NEW MEXICO OIL CONSERVATION COMMISSION
EXAMINER HEARING
SANTA FE, NEW MEXICO
DECEMBER 3, 1992 -- 8:15 A.M.

NAME	REPRESENTING	LOCATION
Randy Offenberger	Santa Fe Energy	Midland

NEW MEXICO OIL CONSERVATION COMMISSION
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DECEMBER 3, 1992 – 8:15 A.M.

NAME	REPRESENTING	LOCATION
Ernest L. Carroll	Lowe Carson Law Firm	Artesia
Michael P. Hogan	WJC Inc	Hobbs
William F. Carr	Campbell, Carr, Berge & Sheridan	Santa Fe
Bob Fielder	Property Management & Consulting Inc.	Farmington
Jolene Grisham	Pro New Mexico	Santa Fe
Robert Bullock	Yates Pet Corp	Artesia
Ernest L. Padilla	Padilla & Snyder	Santa Fe
DAVE BONEAU	YATES PETROLEUM	ARTESIA
Scott Sadler	Gallegos Law Firm	Santa Fe
W. Thomas Kellahin	Kellahin & Kellahin	Santa Fe
Ron Folse	MARATHON	Midland, TX.
Elaine & Norm Gilbreath	Self	Aztec, NM
John West	Fasken	FW Tex
Robert Lee	State	Roswell.
M.P. GADDIS	MERIDIAN	MIDLAND, TX

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 10,613

EXAMINER HEARING

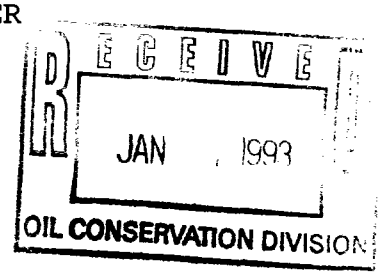
IN THE MATTER OF:

Application of WJC, Inc., for salt water disposal, Lea County, New Mexico

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER



STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

December 3, 1992

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Attorneys at Law
By: WILLIAM F. CARR
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

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I N D E X

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E X H I B I T S

APPLICANT'S EXHIBITS:

* * *

WHEREUPON, the following proceedings were had at 8:24 a.m.

EXAMINER CATANACH: At this time we'll call Case 10,613.

MR. STOVALL: Application of WJC, Inc., for salt water disposal, Lea County, New Mexico.

EXAMINER CATANACH: Are there appearances in this case?

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe law firm, Campbell, Carr, Berge & Sheridan.

I represent WJC, Inc., and I have one witness.

EXAMINER CATANACH: Are there other appearances in this case?

Will the witness please stand to be sworn in?

MICHAEL L. PIERCE,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Will you state your name for the record, please?

A. Michael L. Pierce.

Q. And where do you reside?

A. In Hobbs, New Mexico.

Q. By whom are you employed and in what capacity?

A. I'm owner of Peak Consulting Services.

Q. And you are employed in this case in what regard?

A. I was retained to file the salt water disposal Application.

Q. And who is WJC, Inc.?

A. They're an independent oil operator out of Midland, Texas.

Q. Mr. Pierce, have you previously testified before this Division and had your credentials as a consulting geologist accepted and made a matter of record?

A. Yes, I have.

Q. Are you familiar with the Application filed in this case?

A. Yes, I am.

Q. And are you familiar with the proposed salt water disposal well?

A. I am.

MR. CARR: Mr. Catanach, are the witness's qualifications acceptable?

EXAMINER CATANACH: They are.

Q. (By Mr. Carr) Would you briefly state what WJC, Inc., seeks in this case?

A. We are looking to convert the J.G. Cox Number 1 well, located in Section 13, 17-38, for disposal into the San Andres and Bone Spring formation.

Q. Could you refer to what has been marked as WJC Exhibit Number 1, identify this and review it for Mr. Catanach?

A. That's the C-108 Application filed for this well.

Q. Does this identify the injection interval that you're proposing to utilize?

A. Yes, sir, it does.

Q. Is it --

A. Go ahead.

Q. And would yo identify that interval?

A. The injection zone is the open-hole interval from the base of the intermediate casing at 5000 feet to a depth of 8360

Q. Is this a new well, or are you converting a well to disposal?

A. This is an old well, drilled by Jake Hamon as a Devonian producer.

Q. And what is the current status of that well?

A. Currently plugged and abandoned.

Q. Let's go to Exhibit Number 1, and if you would refer to the plat in this exhibit, which is on page 5, would you review that for the Examiner?

A. This is a land plat that shows the area of review around the J.G. Cox Number 1 well.

Q. Does this show all wells within two miles of the injection well?

A. It does.

Q. Is current lease ownership reflected on this exhibit?

A. To the best of my knowledge, it is, yes.

Q. And the area of review for this well is indicated by a circle around the subject well?

A. Correct.

Q. Could you identify for Mr. Catanach the portion of Exhibit Number 1 which contains data on all wells within the area of review which penetrate the injection zone?

A. That is -- Oh, yeah, that's the schematics of each of the wells, that's in pages 8 through 13 in this Application.

Q. And you have one on each well that penetrates the injection zone?

A. Correct.

Q. Are there any plugged and abandoned wells

within the area of review?

A. Yeah, there's one well that's plugged and abandoned, drilled by Jake Hamon, the Cooper "A" Number 1.

Q. Do you have a schematic on that well?

A. Yes, I do.

Q. And where is that in this exhibit?

A. It's page number 9.

Q. And have you reviewed the plugging detail on this well?

A. Yes, it appears to be plugged properly. This well was plugged in 1960.

Q. Could you refer to the schematic of the subject well and review for the Examiner both the current completion and how you propose to complete it for disposal?

