

CASE 3594: Appli. of AMERADA for
OGALLALA OIL PRO. UNIT, RULES FOR
UNIT AND DISPOSAL OF FRESH WATER.

CASE NO.
3594

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

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

P. O. BOX 2088
SANTA FE

June 16, 1967

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 3594
Order No. R-3261
Applicant:
AMERADA PETROLEUM CORP.

Dear Sir:

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

Very truly yours,

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

ALP/ir

Carbon copy of order also sent to:

Holbs OCC x

Artesia OCC

Aztec OCC

Other Mr. Hal Porter and Mr. Thomas W. Lynch

AMERADA PETROLEUM CORPORATION

P. O. BOX 2040

TULSA 2, OKLAHOMA

LEGAL DEPARTMENT

May 22, 1967

MAJOR OFFICE 0110

'67 MAY 24 AM 8 18

Case 3594

State Engineer Office
State Capitol
Santa Fe, New Mexico 87501

Gentlemen:

Enclosed is a copy of Amerada's application with the Oil Conservation Commission for special drilling and operating rules for the production of oil from the Ogallala, and for disposal of produced water by injection into the same zone. The rules we seek are the same as those sought by Jomar Industries, Inc. in the same area.

Very truly yours,

ORIGINAL SIGNED BY
THOMAS W. LYNCH

Thomas W. Lynch

TWL:dd
Encl.

cc: Oil Conservation Commission ✓
P. O. Box 2088
Santa Fe, New Mexico

AMERADA PETROLEUM CORPORATION

P. O. BOX 2040

TULSA, OKLAHOMA 74102

LEGAL DEPARTMENT

May 15, 1967

Case 35-94

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Gentlemen:

Enclosed in triplicate is Amerada's application for special drilling and operating rules for the production of Ogallala oil and the disposal of produced water by injection back into the Ogallala. Please set the application for hearing before an Examiner on June 6, 1967.

Very truly yours,

Thomas W. Lynch
THOMAS W. LYNCH

TWL:dd
Enclosure

cc: Mr. Jason W. Kellahin (w/attach.)
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

DOCKET MAILED

Date 5-25-67

Docket No. 17-67

DOCKET: EXAMINER HEARING - TUESDAY - JUNE 6, 1967

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

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

CASE 3592: Application of Anne Burnett Windfohr, dba Windfohr Oil Company, for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the San Andres formation through eight wells in Sections 13, 14 and 24, Township 17 South, Range 30 East, Grayburg-Jackson Pool, Eddy County, New Mexico. Applicant further seeks an administrative procedure for future expansion of said project.

CASE 3584: (Continued and Readvertised)

Application of Gulf Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Eddy "BD" State Well No. 1 at an unorthodox location 660 feet from the South line and 990 feet from the East line of Section 32, Township 20 South, Range 30 East, in an undesignated Strawn gas pool, Eddy County, New Mexico.

CASE 3578: (Continued and Readvertised)

Application of Texas Pacific Oil Company for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dedication and rededication of certain acreage and the establishment of the following non-standard gas proration units in Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

A 120-acre non-standard gas proration unit comprising the N/2 NE/4 and the SE/4 NE/4 of Section 7, to be dedicated to the State "A" A/c-2 Well No. 5, located in Unit A of said Section 7, and also to the State "A" A/c-2 Well No. 6 located in Unit B of said Section 7;

A 160-acre non-standard gas proration unit comprising the W/2 W/2 of Section 5, to be dedicated to the State "A" A/c-2 Well No. 41, located in Unit M of said Section 5;

An 80-acre non-standard gas proration unit comprising the E/2 NW/4 of Section 5, to be dedicated to the State "A" A/c-2 Well No. 44, located in Unit F of said Section 5;

A 160-acre non-standard gas proration unit comprising the N/2 SE/4 and the E/2 SW/4 Section 5, to be dedicated to the State "A" A/c-2 Well No. 28, located in Unit I of said Section 5;

Case 3578 continued

An 80-acre non-standard gas proration unit comprising the S/2 SE/4 of Section 5, to be dedicated to the State "A" A/c-2 Well No. 27, located in Unit P of said Section 5;

A 160-acre non-standard gas proration unit comprising the W/2 SW/4, SE/4 SW/4, and SW/4 SE/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 54, located in Unit O of said Section 8;

A 160-acre non-standard gas proration unit comprising the S/2 NW/4, NE/4 SW/4, and NW/4 SE/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 56, located in Unit J of said Section 8;

An 80-acre non-standard gas proration unit comprising the S/2 NE/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 43, located in Unit H of said Section 8;

An 80-acre non-standard gas proration unit comprising the N/2 NW/4 Section 8, to be dedicated to the State "A" A/c-2 Well No. 49, located in Unit C of said Section 8;

A 240-acre non-standard gas proration unit comprising the NE/4 and E/2 NW/4 Section 9, to be dedicated to the State "A" A/c-2 Well No. 40, located in Unit A of said Section 9;

A 240-acre non-standard gas proration unit comprising the E/2 SE/4 Section 8, and the SW/4 Section 9, to be dedicated to the State "A" A/c-2 Well No. 38, located in Unit K of said Section 9;

A 160-acre non-standard gas proration unit comprising the N/2 NE/4 Section 8, and the W/2 NW/4 Section 9, to be dedicated to the State "A" A/c-2 Well No. 29, located in Unit D of said Section 9.

