

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

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TRANSCRIPTION OF HEARING

CASE NO. 278

June 21, 1951  
(DATE)

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

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Case 278: Called upon the application of Land Commissioner Guy Shepard, this case is concerned with the establishment of a casing program and other special procedural regulations in the potash areas of Lea and Eddy counties.

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MR. SPURRIER: The next case is 278.

(Mr. Graham reads the notice of publication.)

MR. SETH: If the Commission please, the committee that the Land Commissioner appointed to consider this matter for his office has never had a final meeting and never had a chance to consider the casing program recommended. After all, the matter is primarily one for the Land Commissioner rather than this Commission. And I suggest the case be postponed until that committee can get together and make its recommendation to the Land Commissioner. I find no evidence as to the casing program to be submitted here today. But there is so many things involved to be determined by this Commission. And after all, this Commission's authority in the premises is rather limited in my judgment.

MR. SPURRIER: Thank you, Judge. Do you have a definite date to suggest to which it can be continued?

MR. SETH: I don't know. Who is the chairman of the committee?

A VOICE: Mr. Shepard is chairman of the committee.

MR. SETH: Is he in town?

MR. SPURRIER: No, he isn't.

MR. SETH: I think it should be continued not very long. I think regulations should be gotten out by the first of July.

(Off the record discussion.)

MR. SETH: I move to recess this matter after hearing whatever evidence you want. When will Guy be back, George?

MR. GRAHAM: I understood Monday.

MR. SETH: Why not recess until next Tuesday?

MR. CAMPBELL: May I say a word? I represent Richardson and Bass of Fort Worth, Texas. This matter was called up by the Commission, and the ordinary notice was given that is given in hearings before this Commission. While we recognize that apparently the potash people do not have personal information as to the meeting and have -- we have -- no intention of trying to get the Commission to act at this time, we have present here a considerable number of people who have come up for the purpose of attending this meeting and testifying and listening to what is presented. We feel there should be no objection -- with the understanding that any witness that testifies today will be available for cross-examination at a future date -- for us to present to the Commission some background as to this particular proposal, and also to make our suggestions; which, even as far as the oil operators are concerned, are not in final form by any means. But we believe it is of sufficient importance to the state and the Commission and the oil operators to begin to get the ball rolling on this matter and offer some background to the Commission at this time. It is quite true this committee isn't ready to report, but at the same time, I can't see any objection to presenting some suggestions at this time, which will be subject to comment by the oil operators as well as the potash companies in the future, and leaves the matter open to continue at a future date additional testimony, objections to the casing program by potash and oil people and any other matters that should be brought before the Commission. I would like to request we be allowed to put these things in the record for whatever they may be worth, subject to leaving the matter open for the future.

MR. SETH: We haven't the slightest objection.

MR. SPURRIER: Mr. Campbell, do you have a date in mind to which we could continue this?

MR. CAMPBELL: Not a set date. I think it is incum-

bent upon all of us to do it as expeditiously as possible. It has dragged on for about five months. It is of interest to the oil operators and to the State of New Mexico that the thing be resolved in one way or another as soon as possible in order if there can be joint development it can be undertaken if the people are ready to spend the money to do it. And I think any reasonable time to give the potash people and the oil operators who are not all acquainted with the suggestions to be made today an opportunity to examine them carefully and submit comments to the Commission -- I think it should be at least ten days before we undertake to have another meeting. Any date is satisfactory to us as long as it isn't unreasonably delayed.

MR. SPURRIER: Well, gentlemen, suppose we consider two dates; June 28 or July 10. The Commission would like to have an indication of which date is more suitable to all of your concerned.

MR. CAMPBELL: I believe that the July date would be more satisfactory as far as we are concerned. It is as I indicated to the Commission, some of the suggestions to be made today haven't been subjected to close examination by the oil operators, and they want a sufficient length of time to examine them and make their comments. We prefer the July 10 date.

A VOICE: We agree to that.

MR. SPURRIER: All right. Without objection, we will continue the case, or we will hear more testimony on that July 10 date. In the meantime, you may proceed, Mr. Campbell, to put on your testimony.

