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July 21, 1986

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R. L. Stamets, Director  
New Mexico Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87504-2088

Re: OCD Case 8909, Proposed Treating Plant Rule.

Dear Mr. Stamets:

The proposed revision of Rule 312 contained a provision in sub-paragraph (a)(6) for a cash bond. Will the final rule also contain this provision? In the interim, until the final rule is promulgated, is a cash bond acceptable? The reason I ask is that bonds for oil and gas operations seem to be extremely difficult to acquire these days.

Thank you for your consideration of this matter.

Very truly yours,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY

*James Bruce*  
James Bruce

JGB:jr

cc: Jeff Taylor



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

TONY ANAYA  
GOVERNOR

June 2, 1986

POST OFFICE BOX 2068  
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SANTA FE, NEW MEXICO 87501-2068  
(505) 827-5800

MEMORANDUM NO. 4-86

TO: ALL OPERATORS AND INTERESTED PARTIES

FROM: R. L. STAMETS, DIRECTOR *RLS*

SUBJECT: CLARIFICATION OF ADMINISTRATIVE APPROVAL PROCESSES IN CERTAIN  
POOLS WITH SPECIAL RULES

Division Rule 1 provides in part that: "Special rules, regulations and orders have been and will be issued when requested and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply."

Over the years, many special pool rules have been written. Many of these contained special rules providing for administrative exceptions to such matters as location requirements or spacing unit size while others did not. One prevailing opinion is that the intent of those special rules without administrative exception provisions was to preclude such exceptions. The counter opinion is that when read with Rule 1, if nothing is said, then the administrative exception provisions in the General Rules shall apply.

Notice is hereby provided that it is henceforth to be Division policy to utilize the administrative exceptions or approval procedures of the General Rules when special pool rules are silent as to such exceptions. This policy will save both the Division and operators the cost of unnecessary hearings.

Any person who is aware of any pool with special rules which should preclude any of the administrative exceptions or approvals provided in the General Rules should notify this office of such situation at the earliest possible date providing the reasoning for precluding administrative exceptions. Thereafter, we would suspend this policy for such pool and schedule a case to modify such special rules to incorporate the necessary prohibitions.

RLS:dp



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

TONY ANAYA  
GOVERNOR

June 11, 1986

POST OFFICE BOX 2038  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501-2038  
(505) 827-5300

MEMORANDUM NO. 5-86

TO: ALL OPERATORS AND INTERESTED PARTIES

FROM: R. L. STAMETS, DIRECTOR 

SUBJECT: EPA SAMPLING OF PRODUCED WATER AND DRILLING FLUIDS, NOTICE OF OPEN MEETING

As required by Congress in the 1980 amendments to the Solid Waste Disposal Act, the USEPA is required to undertake studies of "drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil or natural gas or geothermal energy." These studies are to determine if these wastes should be regulated as "hazardous wastes" under provisions of the Resource Conservation and Recovery Act (RCRA). The studies are to include a nationwide field sampling program in oil and gas producing states to identify waste and pollutant characteristics. New Mexico sampling will begin June 25. Because of Congressional deadlines and budget constraints, EPA plans to sample only a few sites in New Mexico. Operators selected for visits will be notified separately.

The OCD is cooperating with the EPA by assisting in site selection, and providing information and some logistical support. This includes visits to the two major oil and gas production areas, and discussions with EPA staff on the existing State-run fresh water protection program.

The EPA has offered to participate in an informal open meeting to discuss the Congressional requirement for studies of oil and gas production wastes, the field sampling program, timetables, and other informational requirements related to this study. Before any standards or regulations on these wastes will be promulgated, EPA is required to complete these studies, hold formal public hearings, and make recommendations to Congress.

The meeting will be held at 9:30 a.m., Tuesday, June 24, in the OCD Conference Room (Room 205), in the State Land Office Building in Santa Fe. Copies of EPA's oil and gas sampling strategy document and other information are available from David Boyer of this Division at 827-5812.

