

CASE 3576: Application of JOMAR
INDUSTRIES for water disposal,
Lea County, New Mexico.

CASE No.
3576

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

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

P. O. BOX 2088
SANTA FE

June 6, 1967

Mr. James Durrett
Rhodes, McCallister and Durrett
Attorneys at Law
619 Simms Building
Albuquerque, New Mexico

Re: Case No. 3576
Order No. R-3250
Applicant:
JOMAR INDUSTRIES, INC.

Dear Sir:

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

Very truly yours,

A handwritten signature in cursive script, reading "A. L. Porter, Jr.", written over the typed name.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

Other Mr. W. D. Girand, John Fair, and Don Hallam

Case 3576

Heard 5-24-67

Rec. 5-31-67

1. Grant Jomas authority to dispose of produced water which is produced on their lease in the S/2 NW/4 SE/4 and N/2 SW/4 SE/4 sec. 30-185 -38E in open ~~surface~~ surface Pits.

2. Pits shall be safely fenced and shall contain all produced water. No ~~water~~ produced water shall be run in open trenches to the pit and no water shall be allowed to run from the pits into the ground surface nor shall any water be used from these pits for any purpose.

Thos. L. [Signature]

Docket No. 16-67

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 24, 1967

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

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

- CASE 3572: Application of Jones Exploration Company for a dual completion and for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its State Well No. 1 located in Unit H of Section 35, Township 17 South, Range 35 East, Vacuum Field, Lea County, New Mexico, in such a manner as to permit the production of Abo Reef oil through the tubing and the disposal of produced salt water down the casing-tubing annulus into the Paddock formation in the perforated interval from 6955 to 6995 feet.
- CASE 3573: Application of Aztec Oil & Gas Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the South Corbin Strawn Oil Pool, including a provision for 160-acre proration units and the establishment of a 4000 to one gas-oil ratio limitation.
- CASE 3574: Application of Cima Capitan, Inc. for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formations through one well located in Unit C of Section 3, Township 17 South, Range 32 East, Maljamar Pool, Lea County, New Mexico.
- CASE 3575: Application of Harvey E. Yates for a triple completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the triple completion of his Stebbins Deep Federal Well No. 1 located in Unit H of Section 30, Township 20 South, Range 29 East, Eddy County, New Mexico, to produce oil from the Scanlon Delaware Oil Pool through one string of tubing and to selectively produce gas from an undesignated Strawn gas pool and from an undesignated Morrow gas pool through another string of tubing. Selective production of one of the two gas zones at a time would be accomplished by means of a sliding side door and tubing plug.
- CASE 3576: Application of Jomar Industries, Inc. for water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, has proposed to drill certain wells in the S/2 NW/4 SE/4 and the N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 38 East, Lea County, New Mexico, for production of oil from the Ogallala formation. Applicant anticipates that fresh water will be produced from the Ogallala formation incidental to the production of said oil and now seeks authority to dispose of said water back into the Ogallala formation through an injection well or wells to be located no nearer than 330 feet to the outer boundaries of the above-described acreage.

CASE 3577: Application of El Paso Natural Gas Company for four non-standard units, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of the following non-standard gas proration units in Township 29 North, Range 7 West, Basin-Dakota Gas Pool, Rio Arriba County, New Mexico:

A 327.78-acre non-standard unit comprising the W/2 of Section 6 and the NW/4 of Section 7, to be dedicated to the San Juan 29-7 Unit Well No. 100 located 790 feet from the South line and 950 feet from the West line of said Section 6;

A 345.19-acre non-standard unit comprising the SW/4 of Section 7 and the W/2 of Section 18;

A 361.64-acre non-standard unit comprising the W/2 of Section 19 and the NW/4 of Section 30;

A 375.28-acre non-standard unit comprising the SW/4 of Section 30 and the W/2 of Section 31.

Each of the latter three non-standard units will be dedicated to a well to be drilled at an as yet undetermined standard location on the respective unit.

CASE 3578: Application of Texas Pacific Oil Company for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the dedication and rededication of certain acreage and the establishment of the following non-standard gas proration units in Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico:

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

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

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

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

(Case 3578 continued)

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

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

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

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

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

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

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

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

CASE 3579: Application of Texas Pacific Oil Company for three dual completions, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its State "A" A/c-2 Wells Nos. 28, 54, and 29, located in Unit I of Section 5, Unit O of Section 8, and Unit D of Section 9, respectively, Township 22 South, Range 36 East, Lea County, New Mexico, in such a manner as to produce gas from the Jalmat Gas Pool and oil from the South Eunice Oil Pool.

CASE 3580: Application of Sunray DX Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg formation through one well located in Unit C of Section 17, Township 17 South, Range 31 East, Grayburg-Jackson Pool, Eddy County, New Mexico.

- CASE 3581: Application of Sunray DX Oil 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 San Andres formation from 4248 feet to 4286 feet in its Harris State Well No. 5 located in Unit I of Section 23, Township 10 South, Range 32 East, Mescalero-San Andres Pool, Lea County, New Mexico.
- CASE 3582: Application of Tenneco Oil Company for two unorthodox gas well locations, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Blanco-Mesaverde Gas Pool location of its Jicarilla C Well No. 6, located 1780 feet from the North line and 1455 feet from the West line of Section 14, and its Jicarilla C Well No. 4 located 1650 feet from the North and West lines of Section 24, all in Township 26 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 3583: Application of Stoltz & Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the North Bagley-Lower Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- CASE 3584: Application of Gulf Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Eddy "BD" State Well No. 1 at an unorthodox location 660 feet from the South line and 990 feet from the East line of Section 32, Township 20 South, Range 30 East, in an undesignated Strawn gas pool, Eddy County, New Mexico.
- CASE 3585: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the force-pooling of all mineral interests in the North Bagley-Pennsylvanian Oil Field, SW/4 SE/4 and SE/4 SE/4 of Section 9, Township 11 South, Range 33 East, Lea County, New Mexico, to be dedicated to the Lea State "OE" Well No. 1 to be drilled 660 feet from the South line and 1980 feet from the East line of said Section 9.
- CASE 3586: Application of Morris R. Antweil for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Malaga Unit Area comprising 839 acres, more or less, of Federal and Fee lands in Sections 12 and 13, Township 24 South, Range 28 East, and Sections 7 and 18, Township 24 South, Range 29 East, Eddy County, New Mexico.
- CASE 3587: Application of Morris R. Antweil for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Delaware Sand through seven injection wells located in Sections 12 and 13, Township 24 South, Range 28 East, and Section 18, Township 24 South, Range 29 East, Malaga Pool, Eddy County, New Mexico.

- CASE 3588: Application of Pan American Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the unorthodox location in an undesignated Morrow and/or Devonian gas pool for its Poker Lake Unit Federal Well No. 26 at a location 660 feet from the South and East lines of Section 28, Township 24 South, Range 31 East, Eddy County, New Mexico, to be dedicated to a standard unit comprising the S/2 of said Section 28.
- CASE 3589: Application of Claude C. Kennedy for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of special pool rules for the Slick Rock-Dakota Oil Pool comprising the S/2 SE/4 of Section 36, Township 30 North, Range 17 West, including a provision for development on 2 1/2 acre spacing with the provision that each 40-acre tract be subject to the Northwest New Mexico normal unit allowable.
- CASE 3590: Application of Texaco Inc. for a pilot waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot waterflood project by the injection of water into the Pennsylvanian formation in the interval from 9650 feet to 9800 feet in its State BV Well No. 1 located in Unit E of Section 26, Township 13 South, Range 33 East, Lazy-J Pennsylvanian Pool, Lea County, New Mexico.
- CASE 3591: Application of Anadarko Production Company for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Langlie-Mattix Penrose Sand Unit Waterflood Project by the injection of water into the Penrose Sand through eight additional injection wells located in Sections 20, 28, 29, 32, and 33, all in Township 22 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico.

DONALD D. HALLAM

ATTORNEY AT LAW
118 EAST TAYLOR
HOBBS, NEW MEXICO

May 23, 1967

P. O. Box 1456

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

Re: Case No. 3576 - Application of Jomar Industries,
Inc. for water disposal, Lea County, New Mexico

Gentlemen:

The City of Hobbs has 21 wells approximately two and one-half miles east of the area where the applicant proposes to dispose of water, which wells during 1966 supplied 1,839,473,500 gallons or 5,645 acre feet, from the Ogallala aquifer formation, supplying fresh water for its inhabitants.

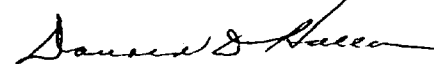
It is imperative that the Ogallala formation be protected from contamination through the proposed disposal project by preventing bacteria growth in the injected fluid as well as prohibiting the injection of emulsified hydrocarbon.

It is recommended that certain standards be met for the fluid to be injected into the Ogallala formation (if permitted by the New Mexico Oil Conservation Commission) and that these standards be set by the New Mexico State Engineer or the State Board of Health.

It is further recommended that samples of the injected fluid be submitted at regular intervals to the New Mexico State Board of Health where tests should be conducted with the results made available to all interested parties. Those parties having been assigned water rights in this township should have full power to witness operations being conducted and power granted for the taking of samples at their request.

The City officials realize that the withdrawal of hydrocarbon from the Ogallala formation is desirable and wish every success to the operators.

Very truly yours,



Donald D. Hallam
City Attorney
Hobbs, New Mexico

DDH/mf

RHODES, McCALLISTER & DURRETT
ATTORNEYS AT LAW

JERRY P. RHODES
ORVILLE C. McCALLISTER, JR.
J. M. DURRETT, JR.

MAIN OFFICE 000

'67 MAY 3 AM 8 15

619 SIMMS BUILDING
ALBUQUERQUE, NEW MEXICO 87101
TELEPHONE 243-9746

April 28, 1967

Case 3576

Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

I am enclosing an original and 2 copies of an application by Jomar Industries, Inc. for water disposal. Please docket this application for your next examiner hearing. I am forwarding a copy of this application to your Hobbs district office, to the State Engineer Office and State Health Department as the case involves fresh water and to USGS as the case involves a federal lease.

Very truly yours,

Rhodes, McCallister & Durrett

By *J. M. Durrett*

JMD/jb
Encl.

cc: J. D. Ramey, OCC, Hobbs, New Mexico
State Engineer Office
Department of Public Health
United States Geological Survey

DOCKET MAILED

Date 5-12-67

R

MAIN OFFICE 600

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

Application of
JOMAR INDUSTRIES, INC.
for Water Disposal

Case No. 3576

APPLICATION

COMES NOW the applicant, Jomar Industries, Inc., by
and through its attorneys, Rhodes, McCallister & Durrett, and
respectfully states:

I.

The applicant is the owner and operator of the South
Half of the Northwest Quarter of the Southeast Quarter (S/2 NW/4
SE/4) and the North Half of the Southwest Quarter of the Southeast
Quarter (N/2 SW/4 SE/4) of Section Thirty (30), Township Eighteen
(18) South, Range Thirty-eight (38) East, N. M. P. M., Lea County,
New Mexico, for production from the Ogalalla formation.

II.

The applicant is informed and believes that the
Ogalalla formation underlying said acreage contains fresh water
supplies designated by the State Engineer and crude oil which may
constitute a hazard to said fresh water supplies.

III.

The applicant anticipates that fresh water will be
produced from the Ogalalla formation incidental to the production
of oil from said formation.

IV.

The applicant seeks authority to dispose of produced fresh water into the Ogalalla formation through an injection well or wells to be located no nearer than 330 feet to the outer boundaries of the above described acreage.

V.

Said fresh water will be disposed of in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the State Engineer.

VI.

A plat showing the location of all wells within a radius of 2 miles, the formation from which said wells are producing or have produced and indicating lessees within said 2 mile radius is not attached hereto but will be forwarded to be attached hereto as Exhibit A and incorporated herein by reference.

VII.

A diagrammatic sketch of the proposed injection wells is not attached hereto but will be forwarded to be attached hereto as Exhibit B and incorporated herein by reference.

VIII.

A copy of this application has been forwarded to the State Engineer Office, State Capital Building, Santa Fe, New Mexico, and all attachments will be forwarded to the State Engineer Office.

WHEREFORE, the applicant requests the commission to enter its order approving the proposed water disposal.

Rhodes, McCallister & Durrett

By J. M. Durrett, Jr.
J. M. Durrett, Jr.

RHODES, McCALLISTER & DURRETT
ATTORNEYS AT LAW

JERRY P. RHODES
ORVILLE C. McCALLISTER, JR.
J. M. DURRETT, JR.

