

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

August 17, 1955

IN THE MATTER OF:

CASE NO. 943

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

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ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 17, 1955

IN THE MATTER OF:)
)
)

Application of the Commission upon its own
motion for an order revising, amending and
clarifying Section "M" of the Commission's
Statewide Rules and Regulations dealing
with reports and forms adopted by the
Commission for use by the industry.)
)

Case No. 943

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 943.

C H A R L E S M. R I E D E R ,

called as a witness, having been previously duly sworn, testified
as follows:

DIRECT EXAMINATION

By MR. KITTS:

Q Will you state your name and position, please?

A Charles M. Rieder, Engineer with the Oil Conservation
Commission.

Q Mr. Rieder, in connection with this case I believe you pre-
pared a proposed revision of Section "M" of the Statewide Rules?

A Yes, I have.

(Marked Commission's Exhibit No. 1
for identification.)

Q Have you marked that as an exhibit?

A Yes, I have. I have prepared it as an exhibit and it has been duly marked, Exhibit 1.

Q Mr. Rieder, will you discuss for the Commission your proposals which are embodied in Exhibit 1?

A For the benefit of the gentlemen of the industry, the proposed revision, any alteration, change or addition to Section "M" of the Statewide Rules and Regulations is underlined. If we will start with the first page it might be possible to explain any of the revisions we have, or additions.

The first addition we have is at the top of what would be Page 1 of Section "M" of the Statewide Rules and Regulations. In that it says, "All reports and forms as required by the following rules shall be filed with the appropriate District Office of the Commission, et cetera". The purpose of that, where not specifically spelled out in the rule, all formal reports are to be sent to the District Office in which the well is located. Considerable confusion has arisen in the past by having reports sent to the incorrect District Office. In Rule 1103, **the forms there are no changes.** In 1104 you will notice the underlining "For all locations an official Commission well location plat shall be submitted." If you will notice on the back of the Section "M", which you have in your hands, is the proposed well location plat which will be the accepted plat, an official plat for the New Mexico Oil Conservation Commission. The purpose of this is that the various operators have different methods and means of surveying their different leases. Some send in lease plats which are quite large, and it makes it very difficult to get them properly filed and to use them properly. It is the proposal of the staff that the adoption of this well location plat will give

uniformity to all plats submitted to the Commission and will make it more readily available to the Commission for their use. It will also make it a lot easier for everybody to understand where the well location is. It says further that it will be submitted in triplicate with C-101.

There are no changes in 1105 or 1106. However, the recent changes that have been granted by prior hearing have been adopted in this form so that the one Section "M" will be a clear record of what has been done and what is required by the Commission.

I refer you to 1107. In Rule 1107 we have added one additional paragraph. We have ~~deleted~~ nothing, just the addition of what is underlined there for all gas wells. The C-104 must be accompanied by a Commission gas well plat in duplicate. I believe everyone is familiar with a gas well plat which has been adopted.

In Rule 1108 we have made the additions that are underlined. I don't believe there will be any question there. What has been included in the requirement is that one copy of all logs run on any well in the State of New Mexico will be submitted with the C-105 to the District Office.

MR. SMITH: J. K. Smith. May it please the Commission, I am not sure if it is proper at this time to register our objection to the filing of electric logs. Shall we wait until he gets through with the entire analysis?

A I might suggest, Mr. Kitts, that in the interest of keeping it clear, it might be well to object as we discuss the individual points.

MR. MACEY: I think so.

MR. SMITH: I would like to, on behalf of Stanolind, object

to the requirement that we file electric logs. We have always considered that information to be of a confidential nature and I note that the requirements of the rule only make it confidential for 90 days, and we think that since it is of a confidential nature and required, that we should be privileged to withhold it unless there is some particular reason that the Commission may have in mind that would require some analysis. Of just simply filing every log that comes in, most of the logs we have, we have no objection to filing. There are some type wells that we would like to keep under our hat for some period of time.