RLS:DGB:dp



TONY ANAYA  
GOVERNOR

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

June 11, 1986



1925 - 1935

POST OFFICE BOX 2788  
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SANTA FE, NEW MEXICO 87501  
(505) 827-5600

MEMORANDUM NO. 6-86

TO: ALL INTERESTED PARTIES

FROM: MICHAEL E. STOGNER, PETROLEUM ENGINEER *M.S.*

SUBJECT: PROPOSED NGPA RULE CHANGES AND AMENDMENTS TO DIVISION  
ORDER NO. R-5878-B, AS AMENDED, PURSUANT TO CASE  
NO. 8903

The following amendments are being proposed for Division Order No. R-5878-B, as amended, Special Rules for Applications for Wellhead Price Ceiling Category Determinations, in Case No. 8903.

Definitions:

"[USGS]: [~~United-State-Geological-Survey~~]

USBLM: United States Bureau of Land Management"

RULE 1.

" An application for Wellhead Price Ceiling Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any. The application shall be signed by the applicant or his authorized representative or agent."

RULE 2.

" [~~The-application-shall-be-signed-by-the-applicant-or-his authorized-representative-or-agent~~]. A non-refundable filing fee in the amount of \$25.00 for each category sought per application must accompany each application when submitted to the New Mexico Oil Conservation Division. Payment must be by check or money order payable to the Oil Conservation Division. Cash will not be acceptable."

RULE 3.

" If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the ~~[USGS]~~ USBLM. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated."

RULE 4.

" Two complete copies of the application shall be filed with the Division's Santa Fe office. ~~[and a copy of the C-132 or C-132-A with the appropriate district office].~~"

RULE 13.

(Existing Rule 13 to be replaced in its entirety with the following.)

" For the purposes of NGPA only a proration unit for a given formation or pool shall automatically expire when the last well on the proration unit dedicated to said unit in that formation or pool has either been:

1. plugged and abandoned;
2. recompleted in another pool or formation;
3. converted to water injection within the producing horizon of said pool.

A copy of the Division Form C-103 for such well evidencing such plugging and abandonment, recompletion, or conversion shall be submitted, along with a copy of the Division Order approving water injection if applicable."

RULE 14.1.c.

" A location plat which locates and identifies the well for which the determination is sought and ~~[any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought,]~~ all other wells within a 2.5 mile radius of the subject well with sufficient information on those wells to determine whether or not they are considered to be marker wells."

RULE 14.2.c.

" A location plat which locates and identifies the well for which the determination is sought and all wells [~~which produced natural gas after January 1, 1970, and before April 20, 1977,~~] within the 2.5 mile radius drawn from the well for which a determination is sought, [~~including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought,~~] with sufficient information on those wells to determine whether or not they are considered to be marker wells."

RULE 16A.4.

" The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing and/or injecting from the same pool or reservoir as the subject well the spud date, recompletion date, cumulative production, and date of plug and abandonment, if any."

RULE 17.5 (New Addition)

"5. Occluded Natural Gas Produced from Coal Seams

- a. FERC Form No. 121;
- b. Division Form C-132 and the required attachments;
- c. Geological information sufficient to support a determination that the gas being produced is naturally occurring gas released from entrapment from the fractures, pores, and bedding planes of coal seams. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:
  - (1) well logs;
  - (2) a subsurface cross-section chart;
  - (3) gas analysis;
  - (4) all well completion reports for the well for which a determination is sought; and,
  - (5) a copy of the Division Order resulting from a hearing to establish a "Coal Seam Pool" if such a hearing was held by the Division;

- d. A detailed description of the production process if the gas is not produced through a well bore;
- e. A statement by the applicant, under oath, that the gas was produced from a coal seam and that the applicant has no knowledge of any information not described in the application which is inconsistent with his conclusion."

Dockets Nos. 21-86 and 22-86 are tentatively set for July 9 and July 23, 1986. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 25, 1986  
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, Alternate Examiner:

CASE 8909: (Continued from June 12, 1986, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to amend Rule 312 to provide for administrative approval of applications for treating plants, to require a cash or surety bond sufficient for surface reclamation of the treating plant facility site, and to additionally condition the bond upon land surface reclamation to OCT standards.

