

DOCKET: REGULAR HEARING - WEDNESDAY - APRIL 16, 1969

OIL CONSERVATION COMMISSION - 9 A.M. THE HOLIDAY INN, 200 SOUTH LINAM,
HOBBS, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for May, 1969.
- (2) Consideration of the allowable production of gas for May, 1969, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for May, 1969.

CASE 4099:

Application of Joseph L. Dunigan for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the Sudderth and Hicks Vickers Well No. 1 located in Unit A of Section 23, Township 20 South, Range 28 East, Russell (Yates) Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located near said well.

CASE 4100:

Application of J. M. C. Ritchie for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for four wells located in Sections 16, 20 and 21 of Township 26 South, Range 27 West, Welch-Delaware Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of salt water produced by the four wells in unlined surface pits.

CASE 4101:

Application of George H. Mitchell for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil or gas or both, on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for all wells producing from the Pecos-Delaware Pool, Eddy County, New Mexico. Applicant seeks authority for the operators of said wells to continue to dispose of produced water in unlined surface pits servicing said wells.

- CASE 4102: Application of W. H. McKinley for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended which order prohibits the disposal of water produced in conjunction with the production of oil or gas, or both, on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's lease covering the SE/4 of Section 1, Township 17 South, Range 30 East, Square Lake Grayburg-San Andres Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of salt water produced by the wells on said lease in unlined surface pits.
- CASE 4103: Application of New Mexico Salt Water Disposal Company, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen and Penrose formations in the perforated interval from approximately 4823 feet to 5146 feet in the Charles B. Read Atlantic Richfield Well No. 2 located 660 feet from the South and West lines of Section 13, Township 19 South, Range 34 East, Quail-Queen Pool, Lea County, New Mexico.
- CASE 4104: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the adoption of an administrative procedure whereby the Secretary-Director of the Commission could grant exceptions to Rule 303 (a) of the Commission Rules and Regulations and permit marginal zones in dually completed oil wells to be commingled in the well-bore provided waste would not result thereby, provided dual-flow down-hole choke assemblies or other acceptable mechanical devices were installed, and provided that the total production from both zones would not exceed top allowable for the uppermost zone. Further, to consider an administrative procedure to permit down-hole commingling of low marginal wells approaching their economic limit without the installation of the above-mentioned down-hole equipment.
- CASE 4105: Southeastern nomenclature case calling for an order for the creation and extension of certain pools in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico:
- (a) Create a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the Cormac-San Andres Pool comprising the following:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 17: NE/4

Further, for the assignment of approximately 22,040 barrels of oil discovery allowable to the discovery well Corinne Grace's T. P. State Well No. 1 located in Unit A of said Section 17.

MR. HATCH: Case 4099, application of Joseph L. Dunigan for an exception to Order No. R-3221, as amended, Eddy County, New Mexico.

JOSEPH L. DUNIGAN

called as a witness in his own behalf, offered himself as a witness, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

Q Will you give your name and identify yourself?

A Joseph L. Dunigan, and I live in El Paso, Texas, and I am an attorney. I filed this application on my own behalf in a small operation in Eddy County involving one small well on a lease, and it is a federal lease, and makes about five or six barrels of oil per day, and produces water with the oil, which we are asking that we be permitted to dispose of in slush pits adjacent to the well, for economic reasons, since it would be quite costly to pipe the water approximately one mile, and install pump and storage tank.

This well is in the southeast part of the field, and there is nothing adjacent to it, no agricultural operation, and no wells of surface water within some, I believe, three to

five miles. It is hoped that an exception could be granted on the grounds that the water is not contaminating any surface water.

I am not too familiar, technically, with this question, but that is the way it appears to me, that it would be economically unfeasible to operate it if that much additional expense had to be gone into.

MR. PORTER: Mr. Dunigan, is this well located in what is designated as the Russell or East Russell Pool?

THE WITNESS: Yes, it is, Russell Pool.

MR. PORTER: Are there other wells in that same pool?

THE WITNESS: This is the only well in this formation. There are other wells in shallower formations, 750 to 800 some feet.

MR. PORTER: How deep is your well?