MR. MACEY: Would you have any objection to allowing you to file a letter in lieu of the log that it is confidential and that it is available if we need it at the Commission?

MR. SMITH: I think some would be all right.

A We feel, Mr. Smith, that to be given as many logs as we possibly can, we know any tight well would remain tight. Mr. Montgomery at Hobbs, and Mr. Arnold at Aztec, it is necessary from time to time, for us to conduct various studies, and without logs the study is pretty useless. It has been our practice, if the log is not submitted, to secure it from the various agencies that have them available. It would be a convenience to the Commission if on all wells that you could, you would submit the log immediately. On those wells that you could not, if you attached a letter stating that when the well was no longer classified as tight, you would submit the log, it would be of considerable help to Mr. Montgomery and Mr. Arnold.

MR. SMITH: Our primary concern is keeping them confidential within the company, and I assume that might be acceptable to my company

although I don't know. This suggestion has just come up. I would like to suggest further that you may have quite a storage problem with logs that will be coming in on all these wells.

A Yes, sir, we already have room for them.

MR. SMITH: I might make the suggestion that if you have a particular area you want to study, that it might be more convenient for you to pool the operators to see what logs they have, and conduct your study rather than to have a tremendous storage problem with all the logs that do come in.

A If I am correct, and Mr. Montgomery will correct me if I am wrong, as the logs come in on various wells in the Eumont area, the wells that would be coming in, the majority of them would be in an interesting area in which we would like to extend the contour maps we maintain of that area. Taking the area, for instance, which is under consideration, as you know now, there is a considerable problem in trying to dissolve a number of phases of things down there. Without the logs, Mr. Montgomery is almost helpless. It would mean he would have to stop when he ran into an area and consult the operators. In the main, the majority of the logs are available from the logging services, almost immediately.

MR. SMITH: The majority of the logs we take, we have no particular reason why anybody that wants to can't see them.

A I think that would be except to anything you want to keep tight.

MR. SMITH: I think that probably will be acceptable.

MR. Harrington: Mr. Harrington of the Gulf Oil Corporation. You say a copy of all the logs run on the well. You want caliper surveys?

A No, the electric log that would be of interest to us.

If you run a microlateral, it wouldn't hurt to throw one of those in as well as a gamma ray.

MR. Harrington: The only thing I want to qualify is the caliper and the temperature surveys and so forth.

A Those would not be necessary. Any log, if you felt it was an interesting well, to run a whole series of logs, it would prove interesting to the Commission.

MR. Harrington: It presents no problem because it is just as easy to mail five different logs as it is to mail one. We have plenty of logs, but a temperature survey is a log.

A Yes, sir.

MR. MACEY: Perhaps we ought to rephrase that to eliminate those so there wouldn't be any question.

MR. WALKER: Gamma ray and electrical?

A Both. We would rather have the electric logs because that is what we have the most of.

MR. NESTOR: I might also like to protest for Shell Oil Company, the word "oil", because that covers a tremendous amount of ground, and we certainly would be reluctant to submit dip meter surveys and things of that nature, which would be for our own information.

A With the depletion of all --

MR. NESTOR: I think we should be explicit, to state that you want the regular electrical surveys and/or gamma ray surveys.

MR. MALONE: Gulf would like to concur in that suggestion also. There are some penalty provisions for failing to provide with the requirements of the regulations. This is an absolute requirement. I think it would be desirable to define the logs in-

cluded. We would like to concur in the suggestion that Mr. Macey made, of providing a letter in lieu of a log on the confidential wells.

MR. MONTGOMERY: I would like to make a suggestion on the confidential 90 days. It would be difficult for me to try to determine when the 90 days was up.

MR. MACEY: I think we will eliminate the 90-day provision. If it is confidential they don't have to submit it. We wouldn't be obligated to keep them confidential.

MR. MONTGOMERY: If they are confidential I don't want them in my file.

MR. MACEY: Anyone else?