CASE 8903 (Continued from May 28, 1986, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS, pursuant to the Natural Gas Policy Act of 1978, as promulgated by Division Order No. R-5878-B, as amended. The proposed amendments to be considered include:

- 1) adopting an administrative procedure for NGPA Section 107, Occluded Natural Gas Produced from Coal Seams, wellhead filing requirements;
- 2) instituting a \$25.00 filing fee for each Application for Wellhead Price Ceiling Category Determination; and
- 3) minor changes and/or clarification to the GENERAL RULES, DEFINITIONS, AND FILING REQUIREMENTS for NGPA Categories 102, 103, 107, and 108.

CASE 8912: (Continued from June 12, 1986, Examiner Hearing)

Application of Parabo, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4300 feet to 4950 feet in its Royalty Holding Well No. 4, located 660 feet from the North and East lines of Section 25, Township 21 South, Range 37 East.

CASE 8925: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Sandsage State Unit Area comprising 3,360.00 acres, more or less, of State and Fee lands in Township 15 South, Range 35 East.

CASE 8926: Application of Sage Energy Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Saunders-Upper Permian Pennsylvanian Pool in the perforated interval from approximately 9565 feet to 9890 feet in its Lowe State Well No. 1 located 1980 feet from the South line and 660 feet from the West Line (Unit L) of Section 10, Township 15 South, Range 33 East.

CASE 8915: (Continued from June 12, 1986, Examiner Hearing)

Application of Tenneco Oil Company for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority for the directional drilling of four wells to the Basin-Dakota Pool on its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, Farmington city limits, as follows:

- 1) Well No. 1  
Surface Location (S.L.) - 2160' FSL -1591' FEL  
Bottom Hole Location (B.H.L.) - 1750' FSL - 1775' FEL
- 2) Well No. 1-E  
S.L. - 2203' FSL - 1653' FEL  
B.H.L. - 1650' FN & EL
- 3) Well No. 2  
S.L. - 2159' FSL - 1712' FEL  
B.H.L. - 1650' FS & WL
- 4) Well No. 2-E  
S.L. - 2246' FSL - 1712' FEL  
B.H.L. - 1650' FN & WL

Wells Nos. 1 and 1-E to be dedicated to the E/2 of said Section 10 and Wells Nos. 2 and 2E to be dedicated to the W/2 of said Section 10.

CASE 8927: Application of BHP Petroleum Company Inc. for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its proposed S. E. Dean Federal "10" Well No. 1 to be drilled 1000 feet from the North line and 1100 feet from the East line of Section 10, Township 16 South, Range 37 East, Northeast Lovington-Pennsylvanian Pool, the N/2 NE/4 of said Section 10 to be dedicated to the well.

CASE 8891: (Continued from June 12, 1986, Examiner Hearing)

Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its proposed Hartman Well No. 1-E to be drilled 1230 feet from the North line and 55 feet from the East line of Section 22, Township 29 North, Range 11 West, Basin-Dakota Pool, the E/2 of said Section 22 to be dedicated to the well.

CASE 8892: (Continued from June 12, 1986 Examiner Hearing)

Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its proposed Nancy Hartman Well No. 1 to be drilled 1100 feet from the North line and 55 feet from the East line of Section 22, Township 29 North, Range 11 West, Bloomfield-Chacra Pool, the NE/4 of said Section 22 to be dedicated to the well.

CASE 8928: (This case will be dismissed)

Application of Union Oil Company of California for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Esperanza Delaware Pool in the perforated interval from approximately 2832 feet to 3794 feet in its Wersell Federal Well No. 1 located 810 feet from the North line and 1980 feet from the West line (Unit C) of Section 4, Township 22 South, Range 27 East.

CASE 8874: (Continued from June 12, 1986, Examiner Hearing)

Application of Union Texas Petroleum Corporation for Pool Reclassification, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Crosby-Devonian Gas Pool as an associated pool and the promulgation of special pool rules therefor.

CASE 8929: Application of ARCO Oil and Gas Company for exception to the Division "No-Flare" General Rule No. 306, for two wells in the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Division General Rule 306 to flare casinghead gas from its ARCO Leeson Well No. 1 located 1740 feet from the South line and 1800 feet from the West line (Unit K) of Section 27, and from its ARCO Leeson Well No. 2 located 1855 feet from the North line and 515 feet from the West line (Unit E) of Section 27, both in Township 25 North, Range 3 West.