MR. SETH: Before we forget it, there were two hearings before the Commissioner of Public Lands, which have been transcribed, and I think they are in the Commission's files. And Mr. Campbell was present at both of them. We offer them in evidence as a part of this hearing at this time.

MR. SPURRIER: Without objection, they will be received.

MR. CAMPBELL: Yes, I think they should be before this Commission. If the Commission please, I would like to make

a brief preliminary statement to supplement what I have already said about the presentation of this evidence today. We intend to present to the Commission evidence relative first to the backbround of this particular problem as it affects the decision that this Commission may be ultimately called upon to make relative to any special regulations in this area within its jurisdiction! And we also are going to present two suggested casing and cementing programs. I want to emphasize to the Commission and to those present who are interested that these two programs, one of which involves deep drilling using a rotary method, and the other involves cable-tool drilling of shallow wells, are entirely in the way of suggestions and to place something in the record for further action by the Commission, of comment by oil and potash people in the area. They do not represent the recommendation of the oil operators nor do they amount to a recommendation of the oil industry. They are suggestions, and the matter should be left open for comments and testimony, if needed, by oil operators as well as by people in the potash industry. So, these should be taken into the record and considered solely as suggestions by particular individuals or companies in connection with operations in this area. In order to provide the Commission with some background, in addition to the transcript of testimony of the previous hearings before the Land Commissioner which are already offered in evidence, I would like to call as a witness John M. Kelly of Roswell.

JOHN M. KELLY, having been first duly sworn, testified as follows:

Direct Examination by MR. CAMPBELL:

(Off the record discussion.)

Q Will you state your name, please?

A John M. Kelly.

Q Where do you live?

A Roswell, N. M.

Q What is your business, Mr. Kelly?

A Independent oil operator.

Q And how long have you been in the oil business?

A Since '37.

Q Will you briefly state for the record here your background in the oil business?

A From '37 to '41 I was connected with the proration office, then known as the Lea County Operators Committee, in Hobbs, N. M., as an engineer. From '41 to 1945 I was state geologist of the State of New Mexico, and during that time I was director of the Bureau of Mines and Mineral Resources of the State of New Mexico. In 1945 I was superintendent of production for Geo. P. Livermore, independent operator. And since September 1945 I have been in business for myself as an independent operator.

Q Mr. Kelly, have you been appointed as a member of the committee of the Commissioner of Public Lands to investigate the possibility of special rules and regulations in the area involved in this hearing?

A I was.

Q Can you state for the benefit of the Commission and the record before this Commission the background of this particular problem as it relates to the Oil Conservation Commission?

A In order to present to this Commission an historical background, I would like to go back to January 10 when I believe the problem first came to the attention of the Commissioner of Public Lands. At that time he, in his monthly notice of sale, advertised several tracts of land in southern Eddy County for oil and gas lease bid. It is my understanding that representatives of the potash industry protested this advertisement and requested he withdraw these tracts from this sale. And also I understand that they requested that he not put the tracts up at any time in the future. Representatives of the oil industry asked the Commissioner for a hearing on this matter. And a hearing was held in the La Fonda Hotel on February 27, 1951. At that time, members of both the oil and potash people presented some testimony, which will show in the transcript of that hearing and which I understand has been introduced in the record, and in which the oil companies stated they thought

development of oil and gas could be carried on simultaneously with the development of potash in the area. At that time the potash people requested a continuance in order to prepare additional testimony. And the Commissioner of Public Lands continued the hearing until March 29, 1951. On this date the Commissioner took additional testimony from the potash people and from some oil people, and that record will be made available to this Commission, the complete record. And at the end of that hearing the Commissioner announced he would appoint a committee composed of oil members, potash members, and governmental authorities to study the entire problem and to make recommendations to him. His letter is as follows:

(Letterhead of the State Land Office)

March 30, 1951

Following the hearing March 29, 1951, I, as Commissioner of Public Lands, announced that I would appoint a Committee to recommend regulations for the proper exploration and development of the State lands within the Delaware basin, Eddy County, New Mexico simultaneously by both the Potash and Oil Industries. In keeping with this announcement, I have appointed:

Mr. Fred O. Davis, a Director of Potash Company of America, Carlsbad, New Mexico,

Mr. Emory Carper, President, New Mexico Oil and Gas Association, Artesia, New Mexico,

Mr. Tom Cramer, Vice-President, United States Potash Company, Carlsbad, New Mexico,

Mr. John M. Kelly, Independent Oil Operator, Roswell, New Mexico, and

Mr. R. R. Spurrier, Director, New Mexico Oil Conservation Commission, Santa Fe, New Mexico.

May I ask that each of you advise me at your earliest convenience of your willingness to serve on this Committee. It is my intention that such Committee meet at the earliest possible time and submit its recommendations to me.

I would be grateful, because of the considerable Federal Acreage in the area, if Messrs. Foster Morrell and R. H. Allport of the United States Geological Survey would sit in an advisory or unofficial capacity with the Committee if they may do so under regulations.

I sincerely trust that each of you will accept and make reasonable recommendations to me in order that I may the sooner promulgate and publish regulations as required by law.

Very truly yours,  
 /s/ Guy Shepard  
 GUY SHEPARD  
 Commissioner of Public Lands

Q What was the date of that letter, Mr. Kelly?

A That letter is dated March 30, 1951. So, following receipt of this letter and the acknowledgement by all members so named, the first meeting was called in Santa Fe on April 16, 1951; at which time the Commissioner of Public Lands, Mr. Shepard, presided. Discussions were carried out during that meeting concerning the simultaneous development of operations. And the oil people stated that in their opinion they thought operations could be carried out with the potash people provided certain safeguards were given the potash industry, certain protections to the potash deposits. This meeting was just a general meeting, and nothing specific came out of the meeting due to the fact that it was really an introductory meeting. At the conclusion of the meeting, Mr. Shepard requested the committee meet again as soon as possible in order that they might present to him something specific in the way of recommendations. After that date and before May 1, he published in his monthly notice of sale for May 10 six tracts to be sold that were in the Delaware basin potash area. And members of his committee -- the potash members of his committee -- requested he call a meeting of the committee before he held a sale in order that recommendations be made to him as to the method of sale. On May 4, 1951, the committee met in Carlsbad, N. M., with Mr. Tom Cramer, Mr. Fred O. Davis, and myself present -- and Mr. R.R. Spurrier -- as members of the committee. And Mr. Allport and Mr. Morrell of the U.S.G.S. present as observers. We discussed the subject matter, and the oil people told the potash people at that time they were prepared -- they were



not prepared -- to present a casing program, that their engineering committee had not prepared one to that date. The potash people were perturbed about the leases going up for sale without any regulation or regulations; and the following came out of that meeting. This, incidentally, is the only report made to the Commissioner of Public Lands by the oil-potash committee, and I will read this letter.

May 4, 1951

Honorable Guy Shepard  
Commissioner of Public Lands  
Santa Fe, New Mexico

Dear Mr. Shepard :

Your Oil-Potash Committee, following a meeting in Carlsbad on May 4, wishes to recommend that prior to the sale on May 10, 1951, of oil and gas leases for Tracts 0-2, 0-3, 0-4, 0-5 and 0-6 listed in your advertisement, the following announcement be made:

- (1) The leases will be subject to special rules and regulations to be adopted by the Commissioner and the Oil Conservation Commission, governing the drilling for oil and gas within the designated known potash area, including, among other pertinent provisions:
  - (a) No wells for oil and gas shall be drilled through mine workings or in such additional areas as designated hereafter by the Commissioner.
  - (b) Special rules will hereafter be adopted for the spacing, casing and cementing of wells drilled for oil and gas within the designated potash areas.
- (2) There shall be no drilling for oil and gas on Tract 0-6. However, the acreage may be committed to any unit plan that may be approved in the future. On Tracts 0-2, 0-3, 0-4, and 0-5 the special rules and regulations will govern and certain acreage therein may be restricted as to drilling.

