

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF EMERGENCY ORDER NO. 617, SUSPENDING ORDER NO. 587, PERMITTING THE PLUGGING OF THE CARBON DIOXIDE WELL SECTION 31, TOWNSHIP 20 NORTH, RANGE 31 EAST, HARDING COUNTY; CITATION OF J. L. HEAD & W. A. MILLER TO SHOW CAUSE BEFORE THE OIL CONSERVATION COMMISSION WHY SAID ORDER NO. 587 AND THE PLUGGING PERMIT ISSUED PURSUANT THERETO SHOULD NOT BE CANCELLED AND HELD FOR NAUGHT; AND THE ACCEPTANCE OF COLO-MEX'S PLUGGING ~~AND~~ BOND AND THE CANCELLATION OF THE HEAD AND MILLER PLUGGING BOND UPON SAID WELL.

Pursuant to said citation duly made and personally served, setting October 6, 1945 at 10:00 o'clock A. M., for hearing in the above entitled matter, said hearing was convened on said day at said hour, John E. Miles, Commissioner of Public Lands and Member of the Oil Conservation Commission, sitting for the Commission for the purpose of receiving the testimony and other pertinent matters for the record, for the purpose of being considered by the Commission.

ATTENDANCE: John E. Miles, State Land Commissioner and Member of Oil Conservation Commission.
Carl Livingston, Chief Clerk & Legal Adviser
George Graham, Attorney for State Land Office
Manuel Sanchez, Attorney for Colo-Mex.

BY MR. MANUEL SANCHEZ:

On January 29, 1945 the Commission made an order providing that the well producing carbon-dioxide in Section 31, Township 20 North, Range 31, East, Harding County, be plugged. The order was made upon application of J. L. Head and W. A. Miller, Principals in the bond furnished. Subsequent to that time a permit has been issued for the plugging of the well. The well is not an abandoned well, but is producing gas in considerable quantity, although the gas is not being marketed. The Colo-Mex Gas Company, a Corporation, is interested in the well and contends it holds a lease from the original point of the land in which the well is located and the validity of the lease is now before the courts for determination.

A motion has been filed before the Commission by the Colo-Mex Gas Company moving that the Commission accept surety bond tendered by said Colo-Mex Gas Company in which the National Surety Corporation is the Surety, to guarantee the plugging of the well for the purpose for which such bond is required by statute and the rules and regulations of the Commission. The question that the Commission accept the new bond and that Head and Miller and the Surety be fully and completely relieved of the obligations under their bond and that the Commission revoke the permit to plug the well and rescind its order heretofore entered, ordering that the well be plugged. Notice of the hearing on the motion and the order entered by the Commission on the 22nd day of September 1945 has been given to J. L. Head and W. A. Miller. W. A. Miller having been served with a copy of the order and motion by the sheriff of Colfax County, New Mexico, on the 25th day of September 1945, and J. L. Head having been served by Dale Lane, Sheriff of Hutchinson County Texas, on the 26th day of September 1945, and further K. H. Dally, Attorney-At-Law, Borger, Texas, who was attorney of record in this matter for J. L. Head, has written that Dr. J. W. Head is accepting service by virtue of his full and general power of attorney from J. L. Head, and that he, K. H. Dally, as attorney for J. L. Head accepted service and would make proper appearance. The matter comes up before the Commission on the hearing on the motion filed by Colo-Mex Gas Company.

On behalf of the Colo-Mex Gas Company we submit that J. L. Head and W. A. Miller could possibly have no valid objections to the acceptance of the bond here intended by the Colo-Mex Gas Company, and an order relieving J. L. Head and W. A. Miller and their Surety under their obligations of the bond heretofore

filed, and that if this be true they could not in any be interceded by an order of the Commission revoking the order in this matter entered on January 29, 1945 for the cancellation of the permit to plug the well. In fact they would be relieved of the actual expenses of plugging the well and of any further question of liability on the bond should anything arise from any of the conditions of the plugging, which might be done under the order and permit to plug a well.

