

STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)	
CALLLED BY THE OIL CONSERVATION)	
DIVISION FOR THE PURPOSE OF)	
CONSIDERING:)	CASE NO. 11,131
)	
HEARING CALLED BY THE OIL)	
CONSERVATION DIVISION)	
)	

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 10th, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, November 10th, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

November 10th, 1994
 Examiner Hearing
 CASE NO. 11,131

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<u>MICHAEL E. STOGNER</u>	
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* * *

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A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 State Land Office Building
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 11:11 a.m.:

3
4 EXAMINER CATANACH: At this time we shall call
5 Case 11,131, in the matter of the hearing called by the Oil
6 Conservation Division ("Division") on its own motion to
7 permit the operator, Donald Sharratt, and all other
8 interested parties to appear and show cause why the Baker
9 "C" Well No. 1 located in Unit A of Section 26, Township 22
10 South, Range 37 East, Lea County, New Mexico, should not be
11 plugged and abandoned in accordance with a Division-
12 approved plugging program.

13 Are there appearances in this case?

14 MR. CARROLL: Yes, may it please the Examiner, my
15 name is Rand Carroll, and I'm here representing the Oil
16 Conservation Division.

17 EXAMINER CATANACH: Are there additional
18 appearances?

19 There being none, will the witness please stand
20 and be sworn in at this time?

21 (Thereupon, the witness was sworn.)

22 EXAMINER CATANACH: Mr. Carroll, you may proceed.

23 MR. CARROLL: Thank you.

24 EXAMINER CATANACH: (To Witness) You may be
25 seated.

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MICHAEL E. STOGNER,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARROLL:

Q. Mr. Stogner, will you please state your name, your place of residence, your employer and your position?

A. I'm Michael E. Stogner, I reside in Estancia, New Mexico, Torrance County. I am employed with the New Mexico Oil Conservation Division at 2040 Pacheco Street here in Santa Fe as a petroleum engineer and hearing examiner.

Q. Have you testified before the Division before and had your qualifications as a petroleum engineer accepted as an expert witness?

A. Yes, I have.

MR. CARROLL: I tender Mr. Stogner as an expert witness.

EXAMINER CATANACH: That is -- Mr. Stogner, I believe that is 2040 South Pacheco, the new address for the Division, and we will tender Mr. Stogner as an expert.

THE WITNESS: Isn't that what I said?

EXAMINER CATANACH: (Shakes head)

THE WITNESS: Oh, sorry.

Q. (By Mr. Carroll) Mr. Stogner, have you had a chance to review the well file maintained by the Oil

1 Conservation Division for the well in question in this
2 case?

3 A. Yes, I have.

4 Q. And is this well file maintained by the Oil
5 Conservation Division in its ordinary course of business?

6 A. Yes. In fact, there's two sets, one in the Hobbs
7 District Office and one here in Santa Fe.

8 Q. Mr. Stogner, what is the location of the well in
9 question?

10 A. This particular well, the Baker "C" Well Number
11 1, is located 660 feet from the north and east lines,
12 that's in Unit A of 26, Township 22 South, Range 37 East,
13 in Lea County, New Mexico. It's about, oh, five miles
14 south of Eunice.

15 Q. Okay. And is the location marked on what is
16 marked as OCD Exhibit Number 1?

17 A. Yes, Exhibit Number 1 is essentially a copy of
18 the Midland Map Company map with an arrow indicating the
19 subject well.

20 Q. Mr. Stogner, have there been any problems
21 regarding, I guess, pressurization of salt water within the
22 subject area?

23 A. Yes, and I have included two exhibits, Exhibits
24 2A and 2B, and this well is located in an area
25 affectionately known in the Hobbs District Office as the

1 5003 area, in which there were several hearings back in the
2 early Seventies to address the pressurization of the salt,
3 possibly by secondary recovery and water disposal in the
4 upper Queen formations and Langlie-Mattix area.

5 I've included these two orders, that's Order
6 Number R-4936 in Case 5377; and Case 5403, in which
7 resulted in Order Number R-5003. And if you note in
8 Exhibit 2B, if you go over to page number 10, this
9 particular well in question was ordered -- or was it
10 provided in this order that it be squeezed-cemented.

11 So this well not only had the initial completion,
12 it also was squeeze-cemented pursuant to this order for
13 additional protection from this pressurized area.