CASE 3579: (Continued from the May 24th Examiner Hearing)

Application of Texas Pacific Oil Company for three dual completions, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its State "A" A/c-2 Wells Nos. 28, 54, and 29, located in Unit I of Section 5, Unit O of Section 8, and Unit D of Section 9, respectively, Township 22 South, Range 36 East, Lea County, New Mexico, in such a manner as to produce gas from the Jalmat Gas Pool and oil from the South Eunice Oil Pool.

CASE 3593: Application of Amerada Petroleum Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Monument Paddock and Monument Blinbry Oil Pools in the wellbore of its L. M. Lambert Well No. 8 located in Unit G of Section 6, Township 20 South, Range 37 East, Lea County, New Mexico, with the assignment of a single allowable to said commingled production.

CASE 3594: Application of Amerada Petroleum Corporation for an Ogallala oil proration unit, special rules for said unit and authority for fresh water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the SE/4 NW/4 of Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, as a 40-acre proration unit for production of oil from the Ogallala formation. Applicant also seeks the establishment of special rules governing said 40-acre tract including a maximum density of one well per 0.625-acre with a provision that wells should be drilled no nearer than 82.5 to the outer boundary of the unit and no nearer than 165 feet to another well producing from the same formation, provided that an exception should be made for existing wells on said 40-acre tract which are not located in conformance with said spacing rules. Applicant also seeks a temporary exception to Rule 307 for each well to permit utilization of a vacuum-type drilling unit during the drilling and completion operations. Applicant also seeks authority to produce the wells at capacity even though the aggregate production from said wells exceeds the 40-acre normal unit allowable. Applicant further seeks authority to dispose of fresh water produced with the oil back into the Ogallala formation through an injection well or wells located no nearer than 330 feet to the outer boundaries of the 40-acre tract.

CASE 3595: Application of Ernest A. Hanson for acreage rededication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the rededication of the SE/4 NW/4 of Section 19, Township 22 South, Range 38 East for the production of oil from the Blinebry Oil Pool, said 40-acre unit to be dedicated to applicant's Gutman Well No. 4, formerly the Gulf Oil Corporation's Max Gutman Well No. 3. This acreage is presently dedicated as a part of a 160-acre standard gas proration unit in the Blinebry Gas Pool to Gulf Oil Corporation's Max Gutman Well No. 2 located in Unit C of said Section 19.

CASE 3350: (Reopened)

In the matter of Case No. 3350 being reopened pursuant to the provisions of Orders Nos. R-3021 and R-3021-A, which orders established 80-acre spacing units for the Young-Wolfcamp Pool and the Young-Bone Spring Pool, Lea County, New Mexico, respectively, for a period of one year. All interested parties may appear and show cause why said pools should not be developed on 40-acre spacing units.

CASE 3596: Application of Tenneco Oil Company for an unorthodox location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its Jicarilla "B" Well No. 8 at a point 790 feet from the North line and 2510 feet from the East line of Section 15, Township 26 North, Range 5 West, Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico.

-4- Examiner Hearing - June 6, 1967

Docket No. 17-67

CASE 3574: (Continued from May 24th Examiner Hearing)

Application of Cima Capitan, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formations through one well located in Unit C of Section 3, Township 17 South, Range 32 East, Maljamar Pool, Lea County, New Mexico.

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF AMERADA PETROLEUM CORPORATION)
FOR SPECIAL DRILLING AND OPERATING RULES FOR)
THE PRODUCTION OF OIL FROM THE OGALLALA)
FORMATION UNDERLYING THE SE/4 NW/4 SECTION)
30, TOWNSHIP 18 SOUTH, RANGE 38 EAST, LEA)
COUNTY, NEW MEXICO, AND FOR THE DISPOSAL OF)
PRODUCED WATER BY INJECTION INTO THE SAME)
ZONE.)

CASE NO. 3594

APPLICATION

Applicant Amerada Petroleum Corporation states that:

1. Applicant owns the oil and gas leasehold covering the SE/4 NW/4 Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, and presently operates thereon two wells classified as water wells for the purpose of producing oil from the Ogallala formation, principally a fresh water source.

2. Applicant proposes to drill and produce additional Ogallala wells on said land for the same purpose, and the two existing wells and such additional wells that are drilled should be classified as oil wells subject to the jurisdiction of this Commission under the following special rules:

- unit*
- (a) The SE/4 NW/4 of Section 30-18S-38E should be established as a 40-acre proration unit for the Ogallala formation.
- (b) Applicant should be allowed to drill on the proration unit to a maximum density of one well per 0.625 acre, provided that no well is drilled less than 82.5 feet from the boundary of the proration unit or less than 165 feet from another producing Ogallala well.
- Spec*
Rule
- (c) An exception should be made for existing wells not located in conformance with these rules.
- (d) A temporary exception to Rule 307 should be made to permit use of a vacuum-type drilling unit during the drilling and completion operations.
- (e) Applicant should be allowed to produce each well at capacity.
- (f) Applicant should be allowed to dispose of fresh water produced by the subject wells, into the Ogallala formation through an injection well or wells located not less than 330 feet from the boundary of the proration unit.