A The paragraph which is underlined, this is still with reference to 1108, is merely to set out a requirement of one of the other rules in the case of a well-plugging operation, a complete record of the well on C-105 will be submitted to the Commission along with the log.

1109, that is a division of the bottom paragraph, and further, the requirement that -- Well, it isn't a new requirement, I think most everybody has been observing it. It is just spelling it out. Where there should occur a change of well numbers or lease designation, the C-110 should be filed. In the last paragraph, that provision is to make possible the movement of load oil, frac oil and oil used in remedial operations where heretofore it has been required you submit a letter, not for approval, but a letter shall be submitted requesting the approximate number of barrels of oil. That has worked a hardship, in that you might want more and you have asked for so much, and the transporter may object to taking any more

than the amount in the letter. We have inserted the part in the paragraph which allows that you will file with the Commission, three days after the movement of the oil, what was moved and indicating by whom and to where, and from where.

The particular note we would like to call to your attention, is that copies of this would be submitted, one to the authorized transporter, two to the temporary transporter, as well as the regular distribution.

1110 is unchanged. 1111 is unchanged.

MR. WALKER: Don Walker with Gulf. I would like to go back to 1109, on C-110.

A Yes.

MR. WALKER: There is a little complication we have. I don't know if other people bother with it or not. When we are making a lot of copies of C-110, it is vital information to us and a lot of people want copies. When the Commission approves the fourth copy and sends it back to us for our use, I wonder if it would be possible to specify that we get the second copy.

MR. MACEY: In other words, you want a legible copy?

MR. WALKER: Yes, we want one we can photostat and reproduce and send to our people.

MR. SMITH: I am puzzled by this temporary change of transporter, when would that ever occur?

A It occurs if you are transferring oil, for the purpose of loading your oil, or frac oil which you are using to mix, to form the fracturing medium or use as a displacing medium, you are transferring oil from one lease to another, possibly. Some companies do, some companies don't. Some use regular crude runs, some use refined

oil, there is a variety. In this temporary change of transporter, which has occurred up to date, it has been required in the old rule that the Commission be notified of any temporary change prior to the movement of the product and while it isn't an approved form, the Commission in a way approves it, you are supposed to notify us. It would come to where you wanted the oil actually moved, and it may be you have what appears to be the approval of six and you may want six and he may not want to take it. Inasmuch as it is not an approved form, we felt that just the submitting of the notice after three days following the movement of the oil, you wouldn't be giving an approximate figure, you would be giving an exact figure of the oil moved. It would allow us to keep our records, it would keep the records clearer and it would also allow you to do just, move as much oil as you wanted within reason.

MR. SMITH: I have no objection to it. I was puzzled by it, particularly inasmuch as it was broad and theoretically a man could be caught with two or three truck loads of oil, and we were going to file a notice of change of transport a couple of days from now. Had you given thought to that possibility?

A Yes. Inasmuch as we don't require tenders for movement in this State, it seems that might be a little unnecessary and burdensome for the operator. I grant you, administratively, it would be a better method if they had a strict authorization, but inasmuch as we don't require a tender, why it would seem like an unnecessary requirement.

MR. SMITH: As I said, I have no objection to it.

MR. McGRATH: P. T. McGrath, United States Geological Survey. On your well location pattern, just looking at it, is on legal size

paper.

A It will not be.

MR. McGRATH: All my files are set up on eight and a half by eleven.

A We put it on this because of the limitation of the typewriter we use to duplicate this. It will be available at the District Offices and Santa Fe, for anybody.

MR. MONTGOMERY: Since you are on the plat deal, there is a point there in the elevation. In the past our forms have been revised and we have elevation for ~~the~~ ^{tubing} head, and then revised later for elevation for casinghead, and often times the operator doesn't know the elevation and reports the ground elevation, or ~~derrick~~ ^{derrick} ~~dirt~~ floor elevation, and therefore, there is a plus or minus ten feet of error in the elevation. Often times ten feet of elevation is critical. If you have no elevation you have no information geologically when you go to work with a log. If your elevation is wrong, naturally your information is going to be off a little bit. I wonder if we could specify the initials, DF and ~~DL~~ ^{derrick}, ~~dirt~~ floor and ground level.