- (3) The special rules and regulations are being worked out by the Land Office in connection with a study under way by a special Oil-Potash Committee and the regulations which will govern in these lease areas will be made available for adoption by July 1, 1951.
- (4) The issuance of leases sold at the sale of May 10 will be delayed until the special rules and regulations are adopted by the Commissioner and the Oil and Gas Commission. A successful bidder has the right of refund of the amount of the bid if he does not desire to execute the lease after announcement of the special rules and regulations.

It is further recommended that the Commissioner prepare this announcement in mimeographed form available for distribution to the bidders at the sale, and that such notice advise the bidders that subject to these conditions state oil and gas leases will be granted to the successful bidder following the May 10 sale.

/s/ F. O. Davis                      /s/ John M. Kelly  
/s/ T. M. Cramer                      \_\_\_\_\_

Q Mr. Kelly, you state that is the only report that has been made to date by this committee?

A That is the only report made to date to the Commissioner.

Q And at that time it was your estimate these regulations could be available by July first?

A That is what we so stated in this report.

Q And there was likewise a suggestion there be no drilling within actual mine workings or within a new area ?

A That is one of the conditions stated in the report.

Q Have you had information available since that time of the set-up of the actual mine workings now there?

A No, sir.

Q. Have you sought that information?

A Yes, sir.

Q Will you go ahead and state what has taken place?

A At that meeting it was simply agreed between the parties concerned that the oil people would furnish the potash people with a proposed casing program for their study, and that in turn they would furnish the oil people what critical area; that is, in actual mine working area and the area they wished to have complete protection on. On May 23, 1951, I submitted to the two potash members of the committee the following letter and enclosure.

(Undated)

Mr. T. M. Cramer  
Mr. Fred O. Davis  
Carlsbad, New Mexico

Gentlemen:

As per our agreement made at the last meeting of the Oil-Potash Committee, I am enclosing herewith the "Casing and Cementing Programs for Oil and Gas Test wells in the Defined Areas in Eddy County, New Mexico." Please distribute these programs to the operating potash companies for their study and comments.

To date I have not received from you an outline of the areas that the Potash Companies consider as critical and in which area the Potash Companies will request that drilling for oil and gas be prohibited.

It is my suggestion that the next meeting of the Oil-Potash Committee be held 10 days after you submit for study by the oil representatives the above described area map. In no case should the next meeting be later than June 10, 1951.

I will appreciate receiving your comments on both the above casing program and my suggestions as to the

time of the next meeting.

Kindest personal regards,  
/s/ John M. Kelly  
John M. Kelly

cc. Mr. Guy Shepard  
Mr. R. R. Spurrier  
Mr. Emery Carper  
Mr. Foster Morrell  
Mr. R. H. Allport

Q Mr. Kelly, in connection with that letter you submitted a suggestion as to casing and cementing programs in that area. Is that correct?

A That is correct.

Q Have you received any comments relative to that to date?

A From the potash people, no, sir.

Q Have you received any information as to what they consider to be critical areas where they recommend there be no drilling for oil and gas?

A No, sir. We have not had a meeting since that date.

Q Mr. Kelly, I hand you what has been identified as Exhibit A in Case 278, and ask you to state what that is?

A It is an exhibit entitled "Casing and Cementing Programs for Oil and Gas Test Wells in the 'Defined Areas' in Eddy County, New Mexico."

Q Is that a copy of the document which you sent with that letter of May 23?

A It appears to be

Q Now, that is not a recommendation of the oil operators, is it?

A As a whole, no, sir. It is just a program to be submitted for study.

Q And have all of the oil operators in the area as yet had an opportunity to study and make comments upon this particular program?

A To my knowledge they haven't had that opportunity.

Q You submitted that as a basis for the discussion of this problem?

A It was submitted as a basis for the discussion of the problem, and also with regard to our verbal agreement to get this ball rolling by both the potash people and the oil people.

Q And who made this suggestion to you? Who prepared this? This exhibit I .....

A It was prepared by a sub committee of the New Mexico Oil and Gas Engineering Committee of Hobbs, N. M.