3. The rules herein requested either have already been adopted for another part of the same governmental section by Commission Order No. 3234, or are being requested by Jomar Industries, Inc., in Case No. 3576 (set for hearing on May 24, 1967).

Applicant therefore requests that this matter be set for hearing before an Examiner, that notice of hearing be given as required by law, and that

upon such hearing an order be entered granting this application.

AMERADA PETROLEUM CORPORATION

By Thomas W. Lynch
Thomas W. Lynch, Attorney
P. O. Box 2040
Tulsa, Oklahoma 74102

Resident Counsel:

Jason W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

PH. EX. 3-4021

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H
DONALD D. HALLAM

ATTORNEY AT LAW
118 EAST TAYLOR
HOBBS, NEW MEXICO 87001

P. O. Box 1456

June 5, 1967

DMA
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Re: Case No. 3594 - Application of Amerada
Petroleum Corporation

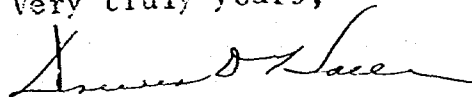
Gentlemen:

As expressed in our statement to the Commission in Case No. 3576, being the application of Jomar Industries, Inc., the City of Hobbs does not enter a protest against the removal of oil from the Ogallala formation, but is firmly of the opinion that the oil should be so removed. We take the position, however, that before contaminated water be injected back to the Ogallala formation that procedures and standards be established to assure that the Ogallala aquifer is not further contaminated. This contamination is not limited, of course, to oil contamination, but also standards against bacterial contamination.

If the Oil Conservation Commission sees fit to so set standards, parties having water rights in the area should be afforded an opportunity to examine the results of periodic tests of the injected fluids.

The City of Hobbs appreciates that the solution to this particular problem is not readily solvable, but stands ready to assist the Commission in any manner within our ability.

Very truly yours,



Donald D. Hallam
City Attorney
Hobbs, New Mexico

DDH/mf

W. D. GIRAND
RAY C. COWAN
N. RANDOLPH REESE
R. E. RICHARDS

GIRAND, COWAN & REESE
LAWYERS
NEW MEXICO BANK AND TRUST COMPANY BUILDING
POST OFFICE BOX 1290
HOBBS, NEW MEXICO 88240
June 1, 1967

MAIN OFFICE
'67 JUN 2 AM 9 56

TELEPHONE
AREA CODE 505
EXPRESS 3-9116

[Handwritten signature]

Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Secretary

Re: Case No. 3594

Dear Mr. Porter:

For filing and your consideration in connection with the
Amerada application, I am enclosing a written Protest.

Yours very truly,

[Handwritten signature]

GIRAND, COWAN & REESE

WDG/rjp
Enclosure

cc: State Engineer
Amerada Petroleum Corporation
William Cecil Grimes
Joe Walton

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF)
THE APPLICATION OF)
AMERADA PETROLEUM CORPORATION)

CASE NO. 3594

COMES NOW William Cecil Grimes by and through his attorney, Girand, Cowan and Reese, and files this the protest to the application filed by Amerada Petroleum Corporation in the above numbered cause and for grounds thereof would respectfully show the Commission:

1. Applicant is the owner of the surface to the Southeast quarter of Section 30, Township 18 South, Range 38 East.
2. That it is admitted that there is fugitive oil and gas located in the upper water sands of the Ogallala Water Basin underlying parts of Section 30. The exact extent and outlines of the contaminated area being undetermined at this time.
3. That the occurrence of the oil in the upper water sands of the Ogallala Basin is such that the Oil Conservation Commission is without jurisdiction to promulgate rules and regulations as requested by applicant.
4. That this is the third hearing held by the Oil Conservation Commission wherein the Commission is seeking to accept jurisdiction over the recovery of fugitive oil located in a fresh water aquifer, the Ogallala Basin, and the control and supervision of the production and method of production of water from the Ogallala Water Basin is solely within the jurisdiction of the State Engineer.

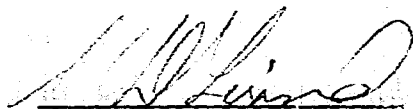
5. The Protestant does not protest the desire of applicant to remove the oil from the water sands; however, Protestant does strenuously object to the proposal of returning the water produced with the oil to the fresh water located underlying their land. Protestant would recommend and suggest to the Commission that the fresh water produced with the fugitive oil captured by the applicant be disposed of in open pits, that such manner of disposition of the fresh water would bring about less contamination, or chance of contamination, of the aquifer until the limitations of the contaminated area are clearly defined.

6. That there is no need for the Commission to enter pool rules covering a 40 acre tract.

WHEREFORE, Protestant prays that the Commission:

1. Refuses jurisdiction in the application.
2. That it not enter any pool rules giving the area the dignity of being a recognized oil reservoir.
3. That in the event the Commission accepts jurisdiction, that they require the water produced with the oil to be disposed of in open pits.

