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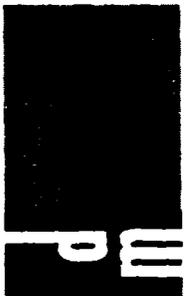
BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 22, 1969

EXAMINER HEARING

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 IN THE MATTER OF:)
)
 Application of Pan American)
 Petroleum Corporation for an) Case No. 4240
 exception to Order No. R-3221,)
 as amended, Chaves County,)
 New Mexico.)
 -----)

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING



MR. NUTTER: Case No. 4240.

MR. HATCH: Case 4240. Application of Pan American Petroleum Corporation for an exception to Order No. R-3221, as amended, Chaves County, New Mexico.

MR. BUELL: May the record reflect the same appearances that was in the previous case, Case No. 4232?

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

BILL WELLS

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Wells, are you the same Bill Wells who testified in Case 4232 and your qualifications as a petroleum engineer were admitted in the record?

A Yes, sir, I am.

Q In connection with this case, would you please state at the outset your recommendation and Pan American's request so that the Examiner can again evaluate your testimony and exhibits in light of your recommendation?

A All right. Pan American is requesting an exception to the state-wide no-pit order for its

Smernoff Federal lease and its LaRue Federal leases in Chaves County, New Mexico. Both of these leases are located in Township 15 South, Range 29 East.

Q All right, sir. In connection with your testimony, would you first look at what has been identified as Pan American's Exhibit No. 1? What is that exhibit?

A Exhibit No. 1 is a map of the Sulimar-Queen Pool area within which both of these leases are located.

We show on this map outlined in black tape the recently granted Jack L. McClellan no-pit exempt area.

Q The area that was approved for McClellan is outlined in heavy black and white dash tape?

A Yes, sir, and it includes the southeast quarter of Section 13 and the northeast quarter of Section 24 in the previously mentioned township and range.

Q My notes reflect that that was Case 4156 and the order granting the no-pit exception was Order R-3784. Are my notes correct?

A Yes, sir, that's true.

Q What other area or areas are you highlighting on Exhibit 1?

A I have shown outlined by a red boundary our Smernoff Federal lease which is located in the northwest

quarter of the northeast quarter of Section 24 and our LaRue Federal lease located in -- well, including all of Section 25. These are the two areas we are requesting this exemption for.

Q You said red. That looks orange to me.

A Did I say red? I meant orange. I'm sorry.

Q All right, sir. What is the forty well lease to the north, the one, forty well lease that you have outlined in orange?

A This is our Smernoff Federal lease.

Q Is that lease completely developed with one well?

A Yes, sir, it is. As you said, it's a forty acre lease.

Q All right. The lease to the south, is it comprised of the entirety of Section 25?

A Yes, sir, it does.

Q Is that lease fully developed?

A No, sir, it isn't. This lease is under an active stage of development right now. We, in September of this year, completed our LaRue Federal No. 1 located in the northwest of the northwest quarter of this section.

We are now drilling and approaching total

depth on our well number 2, which is located immediately south of the number one well.

Of course, completion data on this well will help us make a decision on where we go from there, as far as development goes on this lease.

Q Is it our request to the commission here today that the no-pit exception be extended and cover not only the one completed well and the well that is being completed, but all subsequent wells that are completed in the same pool on our lease in Section 25?

A Yes, sir, that's true.

Q Mr. Wells, has Pan American made an effort to determine whether or not there are any fresh sub-surface waters in the immediate area of these two leases?

A Yes, sir, we have. Our field people have visually inspected the area and they have indicated to us that the nearest windmill to our requested exempt area is approximately three to four miles east of the Smernoff Federal lease, located in Section 24.

Additionally, we have visited with and talked to personnel with the State Engineer's office, examined their maps. This seems to coincide closely with what our field people tell us as to the location of the nearest

windmill.

Q Does the State Engineers office know of any fresh sub-surface waters in this area?

A There's none that they know of. They know of none.

Q Have we made any contact, our field people contacted operators and drilling contractors who have drilled wells in this area to determine if they encountered any fresh water?

A Yes, sir. The majority of the wells in this area were drilled with cable tool rigs and the operators of the wells drilled with these rigs report that they encountered no fresh water whatsoever drilling to these depths.