Q And it is being circulated to all oil operators and is subject to their comment and suggestions to the Commission with reference to this program?

A That is my knowledge. To my knowledge, yes, sir.

Q In other words, you, as an oil representative of this committee, are not recommending to the Commission this be the program?

A No, sir. It is only submitted for study.

Q And this particular suggestion covers only the deepest wells in the area, doesn't it?

A No. I believe this recommendation covers wells in the area. I don't believe it differentiates between deep and shallow.

Q With your knowledge of the oil business and your knowledge of this particular suggestion, is it your opinion it would apply to deep rotary wells?

A I would say it is too stringent for shallow wells. It would apply more to rotary wells than to shallow cable-tool wells.

MR. CAMPBELL: I believe that is all. Do you have any other statement you want to make?

A That finishes my historical summary. I would be glad to answer any questions of the Commission and also any recommendations Mr. Cramer or Mr. Carper might have.

CROSS-EXAMINATION BY MR. SETH:

Q. Do you know the federal land, in area, is about ten times more extensive than the state land?

A Do I know?

Q Yes.

A I assume it is.

Q And the state land is rather small and disconnected tracts?

A With the exception of the school sections.

Q I mean by that there is scarcely a location where there is more than a section of state land in one body?

A I don't know, Judge. I haven't studied the map in detail, but the state has the minority interest in lands in the area.

Q Really the federal government has much more at stake drilled in the potash than the state does?

A Not necessarily because the state receives quite a bit of royalty back from the government.

Q I mean as far as area is concerned. The federal government is much more interested than the state in the potash area down there?

A In an area extent, but not a money extent.

RE-DIRECT EXAMINATION BY MR. CAMPBELL:

Q Isn't it a fact that federal representatives have been present and discussed these matters with the committee?

A They have been present at both meetings of the committee. Both representatives of the oil and gas branch of the U.S. G.S.

Q And isn't it correct since the submission of this matter to this committee on the state level that no additional action has been taken by federal authorities?

A No additional action has been taken to date, no, sir.

Q In other words, the matter so far as you know up to date has been held in abeyance pending the state committee's report?

A It is my understanding the federal government will hold in abeyance any action on federal land until the state has a chance to act on this matter, and a final report made by the committee.

MR. CAMPBELL: Mr. Seth, Mr. Kelly will not be available on July 10. Do you think you will find it necessary to cross-examine him further on July 10?

MR. SETH: Not at all.

MR. CAMPBELL: It will not be necessary to continue at a future time.

(Witness excused.)

(Recess.)

J. E. HILL, having been first duly sworn, testified as follows :

DIRECT EXAMINATION BY MR. CAMPBELL:

Q Will you state your name?

A J. E. Hill.

Q Where do you live?

A Fort Worth.

Q By whom are you employed?

A Richardson and Bass.

Q In what capacity?

A Superintendent of production and drilling.

Q And how long have you been so employed?

A It will be 12 years the first of July.

Q And you were in the oil business prior to that time?

A Yes, sir.

Q For how many years?

A Eleven years.

Q Were you engaged in the same type of work?

A Yes, sir.

Q Mr. Hill, you have testified before the Commissioner of Public Lands at a hearing on February 27 and at a hearing in March in connection with this matter, have you not?

A Yes, sir.

Q And you have heard the testimony here relative to a suggestion as to casing and cementing programs for deep-test wells in areas later to be determined in Eddy County, N. M., have you not?

A Yes, sir.

Q Were you a member of the committee which discussed and drew up these suggestions?

A I was.

Q Can you state for the Commission the understanding among the members of the committee as to what type of wells these particular rules could be more properly applied?

A They were definitely drawn up for deep-test wells in the defined area. There was some mention made of the use of



cable tools down to the shallow depths of their various capacities, and then setting probably the first two strings. And the method of testing the casing after those strings are set. Actually, that was the only reference made to cable tool usage.

Q Based upon discussions which you had, the committee made this suggestion as a basis for any special rules that might be promulgated by this Commission.