Respectfully submitted,



of Girand, Cowan & Reese
Attorneys for Protestant
P. O. Box 1290
Hobbs, New Mexico 88240

dearnley-meier reporting service, inc.

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

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 6, 1967
EXAMINER HEARING

IN THE MATTER OF:

Application of Amerada Petroleum
Corporation for An Ogallala Oil
proration unit, special rules for
said unit, and authority for fresh
water disposal, Lea County, New
Mexico.

Case 3594

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Case 3594.

MR. HATCH: Case 3594, application of Amerada Petroleum Corporation for an Ogallala Oil proration unit, special rules for said unit, and authority for fresh water disposal, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, may the record show the same appearances as were shown for Case 3593.

MR. NUTTER: Same witness?

MR. KELLAHIN: Yes, sir.

MR. NUTTER: The record will show that the witness is still under oath.

MR. LYNCH: Mr. Examiner, in this case, we are asking for a number of things, including the establishment of a forty acre proration unit, the authority to drill on each, one well per .625 acres. These wells should be drilled not less than eighty-two and a half feet from the boundary of the proration unit or less than a hundred and sixty five feet from other wells.

We're asking for an exception to the location requirements for two existing wells that are now carried as water wells permitted by the State Engineer. We are asking for a temporary exception to Rule 307, so that we can use a vacuum type drilling unit during the drilling and completion operations. We are asking for authority to produce each well at capacity.

The application asks for authority to dispose of produced water back into the Ogallala formation. We would like to dismiss that portion only of our application. It is carried in the application as Paragraph 2f. We would like to dismiss that portion.

MR. NUTTER: That portion of the application relating to the reinjection of produced water back into the Ogallala formation through injection wells will be dismissed.

MR. LYNCH: And, we would like that dismissal to be without prejudice to our right to dispose of the produced water in pits as was authorized under Order Number R-3250 on the application of Jomar Industries.

MR. NUTTER: Dismissal without prejudice.

R. L. HOCKER, called as a witness on behalf of the applicant and having been previously duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. LYNCH:

Q Mr. Hocker would you state your name, your occupation and by whom you are employed, for the record?

A My name is R. L. Hocker. I am employed by Amerada Petroleum Corporation as a Petroleum Engineer.

Q And, you have testified previously before this Commission?

A Yes.

(Whereupon, Applicant's Exhibits 1 through 3 were marked for identification.)

Q (By Mr. Lynch) Mr. Hocker, would you examine what has been marked as Exhibit 1 and tell us what Exhibit 1 shows?

A Exhibit 1 is a plat of Section 3018 South, 38 East, Lea County, New Mexico. It shows some ownership, it shows the wells that are -- Various symbols, including the Ogallala test as being a small circle and the Bowers Pool being the large square and the Hobbs Pool being the large circle.

In addition, I have indicated with a red outline the forty acres which would be the subject of this application and would be the proposed proration unit for the Ogallala formation.

Q Where is the land that was subject to Jomar's application located?

A Well, it is in the Southeast Quarter of Section 30 on the west side of the quartersection.

Q Shown as a forty acre square, right?

A Forty acre square.

Q Now, the two Ogallala tests within the red bordered forty acre area, are the two water wells that were referred to previously?

A Yes, it is indicated as Well 7 and Well 8.

Q Will you turn now to what has been marked as Exhibit 2 and describe that exhibit?

A Exhibit Number 2 is an area which is the same area as circled in red, which would be the forty acre proration unit for the Ogallala, showing the existing wells, the same wells that are on Exhibit Number 1 for this quarter, quarter section and further, I have indicated the non-standard locations as requested in the application, eighty-two and a half feet from the proration unit and 165 feet from each of the wells.

We would request that eventually Well Number 7 would be the well instead of the most extreme southeast location and that eventually, Well Number 8 would be either the north or the south location as an exception.

Q All right, sir.

MR. LYNCH: Now, Mr. Examiner, we request that the order provide that upon termination of the State Engineer permits for Wells 7 and 8 and upon the filing of the proper forms by Amerada to reclassify Wells 7 and 8 as oil wells, these wells be reclassified administratively.

MR. NUTTER: As oil wells?

MR. LYNCH: As oil wells, yes, sir.

MR. NUTTER: All right, sir.

dearnley-meier

dearnley-meier

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Q (By Mr. Lynch) Mr. Hocker, what is the little square with Well Number 2 in the southeast corner, the little dotted square?

A Well, the square comprises a square which is no closer than 330 feet to the forty acre proration unit boundary and no more than 500 feet from the proration unit boundary. This would be the vicinity in which we would plan to build the surface pit.

Q That was the vicinity in which you originally planned to locate the injection well?

A Yes, sir.

Q Why this particular vicinity instead of someplace up in the northwest part?

A Well, we said that we would stay 330 feet away from our proration unit line, so we are complying with that provision and further, that if we are going to put it back, we ought to put it back to the closest place known to be where the contamination is. So, we think this is a proper vicinity in which to locate the pit.

Q All right, sir. Mr. Hocker, why is it that Amerada is requesting for authority to produce the wells in this proration unit at capacity?

A Well, this is a contamination problem and the intent, and I think the purpose should be to remove this oil

as fast as possible from the water source.