An explanation might be made as to the delay of Colo-Mex Gas Company in furnishing bond - correspondence in our files (files for Attorneys of Colo-Mex) shows that they have been endeavoring to obtain a bond since May of 1945. Due to the fact that Colo-Mex Gas Company had no tangible assets and all of their assets consist of their interest in the well, it is somewhat difficult to obtain a Surety Company bond, and it was not until September 4, 1945 when Judge Kiker was in Denver that the matter of the furnishing of the bond was definitely arranged, and within reasonable time after that date the bond was furnished and it has now been filed with the Commission.

(Testimony of Mr. Roy Yarbrough, after being duly sworn)

COMMISSIONER MILES: Please state your name and occupation.

MR. YARBROUGH: Roy O. Yarbrough, State Oil and Gas Inspector.

COMMISSIONER MILES: Do you know what date you went up there and inspected the well?

MR. YARBROUGH: Probably ten days after the hearing, I don't remember the exact date. I inspected the well and I did not find it leaking gas as it was reported.

COMMISSIONER MILES: Was that a charge that had been made?

MR. YARBROUGH: Yes, that was my understanding, they wanted to plug the well - outside the pipe by the 8" and 6" they

put wood between the 8 and 6 to stop that gas. When I got there, there was no leaks at all.

COMMISSIONER MILES: What year?

MR. YARBROUGH: It was a week or ten days after this hearing in August 1944.

MR. LIVINGSTON: The hearing was August 4, 1944.

MR. YARBROUGH: Probably August 10 or 11, but I did not find the well leaking, it was in good condition.

MR. SANCHEZ: Did you find any loss of pressure?

MR. YARBROUGH: I did not find any waste, it was in good shape with the exception they had a reduction from 6-5/8 to 2", had 125 pound pressure valve which was not safe, but was holding. The only thing I found leaking at all was the packing around the valve stem on the master gate was losing very little gas, wouldn't be over 50¢ to pack that valve stem.

COMMISSIONER MILES: Has there been an inspection made since that time?

MR. YARBROUGH: Not to my knowledge.

COMMISSIONER MILES: What is the condition of that well at the present time, anybody know?

MR. SANCHEZ: Governor an inspector of the Oil Conservation Commission, on November 23, 1939 tested the well and reported before the Commission, it was claimed in the suit that the well had considerable leakage. The leak was testified to by persons who are not technically qualified to know what occurs. In order to satisfy the court we had Mr. Yarbrough go up there after we held the hearing. Mr. Yarbrough's report is practically the same in 1944 as it was on November 23, 1939.

MR. GRAHAM: Is it a producing well?

MR. YARBROUGH: Yes sir.

MR. GRAHAM: Isn't it true it is the biggest producing well in that field?

MR. YARBROUGH: After the test made in 1939 - tested the volume, I didn't test the well for volume but did open the well up and let it blow for almost an hour, the master gate was open. I tested the pressure, the 5" did not notice it being a low pressure valve before I opened it, might get it open but might kill you when you closed it. I went to the store to get some information from the man there in regard to those wells. I make that arrangement when necessary but unless something comes up I don't go up there and inspect the well. I was afraid it would blow up, went up to get some information, wanted to take the pressure off. I intended to let it blow until it was safe to close it, I made a statement in my report the 2" should be replaced. I went back there and closed it. I imagine that gate well is probably still on there, I just closed it right quick, then got away, was afraid it would blow up.

MR. SANCHEZ: Probably, Governor Miles, they had a conservancy measure in plugging it.

COMMISSIONER MILES: Yes and any other if there is a danger of it blowing up.

MR. SANCHEZ: Is there such a danger?

MR. YARBROUGH: That valve is supposed to stand 125 pounds of pressure. I never thought of a man putting 125 pound pressure valve on a 500 pound well.

COMMISSIONER MILES: You found it to be 510 pounds?