619 SIMMS BUILDING
ALBUQUERQUE, NEW MEXICO 87101
TELEPHONE 243-9746
May 9, 1967

OFFICE OF
MAY 10 AM 8 27

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

I am enclosing three copies of Exhibits "A"
and "B" to be attached to Jomar Industries' recent application
to dispose of fresh water in Sec. 30, Township 18 South Range
38 East, NMPM, Lea County, New Mexico.

Very truly yours,

Rhodes, McCallister & Durrett

By J. M. Durrett, Jr.
J. M. Durrett, Jr.

JMD:ab
encls.

cc: Joe Ramey
John Anderson

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3576
Order No. R-3250

APPLICATION OF JOMAR INDUSTRIES, INC.,
FOR WATER DISPOSAL, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 24, 1967,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 5th day of June, 1967, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That by Order No. R-3224, dated May 8, 1967, the
applicant, Jomar Industries, Inc., was authorized to drill 64 oil
wells on a non-standard drilling tract comprising the S/2 NW/4 SE/4
and the N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 38
East, NMPM, Lea County, New Mexico, for the purpose of removing
oil from the Ogallala formation, a fresh water aquifer.

(3) That the applicant seeks authority to dispose of water
to be produced from the Ogallala formation in conjunction with
the production of oil by the aforesaid 64 wells back into the
Ogallala formation through an injection well or wells to be
located no nearer than 330 feet to the outer boundaries of the
above-described acreage.

(4) That it is anticipated that inappreciable amounts of
Ogallala water will be produced in conjunction with the production
of oil by said 64 wells.

-2-

CASE No. 3576
Order No. R-3250

(5) That the water produced from the Ogallala formation in conjunction with the production of oil from said formation normally contains traces of oil or gas, or both, but otherwise is fresh water.

(6) That the said produced water is not an oil field brine as commonly understood in the oil and gas business.

(7) That the surface disposal in pits of Ogallala water produced in conjunction with the production of oil from said formation will present little or no hazard to the fresh water supply underlying such disposal.

(8) That the evidence indicates the disposal of water containing traces of oil or gas, or both, into the Ogallala formation may further contamination in said aquifer.

(9) That the subject application should be denied without prejudice to the right of the applicant to utilize surface pits for the disposal of water produced by the aforesaid 64 oil wells.

IT IS THEREFORE ORDERED:

(1) That the subject application is hereby denied.

(2) That the aforesaid denial shall not be construed to prejudice the right of the applicant to utilize surface pits for the disposal of Ogallala water produced in conjunction with the production of oil from the Ogallala formation; provided, however, said produced water shall not be conveyed to said surface pit or pits by means of ditches, that said produced water shall not be removed from said pit or pits for any use whatsoever, and said pit or pits shall be fenced and the fence kept in good repair.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

David F. Cargo
DAVID F. CARGO, Chairman

Guyton B. Hays
GUYTON B. HAYS, Member

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

esr/

dearnley-meier reporting service, inc.

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

1120 SIMAS BLDG. • P. O. BOX 1092 • PHONE 243-4491 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 24, 1967

EXAMINER HEARING

IN THE MATTER OF:

Application of Jomar Industries,
Inc. for water disposal, Lea
County, New Mexico.

Case No. 3576

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order, please.
The next case will be 3576.

MR. HATCH: Application of Jomar Industries, Inc.
for water disposal, Lea County, New Mexico.

MR. DURRETT: If the Examiner please, J. M. Durrett
of the firm of Rhodes, McCallister and Durrett, representing
the applicant, Jomar, and I have one witness.

MR. UTZ: Are there any other appearances?

MR. GIRAND: W. D. Girand of Girand, Cowan and
Reese, Hobbs, New Mexico, appearing on behalf of the land
owner, William Cecil Grimes. I will have Mr. Joe Walton and
possibly Mr. Farwilthelter, if he's here.

MR. HATCH: Are you making an appearance for the
Hilton Corporation.

MR. HALLAM: Donald Hallam, Box 1456, Hobbs,
representing the City of Hobbs. Possibly one witness, Fred
Baker.

MR. GIRAND: In order that our position be clear,
we're not necessarily here protesting the application, but
mainly we want to inquire as to the feasibility of the
application and whether or not the Commission has jurisdiction
to even determine the matter.

MR. UTZ: You are representing who did you say?

MR. GIRAND: The land owner, William Cecil Grimes.

dearnley-meier

dearnley-meier reporting service

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

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87101
1400 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO 87108

MR. FAIR: John H. Fair. I am a Public Health Engineer with the Department of Public Health in Santa Fe.

MR. UTZ: You are just making an appearance?

MR. FAIR: Yes.

MR. UTZ: Do you have a statement?

MR. FAIR: I have no statement.

MR. UTZ: Just an observer?

MR. FAIR: Just an observer.

MR. GIRAND: I may call Mr. Fair.

MR. UTZ: Are there any other appearances?

(Witnesses sworn.)

JOHN W. ECK, JR.

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DURRETT:

Q Mr. Eck, will you please state your name and position?

A John W. Eck, Junior, Vice President, Jomar Industries.

Q Where are you located?

A Dallas, Texas.

Q Are you the same Mr. Eck that testified before this Commission in Case No. 3565?

dearnley-meier reporting services

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

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

A Yes.

Q For a little background, Mr. Eck, what were you seeking in Case 3565, which was a previous hearing before this Commission?

A Permission to drill holes on Humble farmout lease, non-standard spacing, 64 holes.

Q Was that in Section 30, Township 18 South, Range 38 East, Lea County?

A Yes.

Q What acreage do you have there under a farmout or operating agreement from Humble?

A 40 acres.

Q What is the description of that acreage?

A It's the South Half, Northwest Quarter of the Southeast Quarter, North Half of the Southwest Quarter of the Southeast Quarter of Section 30, Township 18 South.

Q And did the Commission grant you authority to drill those wells?

A Yes.

Q What order number was that?

A That was Order No. R-3234.

MR. DURRETT: If the Examiner please, I would like to request that administrative notice of Order R-3234 be taken.

MR. UTZ: We will do so.

Q (By Mr. Durrett) Now, Mr. Eck, what are you seeking with this application?

A Water disposal from a limited amount of water being produced in conjunction with the oil production.

Q What formation will you be producing oil from?

A Ogallala formation.

Q Is the Ogallala formation also a fresh water formation to the best of your knowledge?

A Yes.

Q Do you anticipate that you will produce some fresh water incidental to the production of oil?

A Yes, we do.

Q How much water do you anticipate you will produce?

A This we don't know now because we have not any production record, but there will be some water produced, but we don't anticipate any great quantities.

Q You are anticipating what, a small volume of water?

A At the present time, yes.

Q You are seeking authority to dispose of this produced fresh water into the Ogallala formation, is that correct?

A That's right.

Q Do you know at this time how many injection wells you will have?

A No.

dearnley-meier reporting

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

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

Q On the locations of these wells, where are they to be located, do you have a minimum distance to the boundary?

A This would be 330 feet from the boundary of the lease we have.

Q So you will not put an injection well any closer than 330 feet to the boundary of the lease, is that correct?

A Right.

Q Do you have a plat, which I believe was attached to the application as exhibit what?

A A.

MR. DURRETT: Do you have these?

MR. UTZ: Yes, I have.

(Whereupon, Jomar's Exhibits Nos. 1 and 2 were marked for identification.)

Q Will you refer to Exhibit 1 and state what that shows?

A This is a plat of the ownership and wells in Section 30.

Q Does that show your lease?

A It does.

Q How is that designated?

A It's designated as Jomar Industries on that plat.

MR. UTZ: You have marked it Exhibit A, the reporter has marked it Exhibit 1. We will mark it whatever

you want.

MR. DURRETT: Let's make it 1, just scratch that off.

Q (By Mr. Durrett) Is your lease indicated with red shading on the official copy of the exhibit that the Examiner has?

A It is.

Q That shows that the wells are completed in the Ogallala formation within two miles of this lease?

A Right.

Q Now, Mr. Eck, I hand you what has been marked as Exhibit No. 2 and I ask you what that represents.

A This represents our proposal for disposal of fresh water.

Q Give us some background as to how you determined that you would dispose of the water under ground, what caused you to reach the conclusion that you should do this?

A We previously had a conference with the State Engineer and the State Health Department when we anticipated some water production, and asked them their advice on the best way in which to dispose of this water, and this is a direct result of the advice given us by the State Engineer and the State Health Department.

This is basically an exact reproduction of what they said they would like to see done with this water. It is

just based on this. This was strictly on their-- We did not have any preset plans or anything else for the disposal of water. We went to them and asked them whether this would be on open pit basis or what they wanted done with it. And this is a direct result of their advice. Everything on here is done basically under the advice of the State Health Department and the State Engineer. We had no preconceived ideas on it at all. This is strictly by their advice.

Q What was your purpose for consulting with them?

A Because we knew in producing some fresh water, we knew the importance of water in the region and basically these were the people we would seek to give us advice on it. The only logical place to go.

Q Were you trying to protect the fresh water supplies to the best of your ability?

A Right, we were trying to protect the fresh water and do what was best for all parties concerned.

Q Will you please go through Exhibit 2 in detail and show the Examiner exactly how you intend this operation to operate?

A Actually the water for disposal would be taken off through a sealed system with a seal at the well head and put back down into the formation by gravity flow. This is rather simplified but this is basically what they requested. They

said they would rather have it on a sealed system, and so this is why we set it up this way, feeding our water off the tank through into the injection well and down the injection well, flowing back into the formation on a gravity basis.

Q Now, you will store oil and water in the steel tank, is that correct?

A That's right.

Q So your production will go into the steel tank and then how will the water be separated from the oil?

A The oil naturally separates to the bottom, I mean the water naturally separates to the bottom, your oil is on top. We draw off to the, just to the oil level, the water, and just dispose of it this way. The other discharge over here, the greater discharge is for sediment and any sediment that settles out as the oil and water stand.

Q Now, describe your injection well, if you would. How do you propose to complete your injection well or wells?

A The injection well was just a hole drilled down to the static water level, cased down to ten feet. This would be a 6-3/4ths-inch hole cased down to ten feet and it's actually optional whether to drop the water down in a pipe inside the casing or just dispose of it in the sealed system, the seal at the well head, basically it would be optional to drop through the fuel casing or drop down through the pipe

inside. This would be regulated by the amount the formation would take, whichever tested out best. This, again, is on the advice of the State Engineer and Health Department, whichever worked out best.

Q You don't propose to have any pressure on your injection system, do you, other than gravity?

A This would be gravity flow. The State Engineer estimated that the formation would take the water at gravity flow. We have had no experience in it, but this was his experience. He said it should take the water at gravity flow.

Q Now, at what point do you propose to inject, and I am speaking in the formation, where will you inject in the formation?

A The State Engineer, once again, said the static water level, the casing just below the static water level would be the best place to inject the fluid.

Q This will be a completely sealed system, is that correct?

A Yes.

Q What was the purpose for that?

A That was the State Health Department mentioned this to control bacteria in the water returning.

Q Now, do you propose to drill these disposal wells or will you use dry holes, or how would you propose to acquire

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the disposal wells?

A We would have to drill these. There are no holes on the property, well, there's nothing on the property now which could be used as a disposal well, so we would have to drill these wells.

Q And you would be proposing to dispose into wells that had no show of oil, would that be correct?

A This, basically, is, this is what we had thought. I mean there's no set pattern on this, there is no set locations on this property for disposal wells. This would be basically, once again, relying on the Health Department and the State Engineer to specify exact locations where they would rather have these wells is satisfactory with us.

Q So, Jomar would be willing to consult with the Oil Commission, the State Engineer and the Health Department to get their approval on specific locations before --

A This is perfectly satisfactory with us.

Q Would Jomar be willing to meet any reasonable requirements that the State Health Department or the State Engineer's office might have concerning disposal of this water?

A Yes.

Q Was your diagram and your proposed sketch here the result of your conference with the State Engineer and the State Health Department so that all parties decided that would

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be the best way --

A This was taken exactly from their sketches they made on this type of disposal.

Q To the best of your knowledge, Mr. Eck, will your proposed disposal cause any contamination of fresh water supplies?

A As best I can see, I am not an engineer or water expert, but it appears feasible that this would be the best way to do it to avoid contamination.

Q Do you have any idea of how many injection wells you may ultimately have?

A This would depend on the ability of the formation to absorb the water actually.

Q So you would dispose into one and if it was not taking the water properly, then you would go ahead and have another one, is that correct?