THE WITNESS: It is about 916 and it is produced from a chalk formation. It is heavy oil.

MR. PORTER: How much water is it making?

THE WITNESS: About 50 to 60 barrels a day.

Q And about five barrels of oil?

A And about five barrels of oil, maybe six.

Q Now, is there waterflood operating in the pool?

A Adjacent to the pool, there is.

Q And have you made a survey to see how many water wells, how many fresh water wells are in the area, and what the location of those fresh water wells is?

A Yes. Mr. Rains, who operates this little well.

Q He works for you?

A Well, he operates this well, but he does operate the other lease, and he says there are only two water wells within some three to five miles from the location.

Q Do you know what direction they are from your well?

A They would be -- they would be southeast, I believe, toward Carlsbad.

Q Both wells would be?

A Yes.

Q Do you know what the surface drainage, what direction the surface drainage is in this area?

A Well, I am told that it is toward the -- generally, toward the Pecos River.

Q Which would be in what direction from your well?

A I believe that would be south.

Q You say these wells are located from three to five miles away, and there are only two. Are they currently being

used for livestock or human consumption?

A I think for human consumption, and one might be for livestock.

Q Are they located at ranch houses?

A One is at a residence, I believe, that the people live at. And the other is not at a residence. I think it is just where --

Q Do you have any analysis of the water that you produce from your oil well, what the chloride content is or what is the sulfate content?

A No, I don't.

Q But it is not usable by livestock?

A I would think not, but Mr. Rains is the witness I will have testify, and he would know.

MR. PORTER: I see. I didn't know you had another witness.

Does anyone have any further questions of Mr. Dunigan? He has another witness who will testify in some detail.

MR. NUTTER: In detail on these existing water wells?

THE WITNESS: The location.

MR. NUTTER: And the depth of the wells, and so forth?

THE WITNESS: Yes.

MR. PORTER: If there are no further questions of Mr. Dunigan, we will dismiss him and call your next witness.

ALVIS H. RAINS

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

DIRECT EXAMINATION

MR. PORTER: Mr. Dunigan, do you have any questions on direct examination that you would like to ask of Mr. Rains, or should we develop that information?

MR. DUNIGAN: I think it would be better if you would develop that information, and then if I could ask any further questions that appear to be necessary.

MR. PORTER: Mr. Nutter, do you have any questions?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Rains, it has been reported to me that there is a house with a windmill approximately three-quarters of a mile north of the subject oil well that we are considering here.

A Yes, sir, that is where I live.

Q What depth is that water well?

A It is around eighty feet.

Q And then approximately one and a half miles to the

southwest, in Section 27, there is a windmill?

A Yes, sir, that is my windmill

Q That is yours, also?

A Yes, sir.

Q What is the depth of that?

A Eighty feet.

Q That is an 80-foot well, also. Down in Section 35, about two miles or two and a half miles to the southeast, there is another well.

A Yes, sir, that is a residence.

Q What is the depth of that well?

A I don't know for sure, but it would be about the same distance.

Q About 80 feet?

A About 80 feet.

Q In other words, within two or three miles of the subject well, we have at least three windmills which are producing water from approximately 80 feet?

A Yes, sir.

Q Is this water considered fresh water?

A Well, I wouldn't think so.

Q Is it water that can be utilized for stock purposes?

A Yes, sir.

Q Is it fit for human consumption?

A No, sir, it is not.

Q Now, the house that is three-quarters of a mile north, you say that windmill is there at the house, and that is --

A That is where I live.

Q Is that the source of water that you use for domestic purposes?

A I use that water for everything but drinking water.

Q And you obtain your drinking water from some other source?

A Yes, sir, we haul it.

Q Has any analysis been made of the water there at the house?

A Well, I am sure there has been, but I wouldn't know what they are.

Q We have an analysis on the windmill which is in Section 27, that is a mile and a half to the southwest, and the chlorides are reported there at being 92 parts per million, which is rather low chloride content. Could you describe the type of water that you have there, Mr. Rains?

A Well, I don't believe I could, only we just say it is

surface water. I call it windmill water. That is all we use it for is cattle. It is a gypsy water.

Q Would you say it is a gypsy water?

