7437, and the Division
18 has nothing further on this case at this time.

19 MR. RAMEY: Exhibit One will be admitted.
20 Are there any questions of the witness? If not, he may be
21 excused, and Case 7437 will be readvertised and reopened on
22 December 22nd.

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24 (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 Conserva-
tion 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

SALLY W. BOYD, C.S.R.
Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS
OWN MOTION FOR THE PURPOSE OF
CONSIDERING THE AMENDMENT OF RULE 105
OF THE OIL CONSERVATION DIVISION RULES
AND REGULATIONS.

CASE NO. 7437
Order No. R-6871

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of January, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That to assure the proper disposal of drilling fluids and drill cuttings and, thereby, the prevention of injury to neighboring leases or properties, Rule 105 of the Oil Conservation Division Rules and Regulations should be amended to read in its entirety as follows:

"RULE 105. PIT FOR CLAY, SHALE, DRILL FLUID AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be

-2-

Case No. 7437

Order No. R-6871

permitted only by approval of the appropriate Division district supervisor."

(3) That the effective date of said rule change should be February 1, 1982.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1982, Rule 105 of the Oil Conservation Division Rules and Regulations is hereby amended to read in its entirety as follows:

"RULE 105. PIT FOR CLAY, SHALE, DRILL FLUID, AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor."

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

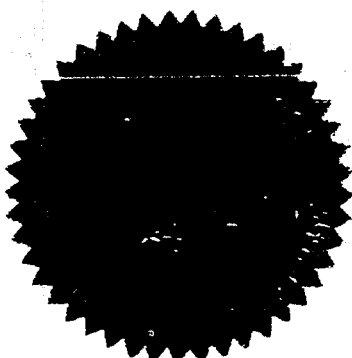
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member


JOE D. RAMEY, Member & Secretary



S E A L

The following proposed amendment of Rule 105 is in response to recent problems experienced as a result of "off site" disposal of drilling fluids:

"RULE 105. PIT FOR CLAY, SHALE, AND DRILL CUTTING

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor."

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE 7437 EXHIBIT No. 1

Page 2

COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

Docket No. 42-81

DOCKET: EXAMINER HEARING - MONDAY - DECEMBER 28, 1981

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

The following case will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7450: Application of Kenai Oil and Gas Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ojito Unit Area, comprising 6425 acres, more or less, of Federal and fee lands in Townships 24 and 25 North, Ranges 1 and 2 West.

Docket Nos. 1-82 and 2-82 are tentatively set for January 6 and January 20, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 7390: (Continued and Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, 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.

(The following cases have been continued from December 3, 1981 Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 & Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 3, 1981

**9 A.M. - OIL CONSERVATION COMMISSION - MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 F to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

DOCKET NO. 38-81 FOR THE EXAMINER HEARING TO BE HELD ON DECEMBER 2, 1981, WILL BE MAILED UNDER SEPARATE COVER.

①

Hearing
In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. ~~THE~~ Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, New Land Office Building, Santa Fe, and at the Division's District Offices in Cortesia, Aztec, and Hobbs.

"Cell" means Lea, Chavez, Roosevelt, Eddy, San Juan, Sandoval, Rio Arriba, McKinley, Union, and Quay

(3)

Case 7435

all The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations, ^{specifically,} The Commission will consider the amendment of Rule 104 F to permit the Division Director to approve ~~certain~~ ^{unorthodox} gas well locations for geological reasons under certain specified conditions, ^{in Eja, Chavez, Elly, and Roosevelt Counties,} and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in ~~presumed or~~ ^{known} gas producing formations and areas outside Lea, Chavez, Elly, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

Case 7436

all The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

Case 7437

all The Commission will consider the amendment of ~~the~~ Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings.

HERN. Doc

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS
OWN MOTION FOR THE PURPOSE OF
CONSIDERING THE AMENDMENT OF RULE 105
OF THE OIL CONSERVATION DIVISION RULES
AND REGULATIONS.

CASE NO. 7437

Order No. R- 6871

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of ~~December~~ ^{January}, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being

fully advised in the premises,

FINDS:

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

(2) That to assure the proper disposal of drilling fluids and drill cuttings and, thereby, the prevention of injury to neighboring leases or properties, Rule 105 of the Oil Conservation Division Rules and Regulations should be amended to read in its entirety as follows:

"RULE 105. PIT FOR CLAY, SHALE, DRILL FLUID AND DRILL CUTTING

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor."

(3) That the effective date of said rule change should be February 1, 1982.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1982, Rule 105 of the Oil Conservation Division Rules and Regulations is hereby amended to read in its entirety as follows:

"RULE 105. PIT FOR CLAY, SHALE, DRILL FLUID, AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor."

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

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

hereinafter designated.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member

JOE D. RAMEY, Member & Secretary

S E A L

EDDY COUNTY, NEW MEXICO
DIVISION OF ORDER
NO. R-6776, EDDY COUNTY, NEW MEXICO

DECKET MAILED

DATE 12/1/77