14 Q. Was that cementing ever accomplished?

15 A. I believe it was, and I'm referring now to
16 Exhibit Number 3. This is a copy of the well file here in
17 the OCD office here in Santa Fe for this particular well.

18 Just a little brief history. This well was
19 drilled in the mid-1955 by Skelly Oil Company. And it was
20 TD'd, total depth, 6140 feet, and -- with a 7-inch casing,
21 cemented with 400 sacks of cement.

22 And about the time this order was written -- Oh,
23 and it was completed in the Blinebry Oil and Gas. It kind
24 of flipped back and forth as being a Blinebry oil producer
25 and a Blinebry gas producer.

1 If you refer to a sundry notice -- and I'm sorry,
2 I don't have the pages numbered -- it's a Form C-103, dated
3 January 8th, 1975, in which there was notice of intent to
4 squeeze-cement by Skelly the 7-inch casing. And referring
5 to the page prior to that, which is a sundry notice for
6 subsequent report of casing connection, September 25th,
7 1975, in which it also states in there that we had an OCD
8 employee inspecting said well and remedial work.

9 And eventually Skelly became Getty Oil Company,
10 and -- about 1977. So the well changed ownership.
11 Actually, it was a buy-out. And it stayed with Getty as a
12 Blinbry producer until Texaco bought Getty out in 198- --
13 It looks like 1985.

14 In June of 1988 the well was temporarily -- I'm
15 sorry, December of 1987, the well was temporarily abandoned
16 by Texaco, and the reason for that was a casing leak. The
17 well was temporarily abandoned for further evaluation of
18 potential production.

19 And it's not clear if remedial work was done
20 subsequent to that report, and I refer to the C-103, dated
21 June 1st, 1988.

22 Subsequent to that time, in 1991, Texaco
23 Producing, Incorporated, sold this well to O'Ryan Oil and
24 Gas Company.

25 And then in 1993, O'Ryan sold to Donald Sharratt

1 this particular well. And it was designated for those
2 two -- as far as I can tell, with those two purchases that
3 the well remained shut in. It was also noted that remedial
4 work would still have to be done on that well, pursuant to
5 all indications in the well file.

6 Q. And what is the current condition of the well?

7 A. Okay, the current condition of this well is, it's
8 flowing salt water to the surface. Evidently there's a
9 hole in the casing in this salt zone, and if the well
10 remains shut in it will build a pressure of about 900
11 p.s.i., and we're talking about a leak somewhere at the
12 depth interval between about 1250 to 2300 feet.

13 The present wellhead on this well is a low-
14 pressure wellhead, and it's somewhat old. If the well was
15 to pressure -- or be shut in and pressured up, there's a
16 potential that the well would blow out.

17 There are also indications -- and I can go into
18 them in subsequent detail -- about water flowing or
19 percolating to the surface last year.

20 Q. And is this leak a danger to fresh water in the
21 area?

22 A. Yes, it is.

23 Q. Has the Division tried to contact the operator to
24 have the operator correct this situation?

25 A. Yeah, I refer to Exhibit Number 4, which is a

1 packet of correspondence, and starting in the back is a
2 memorandum, and I'm not sure what the detail of that -- And
3 that memorandum is dated February 3rd, 1993.

4 But I will refer to the letter, February 4th,
5 1993, which was a letter from Jerry Sexton to Mr. Donald
6 Sharratt, notifying him -- and this was shortly after he
7 evidently acquired it from O'Ryan resources -- referring to
8 some problems in the well that needed remedial work done to
9 it.

10 Subsequent to that letter, on July 29th, 1993, a
11 field inspector in the Hobbs District Office reported water
12 coming to the surface slightly to the north of the
13 wellhead, flowing into a pit on the location. That's what
14 got the ball rolling.

15 And Mr. Paul Kautz, the geologist in the Hobbs
16 District Office, wrote a letter to Mr. Stovall, requesting
17 that -- or notifying the Hobbs -- I mean the Santa Fe
18 office, of this problem and potential problem and that we
19 start action on getting this well plugged.

20 By letter, August 3rd, 1993, Mr. Sharratt was
21 notified by Jerry Sexton about the problem and that he had
22 the well plugged.

23 And August 18th, 1993, by certified letter, Mr.
24 Sharratt responded to Mr. Sexton's letter, and essentially
25 he states in here that he's out of money and requests

1 emergency assistance to get the well plugged.

2 And that's where we stand today. So this well
3 has essentially been flowing from July of 1993 to present.

4 I might add that Rice Engineering has been
5 graciously disposing of -- or keeping the well bled down,
6 and any water that has come out, they have been disposing
7 of it in their facilities since that time.