MR. YARBROUGH: When I opened it up, in about 5 minutes the ice began to form on the 2" pipe. Using it as separating fluid the gas went up overhead then came down into this

coil and the ice got about $1\frac{1}{2}$ " thick on it. I saw the ice begin to form on the 2" pipe, then I was afraid to close it.

COMMISSIONER MILES: You recommend something be done about that?

MR. YARBROUGH: I recommend a new gate valve on it. However, it is still holding, when I closed the 2" gate valve did not have any way for me to close the master gate valve, the wheel had to be taken off. The boys made the test from the Oil Conservation Commission in Hobbs in 1939 could not open it on account of the stem being crooked. I imagine the Colo-Mex Company probably opened it, afterwards the valve stem was straight and it was leaking very little around the 2" valve stem. I was afraid it would blow up when I closed it, but they had closed it themselves and had been closed for sometime. I opened it and let it blow a few minutes.

MR. SANCHEZ: It is evident all the apparatus on the well had been there since 1939, comparatively 6 years?

MR. YARBROUGH: Yes, I don't know when they put this 2" connection on the well where they reduce it to 2" from the 6-5/8 casing, everything from the 2" back is built to stand that pressure but that 2" valve had been put on when they connected this thing up there to separate that fluid from the gas.

MR. SANCHEZ: It is reasonable to presume what apparatus is there now will continue to be safe up there?

MR. YARBROUGH: It has been there probably 2 or 3 years, it is not wasting any gas, the well is safe, no leaks except the last leak around the master gate valve stem.

MR. SANCHEZ: That as I understand it would be a recommendation that a new valve be put in that would be safe to hold this?

MR. YARBROUGH: I wouldn't want to work around it, it would probably hold now but might blow up and kill somebody, it isn't wasting any gas at this time.

COMMISSIONER MILES: The gas is being used now?

MR. SANCHEZ: They are trying to market the gas, if the litigation is favorable to the Colo-Mex Company they intend to build a plant to manufacture the gas, the dry ice.

COMMISSIONER MILES: This bond they are making now covers the plugging of the well?

MR. LIVINGSTON: Yes sir, it is filed and tendered for acceptance. I will call your attention to a telegram being dated September 16, 1945 signed by J. W. Head, asking not to accept bond from anyone of the Head and Miller well, having been followed by a registered letter of September 20, 1945 to that effect, however, the parties have been cited to appear at this hour today (October 6, 1945) and as the record has already shown, they have been served and have not appeared as cited.

MR. GRAHAM: Although you have delayed the proceedings for sometime.

MR. SANCHEZ: The time allowed between the date of service of the notices and the time fixed by regulations for serving of notices.

The Colo-Mex Gas Company conceives of no valid reason for the objection of the acceptance of its bond and the cancellation of the bond heretofore furnished by Miller and Head.

COMMISSIONER MILES: Anything further to state?

(No statements)

COMMISSIONER MILES: I state we have been sitting for the purpose of taking testimony into the record at this hearing to be considered at a later date when Governor Dempsey, Chairman of the Commission, can be present, at that time our decision will be made.

C E R T I F I C A T E

I, Vastie Fowler, Reporter for the Oil Conservation Commission, hereby certify that I took the testimony of the hearing held before the Commission in the matter of emergency order No. 617, suspending order No. 587, permitting the plugging of the carbon dioxide well Section 31, Township 20 North, Range 31 East, Harding County; Citation of J. L. Head & W. A. Miller to show cause before the Oil Conservation Commission why said Order No. 587 and the plugging permit issued pursuant thereto should not be cancelled and held for naught; and the acceptance of Colo-Mex's plugging and bond and the cancellation of the Head and Miller plugging bond upon said well, held in the Office of Commissioner John E. Miles, October 6, 1945, and that the foregoing transcript constitutes, to the best of my knowledge and belief, a true and correct copy of all the oral testimony presented before the Commission.

WITNESS my hand this 8th day of October, 1945.

Vastie Fowler
REPORTER