Q All right, sir, have you prepared an exhibit, showing the proposed disposal installation?

A Yes, sir, Amerada's Exhibit Number 3 is the proposed installation for the separation of the oil and the water and showing the collection tanks and the disposal of the fresh water to the surface pit.

Q Mr. Hocker, is there any way in which the disposal, as outlined on Exhibit 3, can result in increased contamination of the Ogallala?

A No, the more oil that is removed, the less the chance of contamination and I believe the surface pit is the proper way to put the water back to the Ogallala.

Q All right, sir, were Exhibits 1 through 3 prepared by you or under your supervision and direction?

A Yes, sir.

MR. LYNCH: We move that Exhibits 1 through 3 be admitted in evidence.

MR. NUTTER: Amerada's Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Amerada's Exhibits 1 through 3 were admitted in evidence.)

MR. LYNCH: That's all we have.

MR. NUTTER: Are there any questions of Mr. Hocker?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hocker, Wells 7 and 8 are presently producing oil from the Ogallala, is this correct?

A Yes, sir.

Q And, it is your intent, then, upon approval of this application to institute a drilling program, in which you would drill additional wells moving west and north?

A Yes, sir.

Q Where will the tank battery be located in the vicinity of this pit?

A The tank battery as of presently, is more nearly the center of the quarter section, rather than the quarter, quarter section, so that water would be taken, and production would be taken there and then, brought back, the water would be brought back to the pit that is located there.

Q At the present time, Mr. Hocker, what is your water-oil ratio of production from seven and eight?

A The last test that I had on Well Number 7 was in April, April the 7th. It pumped 6.9 barrels of oil and sixty-five barrels of water.

Q That is almost ten to one then?

A Yes, sir.

Q How about Number 8?

dearnley-meier

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1400 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO 87108

dearnley-meier

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A Number 8, was tested on March 16th of this year and pumped 2.9 barrels of oil and sixty barrels of water.

Q What means of pumping do you have here, electric motors, or what?

A I am not real sure which ones we are using. I know there are windmills used in the area, but --

Q MR. LYNCH: A year ago we had windmills on at least one well.

THE WITNESS: I think that has been changed. I think they are using small pumping units, but I can check on that if you would like to know. I don't really have it with me. I think that was converted to small pumping units.

Q (By Mr. Nutter) Do you have any idea what we can expect in the way of water production in the future?

A I don't have any idea what the estimate would be.

Q This first well would be almost ten to one. The second well there is about twenty to one.

A This would indicate that the contamination is less, at least to the north than it is to the southeast. It may be that we won't need all sixty-four wells.

Q One of the findings in the order upon which you based your dismissal of the disposal here, was that the production of water would be inappreciable, I believe was the word that was used?

A That was in this order?

MR. LYNCH: Yes, Paragraph Four. It depends a little bit on what the nature of the area is. You might have a large accumulation of oil and you might have a small one. In any event the State Engineer permit, as you know, authorizes the use of three acre feet per year, which is equivalent to about sixty-four barrels per day of water.

MR. NUTTER: And, that is about what your making on both of these wells here.

MR. LYNCH: Yes, sir.

Q (By Mr. Nutter) Do you anticipate, Mr. Hocker, that the rate of production from any well would be higher than the rate of production you had on these tests, here.

A Well, hopefully, we could get more oil out of the wells. What it would take to produce it, as far as water goes, I really don't know. Our intent is not to produce an excessive amount of water, as we have indicated, but I am not sure what those guidelines are. We would try to comply with the guidelines that are necessary in order to produce the oil as fast as we could with the same amount of water.

MR. NUTTER: Any further questions of Mr. Hocker?
Mr. Porter?

MR. PORTER: I am Hal Porter with Cima Capitain in Artesia. We have some water rights applied for in Lea

County. I'm not sure whether it is under this section or not. I wondered if you could tell us who has the water rights or applications in this section.

MR. LYNCH: No sir, I couldn't tell you. I could tell you that we have the surface rights on the forty acre tract in question, in addition to the oil and gas lease, but as far as the whole section is concerned, I don't know.

MR. PORTER: I do know that nearly all of the water in the Lea County underground basin, which I assume this is a part of has been applied for and we have quite a large ~~part~~ applied ourselves, and I was wondering if you knew who had it. I could check, of course, with the State Engineer's office --

MR. LYNCH: We have checked and we have determined that there are no irrigation wells permitted in the northwest, or in the southeast quarter of the northwest quarter, which is -- as a matter of fact, I don't believe there are any irrigation wells in the whole northwest quarter of Section 30.

MR. PORTER: You are not sure if there are any applications for wells for industrial or commercial uses in there?

MR. LYNCH: I think that, at most, there would not be any wells, except perhaps domestic wells. There wouldn't be any industrial or commercial wells, no. Whether there are

applications pending, I don't know.

MR. PORTER: Mr. Nutter, I don't know whether or not we have applications in here, but, I think it is quite possible that we do. I would like to be able to enter an objection in the event that we do have the applications.

MR. NUTTER: Of course, I think, Mr. Porter, that the objection to the withdrawal of water on a water permit would probably be appropriate before the State Engineer, rather than the Oil Conservation Commission. Is there anything further in Case 3594? Mr. Hocker may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Lynch?

