

ORIGINAL

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

5 APPLICATION OF MESQUITE SWD, INC.
6 FOR APPROVAL OF A SALT WATER
DISPOSAL WELL, EDDY COUNTY,
7 NEW MEXICO.

CASE NO. 15049

8

9

REPORTER'S TRANSCRIPT OF PROCEEDINGS

10

EXAMINER HEARING

11

October 3, 2013

12

Santa Fe, New Mexico

13

14

BEFORE: DAVID K. BROOKS, CHIEF EXAMINER
15 PHILLIP GOETZE, TECHNICAL EXAMINER

16

17

18

19

This matter came on for hearing before the
New Mexico Oil Conservation Division, David K. Brooks,
20 Chief Examiner, and Phillip Goetze, Technical Examiner,
on Thursday, October 3, 2013, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
21 St. Francis Drive, Porter Hall, Room 102, Santa Fe.
New Mexico.

22

23

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
24 Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
25 Albuquerque, New Mexico 87102

RECEIVED OGD
2013 OCT 22 P 1:10

1 APPEARANCES

2 FOR APPLICANT MESQUITE SWD, INC.:

3 JAMES G. BRUCE, ESQ.
 4 Post Office Box 1056
 5 Santa Fe, New Mexico 87504
 (505) 982-2043
 jamesbruc@aol.com

6 FOR BOBCO, LLC:

7 MICHAEL H. FELDEWERT, ESQ.
 8 HOLLAND & HART
 110 North Guadalupe, Suite 1
 Santa Fe, New Mexico 87501
 (505) 988-4421
 mfeldewert@hollandhart.com

10

11

12 INDEX

PAGE
3

13 Case Number 15049 Called

14 Mesquite SWD, Inc.'s Case-in-Chief:

15 Witnesses:

16 Clay Wilson:

17	Direct Examination by Mr. Bruce	4
	Cross-Examination by Mr. Feldewert	11
18	Cross-Examination by Examiner Brooks	13

19	Proceedings Conclude	15
----	----------------------	----

20	Certificate of Court Reporter	16
----	-------------------------------	----

21

22

23 EXHIBITS OFFERED AND ADMITTED

24	Mesquite SWD, Inc. Exhibit Numbers 1 and 2	10
----	--	----

25

1 (8:57 a.m.)

2 EXAMINER BROOKS: Then at this time we will
3 call Case Number 15049, application of Mesquite SWD,
4 Inc. for approval of a saltwater disposal, Eddy County,
5 New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I have one
9 witness.

10 MR. FELDEWERT: Mr. Examiner, Michael
11 Feldewert with the Santa Fe office of Holland & Hart.
12 I'm here on behalf of Bobco, LLC, B-O-B-C-O.

13 EXAMINER BROOKS: Do you have any
14 witnesses?

15 MR. FELDEWERT: And we do not have any
16 witnesses.

17 EXAMINER BROOKS: Would you please stand
18 and identify yourself?

19 MR. WILSON: Clay Wilson.

20 EXAMINER BROOKS: Okay. Swear the witness,
21 please.

22 CLAY WILSON,
23 after having been first duly sworn under oath, was
24 questioned and testified as follows:

25 EXAMINER BROOKS: Okay. Mr. Bruce, you may

1 proceed.

2 DIRECT EXAMINATION

3 BY MR. BRUCE:

4 Q. Mr. Wilson, where do you reside?

5 A. Carlsbad, New Mexico.

6 Q. What is your relationship to Mesquite SWD, Inc.

7 A. I'm president of it.

8 Q. Have you -- take a step back. Could you
9 discuss -- you do not have a technical degree, do you?

10 A. No, I do not.

11 Q. But let's go into your background. How long
12 have you been in the oil and gas business?

13 A. Since 1989.

14 Q. And what kind of jobs have you held?

15 A. Water truck -- we've had service companies, and
16 in 1994, we got into the disposal business.

17 Q. So for almost 20 years you have been in the
18 saltwater disposal business?

19 A. Yes, sir.

20 Q. And as head of Mesquite SWD, do you supervise
21 the operation of your SWD wells?

22 A. I do.

23 Q. And along that line, have you -- are you
24 familiar with re-entering wells and drilling new wells,
25 and do you supervise Mesquite's operations in doing so?

1 A. I do.

2 Q. And are you familiar with the well design and
3 AFEs and cost for the wells?

4 A. Yes.

5 Q. And our one primary exhibit, Exhibit 1, the
6 C-108, that was signed by Dr. Havenor, but does he
7 prepare -- he does a lot of the work for Mesquite SWD;
8 does he not?

9 A. Yes.

10 Q. And does he prepare these C-108s under your
11 direction and control?

12 A. He does.

13 MR. BRUCE: Mr. Examiner, I would just like
14 to qualify Mr. Wilson as a practical oil man.

15 EXAMINER BROOKS: Any objection?

16 MR. FELDEWERT: No objection.

17 EXAMINER BROOKS: He is so qualified.

18 Q. (BY MR. BRUCE) Let's go through the C-108,
19 Mr. Wilson, and maybe start with the numbered pages.
20 Could you go to page 3 and describe the well that we're
21 here for today?