A We felt that would not only safeguard the potash operators but the oil operator who had wanted to drill deep test wells in the area.

Q It is your understanding that isn't a final recommendation but only a suggested .....

A It is only a recommendation of the committee for serving to promulgate this suggested set of rules.

Q To your knowledge, is it now to be circulated to all oil operators for any comments or recommendations they may have before the Commission issues any rules based on this suggestion?

A That is my understanding.

Q Is your company interested in this area financially?

A Yes, sir.

Q Isn't it correct they are the owner of state oil and gas leases sold in a state sale recently in this area?

A I think we were successful on all but one.

Q And isn't it correct the public records will show the investment for these state leases is in the approximate amount of \$300,000 to \$350,000?

A Yes, sir.

Q Is your company interested in exploratory activity in this area, if it can be reasonably done, in conjunction with the potash industry?

A We definitely are.

Q And your company is prepared to drill deep-test wells in this area when these rules are promulgated?

A Yes, sir.

Q So far as your company is concerned with the particular suggestions in this casing and cementing program, are those satisfactory to your company? So far as your company only is concerned?

A Yes, sir.

MR. CAMPBELL: I think that is all.

MR. SPURRIER: Does anyone have a question of this witness?

MR. CAMPBELL: Mr. Hill, will you be available on July 10?

MR. HILL: Yes, sir.

(Witness excused.)

S. P. YATES, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. CAMPBELL:

Q Will you state your name?

A S. P. Yates.

Q Where do you reside?

A In Artesia.

Q What is your business?

A I am in the oil business; oil producing.

Q How long have you been in that business?

A About 12 years.

Q Are you with a company?

A No.

Q Individually?

A Individually, yes, sir.

Q Are you interested in this area which is involved in this hearing?

A Yes.

Q Are you now producing oil from some of these areas?

A Yes. We have production -- well, of course, when you say areas, I am not quite sure .....

Q Where generally is your production?

A We have production in 19-30 that I believe is involved. We have the Benson Pool. That is only half a mile from where Southwest is now digging shaft.

Q Mr. Yates, has your company been engaged primarily in drilling wells with cable tools?

A Yes, sir.

Q Have you read the suggested program introduced as Exhibit A?

A Yes, sir, I have.

Q Is it your understanding that is intended to apply primarily to deep-test wells drilled with rotary tools?

A That is my understanding, yes, sir.

Q Do you have any suggestions to make to the Commission at this time with reference to possible rules and regulations affecting shallow wells in whatever area may subsequently be defined with cable tools?

A Yes, sir. We have a proposal here to submit.

Q I hand you what has been identified as Exhibit B, and ask you to state what that is, if you know?

A This is a suggested casing and cementing program for shallow oil and gas test wells in the known potash area.

Q And state to the Commission the background of the preparation of this suggestion here with reference to the operation your are suggesting.

A About three days ago I got ahold of one of these suggested casing programs. And we thought that if we carried such a casing program out on a shallow well it would make the drilling of shallow wells in that area prohibitive in cost. Particularly in view of the shortage of casing. So, we have here submitted an alternative program for shallow wells.

Q Will you state briefly to the Commission how this differs in any essential respect from the suggestions as to deep wells in the area?

A The only major difference is in the salt protection string, referred to in this Exhibit A. We have made a provision that we may set a salt protection string depending, of course, upon whether -- and cement it from top to bottom if we want to. If we don't -- we often cement production anywhere from 200 feet to maybe 1,000 feet below the salt zone. And we could see no reason to cement two strings of pipe so close together. You might have them right on top of one another.

Q Shallow wells usually are not large potentially producing wells in that area?

A That's right.

Q You are undertaking to save some pipe in the cost of drilling your wells?

A That is correct.

Q Is it your opinion this casing and cementing program which you recommend as to shallow cable-tool wells in that area will adequately protect the potash deposits?

A That is my opinion, yes.

Q You have already drilled wells in the northern part of

this area, have you not?

A Oh, yes, we have drilled wells, yes, in the northern part.

Q Have you received any complaints from potash operators that your wells are giving them any difficulty?

A No, sir.