A That's correct. We are willing, this is the thing that we -- none of this water disposal, actually the plan was our idea, we just strictly went to the State Engineer and the Health Department for their ideas on this to conform what they thought best on it. We had no preconceived ideas or anything else.

Q From Jomar's standpoint, you would be willing to put the water in open pits or injection system or anything

that the Oil Commission or the State Engineer or State Health Department thought was proper, is that right?

A Any way they want to specify.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes.

MR. DURRETT: If the Examiner please, I would move the introduction of Exhibits 1 and 2 and that will conclude my direct examination.

MR. UTZ: Without objection, the Exhibits 1 and 2 --

MR. GIRAND: We would like to withhold the introduction of Exhibit 2 until we have had a right to cross examine the witness.

MR. UTZ: We will withhold the introduction of Exhibit 2. The Exhibit 1 will be entered into the record.

(Whereupon, Jomar's Exhibit No. 1 was offered and admitted in evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Eck, is this four-inch, four foot by four foot, four-inch thick slab, is that cement?

A That's a concrete pad, right. This is a concrete pad to avoid any surface contamination down the outside.

Q Will this ten-foot casing be cemented to surface up

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to this pad?

A Right.

Q What kind of a seal did you propose here between the casing and the flow tube?

A This would just be a, oh, a threaded, I mean just a reduction "T", type with the diameter of the casing screwed on the casing and the same diameter on the inlet pipe.

Q Just a threaded reducer?

A Just a threaded reducer is all this is.

Q I presume that from the point of the well head seal to the point the flow line goes into the ground would actually be lower than your eight-inch standard pipe to the tank?

A Right. I might say one thing on that, the exact measurements on this would basically, I mean these would vary to take the best advantage of gravity flow of the water into the well. That eight inches isn't necessarily just an absolute dimension. I mean we would work this out to obtain the best flow we could.

Q Now, your discharge of your sediments, which, of course, would include some water, how do you propose to dispose of that?

A That would just be open pit.

Q You have no idea how much water would be involved?

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A No, I don't. It would just be until the sediments were drawn off, whenever the water cleared, whenever the sediments stopped, we would just cease, just close that off.

Q How big a tank would this be?

A This actually we had anticipated either two 250-barrel or two 500-barrel tanks. Once again, we haven't made an ultimate decision on this because we don't know the exact amount of the production we will have there.

MR. UTZ: Are there any other questions of the witness?

MR. GIRAND: Yes.

CROSS EXAMINATION

BY MR. GIRAND:

Q Mr. Eck, as a matter of fact, your company drilled some, oh, ten exploratory wells for the Humble Oil and Refining Company, did you not?

A Right.

Q One of those wells was located in the area in which you are taking your farmout, is that correct?

A Right.

Q Would you identify that on your Exhibit 1?

A This is identified in the upper left-hand corner as, it says 26 T.D. 35, this was a well. There was also another well down here identified with the triangle with a slash

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through it as 19 T.D.

Q Now, in the 19 T.D. you didn't find any oil, did you?

A No, we didn't.

Q And between the 19 T.D. and the 26 T.D. you had made no exploratory wells?

A No, we haven't.

Q Then other than the 26 T.D., you have no idea as to what of the acreage is capable of production?

A That's right.

Q Now, in connection with your 26 T.D., did you operate that well for any period of time in the nature of a test?

A No. We ran, I guess you would say a three-hour test on the well. It was just Humble requested we see what was in the bottom. We just run a test on it.

Q What was the depth of that well?

A The depth of that well was 35-1/2 feet.

Q What was the result of your three-hour test in relation to oil and water?

A We actually did not test the water-oil ratio on it. We just, we tested the oil just on a -- It wasn't a test on pumping or anything else because as the oil, when we first drilled the hole and struck the oil, we drilled down through and as the oil replaced itself in the reservoir we just pulled

it out with our type of drilling rig, exploration rig in itself removes the oil or fluids or everything else in the formation. We tested it down and let it sit and come back. This is strictly an estimate of five barrels of oil on three hours of what we had.

Now, we went down below the oil and also tested the water and had basically a clear water test down at total depth. The 34-1/2 was where we struck water and oil together. Then we tested it at the bottom at 35-1/2 and withdrew basically clear water.

Q Then your contact point, as established by your T.D. 26 would be 34-1/2, is that right?

A Thirty-two and a quarter.

Q Thirty-two and a quarter?

A Right.

Q Is that the point that you propose to discharge this injection water?

A No, this would -- The State Engineer and Health Department --

Q No, I am talking about you.

A They said the static water level. The static water level appears differently at different places.

Q Now, you established it here. You just testified to that?

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A Thirty-four and a quarter feet is where we established the static water level, so according to the diagram it would discharge right at thirty-four and a quarter feet according to the diagram here.

Q There's any number of wells being produced from the water formation immediately north of your farmout, are there not?

A Right.

Q How long have you been in the area there working for Humble in connection with this matter?

A Since January.

Q During that five-month period have you made any survey or inquired as to the production methods of the other operators in that area?

A We made brief -- Yes, we briefly looked into how the other operators were doing.

Q What did you learn in regard to the water-oil ratio? In other words, the percentage of water per barrel.

A Actually, we knew there was some water being produced, this varied according to the method of production; basically there's oil being produced by windmill and oil being produced by submersible electric pumps. We made no direct inquiry into the amount of oil or water ratio.

Q In other words, you made no study whatever to

determine how much water you would have to reinject in the reservoir?

A No.

Q Did you make any study as to the number of injection wells you might have to --

A No, we didn't. This would be dependent a lot on the ability of the injection well to take the water.

Q Is your Well No. 26 T.D., is it within the limits of where you propose to drill your wells?

A Yes.

Q That is 82-1/2 feet --

A 26 was a core hole, right, this would be inside any of the limits on the proposed drilling. This was in the center of the section, the section of that two and a half-acre plot.

Q What size hole will you use as a production hole?

A Six and three-quarters.

Q In other words, your production hole would be the same diameter of your input well?

A Right. We would be producing actually with submersible pump through a one-inch pipe. The diameter of that hole might be seven and a half inches depending upon the best diameter in which to service the well, whether it be better through a little larger hole. Right now we are planning on

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six and three-quarters.

Q Mr. Eck, I wasn't here at the time of the hearing on Order No. R-2334 that resulted in that order. What is your proposed drilling program from the standpoint of, are you committed to drill 64 wells or are you permitted to drill well by well and where are you permitted to drill those wells?

A The order specifies 82-1/2 feet in from the lease line, 165 feet between wells. On this 40 acres there were, on this pattern there were 64 locations basically.

Q I am asking your proposed development program.

A Our proposed development program is to develop from the Northwest corner toward the Southeast until, I mean this No. 19 had no oil show or anything else, so we would move toward this horizon, producing on this pattern until we ran out of any oil.

Q How many wells would that allow you to have north of your proposed site for your return wells or your induction wells?

A Well, this is actually unknown at the present time. I don't know where between 26 and 19, actually the oil stops, because --

Q You made no study on that?

A We have made no study on that. We have drilled nothing in between the spacing on that.

Q You have filed an application, however, to return this water in an area there 330 feet from the outside boundary line of your farmout, is that correct?

A Correct.

Q And you do not know at this time whether or not that water is contaminated under that area or has any oil in it?

A The only one we know is that 19 is within this basic area.

Q Did 19 show any oil?

A 19 showed no oil at all.

Q So somewhere between your 26 T.D. and your 19 T.D., why the oil runs out?

A That's right.

Q And it could be within the 330-foot area that you propose to put the induction wells?

A It could very easily run out.

Q Is there any particular engineering reason that you know of why the induction wells should be within the square 330 by 330 within your 40-acre farmout?

A This was just basically to, what we wanted to do is to set it far enough in so there, once again, all this basically goes back to the State Engineer and the Health Department, that when they said this was the thing to do, we wanted to set it where it would not disturb anything basically

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within our own property limits.

Q Well, regardless of within your own property limits, you are not acquiring the surface of the property, are you?

A No.

Q You are only acquiring the farmout?

A Just this 40-acre farmout, right.

Q So if it disturbed the interest of the land owner, that would be no concern of yours, is that right?

A I don't see it's no concern of ours, no. I would rather have it so that it doesn't disturb anybody. This is the thing we are trying to seek is the best possible method of disposal.

Q Have you made any study of whether or not it will take an injection well for each of your producing wells in order to handle the water?

A No, we haven't. The State Engineer estimated that one well would probably take care of the water produced. This we don't know.

Q Was your entire program based on information you obtained from the State Engineer and the Health Department?

A Basically that's exactly what we are doing.

Q In other words, you didn't make any study as to what you propose to do out there?

A No. We knew that the water had to be disposed.

I mean this is why we approached them on it and this is the answer we came back with from them. We have made no detailed studies on it. We haven't had any production to make any estimates or anything else on it actually, but this matter came up because we knew we'd produce some water, even in the first two wells there would be some water produced.

Q But you don't know how much?

A We didn't know how much or anything else, and all we asked them is for their advice on this, and this is basically the reason for the whole thing.

Q Which do you propose to drill first, your induction well or your production well?

A We would drill a production well first.

Q Now, would it be your idea, suppose you drilled it in the Northwest corner of your farmout --

A Right.

Q -- that then you would lay a flow line from that well head over to an induction well located within the 330-330 square to center?

A Right.

Q When you referred to lease line, are you referring to the entire permit of the old Bowers' permit?

A Our farmout.

Q Or are you referring to your farmout?

A Our farmout, 40 acres.

Q 40 acres?

A Right.

Q What would be your position, Mr. Eck, that after you drilled your production well and you went within your 300 by 330 center of your farmout and you drilled a well there to the static water level and did not encounter any oil, would you still propose to inject the salvagable water from your production well into that area?

A This was, once again, I will come back, the State Engineer said this would be the desirable thing to do in this area rather than in the oil area. The location of this well is immaterial to us. I keep going back to the State Engineer but he is the one that said that it would be best to do it out of the oil formation.

Q Well, if you had offset your actual production well with an induction well just a few feet apart, it would be a cheaper operation, would it not, to you?

A No, this water would have to come out of the tanks and we just planned on one central tank battery, so the best possible location of any disposal well would be as close to the tank battery as possible.

Q Have you had any of the water checked or tested that was produced from the wells that are located immediately

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north of your farmout?

A No, sir.

Q Have you had the water checked on the T.D. 26 on your Exhibit 1?

A No, sir.

Q Do you know at what rate you can return this water to the water reservoir?

A We do not know.

Q On the gravity flow?

A No, sir, we do not know. The State Engineer estimated that it would return basically as fast as it would bleed off into it.

Q Since we have been testifying about what he said and what not, did he tell you that he had any practical experience on the matter?

A I would say basically this was based on what he thought the water formations accept in water going back in.

Q He didn't give you any specific example?

A There were no specific answers or no engineering studies we looked at. This was strictly --

Q So, as far as you are concerned, and as far as he's concerned, you don't know whether it will work or not, do you?

A That's right.

MR. GIRAND: That's all.

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MR. UTZ: Any other questions?

MR. DURRETT: Yes.

MR. UTZ: Mr. Durrett.

REDIRECT EXAMINATION

BY MR. DURRETT:

Q When you went into this area before you drilled your wells or your test well there, you did determine what the other operators north of you were doing with the water they produced, did you not?

A Yes.

Q What were they doing with that water?

A Well, as far as -- I mean direct determination, we didn't make any direct study of it; some was being put into pits and it was our understanding there were some injection wells, too, both ways.

Q So to the best of your knowledge they were disposing of the water on the surface and through injection wells?

A Right.

Q Is your 26 T.D. plugged?

A Plugged, right.

MR. DURRETT: That's all I have.

MR. GIRAND: Mr. Examiner, I would like to have the record reopened, there's one phase of this I didn't cover.

RECROSS EXAMINATION

BY MR. GIRAND:

Q Is Jomar's, Incorporated a New Mexico corporation?

A No, this is a Texas corporation.

Q Have they been licensed to do business in the State of New Mexico?

A I believe that's in the process now.

Q You don't know?

A No, I don't.

Q Was it licensed to do business in the State of New Mexico when they drilled the ten test wells for Humble Oil and Refining Company?

A I would have to check on that.

Q You are Vice President, aren't you?

A I am a Vice President, right.

MR. GIRAND: That's all.

RECROSS EXAMINATION

BY MR. UTZ:

Q Let me clarify where you propose to put this injection well. Could you restate your proposal in that respect?