22 A. It's the Big Eddy #6, Section 34, 19 South, 31
23 East. It's a re-entry. It was drilled, and plugged off
24 the well, and we want to re-enter for a disposal well.

25 Q. Will the well -- do you recall what the

1 original formation tested by this well was?

2 A. No, I do not.

3 Q. But will you be deepening the well?

4 A. We will be deepening it a couple thousand feet,
5 about 3,000 feet deeper than it is now.

6 Q. Okay. And what is the injection -- proposed
7 injection?

8 A. The Devonian, around 13,850 to 14,9.

9 Q. Let's move a couple of pages forward. Maybe
10 page 6 shows the area of review, and page 7 discusses
11 wells in the area of review. On page 7, are those the
12 only wells in the area of review -- the one-half mile of
13 review required for the C-108?

14 A. Yes.

15 Q. And one of those wells is the Big Eddy Unit
16 Number 6, which is a P&A'd well, correct?

17 A. Yes.

18 Q. And the only offset operator is Bobco, which,
19 of course, is the operator of the Big Eddy Unit,
20 correct?

21 A. Correct.

22 Q. Is the Big Eddy Unit 265, the other well,
23 properly constructed so as to prevent movement of the
24 fluids between zones?

25 A. Yes.

1 Q. Let's turn to page 8, and could you just
2 briefly discuss the type of injections and pressures?

3 A. We're injecting produced water anywhere from
4 about 10,000 barrels a day up to 25,000. The maximum
5 injection pressure is 2,770.

6 Q. Will the injection pressure comply with the
7 Division's .2 psi per foot of depth?

8 A. Yes.

9 Q. Now, these injection volumes are pretty high.
10 Is the Devonian capable of accepting these volumes?

11 A. It is.

12 Q. And as to the fresh water -- I think on the
13 next pages, 8 and 9 -- were you only able to locate one
14 freshwater source within two miles?

15 A. Yes.

16 MR. BRUCE: And, Mr. Examiner, I'd simply
17 point out that at the top of page 9, in the first
18 paragraph, there is really no information on that well.
19 They think it was merely drilled for grid-water supply
20 way back when, so there is no available data for that.

21 Q. (BY MR. BRUCE) What are the main zones that
22 produced water will come from?

23 A. The Delaware and the Bone Spring.

24 Q. And in your opinion, will the produced water
25 and the formation water, the Devonian water, be

1 compatible?

2 A. Yes.

3 Q. Is it common to inject that type of produced
4 water into a Devonian Formation, in your experience?

5 A. Yes.

6 Q. In looking at matters prepared for the C-108,
7 is there any geologic evidence of open faults or any
8 hydrologic connection between the disposal zone and any
9 underground sources of fresh water?

10 A. No, none that I know of.

11 Q. Let's move on to page 11, and could you
12 identify that for the Examiner?

13 A. That is the wellbore on the Big Eddy #6 as it
14 is now.

15 Q. And move on to page 12. What does page 12
16 reflect?

17 A. That reflects the completion that Mesquite is
18 proposing to do.

19 Q. Okay. Now, page 12 is the original completion
20 that Mesquite has proposed, correct?

21 A. Correct. Yes, sir.

22 Q. And let's get into Bobco. Did Bobco contact
23 you and request changes to this well design?

24 A. They did.

25 Q. And has Mesquite agreed to those changes?

1 A. We have.

2 Q. And does page 12-A show how the -- how the well
3 will now be re-entered and completed?

4 A. Yes, sir.

5 MR. BRUCE: Mr. Examiner, I only had a
6 black-and-white copy before, so -- (indicating).

7 Q. (BY MR. BRUCE) And have you spoken with
8 representatives of Bobco regarding the well design on
9 page 12-A?

10 A. We have.

11 Q. And are they agreeable that this will satisfy
12 their concerns?

13 A. Yes.

14 Q. Now, does page 14 accurately reflect the only
15 offset operators or working interest owners and the
16 surface owner regarding this well?

17 A. It does.

18 Q. One thing, Mr. Wilson. Has the Bureau of Land
19 Management expressed some concern about this well?

20 A. They have.

21 Q. Not technically?

22 A. No, not technically.

23 Q. This well is located inside the Big Eddy Unit;
24 is it not?

25 A. It is.

1 Q. Did they express some concern that it wasn't
2 the unit operator operating this well?

3 A. They did.

4 Q. And since you've reached agreement with Bobco,
5 to the best of your knowledge, will that satisfy the
6 BLM's concerns?

7 A. Yes.

8 Q. Mr. Wilson, was Exhibit 1 prepared under your
9 direction?

10 A. It was.

11 MR. BRUCE: And, Mr. Examiner, Exhibit 2 is
12 simply my Affidavit of Notice to the offsets and the BLM
13 and the OCD's Artesia office. And I would move the
14 admission of Exhibits 1 and 2.