MR. LYNCH: No.

MR. NUTTER: Does anyone have anything they wish to offer in Case 3594? We will take the case under advisement.

MR. NUTTER: We have to re-open Case Number 3594. We have a couple of correspondence to be heard from.

MR. HATCH: We have a letter from the city of Hobbs by Donald Hallam, the City Attorney, dated June 5, 1967. "As expressed in our statement to the Commission in Case Number 3576, being the application of Jomar Industries, Incorporated, the City of Hobbs does not enter a protest against the removal

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of oil from the Ogallala formation, but is firmly of the opinion that the oil should be so removed.

We take the position, however, that before contaminated water be injected back to the Ogallala formation, that procedures and standards be established to assure that the Ogallala aquifer is not further contaminated. This contamination is not limited, of course, to oil contamination, but also standards against bacterial contamination.

If the Oil Conservation Commission sees fit to so set standards, parties having water rights in the area should be afforded an opportunity to examine the results of periodic tests of the injected fluids.

The City of Hobbs appreciates that the solution of this particular problem is not readily solvable but stands ready to assist the Commission in any matter within our ability."

And, a letter addressed to the Commission from Girand, Cowan and Reese, attorneys for Cecil Grimes.

"It comes now, William Cecil Grimes, by and through his attorneys, Girand, Cowan and Reese, files this the protest to the application filed by Amerada Petroleum Corporation in the above numbered cause and for grounds thereof, respectfully show the Commission: 1, Applicant is the owner of the surface to the Southeast Quarter of Section 30, Township 18 South, Range 38 East. 2, that it is admitted that there is fugitive

oil and gas located in the upper water sands of the Ogallala water basin underlying parts of Section 30. The exact extent and outlines of the contaminated area are undetermined at this time.

3, that the occurrence of the oil in the upper water sands of the Ogallala Basin are such that the Oil Conservation Commission is without jurisdiction to promulgate rules and regulations as requested by the Applicant.

4, that this a third hearing held by the Oil Conservation Commission where the Commission is seeking to except jurisdiction for recovery of fugitive oil located in a fresh water aquifer. The Ogallala Basin in the control and supervision of the production and method of production of water from the Ogallala Water Basin is solely within the jurisdiction of the State Engineer.

5, a protestant does not protest the desire of Applicant to remove oil from the water sands. However, protestant does strenuously object to the proposal of returning the water produced with the oil to the fresh water underlying their land.

Protestant would recommend and suggest to the Commission that fresh water produced with the fugitive oil captured by the Applicant be disposed of in open pits. Such manner of disposition of the fresh water would bring about less

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contamination or chance of contamination of the aquifer and limitations of a contaminated area are clearly defined.

6, that there is no need for the Commission to enter pool rules covering the forty acre tract.

WHEREFORE, Protestant prays that the Commission, 1, refuses jurisdiction in the application. 2, that it not enter any pool rules given the area, the dignity of being recognized as an oil reservoir.

3, that in the event the Commission accepts jurisdiction, that they require the water produced with the oil to be disposed of in open pits. Signed by W. D. Girand."

MR. NUTTER: Any comments Mr. Lynch?

MR. LYNCH: No, sir.

MR. NUTTER: We will take the case under advisement.

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

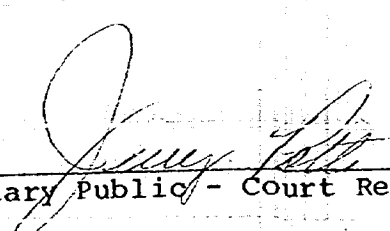
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STATE OF NEW MEXICO)
) SS.
COUNTY OF BERNALILLO)

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 30th day of June, 1967.


Notary Public - Court Reporter

My Commission Expires:

7-10-70

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3514, heard by me on 6/6, 19 67.


Examiner
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3594
Order No. R-3261

APPLICATION OF AMERADA PETROLEUM CORPORATION
FOR AN OGALLALA OIL PRORATION UNIT, SPECIAL
RULES FOR SAID UNIT AND AUTHORITY FOR FRESH
WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 6, 1967,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 16th day of June, 1967, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Amerada Petroleum Corporation,
seeks authority to develop the SE/4 NW/4 of Section 30, Township
18 South, Range 38 East, NMPM, Lea County, New Mexico, for the
production of oil from the Ogallala formation to a maximum density
of one well per 0.625-acre tract with no well being nearer than
82.5 feet to the outer boundary of the unit and no nearer than
165 feet to another oil well producing from the Ogallala forma-
tion, provided that an exception should be made for existing wells
located on the aforesaid tract which are not located in conformance
with said spacing rules.

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CASE No. 3594

Order No. R-3261

(3) That the applicant also seeks a temporary exception to Rule 307 of the Commission Rules and Regulations for each well to be drilled on the aforesaid quarter-quarter section to the Ogallala formation in order to permit the utilization of a vacuum-type drilling unit during the drilling and completion of said wells.

(4) That the applicant further seeks authority to produce all wells authorized by this order at capacity even though the aggregate production from said wells exceeds the 40-acre normal unit allowable.