MR. MACEY: I doubt if they would know unless they knew the exact rate of moving in there, it is very variable. Possibly we should specify the ground elevation on the survey and 105, the well log, the ~~dirt~~ ^{derrick} floor.

A In most cases I think it would be a ground level elevation.

MR. MACEY: On a survey some of them don't run, they don't run the elevation.

MR. MONTGOMERY: That brings up the point that the elevation they might put down to fill in the blank would often times be in

error. You would be surprised how often that occurs in a form.

MR. NESTOR: Particularly in drilling shallow wells which require just relatively few days of rig time we often don't receive the ^{log}~~log~~ and Simmons elevation until several weeks after completion of the well. That is another phase of the problem. It would delay accurate reporting of such a figure.

MR. MONTGOMERY: An inaccurate figure --

MR. NESTOR: (Interrupting) It would be better to give none.

A The operator, in completing the form, could state this is a ground level. We could spell that out for the rule, or just say unknown, and leave it at that.

MR. MACEY: If it is unknown, it is unknown, there is nothing you can do about it.

A The log will have the elevation on it.

GOVERNOR SIMMS: If you have a note right on the plat itself it will remind him they are working with a certain elevation, isn't that it?

MR. MONTGOMERY: That is correct.

GOVERNOR SIMMS: Even though there are forms that give some other information.

MR. NESTOR: They are generally far more accurate than the electric log people. They have slipped some pretty bad cogs, no reflection on their work, it is something additional, it is not part of their technical service.

MR. MACEY: I think that is something we can work out. If it is not available, we certainly couldn't expect it on a survey plat, and when the log submitted is not available, which is frequently the case, you can't expect it.

MR. WALKER: Don Walker with Gulf, In connection with this form where it says registered professional engineer and land surveyor-- It says the plat made by a regular ~~survey~~^{Surveyor}, or a ~~survey~~^{Surveyor} approved by the Commission. I just wonder about the advisability of changing that "and" to an "or."

MR. MACEY: I agree with you. Do you understand what he said?

A Yes.

MR. MACEY: Anyone else?

A In Rule 1110, the rule remains unchanged. However, we have revised the C-111 so that the Sheet 1 will be submitted once. Sheet 2 will cover all the wells that are covered by, reported by the one producer. No change now until we get to Page 10 of Section "M", in Rule 1120. That was revised to allow, to set out for Form C-121-a which in the old rule was omitted. That is the only additional requirement there. If we can go back, in Rule 1119, we have revised the Form C-120, which is the injection report, the monthly injection report. The previous form limited to the injection more or less to water, and did not provide sufficient space, nor room, for sufficient information. This form will be on a legal size sheet, and makes possible the reporting of injection of water, gas or whatever the injection medium is. In a number of these rules over here in the previous order they did not definitely spell out the number of copies required to be sent to the Commission. In that case, although they are not underlined, the affected rules, 1117 and 1119 in which case we included, they will be submitted in quadruplicate, and the 120 in triplicate.

Rule 1121 we have prepared, and would like to recommend the

adoption of a new revised form C-122, which the Commission feels and the staff feels places the information in a more useable manner, and will make the form a lot easier to use.

I refer you now to Rule 1127. This is a new rule that we have not heretofore had. The agreement has been an unwritten but understood agreement between the operators and the Commission and the United States Geological Survey. I think it might be well to read the rule. "It is not necessary to file and to receive approval of NOTICE OF INTENTION TO DRILL, MISCELLANEOUS NOTICES, MISCELLANEOUS REPORTS ON WELLS, or WELL RECORDS on state forms for wells drilled on Federal land in the State of New Mexico; however, it shall be the duty of each operator in the State of New Mexico who drills on Federal land to see to it that the Commission receives copies in DUPLICATE of all forms submitted to and approved by the USGS whether on the forms of the Commission or those forms provided by the USGS." That is the main requirement.