A Actually no location has been picked for it. This is a matter that we would like to put it as close as possible to the tank battery. Now, the question is still with the State

Engineer and Health Department, whether this should be injected into a dividing line of the oil, where the oil exists, or where the oil doesn't exist, and in our conference with the State Engineer he stated that he would rather see where the oil didn't exist and this doesn't actually, this point of location is a matter we would like to work out best with the State Engineer and Health Department. We have no preconceived ideas on this.

Q You are referring to whether or not you are going to inject it in the oil area, oil-productive area or --

A Right.

Q -- or outside the oil-productive area?

A Whether this would be in a possible area overlying oil or in an area like the No. 19 where we find no show of oil at all.

Q You did have a footage or proposal of 330 feet from what, your lease line?

A Any of our lease lines, farmout lines.

Q So actually your proposal was to drill them somewhere in the four two and a half tracts in the 40-acre lease?

A This would be right.

MR. UTZ: Are there any other questions? The witness may be excused.

(Witness excused.)

MR. DURRETT: We have no further testimony. I would like to move the introduction of Exhibit No. 2.

(Whereupon, Jomar's Exhibit No. 2 was offered in evidence.)

MR. GIRAND: We object to the introduction of Exhibit 2. There has been no proof in here that the diagram as set forth would actually work if put in operation. It's strictly an idea on the part of, I assume, the State Engineer or the Health Department. About all Mr. Eck has testified to is what they have said. I don't think the exhibit is qualified for introduction because there hasn't been any expert testimony offered here to show that it is workable.

MR. DURRETT: I might state along those lines, Mr. Examiner, that we submit it is not necessary to present expert testimony to show that an exhibit is workable before it is admissible into evidence. This exhibit, Mr. Eck has testified, accurately portrays what Jomar Industries proposes to do with their water and he has testified that this is the system they are proposing to use in this application before the Commission, and I submit that it is admissible into evidence.

MR. UTZ: In the event this proposal didn't work, what then? Do you propose to come in with another proposal?

MR. DURRETT: You mean as far as introducing it

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into evidence?

MR. UTZ: No, as far as what you would propose to try next in regard to disposal of your water.

MR. DURRETT: Well, I would think so. If this system didn't work for any reason they are going to have to figure out some other way to do it and come back to the Commission and ask for authority to do it.

MR. UTZ: The Examiner will admit Exhibit No. 2 into evidence on the premise it is merely a proposal and doesn't actually have to be proven as to whether it's a workable proposal or not.

(Whereupon, Jomar's Exhibit No. 2 was admitted in evidence.)

MR. UTZ: Are there any other questions of the witness?

Who is going to go next?

MR. GIRAND: I suggest that the application be dismissed on the grounds that there hasn't been any evidence shown or brought before the Commission to show that the proposal will work and produce the effect that the application presents to this Commission they will accomplish, and without any proof that it will accomplish that, there is no point in the Commission granting any application to something they don't know whether it will work or not.

MR. DURRETT: In opposition to that I would like to state that if we don't have an opportunity to try we won't know if it will work or not.

MR. GIRAND: If the Applicant will withdraw his application for the purpose of the drilling of one production well in the accompanying induction well and then come back to this Commission and advise the Commission how they can handle this without contaminating any other water and limit for that purpose, why we will withdraw.

MR. DURRETT: The Applicant will not limit its application. If the Commission sees fit to put some limit like that in the order, that's at the discretion of the Commission. We will not limit the authority. We have requested authority to put injection wells within 330 feet of the lease line and that's what we are seeking authority to do. We have had testimony here that Mr. Eck would comply with any reasonable requirements that the State Engineer had and the State Health Department had on the location of the wells, the number of wells and where they would be and everything else.

Now, to say, well, we're going to limit this to one well and then to get out in the field and find that one well will not take care of the job just causes Jomar to have an unnecessary hearing with all of the expenses that are attributable to it. So we submit that a hearing is not

necessary, another hearing is not necessary, and that the authority can be granted at this hearing; if the Commission desires to put a limit on it so that we have to have some kind of an administrative procedure, we have no objection to that. But we will not limit our application at this hearing to just one well because that just means we are going to have to come back very probably for an unnecessary hearing. We will just put on the same testimony again.

MR. UTZ: If this proposal did not work as you anticipate it will, then it would be your opinion that you should come in with another proposal?

MR. DURRETT: Yes, that would be our opinion if this system doesn't work, then we would be faced with having to do something else with the water and it would be necessary to come back before the Commission to get the authority to do that.

MR. PORTER: What was the limitation that you proposed?

MR. GIRAND: To drill one well for production to produce the oil and one well for an injection well and see what the ratio is between the disposal of the water, of the production water, and the ability of the induction well to take it. This will give a pattern of what they're going to have to do. I may have to enjoin them from doing any of it as a land owner because their operation may take up the entire

40 acres.

MR. PORTER: You mean as a surface owner?

MR. GIRAND: As a surface owner, and I don't think it's anything to play around with here in a Commission hearing and say, based on the testimony we have had here today, that here you have a blanket right to go out there and drill whatever number of injection wells you need to handle the water that you are going to pull from six to four other wells.

Now, if it is a ratio of one to one, we are going to have 128 wells on 40 acres. If it is two to one, why it's going to jump a little bit more than that, be right up around 172.

MR. PORTER: Thank you.

MR. GIRAND: Yes, sir.

MR. UTZ: The Examiner will overrule or deny the request to dismiss this case. We'll continue with the hearing and accept whatever testimony that you have to offer.

MR. GIRAND: I would like to call Mr. Fair.

JOHN H. FAIR

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. GIRAND:

Q Will you state your name and place of residence,

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please?

A John H. Fair, and I reside in Santa Fe, New Mexico.

Q By whom are you employed?

A The New Mexico Department of Public Health.

Q How long have you been employed by them?

A It will be three years this coming November.

Q What is your office with that department?

A I'm the head of the Liquid Waste Division.

Q What does that division cover?

A Generally the supervision of the disposal of liquid waste, both industrial, domestic and so forth.

Q Are you acquainted with the application and the proposed operation of the Jomar Industries, Incorporated in Lea County, New Mexico?

A I took a look at this application this morning and that's pretty much the extent of my familiarity with this particular case.

Q Then if they received any information from your office, it was from someone other than you prior to this date?

A It would be probably from my immediate superior, John Wright.

Q Have you and your immediate superior discussed this application to any point?

A Yes, we have.

Q When did you do that?

A Let's see, it would be, we discussed it briefly about three days ago and then last night. Two or three days ago.

Q In connection with this operation did you or any of your department go down and take samples of any of the waters that were being injected from wells now being produced by the Windmill Oil Company?

A Yes, we did. We have a -- now this is, isn't an official form, it's a note which is attached to a letter to Mr. Joseph O. Walton of the Windmill Oil Company and I recognize at least the note, the writing on the bottom as the writing of Mr. John Wright.

Q Does that note propose to show the character of the water that is being injected back into the Ogallala formation?

A In my opinion it would.

Q If that water that was analyzed was injected into uncontaminated areas of the Ogallala formation, what would be the effect on that area in which it was injected?

A Well, of course, it would be contingent upon the quantity that was injected, but in the immediate area just glancing over this analysis, it doesn't appear to be too bad of water from the point of view of inorganic constituents, it

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isn't really good, but it isn't really too bad.

Q You have never seen any of the water yourself?

A I sure haven't, unless that's it.

Q Just for the purpose of this examination, assuming that I'm going to establish that this is water taken from water produced from the Windmill Oil Company, well, based solely on looks and smell, would you state that that would have any effect on the potability of water were it inducted into a fresh reservoir?

A Well, in large quantities I don't believe it would, I would request that there be a little further treatment to remove possibly some of the odor. There's a little bit of an oil odor in it. I don't know whether or not this water was, well, I just don't know anything.

Q Assuming that it is that type of water?

A Assuming that it is, that all of the water is of this nature, it would require a little further treatment of some sort.

Q Basing your opinion on the report that you have on the notation in front of you and the observation you made from the jar that you have just smelled and looked at, I will ask you if that water wouldn't be better disposed of on top of the surface rather than inducted into a fresh water reservoir?

A Well, again, I would have to qualify any opinion

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I might have by basing it upon the quantity. I understand the water in that part of the country is quite a precious commodity and there are cases where even any of us would drink that water if the situation so warranted it, but in large quantities and by large quantities I would say quantities large enough to affect the aquifer below what is known as the drinking water standards or would affect the aquifer to the point where someone would say just sniff this amount of water and wouldn't want to drink it, why that's something again.

Q Well, you have been in the hearing room all during these proceedings, have you not?

A Yes.

Q You have heard all the detailed testimony of what they propose to do. Based on the vagueness of what they are confronted with and taking into consideration the fact that you are a representative of the State, to safeguard the fresh waters and to place the disposal of waste water, do you think it proper at this time to enter an order allowing people to discharge unknown quantities of that into a fresh water reservoir?

A Well, again, as I say, why if it is based on your statement "unknown quantities", why perhaps it ought to be looked into a little further.

Q I'll ask you this then, do you know of the known quantities that they will have to place back into the aquifer

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here?

A I personally don't, no.

Q Does your office have any record as to the amount?

A To my knowledge, no, but I'm not that familiar with some of the figures that have gone back and forth between the State Engineer's office and our office.

Q I'll ask you, as a matter of fact, water of that character that's in the jar there, can you give any estimate, now I don't have any idea what your answer might be, can you give any estimate as to what would be the influence of that water in the aquifer, how far it would reach out, to what extent it would contaminate?

A Well, the nature of that aquifer might be extremely complex.

Q Wait a minute, the State Engineer's office is supposed to know all about that formation down there. They have testified about it for years. Have you discussed the matter with them at all?

A I sure haven't.

Q Go ahead with your answer.

A Let's see, what was the original question?

Q How much influence that little jug of water would have, what would it influence from the standpoint of water by volume?

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A Well, just specifically this little jug, I don't know anything it would have any influence.

Q Can you estimate a barrel, two barrels, acre foot?

A Well, the measure of a person's objection to water from an aesthetic point of view from, you might say they pick up a glass of water and they sniff it and this parameter is almost impossible to measure, now from a bacteriological point of view, this water would be perfectly safe. Now even in my own home when somebody has goofed up on the chlorination I draw a glass of water and I sure don't want to drink it, but I do because I know from a bacteriological point of view it's safe to drink. I believe all of us have experienced that.

Q And you think the gas and oil in there would just add to its palatability for anyone wanting it for household use?

A That would depend upon the individual. I know of people, I don't suppose they would be offended by the odor of something similar to this.

Q Do you know whether or not if that water is injected at any great force, whether or not it will bring about emulsification of water and oil in place?

A Yes. This is probably the crux of our problem here. We feel that there should not be any injection with a force sufficient to create an emulsion because in an aquifer of the

type of this Ogallala, as I understand it, the degree of water quality might depend on a stratification effect here, and in this particular case, if you certainly disturbed the inner facies between the different strata of water, or whatever you have, you could certainly create a problem.

Q Directing your attention to Applicant's Exhibit No. 2, the height of the perception tank identified "steel tank",--

A Yes.

Q -- the height of it would determine the force of the recharge of the volume of water going back --

A Yes, the static level of the water level in here would determine --

Q And based on that difference in there, it could be considerable force, could it not?

A Oh, I wouldn't say considerable from the point of view, from the point of view of say a force pump or something. For example, say the water level was ten feet above this, you would only have about four pounds per square inch force, which really, in my opinion --

Q Would bring about emulsification?

A I don't believe so.

Q Have you ever made a test on that?

A Well, I have worked in materials similar to this and emulsification is usually brought about by more a violent

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agitation or something, you see. It appears in this particular case, depending on the capability of this strata to absorb the water, it would be an extreme line flow, more or less, in my opinion it wouldn't be a violent type of mixing and agitation.

Q I will ask you this, if it developed that the water produced by the Applicant here in their 64 wells reached a ratio of two barrels of water to each barrel of oil, or five barrels of water to each barrel of oil, and that water had to be discharged into the aquifer, the Ogallala formation, do you think that that would help or be of any benefit to that reservoir to dump that much water in there?

A Well, I don't know what you mean by that much.

Q Well, they've got an application in here to, and has already been approved for 64 wells, unlimited production.

A Are you basing it upon the effect on the total aquifer?

Q That's right.

A I would have to have some data to answer that question.

Q But in the immediate area it would have a marked effect, wouldn't it?

A Yes, it would. If you mixed two waters, why most assuredly there is going to be something --

MR. GIRAND: I believe that's all we have from this witness.

MR. UTZ: Any questions of the witness?

MR. DURRETT: I have a question or two.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Fair, are you familiar with the quality or the quantity of water that is presently being disposed of in Section 30, Township 18 South, Range 38 East, Lea County?