Q Is this suggestion your own, or is it agreed to by other people?

A It was made up by a group of operators, and then circulated among most of the operators in Eddy County, and submitted for their approval. And with the exception of one or two everyone signed it. Those that didn't sign it thought this was too stringent.

Q Thought this recommendation you suggest here was too stringent?

A Yes.

MR. CAMPBELL: I believe that is all.

CROSS-EXAMINATION BY MR. SETH:

Q Mr. Yates, how deep is a shallow well?

A Anywhere from -- well, you mean the ones we have?

Q Yes, the ones you are talking about.

A About 1,800 or 2,000 feet.

Q All the shallow wells down there go through the potash-producing strata?

A Yes, sir.

Q And go through just as effectively as the deep wells?

A That's right.

MR. SPURRIER: Are there any other questions of this

witness?

MR. CAMPBELL: (To the witness.) Do you have anything?

A I might say the production we get down there is of low potential. It produces practically no gas. We have to buy butane to produce it. And there is practically no pressure exerted against the casing whatsoever.

MR. CAMPBELL: In other words, based upon your producing experience you feel these suggestions you have made will amply protect the potash on the cable-tool wells in that area?

A Yes, sir.

MR. CAMPBELL: I think that is all. Will you be available on July 10 in the event it is necessary to ask you more questions?

Mr. YATES: As far as I know.

MR. CAMPBELL: Mr. Commissioner, at this time that is all we have to offer. I would like to make a closing remark here. As I understand these two suggestions; one as to deep wells and one as to cable-tool wells; are offered to the Commission at this time as suggestions and as a basis for further comments by the oil industry and the potash industry in the hearing on July 10. And we feel that since we have made these suggestions, at least as a basis for discussion, that we should at the July 10 hearing, in addition to any objections that the potash industry may have to these particular programs, we should like to have some information from them as to the approximate area in which it would apply, and the present areas they are now mining for potash or intend to mine within a reasonably foreseeable future; in order that we can determine, or the Commission can determine, just exactly what our problem is. It is difficult to evaluate this situation in the absence of information as to what the generally projected arrangements are for the mining of potash in this area. And we assume at the July 10 hearing that some information will be available in order that we may properly determine where we stand in this matter, and the state may have the information it requires. I also want to repeat once more these suggestions are to be circulated to the oil operators, and they may sub-

mit comment to the Commission either by letter or by evidence at the hearing on July 10. In other words, it is held open for the potash members as well as the oil industry. It provides for some basis on which to proceed to get the matter resolved in the near future, if it is possible to resolve it. And we would like to ask the Commission to ask from the potash people the areas in which this problem will apply. We have no information as to where those areas are, and the Commission has none. And we think we are entitled to have that information at the earliest possible time in order that we can evaluate whether this type of program, being more expensive than the normal drilling program, is justified in this particular area.

MR. SPURRIER: Do you have facilities for distributing this casing program to all operators?

MR. CAMPBELL: I understand that there are copies available. And our first one, the one proposed for deep wells is ready. The one proposed for shallow wells will have to be prepared by someone and distributed to the potash people as well as the oil operators for their comment prior to July 10. We can undoubtedly find some facilities if the Commission wants us to do it.

MR. SPURRIER: The Commission will be glad to do it. All we want to know is if we might do it or not.

MR. CAMPBELL: I feel in fairness to everyone the one suggested by Mr. Yates on the shallow wells should be prepared. And if the Commission will undertake to do it, I feel confident Mr. Yates will leave a copy of it here. If you will circulate it to the oil operators and representatives of the potash industry as soon as possible so that we can have some reaction by July 10?

MR. SPURRIER: All right. I have one more thing, for the record here. It is a telegram from the Phillips Petroleum Co. received in the Commission office this morning. I will read it in order to introduce it into the record.

(Reporter's note: This exhibit, as well as other exhibits introduced in this case, are not reproduced in this record as copies have been furnished to the operators by the Commission.)

MR. SPURRIER: Is that memorandum Exhibit A?