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

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

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

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

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

(10) That in order to facilitate the removal of oil, an adulterous substance when present in the Ogallala formation, from said aquifer, the applicant should be authorized to develop the aforesaid quarter-quarter section for the production of oil from the Ogallala formation to the density requested by the applicant, to utilize a vacuum-type drilling unit during drilling and completion of said wells, and to produce said wells at capacity.

(11) That the applicant, Amerada Petroleum Corporation, is the owner of two "water" wells located in the aforesaid quarter-quarter section and drilled under authority granted by the State Engineer.

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CASE No. 3594

Order No. R-3261

(12) That said two "water" wells are capable of and are producing oil from the Ogallala formation.

(13) That upon expiration of the water well permits authorizing the aforesaid two "water" wells, said wells should be classified as oil wells.

(14) That applicant's request for authority to dispose of fresh water produced with the oil back into the Ogallala formation was dismissed, at the request of the applicant, without prejudice to the right of the applicant to utilize surface pits for the disposal of water to be produced with oil produced from the Ogallala formation.

IT IS THEREFORE ORDERED:

(1) That the applicant, Amerada Petroleum Corporation, is hereby authorized to develop the SE/4 NW/4 of Section 30, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, to a maximum density of one well per 0.625-acre tract for the purpose of removing oil from the Ogallala formation, a fresh water aquifer;

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

(2) That the locations of the two "water" wells presently completed in and producing oil from the Ogallala formation are hereby approved as oil wells, effective upon the termination of the water well permits authorizing said wells; that the operator of the two "water" wells shall notify the Hobbs District Office of the Commission in writing of the name and location of said two wells upon expiration of the water well permits and shall also file with said office Forms C-101 and C-102 in accordance with Rules 1101 and 1102 of the Commission Rules and Regulations.

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

(4) That the applicant is hereby authorized to produce each of the wells authorized by this order at maximum capacity until further order of the Commission.