A No, I'm sure not. Is this from any specific operator or just a total picture?

Q I am speaking of the water that is being produced from the water wells that are north, immediately north of the acreage.

A I sure don't. I am not familiar with that at all.

Q Were you familiar or are you familiar with the fact that there are quantities of water being produced north of here?

A Yes. I know there is water being produced and I am generally familiar with the fact that in most oil well operations you do produce water that coexists with the oil.

Q Are you familiar with the fact that there's water being produced from the Ogallala formation?

A Oh, most assuredly. There's a lot of water being

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produced, the entire eastern half of the state.

Q I am speaking of, now, of immediately north of the property which is the subject of this application.

A Yes. John Wright mentioned that water was being produced, as I recall.

Q Did you know that some of that water is being disposed of back into the Ogallala formation?

A I am not familiar with any specific cases, no, and I can't say for sure that it is, no.

Q Do you know whether or not any water is being disposed of in open pits in that area?

A Again, I'm not sure. I haven't been down there, and in order to answer that I would have to say that I have been there and I have actually looked and seen it.

Q Has anyone consulted with your office concerning the effect on the fresh water in the Ogallala formation from disposal from these wells, I am talking about to the north?

A No, not me specifically, perhaps with Mr. Wright, but I haven't been contacted specifically.

Q And to your knowledge, no one in your office has been contacted?

A Again, I can't answer this because I don't know whether or not John Wright was contacted for sure.

Q But you have never heard of it?

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A Well, you hear of things and you have to sometimes try to find, you know, just determine whether or not it's just somebody talking or whether something actually happened.

Q But you haven't made any such determination?

A No; in my case, no.

Q From the State Health Department's point of view now, as a representative of the State Health Department, would you rather have the water that we have talked about producing in this application disposed of in pits or would you rather have it disposed of under the system that's proposed by the Applicant?

A As in answer to this other gentleman's question, in my mind it would depend upon the quantity of water. If it's just a small amount of water, why just my own opinion, I feel that perhaps pits would be sufficient. If it is a small amount of water that could be considered to be just waste water from any general operation, but if it's a large quantity, well, that's something else. I don't know, I'd have to have some figures, you know, in order to really come up with an answer to something like this.

Q Do you feel that the proposed injection system that has been presented here today will create an emulsion under this gravity flow?

A I don't believe so, if it's done carefully. By

emulsion, why you have to realize that, well, you can have even different emulsions, you can have an emulsion which consists of a very small amount of petroleum product and a large quantity of water and then you can grade all the way down to things that are quite a bit different. If the basis for this is the economic recovery of oil, I really don't feel that there's going to be too much petroleum products in that water, because if there is, they're going to have to abandon it, they'll go broke is what it amounts to.

Q Let me speak to you just a minute about contamination. Am I correct now that from the State Health Department's point of view there would be less likelihood of contaminating the water that is going to be produced incidental to the production of oil if you use a closed system, and I am talking about contamination from the air, than there would be, there's less likelihood under the closed system than there would be under open pit disposal?

A This is true. In fact, this is just common sense that it's true.

Q Would that affect your opinion on whether or not it would be better to dispose of the water or place it in pits, or would it not?

A Actually, in my mind contamination from the point of view of us, bacteriological or air or something, why isn't

near the problem perhaps that a taste or an odor problem is, and this water could be perfectly safe from a bacteriological point of view, in fact, I could probably drink it right now and it wouldn't bother me, but someone who has a sensitive stomach or sensitive nose, why she just wouldn't go down, and that's all there is to it. I think perhaps this business of bacteriological contamination has been blown a little bit out of proportion in my opinion, compared to the fact that it's an aesthetic consideration.

Q So you don't feel contamination is a real serious problem, is that correct?

A I'll qualify that, bacterial.

Q I mean by air.

A No, I don't. Gee whiz, there's all kinds of open reservoirs in the State. We had a hassle in northern New Mexico about one you might recall, the Pigeon incident, that was an open reservoir, but it, in my mind, is a taste and odor problem, especially odor. These doggone things here, some of them, you know, you might have a little bit of a petroleum product and you chlorinate the water and there's sort of a, well, they tend to support each other as far as odors are concerned, it can come up with something that isn't too good.

MR. PORTER: We mentioned the word emulsion. This

would be a mixture of the water and oil as opposed to separation, which you would ordinarily expect to find?

THE WITNESS: I believe that's essentially good enough. It is a mixture, technically is a colloid.

MR. PORTER: Colloidal suspension?

THE WITNESS: Yes. It's essentially a mixture that won't settle out, it won't stratify ordinarily because of the different density of the water and oil, there is a stratification but if you have any emulsions the doggone things won't settle out.

Q (By Mr. Durrett) Let me ask you one or two more questions here. I don't intend this question to be answered specifically in barrels because it's a difficult question. When you talk about if it is a small quantity, you don't mind it going into an open pit, and if it's a large quantity you would like to have it go under ground. Give me an idea what you are thinking about.

A Well, there's many cases where, well, let me put it this way, I am on a little bit unfamiliar ground, but in drilling operations, what do they do with their process water, there isn't a tremendous amount of water involved there, is there, I don't believe, is there, and they don't inject it? Of course, if you hit a tremendous flood of water which would make the problem one of conservation, why it's an entirely

different situation.

Q You mean conservation of water?

A Conservation of water.

Q Well, from your position with the State Health Department, you've heard the testimony here today concerning the other case, that there is an application that has been approved to drill 64 wells on this lease?

A Yes.

Q Is it your position that the State Health Department would have no objection to Jomar's drilling the wells and disposing of produced water in surface pits?

A Again, it would be contingent upon quantity, and I don't have any figures or anything to determine just how much water there will be. And then, of course, that's a little bit outside our realm. Actually the State Engineer's office is more concerned with the quantity. We are concerned with the quality and they're pretty well concerned with the quantity.

Q Well, then, you don't know whether you would have any objection to it or not?

A From a quantitative point of view, I don't know. As you are probably aware, a lot of this water picture, you know, is in a state of flux, you might say, we're now a constituent agency in water matters with the New Mexico Water

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Quality Control Commission, which consists of members from this Commission and from the State Engineer's office, and the Health Department and others. It's a situation where we would have to get together and determine the question of quantity.

Q You mean the Water Quality Board would; the Water Control Board?

A Again, I am not absolutely sure.

Q Another agency.

MR. DURRETT: I believe that's all the questions I have.

MR. GIRAND: May I ask one more question?

REDIRECT EXAMINATION

BY MR. GIRAND:

Q In connection with the water as exemplified in the Jar there, water of that quantity being dumped into a surface pit, would it have any more bacteria count to it necessarily than you'd get in ordinary rainwater that flows into these surface pits we have all over the state?

A Well, now, the standard bacteriological tests is for the coliform organism which is a resident of the human intestine. Now, this water, it could have absolutely none whatsoever. You say rainwater? If rainwater reached the ground and ran down a gulch and there happened to be human pollution in there, why the rainwater would be tremendously

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higher.

Q The thing I'm getting at is as far as the exposure to the air and using the surface pit for evaporation, this water would be no more dangerous than rainwater?

A I don't believe so, no.

Q Unless there was intervening cause?

A Yes, this is correct.

MR. GIRAND: No further questions.

MR. UTZ: Are there other questions?

MR. DURRETT: Unless Mr. Girand is going to establish that that water came out of the Windmill Oil Company's well, I'll be forced to make a motion that it be stricken from the record, all testimony concerning that water in that bottle.

MR. GIRAND: Before you pass on this objection, I might call the Commission's attention that I did predicate though on an assumption that that was that type of water. I will now prove that that is. Mr. Joe Walton.

MR. UTZ: I don't believe I have excused the present witness yet, Mr. Girand. Were there any other questions of the witness?

MR. DURRETT: No, I have no further questions.

RE CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Fair, is it your understanding that this water came out from the Ogallala formation in this vicinity of the oil production?

A Yes, this gentleman said that it was, was it the Joe Walton --

MR. GIRAND: Windmill Oil Company.

A Windmill Oil, which is the Joe Walton.

Q In your opinion, is this water at this point any worse for human consumption than it is in its present condition in the reservoir?

A I have no idea. Well, let me think a minute. I don't believe this would be a lot different than its condition in the Ogallala, is that what you are getting at?

Q Yes, sir.

A I don't believe it would be any different really.

Q Do you know, to your knowledge, whether or not water is being used for human consumption or domestic use in the immediate vicinity of this oil production?

A I don't know about the immediate vicinity, no. I know that the Ogallala is used extensively but I don't know about in the immediate area.

Q Then to be specific, would you say that the water in this area would be any worse for human consumption after injection of this water than it is at the present time?

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A I will have to qualify that, if there was a very careful stratification of the water and you went down and obtained the lens of the water, that by careful testing was good, why I can't see where it would be any worse. That's the case even if a lake, you can get certain layers of a lake that are a lot higher quality water than others in the same lake for different uses.

MR. UTZ: Are there any other questions of the witness?

MR. GIRAND: You have brought up one.

REDIRECT EXAMINATION

BY MR. GIRAND:

Q You have been in Hobbs, have you not?

A I have never been in the fair City of Hobbs.

Q Have you been in Lea County?

A I might have jogged across a corner of it.

Q Never have drank any of our water out of that basin?

A I sure haven't.

MR. GIRAND: We submit he is not qualified to testify to that type of water.

MR. UTZ: The witness may be excused.

(Witness excused.)

MR. UTZ: You may proceed, Mr. Girand.

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JOE WALTON

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. GIRAND:

Q Will you state your name?

A Joe Walton.

Q Where do you live, Mr. Walton?

A Hobbs, New Mexico.

Q Are you connected with the Windmill Oil Company of recent fame?

A Yes, sir.

Q What is the Windmill Oil Company, what does it do?

A Well, there's a question as to whether it drills water wells and produces oil or drills oil wells and produces water.

Q But that is basically the business you are in?

A Yes.

Q One or the other?

A Yes, sir.

Q How many wells are you operating and where are they located?

A I am operating 34 wells, 15 of them immediately north of the Jomar proposed operation and the rest of them in this

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Northeast Quarter of Section 30. To be more specific, the South Half of the Northeast Quarter of Section 30.

Q Mr. Walton, I hand you here a jug that contains some fluid in there and ask you, can you identify that jug?

A Yes, sir, I drew that from my water leg last night at 6:15.

Q Where is the water leg located in relation to what wells, what properties you are producing from?

A It is located and oil production from what I term as the Grimes lease immediately north of the Jomar proposed operation.

Q Is that another Humble farmout?

A Yes, sir.

Q And this was the actual water that you took from your water leg?

A Yes, sir.

MR. GIRAND: At this time we would like to introduce a jug, not quite a full pint of water, but right in the area.

A I might say that that water had gone through a gun barrel before it came out of the water leg and supposedly purifies it as well as it can but, not purifies it, but separates the oil and the water as much as it can be prior to putting it into the production tank, the storage tank.

Q Now, directing your attention to Applicant's

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Exhibit No. 1 --

MR. UTZ: Do you want to call this Exhibit No. 1?

MR. GIRAND: That will be Protestant's Exhibit No. 1.

(Whereupon, Protestant's
Exhibit No. 1 was marked
for identification.)

Q (By Mr. Girand) Directing your attention to Applicant's Exhibit 1, can you locate the different ownerships immediately north of the Grimes property that's covered by the Humble permit?

A There is none north of my Grimes operation covered by the Humble lease. That is under the Geddie farmout.

Q Are there residences located in that immediate area?

A Yes, sir.

Q Can you identify those by the lot numbers as is shown by the exhibit?

A Yes, sir. The West Half of the Northeast Quarter has been subdivided into what is known as Bensing Tracts. The first house in that is in the Southwest corner and is owned by Floyd Ayers.

Q What is the number of that tract?

A That is Tract 33.

Q From where do they get their water for domestic purposes?

A They get it on state land--

Q If you know --

A -- about 600 feet Southwest of their house. That's in the Northeast Quarter of the Southwest Quarter of Section 30.

Q Have you ever had occasion to see the character of the water they were able to produce from above their tract of land?

A Yes, I'm producing oil from two wells right now that they drilled in an attempt to get fresh water.

Q Proceed. What other tracts do you identify there and who lives on them?

A There's another tract, another Tract 30, is owned by A. J. Sanders and his wife. They have drilled two wells there in an attempt to get fresh water, one well was abandoned, the other well they drilled and is still contaminated and undrinkable and they spent over \$800.00 putting in a filter system trying to filter out the oil from the water and it is still undrinkable for household purposes.