MR. CAMPBELL: I presume it is. It isn't denominated as a memorandum but I think that is what they are referring to. Incidentally, I would like to have the record show Exhibit A and B offered in evidence. And I would like to ask at this time if the announcement here of the July 10 meeting is sufficient so far as the potash representatives are concerned, or if they want someone to correspond with the other companies and notify them personally of this meeting.

A VOICE: We will take care of that.

MR. SPURRIER: Is that all? The exhibits will be accepted. Judge Seth?

MR. SETH: Nothing at this time.

MR. CAMPBELL: There may be someone else that has comments to make.

MR. SPURRIER: Does anyone else have a comment to make in this case?

MR. PRESSLER: I represent the Humble Oil and Refining Co. We would like to endorse these rules proposed by Mr. Hill as a basis for the formulation of a program that would give adequate protection to the potash operators. It is our feeling that these proposed rules are very stringent and rather burdensome on the oil operators. But we believe we are going to have to accept rules of that kind in order to provide adequate protection to the potash operators. It is our feeling that both of these natural resources are most important to the welfare of the country, and that it is incumbent upon both potash operators and oil operators to assist governmental agencies in working out a program where the area can be developed simultaneously for oil and potash. And we think that can be done without any undue interference one with the other.

MR. SPURRIER: Does anyone else have a comment?

MR. STANLEY JONES: I am drilling out in the Turkey Track area of 19-29, of which the west side -- some of the wells which we have drilled in the area have a certain amount of water, and have quite a bit of salt section while others don't have. I have a prospective pipe program outlined which I would like to introduce at this time on what we



would call the edge of the potash basin. And as the areas have different problems, and geological problems, which we need to discuss at the next meeting, I would like to present this proposed program as an exhibit to be studied by the committee, if possible.

MR. CAMPBELL: Mr. Jones, have you defined the area in there in which this would apply?

MR. JONES: Not particularly.

MR. CAMPBELL: You feel these rules proposed by Mr. Yates are too stringent insofar as these areas are concerned?

A. That's right.

MR. CAMPBELL: Your objection is they are too rigid?

A. They are so far as my district is concerned and other districts on the edge of the basin. You see in this district we have very little potash, and we drilled our wells with cable tools and they are shallow. Only about 2,200 feet. Some 1,700 and some 2,200 feet. And they have no gas pressure to speak of, and they are all pumping wells. Therefore, I feel that the program Mr. Yates has introduced is somewhat strenuous for us, and because of the scarcity of pipe and so forth.

MR. CAMPBELL: May I ask if the Commission is willing to circularize this particular proposal too?

MR. SPURNIER: Yes, we will.

A VOICE: I would like to ask also that the telegram from Phillips Petroleum be circularized.

MR. SPURNIER: Yes, it can. It will be part of the record, Mr. Hill.

(Off record discussion.)

MR. CAMPBELL: I think it is of advantage to the Commission that all this be made available as soon as possible and as much as possible. The transcript may not be available for sometime, and if it possible to circularize these suggestions and the telegram I think it will be of benefit to the other operators in arriving at their conclusions about the proposed operations.

MR. SPURRIER: We can do that, Mr. Campbell; and we will do it just as soon as we can get it out. We will mail this to our general mailing list, and also to the members of the Potash-Oil Committee.

MR. CAMPBELL: Mail them sufficient copies so that they can circularize the potash companies?

MR. SPURRIER: Yes.

MR. CAMPBELL: Unless someone else has something, that is all we have at this time. There are a few copies of the deep-well suggestions here now if some want to take them rather than wait their arrival in the mail. Probably not enough for everyone, but there are some here.

MR. SPURRIER: Is there anyone else to be heard in this case at this time?

(No response.)

STATE OF NEW MEXICO

ss

COUNTY OF BERNALILLO

I HEREBY CERTIFY That the foregoing transcript of hearing in Case 278 is a true record of the same to the best of my knowledge, skill, and ability.

DONE at Albuquerque, N. M., July 3, 1951.

*E. E. Greeson*

E. E. Greeson  
Notary Public

My Commission Expires: Aug. 4, 1952.