8 And the last letter, on the front page, September
9 12th, 1994, is a certified mail to Mr. Sharratt, notifying
10 him of this hearing.

11 Q. Let's see, the letter on top is actually a letter
12 saying we will schedule show-cause hearing if he doesn't
13 respond to this certified letter?

14 A. Yes, sir.

15 Q. And Exhibit 5 is, I guess, more documentation as
16 to -- reports from the field person as to the condition of
17 the well?

18 A. Yes, after the well was found to be percolating
19 water into that pit, a daily review was made of this well,
20 and a pressure gauge was installed on it.

21 The well was shut in, and pressure was building
22 up on the well, and whenever it was released the pressure
23 was checked and it did go down till eventually that all
24 flow ceased and the pressure gauge on the well indicated
25 zero, but gas and fluid could still be heard percolating

1 down in the wellbore.

2 And this is just a copy of the daily reports by
3 our field man, Charles Perrin, to our District Supervisor,
4 Mr. Jerry Sexton, down in the Hobbs office.

5 Q. In Exhibit 6 there are some pictures of the well
6 site?

7 A. Yeah, Exhibit 6 is ten -- oh, let's see, I think
8 that's 6-by-3-1/2 color glossy photos, with a paragraph
9 underneath each one describing what it is and what is seen.
10 Essentially, it shows on the surface, the surface
11 facilities that are still out there on the well, including
12 a heater treater, a pit, wellhead, a base for a pumping
13 unit. All this equipment is still out there.

14 And also -- it's not very clear on the said
15 6-by-3-1/2 glossy photos -- saltwater contamination on the
16 ground.

17 But that's why I submitted this, these packet of
18 pictures.

19 Q. Has the operator posted a bond to be used for
20 plugging this well?

21 A. Yes, sir. Refer to Exhibit Number 7. This is a
22 one-well plugging bond for the amount of \$7500, because of
23 the depth of the well, from Donald Sharratt whenever he
24 acquired that well, back in 1993 or January of 1993, and
25 the bond is a cash bond with United New Mexico Bank having

1 the deposit contract.

2 And by the way, United New Mexico Bank in Hobbs,
3 now Norwest New Mexico, and as indicated on the
4 advertisement.

5 Q. Does the Oil Conservation Division have a
6 plugging program for the plugging of this well --

7 A. Yes.

8 Q. -- that they recommend?

9 A. I'm sorry. Yes, the Hobbs District Office has
10 prepared one. I don't have it with me at this time, but
11 I'd like to request that we supply that subsequent to
12 today's hearing.

13 They have an initial plugging program in which
14 the bottom of the well, of course, be plugged and that a
15 bridge plug both below and above the pressurized salt
16 section be placed in that well.

17 But it's one of those things in this particular
18 well, they're not going to know until they get into it to
19 see what is going on. So there is a possibility there
20 could be more damage or more problems once they re-enter
21 the well.

22 Q. So what are your recommendations as to what needs
23 to be done with this well?

24 A. The well be essentially classified as an urgent
25 situation, and that the well be plugged and abandoned as

1 soon as possible to prevent any further water flow or other
2 contamination of fresh waters, possibly, out there, or any
3 migration of fluids from one zone to another that this well
4 may have caused and may still be causing.

5 Q. And do you have a recommendation as to whether
6 the bond should be called and the proceeds of that bond
7 applied toward the plugging of this well?

8 A. Yes, at whatever amount is necessary, which I
9 would probably venture to guess that it would take all of
10 the cash in this bond to plug this well, and then some.

11 Q. And would plugging this well prevent waste or
12 protect fresh water in the area?

13 A. Yes, it would.

14 MR. CARROLL: Mr. Examiner, in your file is a
15 copy of two letters that were sent out, one to Norwest
16 Bank, New Mexico, and one to Donald Sharratt. They are
17 dated October 20th, sent by a certified mail, return
18 receipt requested. We have received the receipt from
19 Norwest Bank but have not received the receipt from Donald
20 Sharratt.

21 If you go back to Exhibit Number 4, Donald
22 Sharratt was notified by certified mail -- and we have the
23 return receipt from that letter -- that unless he contacted
24 our office by September 22nd, that we would call a show-
25 cause hearing for the purpose of plugging the well and

1 calling the bond.