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CASE No. 3594

Order No. R-3261

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

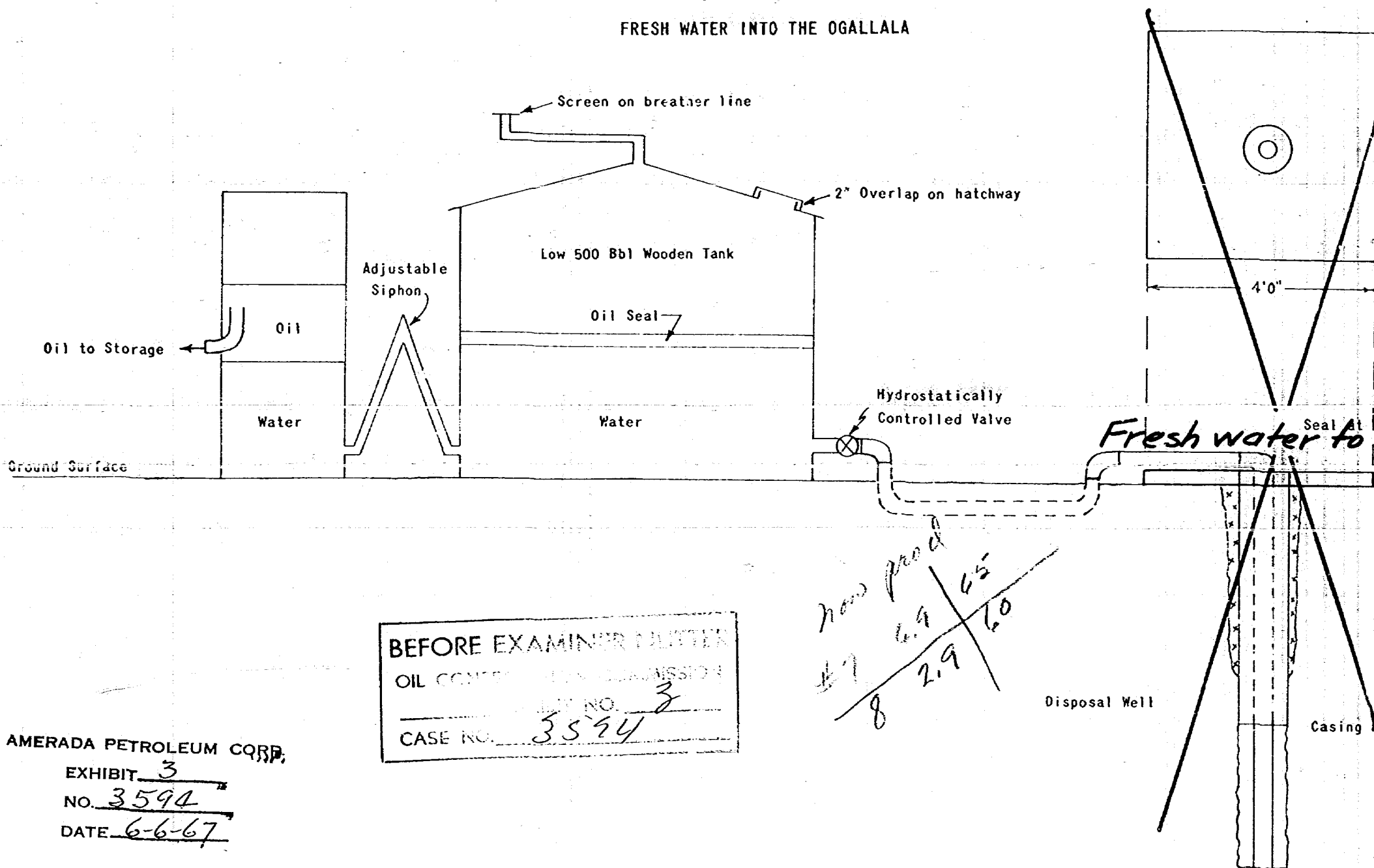

David F. Cargo
DAVID F. CARGO, Chairman

Guston B. Hays
GUSTON B. HAYS, Member

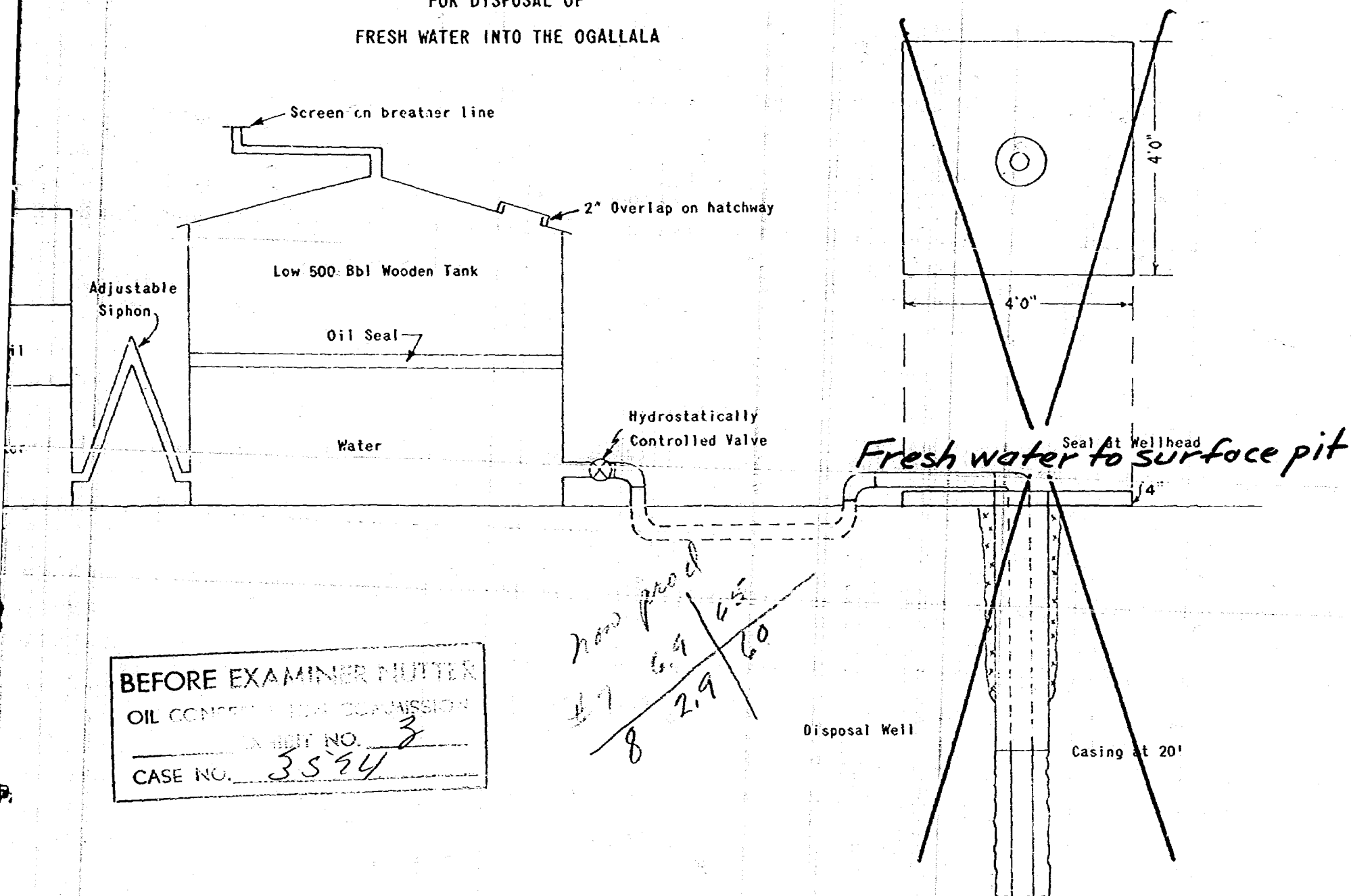
A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

ear/

SCHEMATIC OF INSTALLATION
FOR DISPOSAL OF
FRESH WATER INTO THE OGALLALA



SCHEMATIC OF INSTALLATION
FOR DISPOSAL OF
FRESH WATER INTO THE OGALLALA



BEFORE EXAMINER MUTTER
OIL CONCENTRATION COMMISSION
EXHIBIT NO. 3
CASE NO. 3594