A It is gypsy water.

MR. NUTTER: Mr. Dunigan, I would like to ask you a question. There is a waterflood being conducted in the Russell Pool, isn't that correct?

MR. DUNIGAN: Yes, sir, there is.

MR. NUTTER: However, your well is not participating in this waterflood project?

MR. DUNIGAN: No, it is at a lower depth.

MR. NUTTER: Now, the Russell Oil Company, what is the name of the oil company that is conducting the waterflood?

MR. DUNIGAN: I believe that is the Wills.

MR. RAINS: It is the Russell Pool.

MR. NUTTER: That is the Wills waterflood?

MR. DUNIGAN: I understand.

MR. NUTTER: Do you know what he is doing with the water he is producing from his wells? Is he recycling the water and putting it back into the ground?

MR. DUNIGAN: We sure are. We have been doing that for over a year.

MR. NUTTER: Has there been any attempt made to utilize the water produced from your well, Mr. Dunigan, in this waterflood project being operated in the pool?

MR. DUNIGAN: I would say as to that, that we would like to do that, but they say that the water will have to be treated, and it will cost about \$100 a month to us, and, of course, run the line over, and with the storage tank and the pump, we feel that would be too costly.

MR. NUTTER: In other words, you feel that that well you are producing is producing from a separate zone in the main body of the pool?

MR. DUNIGAN: That's right.

MR. NUTTER: And the water that comes from your well would not be compatible with the water produced from other wells in the pool?

MR. DUNIGAN: Yes, that is what they have informed us.

MR. NUTTER: And the water would have to be treated?

MR. DUNIGAN: Yes.

MR. NUTTER: At a cost of some \$100 a month.

Mr. Rains, do you feel that the continued disposal of this water in this surface pit, that Mr. Dunigan's well will

jeopardize the water in the house which is three-quarters of a mile north, or the water in the well which is a mile and a half to the southwest?

A No, sir, I don't. I don't think it would hurt it in any way. The water flow in that part of the country is flowing ^{WEST} ~~southeast~~, like he said, toward the Pecos.

MR. PORTER: Away from the --

THE WITNESS: Away from where I live, yes.

MR. PORTER: Would it be away from the other well?

THE WITNESS: Well, it would be kind of in-between them. But that would be a long ways for it to travel, let's say that.

Q Well, the Pecos is to the southwest?

A Well, it runs all the way through there. It could be every direction. This well has been producing about 25 years, and it looked like if it was going to show up at one of these places, it would have already showed up.

MR. PORTER: There were three wells indicated. One was three-quarters of a mile north, and one was a mile and a half to the southwest. Where is the other one?

MR. NUTTER: It is approximately two miles to the south, southeast.

MR. PORTER: Does anyone else have any questions?
Does that conclude your questions, Mr. Nutter?

MR. NUTTER: I believe so.

MR. PORTER: The witness may be excused.

MR. DUNIGAN: I would like to further ask that if the exception is denied, that an exception be granted to find some way to dispose of the water, if it is possible, and if it could be placed in lined pits, slush pits next to the well. There are two there now, and I wondered if maybe that could be done, in the event that the exception that we asked for is not granted. This lease is being held by that little production, and if it has to be abandoned --

MR. NUTTER: This is not a very profitable operation as it is now?

MR. DUNIGAN: No, it is not, it is not at all. It just about makes expenses and keeps the lease alive. At such additional expense, I believe it would not be economically operating.

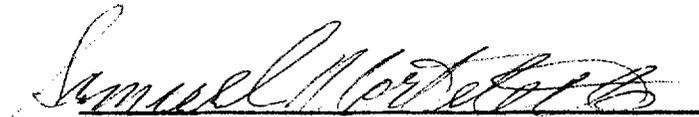
MR. PORTER: Does anyone else have anything to offer in the case? The Commission will take the case under advisement.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
JOSEPH L. DUNIGAN	
Direct Examination by Mr. Hatch	2
ALVIS H. RAINS	
Direct Examination (Colloquy)	6
Cross Examination by Mr. Nutter	6

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

I, SAMUEL MORTELETTE, Court Reporter 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.



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