2 Mr. Sharratt did not respond to that letter and
3 apparently has not signed for the receipt or has not been
4 there to sign for the receipt of the notice of this
5 hearing.

6 Mr. Examiner, I offer Exhibits marked OCD Numbers
7 1 through 9 into evidence.

8 And that's all I have of this witness.

9 EXAMINER CATANACH: Through 9, Mr. Carroll?

10 MR. CARROLL: Yes, 1 through 9.

11 EXAMINER CATANACH: I appear to only have 1
12 through 7.

13 MR. CARROLL: You're correct, it's 1 through 7,
14 not 1 through 9.

15 EXAMINER CATANACH: Exhibits 1 through 7 will be
16 admitted as evidence in this case.

17 And my compliments to you and Mr. Stogner on your
18 thorough presentation.

19 I do have --

20 MR. CARROLL: Mr. Examiner, give most of your
21 thanks to Mr. Stogner on the thoroughness of the
22 presentation.

23 EXAMINATION

24 BY EXAMINER CATANACH:

25 Q. I do have one question.

1 A. Yes, Mr. Examiner.

2 Q. Referring to Mr. Sharratt's letter dated August
3 18th, Mr. Stogner --

4 A. Yes, sir.

5 Q. -- I see at the bottom of that letter that Mr.
6 Sharratt requests that we release his plugging bond back to
7 him.

8 Quoting the letter, "I should not be held
9 responsible for a serious area wide problem that has
10 apparently been going on unchecked for so long."

11 Do you have an opinion, Mr. Stogner, as to
12 whether the Division should release Mr. Sharratt of his
13 bond -- should release the bond back to Mr. Sharratt
14 because of that problem?

15 A. Yes, I do have an opinion on that --

16 Q. What is that?

17 A. -- and I -- By no means do I think we ought to
18 release that bond to him. The well record, the orders from
19 1975, it's clear public record what Mr. Sharratt was
20 getting into when he bought the well. It's not an
21 unchecked problem, because in 1975, we did have these
22 hearings. And I think that's --

23 Q. That's your opinion?

24 A. That's my opinion.

25 Q. Thank you, Mr. Stogner.

1 A. And I'm sticking with it.

2 EXAMINER CATANACH: Okay. Is there anything else
3 in this case, Mr. Carroll?

4 MR. CARROLL: No, Mr. Examiner.

5 EXAMINER CATANACH: There being nothing further
6 in this case, Case 11,131 will be taken under advisement.

7 And -- Oh, by the way, could you prepare a rough-
8 draft order of this Case for the --

9 MR. CARROLL: Yes, I was going to offer to do
10 that.

11 EXAMINER CATANACH: Thank you.

12 (Thereupon, these proceedings were concluded at
13 11:35 a.m.)

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) SS.
 COUNTY OF SANTA FE)


I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 13th, 1994.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete and correct transcript of proceedings in the case captioned as above, Case No. 1113, heard by me on November 10, 1994.

 _____, Examiner
 Oil Conservation Division

STEVEN T. BRENNER, CCR
 (505) 989-9317

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 10, 1994 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Maurice Trimmer	R.W. Byram	SF
Chuck Lundeen	Arson Gas Corp.	OKC, Ok
Hal Hawthorne	" " "	" "
Orville Slaughter	Self	Farmington
Dean Price	Meridian Oil Inc	Farmington
Reggie Strickland	Meridian Oil	Farmington
Ed	Meridian Oil Inc.	Farmington
Chip Lane	Meridian Oil	Farmington
Leonard Bremer	Meridian Oil	Farmington
James Hornbeck	Kellin + Kellin	Santa Fe
Jerry Elger	"	"
Terry Dunsen	Nearburg Producers	Midland
Tanya Tynell	Nearburg	Dallas
John Fitzgerald	Complete Care	SF
Graig Ke	Marathon	Midland
John D. Ott	Marathon	Midland

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date NOVEMBER 10, 1994 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Steven Poller	Manathon Oil Co	Midland, TX
GARY STEPHENS	BLM	Santa Fe
Suz Stephens	BLM	Santa Fe
Grant L. Vaughn	U.S. Dept. of the Interior	Santa Fe
KENNETH Young	BIA Dept of Interior	Albuquerque
Michael E. Stogner	NMOC	Santa Fe, NM
Sharon Thompson	BLM - CSO	Denver, CO
KENT HOFFMAN	BLM - COLORADO	DURANGO, CO
TONY FERRARO	BLM/SOL	Santa Fe