Q Any others?

A I am producing oil from a well I drilled about ten feet north of the last hole they drilled.

Q Do you identify any other resident located in that area?

A The Lehman Tract Number 30, they have recently built a brick house there. They drilled two wells on Section 36 --

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MR. UTZ: You mean Tract 36?

A Tract 36. They got oil in both wells and I am now producing oil from those wells. They have had to go up in, about 600 feet north in Tract 28 and pipe fresh water from there to their home. The next tract is not in the subdivision but is in the Southwest corner of the Southwest Quarter, Southwest of the Northeast, owned by a man by the name of Garcia. He also goes north and pipes water down to his house.

MR. UTZ: How far north?

A About 650 feet. The next place is the B-r-y-a-n, I do not produce any oil from that tract although I have an interest in it.

Q (By Mr. Girand) State where it is located in regard to the Garcia tract.

A It is the two and a half-acre tract due east of Garcia. When I first started operating down there, their house faces east on the little street there that is shown on the exhibit, when I first started operating down there they were producing their house water from a well at the rear of their trailer house. It turned into oil. They then moved to the Northeast corner of that tract and are now producing their house water from there.

Q Mr. Walton, in connection with the Windmill Oil Company's operation, did you drill with the consent of the

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State Engineer, induction wells to return to the reservoir the surplus water that you produced along with your oil?

A Yes, sir. I have made application from the State Engineer for three such wells and got it approved by the Health Department. One is on the Bell Tract, from which I have five submersible pumps, and I have a gun barrel and water leg on it and the water produced there is reasonably negligible.

MR. UTZ: Is that the Bell Tract 35?

A Yes.

Q (By Mr. Girand) Would it have the similar characteristics from the standpoint of odor as your exhibit, Protestant's 1?

A Yes, it would. I have another injection well on the Bensing Tract which is Tract 34. In that injection well I am using that for the Ayers production, the Bensing production, and the Sanders production. The water produced from those three leases is reasonably negligible. It all depends on how much oil, how much water you want to produce with your oil. I could lower my wells by four inches and produce five or six times as much water as I am producing now.

Q Would you produce more oil in doing so?

A Yes, sir.

MR. PORTER: Mr. Walton, excuse me just a minute,

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could you give me the locations of those other two wells?
You said one is on the Bell Tract. You are talking about your injection wells?

A Yes, that is the injection well, and I believe it is marked here on Exhibit 1 of the Applicant as Well 6.

MR. PORTER: Just give me the tract.

A That's Tract 35. I might say that my three injection wells are as good an oil wells as I got.

Q (By Mr. Girand) Now, you have identified two of them. Now, where is your third injection well?

A Over on Grimes. I thought I had identified it. It is just south of Tract 34 --

MR. PORTER: You have one on the Grimes lease?

A Yes.

MR. PORTER: South of Tract 34?

A Yes, south of Tract 34.

Q (By Mr. Girand) Are those three injection wells capable of disposing of all the water you have now from production?

A On Bell and Bensing it is, on Grimes it is not.

Q Have you made any checks as to the water-oil ratio of your production?

A Yes, sir, I'm making about five percent water on the Grimes lease. On the Bensing lease I have made no accurate

guess, I have just reported to the State Engineer that I was selling pipeline oil, which is less than one percent, and then I was just adding another one percent for a good margin and I said two percent and the same applies to Bell.

Q I will ask you if the Applicants have made any inquiry of you in regard to your production methods or your operational methods?

A Yes, sir, they have.

Q Have you advised them of your production methods?

A Yes, sir.

Q Have you told them how you were producing your wells?

A Yes, sir.

Q Did you go over your setup with them?

A Yes, sir, I believe I gave them a larger map than they're using here, which shows not only my production but my pipelines, my gathering system, the wells on which I have pump jacks, the wells on which I have submersibles and the wells on which I have windmills.

Q So, then, they have had an opportunity to apprise themselves of what they're running into from the standpoint of attempting to develop the 40 acres south of your Grimes property?

A Yes. I employed Jomar to attempt to create me a little reservoir in the Northwest corner of the Grimes Tract. We went down and cleaned, the fact of the business, we were

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trying to get a base to ream on and we poured sand in the thing trying to give it a base to ream on and we never could. Then we tried, the fact of the business, the reamer wouldn't fit my hole and then we cleaned it out and got just about the amount of sand that we had put in there.

MR. PORTER: What kind of reservoir are you trying to create?

A Just a bigger reservoir than just the eight-inch hole I am drilling --

MR. PORTER: I thought if you could create some oil reservoirs business would be pretty good.

Q (By Mr. Girand) You are the sole owner of Windmill Oil Company?

A Yes.

Q As such owner and offset operator to the proposed Applicant, do you have anything you desire to state for the benefit of the Commission?

A Only this, that this water here came off the gun barrel water leg in the hot summer time. In the winter time you have trouble getting your water off your oil. If you try to drain it down, drain your storage tank down to pipeline oil, at times you are going to be draining as much as thirty or forty percent oil with your water. It all depends on how you operate it and the weather under which you operate.

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Coming out of the gun barrel, even in the winter time your water would be perhaps that good, maybe not quite, but the oil that you are putting over into your storage and then it accumulates on the bottom and getting rid of it is your problem. Now, I had this last winter over on Grimes, I had to circulate the water, the oil through a heater and chemically treat it in order to get pipeline oil within eight inches of the bottom of my 500-barrel tall tank.

Q How long have you been in operation down there?

A A little over two years.

Q Based on your operation, do you have any opinion as to how careful and how rigid the rules and regulations should be in governing the production of oil from that fictitious reservoir, or I should say unnatural reservoir?

A Well, I don't think there's any financial standing where you are going to say, "Well, it's going to be uneconomical for him to produce it." If he produces fifty percent water or seventy-five percent water -- Humble drilled the well on their own a little over 600 feet east of the well that Mr. Eck has described he drilled for Humble and which has been plugged and they were producing about ninety-five percent water. They plugged and abandoned. However, if a person was a mind to and has a place to put the water, he could economically produce that five percent. You don't have

to raise it 30 feet.

Q I don't think you understood my question. Do you feel that due to the characteristic of the location of the oil on the watershed that strict supervision and the rules should be established to protect the fresh water?

A Yes, sir, I do, for this reason, Jomar's proposed first well is some little over 650 feet from where they propose to locate their nearest intake well.

Q Which direction?

A Southwest. We don't know whether that's fresh water or not. If he puts even that oil exhibit, Protestant's Exhibit 1 in any quantity in there it is going to contaminate that fresh water if there is any there. We don't know whether it is or not. We do know that down here a little bit further, maybe 800 feet further southeast, Humble drilled another well with Jomar's equipment and they got no showing of oil, that is within the area that Jomar proposes to drill and use as disposal wells or intake wells.

If that water is fresh and you put that type of water in it you are going to contaminate it. Of course, the degree of contamination is going to be only the amount of water you put in it. If you put a gallon of water in it, it may not contaminate a hundred gallons of water to a drinkable person. But I defy anybody to drink that even to quench their

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thirst.

MR. GIRAND: I have no further questions.

MR. UTZ: Did you want to introduce your exhibit?

MR. GIRAND: We will introduce Protestant's Exhibit 1.

MR. UTZ: Without objection, Protestant's Exhibit 1 will be introduced in this case.

(Whereupon, Protestant's Exhibit No. 1 was introduced in evidence.)

CROSS EXAMINATION

BY MR. PORTER:

Q You say now you are producing about five percent water in your home operation?

A No, sir, on the Grimes operation.

Q On the Grimes operation?

A Yes.

Q You are producing somewhere in the neighborhood of 2,000 barrels per month or maybe a little more than that?

A A little more than that.

Q So on the Grimes lease you would be producing better than 100 barrels of water per month?

A Yes.

Q And you say you have one injection well on that Grimes lease?

A Yes, sir.

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Q And it won't take all of this hundred barrels?

A No, sir.

Q Per month?

A It will not.

Q What are you doing with the rest of it?

A Pitting it.

Q Does this water that you -- in your opinion, does this water that you dispose of in the pit go back into the Ogallala?

A Yes, sir, it goes in back on top of contaminated water because I have got oil wells, water wells all around my three intake wells and I purposely put them there because I didn't want to contaminate any other water on the edges or fringes of my well. They're only 40 feet deep because I didn't want to go down there to fresh water and contaminate it with the idea that it may go out in some direction and contaminate some fresh water well that is in the area.

Q Well, now, you said five percent from the Grimes lease. What about the percentages on the other leases, the Garcia and Bensing and the others you have mentioned?

A On Garcia, I guess I get one or two percent of water, but I only have two windmills on there.

Q On the other leases do you produce less than you do on the Grimes lease?

A Yes.

Q A smaller percentage?

A Yes, sir.

Q Apparently then this injection well on your Grimes lease won't take as much as three barrels a day since you produce only absolutely above a hundred barrels a month?

A That's right.

Q You say you can't get it all in the well?

A It may, I'm just estimating the amount of water I take. It may take three barrels a day, but not much more than that.

Q And you are putting the balance in a pit?

A Yes, sir.

Q Are you disposing of this water in pits on any other leases?

A Yes. I did have a pit on the Bensing but since I have drilled my intake well I use only it. I do have a pit on the Bell lease for the purpose of surplus water, but I still have the intake well. Now, on the Lehman and Garcia, they do not produce enough water that I can't dispose of it on the surface without damage to it.

Q Do you know whether the quality of the other water is similar to this, all your produced water, is it similar to this?

A Yes, sir.

MR. PORTER: That's all the questions I have.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Walton, as I understand, you took this out of your water leg on the gun barrel, which is a separator, in effect?

A Yes.

Q And that goes into the tank?

A Yes.

Q And it settles out and separates some more in the tank and you run the water off the bottom of your tank and dispose of it?

A Yes, sir.

Q Is this water any more contaminated here than the water after settling in the tank would be?

A It might be a little more because you have evaporation that takes care of most of it. In my pit that you are speaking of, I have it going over a large area before it submerges and by the time it submerges it more than likely is less contaminated than this.

Q Now, as I understand, you have one injection well on the Bell lease, Tract 35?

A Yes.

Q And on the Bensing lease, Tract 34?

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A Yes, sir.

Q And one on the two and a half-acre tract immediately south of the Bensing?

A Yes, sir.

Q So you have three injection wells?

A Yes.

Q Now, can you say how much water you are injecting in all three wells?

A I am just guessing now, I have never measured it, but I would guess that 250 barrels, 300 barrels a month.

Q And the balance of the water you are pitting?

A Yes.

Q Running in pits?

A Yes.

Q Over here on the Garcia lease I believe it was, or the Lehman lease, I am not sure what you said, you didn't have enough water but what you run it out on the surface?

A I run it out on the surface on Garcia and part of it goes into the bar ditch to the east of his home; Lehman produces very little. That is Tract 36. Garcia is east of Tract 36. Lehman produces very little water and I run it into a bar ditch.

Q Where you run this water, do you have any deposition of oil and oil scum or anything like that?

A A small amount.

Q Contaminate the ground?

A A small amount.

Q It would actually render it unfit for agriculture or anything to grow on it?

MR. NUTTER: That's for mosquito control?

A It could be used for that. I have tried to work out some way with these people up there to get this water to where they could irrigate with it. We have never come up with any feasible scheme to irrigate with it. It's totally unfit for consumption.

Q I believe you testified that the people in the vicinity of where you are producing oil out of the Ogallala cannot use that water for household or human consumption?

A That is correct.

Q So the water in the reservoir, before it is produced, is contaminated to make it unfit for human use?

A Yes, sir.

Q So when you put this back in the reservoir you are not actually harming the water?

A I'm not harming it at all.

MR. UTZ: Are there any other questions of the witness?

MR. DURRETT: I have a couple of questions.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Walton, I believe you testified that you had some open pits and some disposal wells. I believe you said three disposal wells?

A Yes.

Q And you stated that you got permission from the State Engineer for your injection wells?

A Right.

Q Did you get permission from the State Engineer for your open pit disposal?

A No, sir, I did not.

Q I missed this. How much water per month would you estimate is going into your injection wells?

A Maybe 300 barrels. I have never measured it. I know it's a very small stream out of the Grimes on which I have fifteen wells, it's a very small stream out of a two-inch pipe; over on the Bell well it flows intermittently, I have got five submersibles on him and a two-inch outlet. Sometimes it doesn't even drip and other times it flows, oh, maybe an eighth full.

Q So you think some place around 250 or 300 barrels a month?

A That's just purely a guess but that would be my

estimate.