15 EXAMINER BROOKS: Any objection?

16 MR. FELDEWERT: No objection.

17 EXAMINER BROOKS: Exhibits 1 and 2 are
18 admitted.

19 (Mesquite SWD, Inc. Exhibit Numbers 1 and 2
20 were offered and admitted into evidence.)

21 Q. (BY MR. BRUCE) And a couple other things,
22 Mr. Wilson. Is disposal capacity needed in this area?

23 A. It is.

24 Q. Due to the horizontal drilling?

25 A. Yes.

1 Q. And in your opinion, will the drilling and
2 completion of this -- approval of this saltwater
3 disposal well promote the interest of conservation and
4 the prevention of waste?

5 A. Yes.

6 MR. BRUCE: That's all I have,
7 Mr. Examiner.

8 EXAMINER BROOKS: Mr. Feldewert?

9 CROSS-EXAMINATION

10 BY MR. FELDEWERT:

11 Q. Mr. Wilson, if I look at Exhibit Number 1 and I
12 go to page 12, that was your original wellbore diagram
13 that you submitted to the Division, correct?

14 A. Yes, sir.

15 Q. And then you had discussions with Bobco?

16 A. Yes, sir.

17 Q. And if I understand, 12-A is a revised diagram
18 reflecting those discussions?

19 A. It is.

20 Q. Can you identify for me what changes were made
21 between 12 and 12-A?

22 A. Yes, sir. There was some concern of getting
23 the right amount of cement in between the -- on page 12,
24 it was seven-inch, and Bobco didn't feel that we'd have,
25 through some of their areas of concern, proper cement,

1 and they suggested running five and a half. So we
2 switched it to five and a half.

3 Q. Okay. So if I look at 12-A, I see the entry
4 for production casing; is that right?

5 A. Yes, sir.

6 Q. And that on 12-A reflects five-and-a-half-inch
7 production casing?

8 A. Five and a half, yes, sir.

9 Q. Whereas, the previous design reflected
10 seven-inch production casing?

11 A. Yes, sir.

12 Q. Okay. Was there any other change to your
13 wellbore diagram besides the change to the size of the
14 production casing?

15 A. Not to my knowledge.

16 Q. And is 12-A the wellbore diagram that you
17 submitted by e-mail to Bobco?

18 A. Yes, sir.

19 Q. Then if I go back to page -- so let me ask you,
20 Mr. Wilson. Your application here would be for approval
21 of a five-and-a-half-inch production casing, not a
22 seven-inch production casing?

23 A. Right.

24 Q. If I go back to page 3 of your Exhibit Number
25 1 -- and I'm assuming this was just an oversight on your

1 part or that you didn't carry it all the way through.

2 If you go down to the production casing side, you see
3 where it still says "seven-inch"?

4 A. Yes, sir.

5 Q. Should that be changed to five-and-a-half inch?

6 A. Yes, sir.

7 Q. Is there anyplace else in the application that
8 references the size of the production casing? I
9 couldn't find any?

10 A. Not to my knowledge.

11 Q. But if there is, the application before the
12 Division today would be for a five-and-a-half-inch
13 production casing, not a seven-inch production casing?

14 A. Yes, sir.

15 Q. That's all the questions I have.

16 CROSS-EXAMINATION

17 BY EXAMINER BROOKS:

18 Q. Well, this appears to be very straightforward.
19 You said the water to be disposed is produced water from
20 wells in the vicinity?

21 A. Yes, sir.

22 Q. What formations do those come from?

23 A. They come from the Wolfcamp, the Delaware group
24 and probably some Bone Spring.

25 Q. And are you satisfied that there are not any

1 compatibility problems injecting this into the Devonian?

2 A. I am.

3 Q. And have you examined the available geologic
4 information to determine if there are any faults or
5 other structures that would allow the injected water to
6 escape out of zone?

7 A. I have not examined. Dr. Havenor has.

8 Q. Okay. And is he so certified in here, in
9 Exhibit 1?

10 A. Is he certified?

11 Q. Yeah. Is that -- that's one of the questions
12 in Exhibit 1.

13 MR. BRUCE: Page 10, Mr. Examiner.

14 EXAMINER BROOKS: Very good.

15 MR. BRUCE: Mr. Havenor came down ill
16 yesterday. Otherwise, he would have been here.

17 EXAMINER BROOKS: Mr. Goetze?

18 EXAMINER GOETZE: No questions, but we will
19 note that we do have a change in the open-hole size
20 diameter. It's gone from six-inch to four-and-a-half
21 [sic], from four-and-five-eighths. So that would be the
22 other change. Other than that, no questions or
23 notations. Thank you.

24 THE WITNESS: Thank you.

25 EXAMINER BROOKS: Very good. Then Case

1 Number 15049 will be taken under advisement.

2 (Case Number 15049 concludes, 9:10 a.m.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15049,
heard by me on 10-3-13.

David K. Bupp, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19

20

21

22

23

24

25

Mary C. Hankins

MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2013