CASE 3666: (Continued from May 28, 1986, Examiner Hearing)

Application of Amoco Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox well location 180 feet from the South line and 130 feet from the East line of Section 9, Township 27 North, Range 12 West, Wildcat Gallup/Basin Dakota Pool, the SW/4 and S/2, respectively, of said Section 9, to be dedicated to the well.

CASE 8922: (Continued from June 12, 1986, Examiner Hearing)

Application of Amoco Production Company for the reinstatement of cancelled underproduction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules for prorated gas pools in Southeast New Mexico to permit the reinstatement of underproduction cancelled for the 1983-84 and 1984-85 proration periods for the existing 640-acre standard gas proration unit comprising all of Section 11, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool and dedicated to its Smith Federal Well No. 1 located 1650 feet from the North and West Lines (Unit F) of said Section 11.

CASE 8923: (Continued from June 12, 1986, Examiner Hearing)

Application of Amoco Production Company for the reinstatement of cancelled underproduction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules for prorated gas pools in Southeast New Mexico to permit the reinstatement of underproduction cancelled for the 1983-84 and 1984-85 proration periods for the existing 640-acre standard gas proration unit comprising all of Section 12, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool and dedicated to its Smith Federal Gas Com Well No. 1 located 1650 feet from the North line and 2310 feet from the West line (Unit F) of said Section 12.

CASE 3930: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, assigning a discovery allowable, reclassifying, and extending certain pools in Lea County, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Queen production and designated as the North Lovington-Queen Pool. The discovery well is the Lynx Petroleum Consultants Inc. Geraldine Doughty Well No. 1 located in Unit K of Section 25, Township 16 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM  
Section 25: SW/4

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas well for Mississippian production and designated as the South Shoe Bar-Mississippian Gas Pool. The discovery well is the Manzano Oil Corporation Apple MS Well No. 1 located in Unit C of Section 12, Township 17 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM  
Section 12: N/2

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Stallion-Devonian Pool. Further, assign approximately 60,845 barrels of discovery allowable to the discovery well, the American Trading & Production Corporation Lowe Federal Well No. 1 located in Unit D of Section 7, Township 13 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 38 EAST, NMPM  
Section 7: NW/4

(d) RECLASSIFY the Scharb-Queen Gas Pool in Lea County, New Mexico, as the Scharb-Queen Oil Pool due to the reclassification of the only producing well in the pool from gas to oil.

(e) EXTEND the South Humble City-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM  
Section 14: NE/4

(f) EXTEND the King-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM  
Section 35: NE/4

(g) EXTEND the Querecho Plains-Lower Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 26: SW/4  
Section 27: SE/4

(h) EXTEND the San Simon-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 5: NE/4

(i) EXTEND the San Simon-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 4: SW/4

(j) EXTEND the West Tonto-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 12: SE/4

CASE 8931: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves and Eddy Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Los Medanos-Morrow Gas Pool. The discovery well is the Pogo Producing Company Federal Neff Well No. 1 located in Unit C of Section 25, Township 22 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM  
Section 25: N/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Saladar-Strawn Gas Pool. The discovery well is the Yates Petroleum Corporation Stonewall EP State Com. Well No. 4 located in Unit H of Section 30, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 30: E/2

(c) EXTEND the Brushy Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM  
Section 13: NE/4

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM  
Section 18: NW/4

(d) EXTEND the Diablo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM  
Section 21: SE/4

(e) EXTEND the North Hackberry Yates-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM  
Section 22: NW/4

(f) EXTEND the High Lonesome-Queen Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM  
Section 22: E/2  
Section 26: NE/4

(g) EXTEND the West Millman-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM  
Section 14: NE/4

(h) EXTEND the Otis-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM  
Section 25: W/2  
Section 26: E/2

(i) EXTEND the Red Lake Queen-Grayburn-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 12: SE/4

(j) EXTEND the Ross Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM  
Section 25: N/2

(k) EXTEND the Scoggin Draw-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 9: N/2  
Section 10: N/2

(l) EXTEND the Shugart Yates-Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 35: NW/4