Q Could you give me an estimate then of how much water, approximately, is going into pits per month?

A I'd say 200, 200 barrels.

Q About 200 barrels?

A I'm just estimating.

Q What's your reason for using the injection wells?

A To get rid of my oil and keep from contaminating the surface on which I'm operating.

Q You don't feel that your injection wells are contaminating the water?

A No, sir, not one bit in the world, but I am taking it out and putting it right back in in better condition than it came out. As I said, Mr. Durrett, my three injection wells are three of the best oil wells I have got if I wanted to produce them.

Q Now, you have three injection wells for 34 wells, is that correct?

A Yes.

Q Would that be the same ratio as six for 68 wells, mathematically?

A No, sir, it would not, because I've got one injection well on Bell, it may could take more water than it does now.

Q I am just speaking mathematically now. The ratio of three for 34 is the same as six for 68, is it not?

A Perhaps it is. It depends on who is producing it and how you produce it. I could lower my wells four inches and produce eight or ten times as much water.

Q Would you have any reason to assume that Jomar will make any more water than you do now?

A Yes.

Q Talking percentagewise?

A Yes, sir.

Q Why is that?

A Because they don't know how to produce it like I do.

Q Would you have any reason to assume they will have any more production problems than you do?

A Yes, sir, I sure would. All of this is trial and error. When I went down there nobody had tried it. You couldn't get any advice from any engineer or any geologist. They didn't know. So I have been down there almost two and a half years on trial and error, I know what I can do and I know what I can't do.

Q Are you taking the position that you are the only person that can produce this oil efficiently and effectively?

A I am not. Humble couldn't produce it successfully. They tried it, and they were disposing of their water through

the Rice Engineers.

Q But you would assume that Jomar would produce more water than you do because they don't know how to do it, is that correct?

A For a while, maybe a couple of years.

Q A couple of years?

A That's right.

Q I believe you testified on direct examination concerning the strictness of the rules that should govern the production of water in this area. You were talking about Oil Commission rules, were you not?

A I am talking about--I don't know who has the authority to issue the rules. I am talking about putting contaminated water in fresh water.

Q Do you feel that the Oil Commission should issue strict rules concerning disposal of water in this area, is that correct?

A I think that this Commission should prohibit the disposal of oily water, contaminated water in any fresh water. Now, as to the other business, if they dispose of it in contaminated water like I'm doing, I don't see any harm you could do.

Q In any event, Mr. Walton, if the Oil Commission were to pass rules or make an order or anything else governing the

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disposal of water in this area, you wouldn't be governed by those rules, would you?

A No, sir, no, sir. I am a water well producer.

MR. DURRETT: I believe that's all the questions I have.

CROSS EXAMINATION

BY MR. UTZ:

Q It's your contention, then, Mr. Walton, that even though you have told Jomar how to produce the oil and the way you produce it, they can't do it?

A I didn't tell them how I fix my pumps to do it.

Q You didn't tell them everything --

A No, sir.

MR. PORTER: Mr. Walton, you heard them testify, I believe, as to where they propose to locate their injection well. I believe Mr. Girand indicated that they don't know whether that is fresh water or contaminated water at that location at the present time. If it were determined that this water is of the same type that you are now producing, would you have any objection to their disposing of water just like you do?

A No, sir, but we don't --

Q (By Mr. Utz) Your concern is that their contaminated water should not go back into fresh water?

A Yes, and I am up here as Mr. Girand's witness and not as a protestant.

Q Your definition of fresh water would be water where there is water in the area where there is an oil overlay?

A Fresh water would be water where there is no oil or gas contamination.

MR. PORTER: In other words, in some of these areas where they possibly drilled wells and they got no oil, you consider the water fresh there?

A Yes.

Q (By Mr. Utz) You don't want any of this produced water going back into the area where the water is determined to be fresh at the present time?

A That's right.

MR. GIRAND: I join with him in that.

MR. UTZ: Are there other questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: We will adjourn till 1:30.

MR. HALLAM: The City of Hobbs would not put on a witness and I would just put a statement in the record and that might conclude it.

MR. UTZ: I understood that there was another witness to testify.

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MR. HALLAM: I did have a witness sworn in and all I would do would be submit a statement in behalf of the City of Hobbs, and without repeating what has been said, the City would join the testimony that Mr. Walton has just given us as to our position concerning the contamination.

MR. PORTER: Will you tell us generally what that position is?

MR. HALLAM: We welcome and we are happy to see them remove the oil from the Ogallala. We are concerned that the Ogallala does not become contaminated by injection of contaminated fluids be it contamination from air or from oil and gas. We think that the Commission is the proper authority and we feel that you are such an authority that you should insure that this contamination is reduced to a negligible point. We are concerned there has been a lack of information produced to this Commission.

We think that before you can rule on the injection wells there's kind of a duty to show what the injection wells will do and what protection they will offer the clear and uncontaminated Ogallala formation. We think these standards should be set and not, before injection is permitted and not only standards set but regulatory samples taken and tests made periodically to make sure that contamination does not creep into the Ogallala formation.

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That is briefly our position. We are glad to see them remove the oil and we wish them all the success in the world in getting the oil out.

MR. GIRAND: I just have one thing to say, if you will bear with me, and that is that I would like for the Applicant to establish to the satisfaction of the Commission that they have the right to do business in New Mexico and be subject to the jurisdiction of our court. I can visualize that it might arise or may not that a cause of action could occur on behalf of the land owner as against the operator of the oil and gas lease. Before they be permitted to operate under an order of this Commission they should qualify to do business in this state.

MR. UTZ: I believe, Mr. Girand, that the company would have to qualify in order to have a plugging bond approved. So far as I know they haven't got that approved yet.

MR. DURRETT: I just have a very brief statement.

MR. GIRAND: Unless they are operating under Humble's bond. I don't know what they are doing. They haven't filed a farmout, as I understand, with United States Geological Survey for approval on it.

MR. DURRETT: I think it's been filed. It's completely out of the realm of the jurisdiction of this Commission.

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MR. GIRAND: It's not out of the realm of this jurisdiction on people that are qualified to act under their orders. They are not residents of this state at this moment as far as we know and they are not subject to the order of this Commission. You couldn't order one against them and enforce it. You would have to go to Texas and domicile them.

MR. UTZ: It's your intention to file a plug bond with the Commission?

MR. DURRETT: It's a federal lease so it's a federal plugging bond. At any rate, we will be qualified with the State Corporation Commission, whose jurisdiction this is under, and I don't really think it has anything to do with the Commission, but if it does, we're going to be qualified so there won't be any problem.

I would like to state very briefly that apparently there has been some misunderstanding some place. Jomar, as the witness testified, Mr. Eck is not insisting upon disposing of this water into the Ogallala formation. As a matter of fact, Jomar is not in the least bit interested in doing that except at the insistence of the State Engineer and the State Health Department. Jomar would be happy to dispose of this water in open pits as a normal operation. The only reason this applicant is before this Examiner and this Commission is because Jomar contacted the State Engineer and the State

Health Department and they stated this is the way they would like it handled to protect the fresh water. Jomar is willing to protect the fresh water in any way that is feasible. That is what Jomar wants to do is to protect the fresh water.

We are not coming before this Commission and stating this is the way we want to do it and there is no other way. We are here because that is the way the State Engineer and the State Health Department suggested that the water be disposed of.

The top thing in Jomar's mind was to try to protect the fresh water in the best possible way. Now we would be completely happy if this Commission should so rule to dispose of this water in open pits. That would not bother Jomar in the least, that's what we would have done even without this hearing under a normal oil operation.

I also might state that Jomar will be very happy if there is a stipulation in the order that the water has to be injected back into the oil sand. We are not saying that it should be injected in the fresh water. If the Commission feels it should go back into the polluted water or into the oil sands out of a well that has produced oil, we will be very happy to do that. Jomar is not making any such stipulations as a part of its application in this case, it has to go into the fresh water. That is what the State Engineer and State Health

Department said that they thought that was the best way to dispose of it.

As Mr. Eck has testified, Jomar has been, is now and always has been willing to comply with any rules that the State Health Department has, and State Engineer, in protecting this fresh water.

MR. PORTER: Doesn't Jomar's problem arise from the fact that the State Engineer has indicated that you have no right to produce fresh water, that you don't have a permit to drill a water well?

MR. DURRETT: He has indicated that we don't have the right to produce water for using it, in other words, for beneficial use. Which is correct, we don't have the surface right. The State Engineer has indicated, along with the State Health Department, that they want the water put back in the ground in this manner to best protect the water. That's why the application was filed before the Commission.

MR. PORTER: And you are not quarreling with -- you are not trying to hassle of how you may dispose of this water but you are trying to do it to the satisfaction of the various authorities?

MR. DURRETT: Yes, that's absolutely correct. We would like to do it any way that's the best way to put it in there or put it in pits, if that is what the Commission

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thinks is the best thing to do.

MR. UTZ: Any other statements? The case will be taken under advisement.

We will adjourn until at least 1:30.

(Whereupon, the hearing was adjourned.)

I N D E X

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 15th day of June, 1967.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I do hereby certify that the foregoing is a correct record of the proceedings in the hearing of case No. 3526, held May 7, 1967.
James A. [Signature]
Examiner
New Mexico Oil Conservation Commission

Jomar Industries, Inc.

OCC Case # 3576

Exhibit # 1

REACE OWNERSHIP PLAT OF OGALLALA RESERVOIR OIL DEVELOPMENT

AMERADA
H.D. McKINLEY

SW MATHEWS ETUX, CH. FIRM
(AMERADA HAS 99 YRS. SURF. USE)
(FR 1932)

MARATHON
"30" STATE

FORE EXAMINER UTZ
NSERVATION COMMISSION
Exhibit NO. 1
NO. 3576

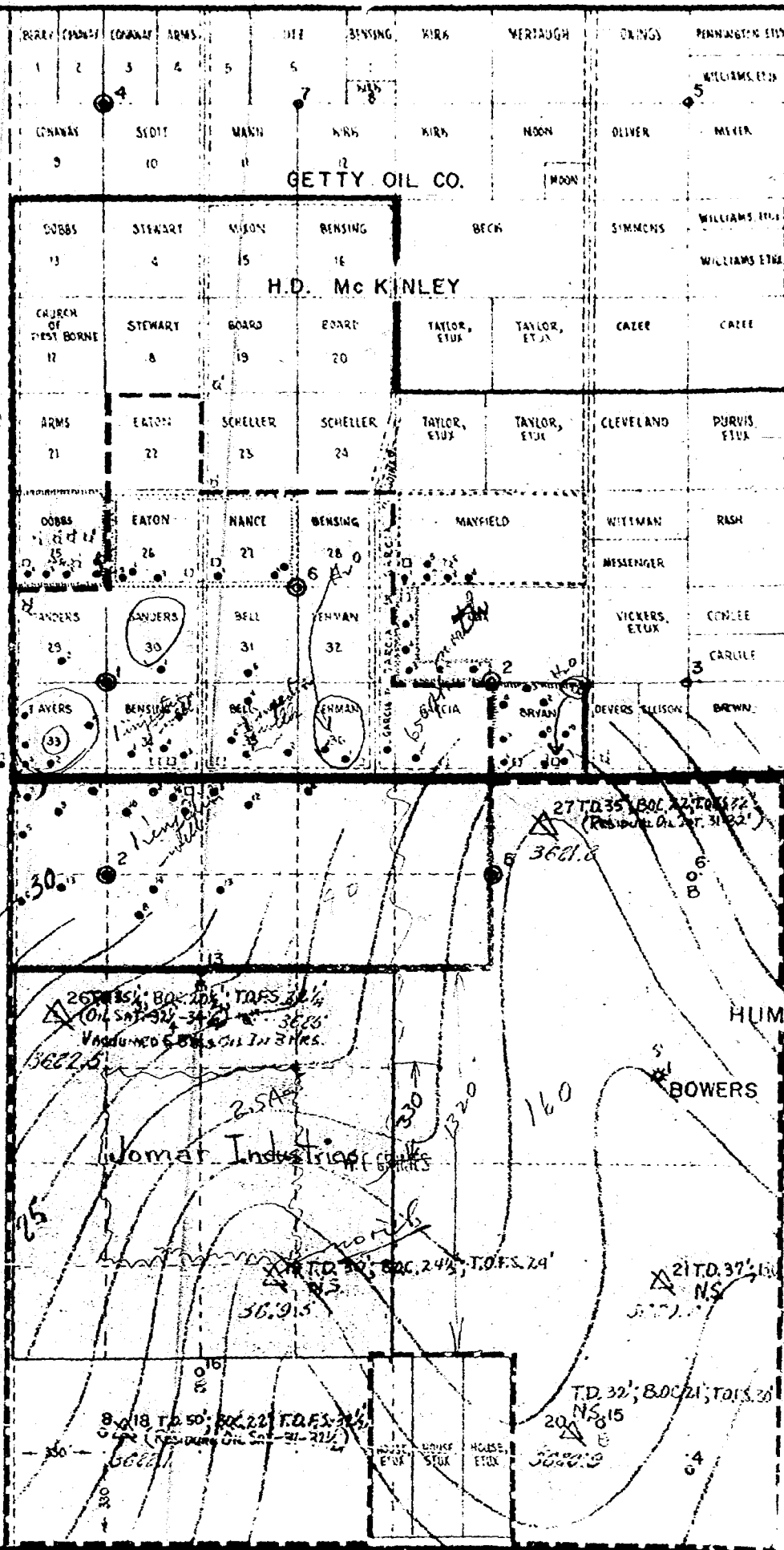
SKELLY

CLARA FOWLER

CITIES SERVICE

CLARA FOWLER

R-38-E



"B" STATE

BOWERS "B" FEDERAL

30

1235; BOC 194; 10530
15 ~~29~~
3829.0

ID 35; P.O. 23; I.O.F.S. 304
 NS Δ 24
 38.5. ? 25

W. GRIMES

BLE

FEDERAL

29
CONOCO

"A-29" STATE

③
T
18
S

N

SCALE: 1 in. = 500 ft.