The rule went on further: "The following USGS forms will be accepted in lieu of the regular Commission forms from operators of wells on Federal land:

<u>USGS FORM</u>	<u>TITLE OF FORM</u>	<u>SIMILAR OCC FORM</u>
9-331a -	SUNDRY NOTICES AND REPORTS ON WELLS	- C-101
9-331a -		- C-102
9-331a -		- C-103
9-330 -	LOG OF OIL OR GAS WELL	- C-105

The above forms as may be revised, are the only forms that may be submitted in the place of the regular Commission forms.

After a well is completed and ready for pipe-line connection,

it is necessary to file Oil Conservation Commission Forms C-104 and C-110 with the Commission on any and all wells drilled in the State, regardless of land status. Further, all reports and forms as required under the preceeding rules of this section of the Rules and Regulations that pertain to production must be filed on the proper Oil Conservation Commission form as set out in said Rule - no other forms will be accepted.

Failure to comply with the provisions of this Rule will result in the cancellation of Form C-110 for the affected well or wells."

MR. McGRATH: Do you still want these sent to us?

A Yes.

MR. McGRATH: We have not been sending other than the 331-a. We haven't been sending you copies, do you want those? A Yes, sir.

MR. McGRATH: You haven't been getting them, I suppose you know?

A Well, the big problem has been that sometimes we have gone back and found where our records reflect nothing on the well.

MR. McGRATH: We talked it over and decided we would exchange information on wells. You said all you wanted was the intention to drill, and the log which on the log form has the pipe and where it is set and how much cement to use. It doesn't have the testing of the pipe.

A The testing forms wouldn't be absolutely necessary. What we need more than anything else is the work-over reports. That is the one thing, our work-over reports are badly lacking.

MR. McGRATH: We don't require them, unless the well is plugged back and drilled deeper.

A That is probably where the missing files, that is what it is accountable to.

MR. McGRATH: If they go in and re-^{shoot} shoe, or sand-frac, we do require it.

A With this rule, the additional requirement would force them to send you two copies. We don't want the copy coming directly from the operators because for one reason or another the form might not be ^{approved} used. It is better to use the system we have, where you just send two additional copies to the United States Geological Survey and they will forward them to us. That way we will know when it is an approved form, and we don't end up with forms that were denied by United States Geological Survey that we know nothing about.

That is all I have.

Q (By MR. KITTS) Is it your intention in making this proposal that we can only get copies of the approved notice and intention to drill?

A Yes, sir.

Q After they are approved by the United States Geological Survey?

A Yes, sir. The purpose of the rule is to merely put into writing and make it a rule, what has been an understanding; and to provide the Commission with a fairly complete record of wells located on Federal acreage on which we are required, from time to time, to take administrative action, such as requests for allowable deliverability changes, and it is very difficult to handle these things administratively when you don't know what has been done. It requires the additional writing to the operator to get the information you require. It holds up his request and exercises a lot of confusion and extra burden.

MR. MANKIN: To be in line with what Mr. McGrath suggests,

I want to insert one short sentence to indicate that they have to continue as they have on Federal lands, to submit all the forms to United States Geological Survey. The person might think they would send them direct to the Commission.

A Well, that would be --

Q (By MR. KITTS) In other words, to say to submit the forms to the United States Geological Survey, and they in turn will make distribution. The way that it leaves it here, see that it shall be their duty to see that the Commission receives a copy.

A It could easily be spelled out.

Q Spell out a few more words. Actually though, it is sent to them, it should be spelled out that it is sent to them, that they approve it and we get a copy.

A However, we left it, the intention in the writing of it this way was to see to it that the Commission receives, was to give the operator the option how it was to be submitted, so long as it is a copy of an approved form.