These wells are located from 1900 to 2000 feet deep.

Q Is our area of our application very near the application that was heard previously on the application of Dalport Oil Corporation in Case No. 4230 here today?

A It's the southwest of that area. I don't know the exact mileage. I estimate just from looking at it that it's some four to five miles southwest of the Double "L" Pool.

Q All right, sir. Are there any federal leases in this area?

A Yes, sir. Our LaRue and Smernoff leases are both federal leases and in this connection, of course, you are required to have the USGS approval for your cementing and casing program for these wells.

Q What are their requirements in this area with regard to cementing the surface casing?

A In this particular area, they do not require circulation of surface cement, of cement to the surface pipe, which indicates to me that they are not concerned with fresh water.

Q Because normally, where you have fresh subsurface waters, you are required to circulate your cement to the surface of your surface casing?

A Yes, sir, in order to isolate the zones.

Q Since the nearest windmill is over three miles away, would you suppose that the nearest fresh water is approximately that same distance away?

A Yes, sir. The nearest non-fresh water is at least that distance.

Q What alternate method will we have of disposing of this water, other than putting it in the surface pit?

A This water would have to be trucked to some other disposal point. Our current average cost out in the southeast New Mexico area for trucking produced water is twenty-five cents a barrel, so for this particular well producing water, we would be talking about something in the neighborhood of \$600.00 a month alone for salt water disposal cost.

Q Would you look now at Exhibit number 2? What is that Exhibit?

A Exhibit number 2 is a pertinent data sheet which shows several factors concerning this application. I would -- I believe it's pretty much self-explanatory, but I would like to stress two facts on it.

First, our proposed pit location where our pits would be located if this request were granted for the Smernoff lease it would be located in Unit "B", which is the Smernoff lease of Section 24, T 15 South, R 29 East.

For the LaRue Federal lease, it would be located in Unit "D" of Section 25. Also, under Section "B" of the pertinent data sheet we have shown our estimated disposal rates which are 90 barrels of water per day for LaRue Federal lease. This is based on the current or most recent test of our LaRue Federal No. 1 which shows water

production ranging from 60 to 80 barrels of water per day.

Our Snerhoff Federal well number 1 is not now making water. There's no current water production from this well. However, it is included within the area of Mr. McClellan's exception and we -- our feeling is that in the future if this well should start to make water, we would like to go ahead and get an exception now, rather than having to come back.

Q Since other wells in the same pool are making water, you would probably anticipate sometime in the future that this well would make water?

A Yes, sir, it possibly could.

Q Mr. Wells, in view of the fact that there are no fresh sub-surface waters in this area, is there any way that pollution could be caused by disposing of the produced water in surface pits?

A No, sir, I don't feel that there is.

Q Would economic waste result if we have to resort to some other method than surface pits?

A Yes. As I mentioned, it would probably cost us something in the neighborhood of \$600.00 a month to dispose of this water.

Q Do you have anything else you would care to add at this time?

A No, sir.

MR. BUELL: May it please the Examiner, that concludes our direct examination.

I would like to offer Pan American's Exhibits 1 and 2.

MR. NUTTER: Pan Am's Exhibits 1 and 2 will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Wells, in the event that further development should occur on this LaRue Federal and you happen to be down structure on the lease and start making considerable volumes of water, could this dry hole, which is in almost the center of Section 25, be used for water disposal?

A I don't believe. I am not real sure, but I don't believe pipe was set in that well and it would be quite costly, of course, to re-enter it and make a suitable disposal well of it.

Q Is this the completion date on that or is that the lease date, January 30, 1940?

A That would be the completion date.

Q So, it's an old well?

A Yes, very old. You can imagine what the mechanical situation might be.

Q I see. Are these two leases all the leases that Pan American has in the area?

A No, sir. We have a state lease immediately south of Section 25 and we also -- that's a 640 acre lease. We also have an 80 acre lease in Section 23 to the northwest of our LaRue Federal lease; also, in Section 8 to the northeast.

MR. BUELL: All of our acreage is polka dotted, Mr. Examiner.

MR. NUTTER: I see. Are there further questions of the witness? He may be excused.

Do you have anything further, Mr. Buell?

MR. BUELL: No, Mr. Examiner, I do not.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 4240?

We will take the case under advisement.

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