STENGR WATER WELL PERMIT
OIL DEVELOPMENT LEGEND

- OGALLALA WATER WELL (100)
- OGALLALA DRY HOLE (100)
- OGALLALA WATER WELL (100) L.B.

WATER WELL OPERATORS SURFACE LEASE

CUM OIL - OGALLALA TO DATE

GULF

AMEBADA

TOTAL --

WELL COMPLETIONS

NO. 19 "ON WELL" 3x10 C.T.)

ABANDONED CORE TESTS
(ALL DEPTHS FROM GROUND LEVEL)

W. D. GRIMES

W O Co
H & H Censr Co
M & M Inc Co
Howell Grimes
Hillard & Hilliard

- o Oil Wells
- o Oil Wells/Casing Leaks

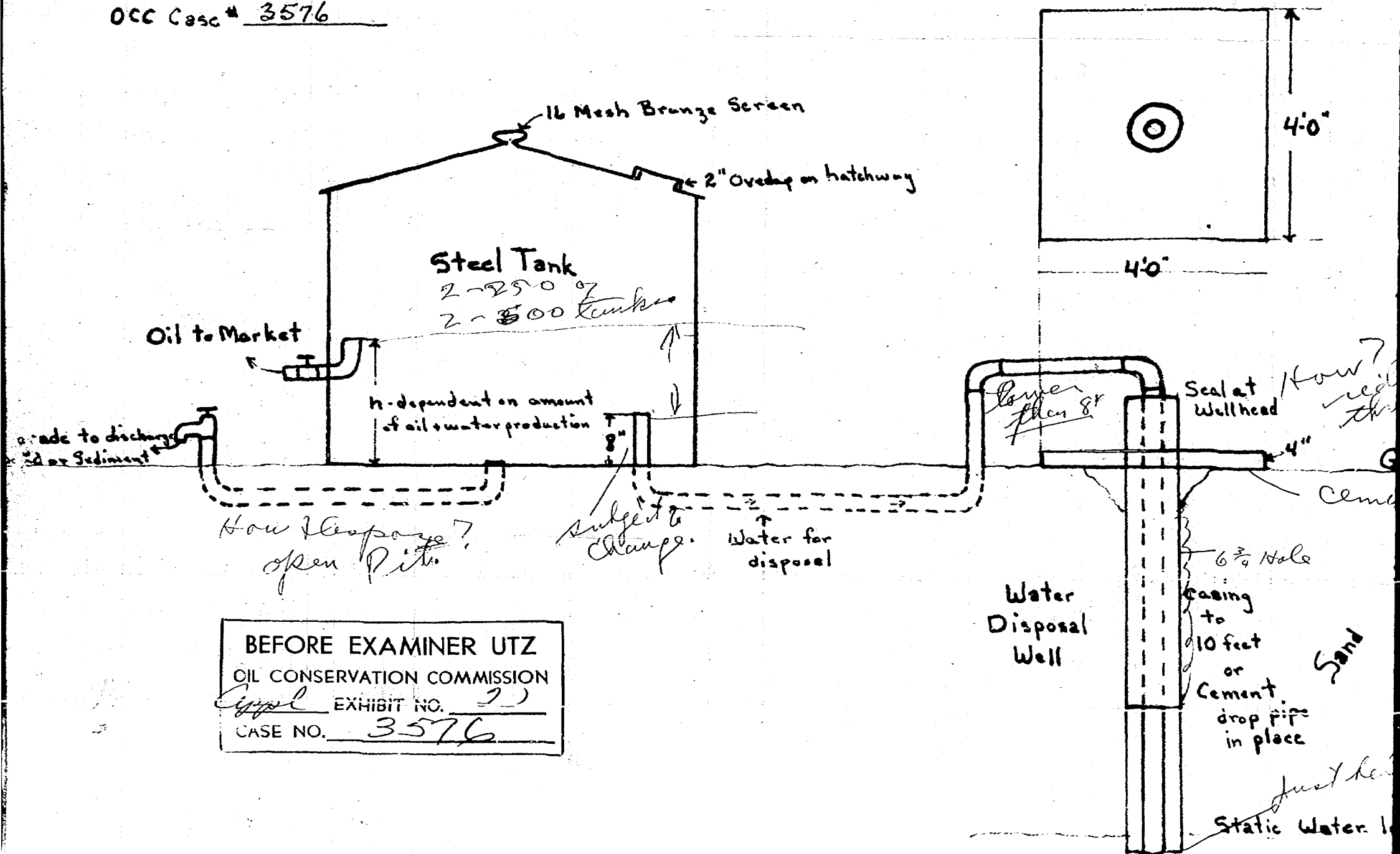
OGALLALA OIL WELL
OGALLALA OIL WELL T.B

OIL & GAS LEASE FARMOUTS OF
OGALLALA: ONLY

HUMBLE F.O TO W.O Co
GETTY F.O TO W.O Co.

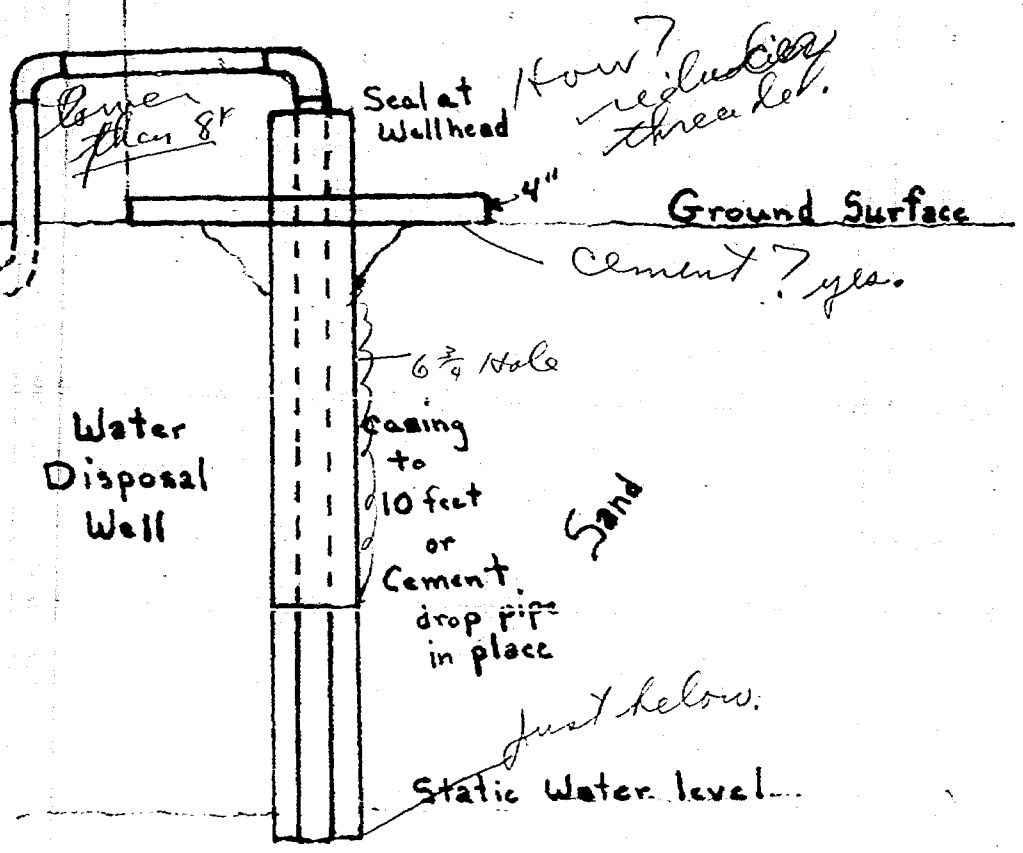
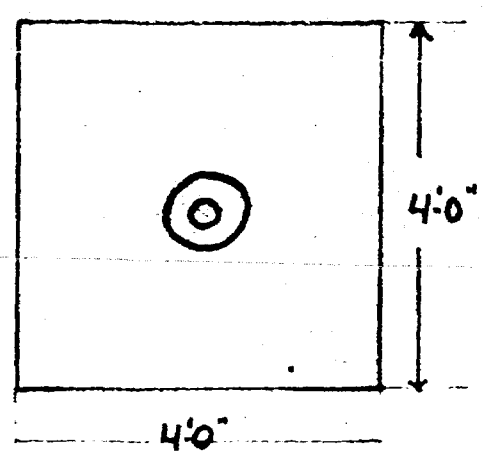
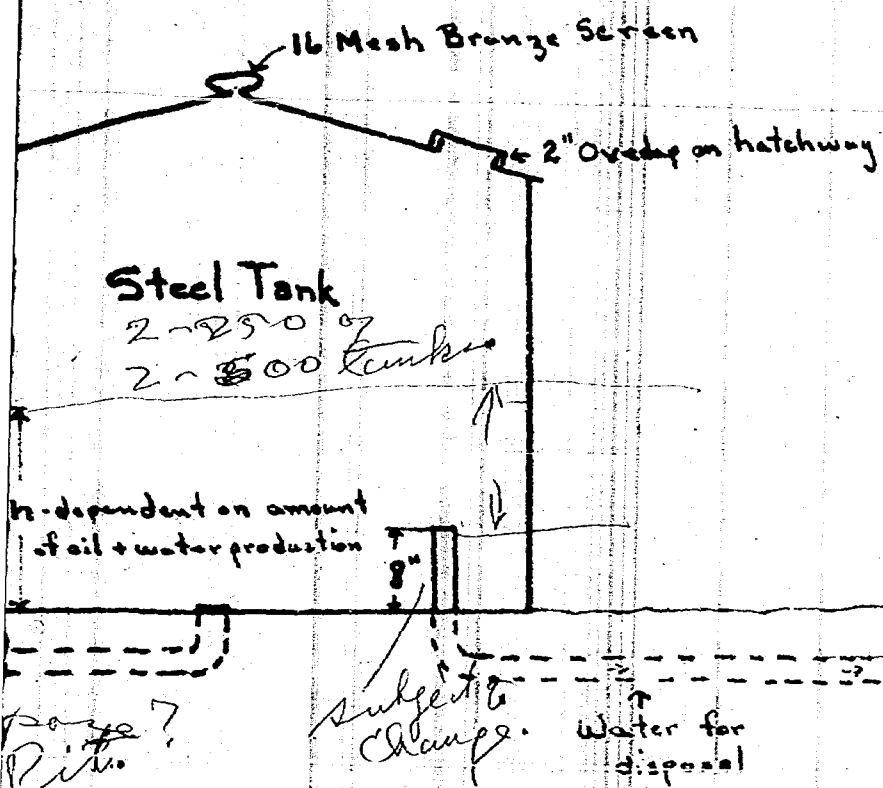
NOTE: 1. 1 CO. E.O. TO ALL SURFACE
2. 1 CO. E.O. TO ALL WELL OPERATORS

Jomar Industries, Inc. - Exhibit 2
 Water Disposal Plan
 OCC Case # 3576



BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 2
 CASE NO. 3576

- Exhibit 2



EXAMINER UTZ
ATION COMMISSION
HIBIT NO. 2
3576