Q We don't want them direct, they should come from the United States Geological Survey.

A I would say this, so long as it is an approved form it wouldn't make a great deal of difference whether the operator would send it or not. It would be easier to work with the United States Geological Survey, to send them two additional copies and have them forward it to us. I think we could include that.

Q It has happened some have sent them direct before going to the United States Geological Survey.

MR. MACEY: Do you have anything further?

MR. KITTS: No.

MR. DUPONT: Just one suggestion. If this rule is adopted that all the operators be notified by letter or something. Under the present set-up, they have been sending to us any reports for us to furnish the Commission, so I am afraid just the rule in the book, well, all the ~~officers~~^{operators} wouldn't be notified if the rule is adopted. We don't mind passing the two copies on to you, and I think a letter to each office would specifically call it to our attention.

MR. MACEY: Anyone else?

MR. MONTGOMERY: Back to rule -- to the rule pertaining to logs, Rule 1108. In the past we have required in shallow oil-gas areas, for the operators to file logs. Some file large scale and some small scale. It is quite difficult wherever you are correlating to work from a large to a small scale log. I wonder if it would be possible to spell out in there to furnish the reduced scale log? It would certainly be easier to work with them and also to file.

MR. MACEY: I don't know that they want to do that.

MR. HARRINGTON: Clayton Harrington, with Gulf. I think your time limit there would have to be changed because those logs are reduced by the West Texas Electrical Log Service, and quite often you have quite a period of time before you get that small scale copy back. Also, you are furnished from the large scale and the small ones cost a buck and a quarter.

MR. MACEY: We realize that. Does anyone else have anything further in this case?

MR. KITTS: I have something further. Perhaps as ~~Examining~~^{attorney} Attorney, I am not the one to make the comment. Referring to 1127,

the first line in particular, where we say, "It is not necessary to file and to receive approval of --" I think by implication there, we are stating what the affect will be, more or less for all purposes of copies of certain government forms. I think maybe we are going -- It ought to be spelled out more specifically, I am thinking of a case I am studying at the present time, where I feel that stating the effect of the mere receipt of a copy of a United States Geological Survey report an approved notice for intention to drill. The way it reads here, that for all purposes, the receipt of a copy of notice of intention approved by United States Geological Survey would be sufficient for all Commission purposes. I wonder if that is not stated a little more broader.

MR. MACEY: You are speaking of intention to drill involving communitized units. I think we could put out an administrative order pertaining to the filing of those forms that would eliminate those forms, by requiring them to submit an extra copy.

MR. KITTS: Any such rule or regulation being a supplement to this order?

MR. MACEY: That is right, it is only necessary on a unitization.

MR. KITTS: That is the only instance I could think of where this might be some question.

MR. MACEY: Anyone else? If nothing further, Mr. Rieder may be excused.

(Witness excused.)

MR. MALONE: May it please the Commission, the operators have not had an opportunity to examine some of these revised forms that are attached to this recommendation, and we would like to suggest

that we be afforded time to examine them before the record is closed on this, and to submit any suggestionsthat we might have.

MR. MACEY: Would you want the case continued, Mr. Malone, or would you just like 20 or 30 days to submit?

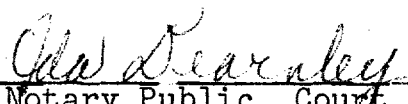
MR. MALONE: If we could have 30 days to submit in writing our comments we would appreciate it.

MR. MACEY: We would welcome your comments. We will take the case under advisement.

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

I, ADA DEARNLEY, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at 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 24th day of August, 1955.

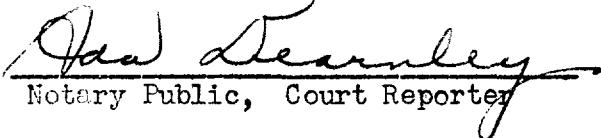

Notary Public, Court Reporter

My Commission Expires:
June 19, 1959,

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at 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 19th day of August, 1955.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1959