A. Currently the well is plugged and abandoned with a 25 set plug at the 9 1/2 casing shield.

Q. And whereabouts in Exhibit 1 are you?

A. I'm on page 8.

And then several other plugs, one at -- a 25 set plug at 8360, and a 25 set plug at 10,100 feet, and then a plug at -- or -- and then it shows the casing that was pulled at 10,130 feet, and that 25 set plug covers that open-hole interval, and the stop 5 1/2

sticking up.

Q. Let's go now to the proposed completion on page 8A, and explain to Mr. Catanach what you intend to do with this well.

A. We propose to drill out the surface plug, the plug at the 9-and-5 shoe, and go down and tag the plug at 8360 and make sure that's there, and we then propose -- you know, and clean out to that depth.

We then propose to run 2 7/8 plastic-coated tubing to a depth of approximately 4900 feet, approximately 100 feet above the open-hole interval, and isolate the open-hole interval and the 9-and-5 annulus with a Baker Lok-Set packer and then load the back side with packer fluid.

Q. Into what formations are you proposing to dispose?

A. The San Andres and the Bone Spring.

Q. Are either of these formations productive in the immediate area of this proposed salt water disposal well?

A. No, they are not.

Q. What is the source of the water that you propose to dispose of?

A. It will be Devonian water.

Q. And where is it coming from?

A. From WJC-operated leases in the field.

Q. What is presently being done with this water?

A. Right now there's two wells that are operated by WJC. One of them makes very little water, and this water is being trucked off. The other well is currently shut in, because the water cut on it doesn't make it economic to truck the water.

The well currently makes about 80 barrels a day when it's producing, but in excess of 1000 barrels of water a day.

Q. In the past, what has been done with this water?

A. This water was taken to an offset disposal well in the field.

Q. And who operates that well?

A. F&M Oil Company.

Q. And what has happened to that situation? Why are you no longer able to use that well?

A. When F&M Oil took over operations from Chevron, they raised the injection -- or the disposal rate to 38 cents a barrel.

Q. The F&M disposal well is in fact an immediate offset to this well, is it not?

A. It is, it's the direct east offset.

Q. This Application was originally filed for

administrative approval?

A. It was.

Q. And why was it set for hearing?

A. F&M protested.

Q. Have they been advised of today's hearing?

A. Yes, they have.

Q. What volumes do you propose to dispose of in this well?

A. Approximately 2000 barrels a day.

Q. And the maximum disposal rate would be what volume?

A. 5000.

Q. Will this be a closed system?

A. It will be closed.

Q. And do you propose to inject by gravity, or will you need to utilize pressure?

A. It looks like I -- I pulled the file for the offset injection well, and the last test in September of this year showed that injection pressure was 200 pounds, so it looks like we may have to set a small pump to get it going.

Q. Would a pressure limitation of 2/10 pound per foot of depth to the top of the injection interval be sufficient for your purposes?

A. Yes, it would.

Q. Is the offsetting well also disposing into the San Andres and the Bone Spring?

A. Yes, it is.

Q. Do you anticipate any compatibility problems with the injected water?

A. No, the Devonian water has been injected into these two formations for over 20 years with no problem so far.

Q. In fact, the offsetting well is injecting Devonian water into these formations?

A. That's correct.

Q. Are there freshwater zones in the area?

A. Yes, the Ogalalla.

Q. And at about what interval do you find the Ogalalla?

A. From about 100 to 300 feet.

Q. Does Exhibit Number 1 contain water analyses of water from two of the freshwater wells within a mile of the proposed injection well?

A. Yes, it does.

Q. And could you identify those portions of Exhibit 1 for the Examiner?

A. On page 6 of the Application, there are noted two locations, number 1 and number 2, where I took a freshwater sample at farmhouses located within a mile

of each -- or a mile of the well, the J.G. Cox Number 1.

Q. And on page 7 of the exhibit, what is that?

A. That's a water analysis, specifically chlorides, run by Halliburton for me.

Q. Has a log of the proposed injection well been filed with the Oil Conservation Division?

A. Yes, it has.

Q. Could you go to what is page 17 of Exhibit Number 1 and identify that?

A. That is a letter from the current owner of the 160-acre tract that the J.G. Cox well is located on, saying that they're aware of this Application and are not opposed to it.

Q. And was notice of this Application and hearing provided by certified mail to all leasehold operators within a mile of the well, and also to the owner of the surface of the land?

A. Yes, it was.

Q. How recently have you been in communication with representatives of F&M Oil and Gas?

A. Last Friday, I received a phone call from an individual they retained to look at this Application, and he indicated to me that they would probably not show up for the hearing.

Q. Does Exhibit Number 1 also contain a diagrammatic sketch for the F&M Oil and Gas Company salt water disposal well?

A. It does.

Q. And that's on page 11 of this Exhibit?

A. Right.

Q. Mr. Pierce, have you examined the available geologic and engineering data on this area?

A. Yes, I have.

Q. And as a result of that examination, have you found any evidence of open faults or other hydrologic connections between the disposal zone and any underground source of drinking water?

A. I have not.

Q. In your opinion, would approval of this Application be in the best interest of conservation and prevention of waste and the protection of correlative rights?

A. It would.

Q. Was Exhibit Number 1 prepared by you?

A. It was.

MR. CARR: At this time, Mr. Catanach, we move the admission of WJC Exhibit Number 1.

EXAMINER CATANACH: Exhibit Number 1 will be admitted as evidence.

MR. CARR: That concludes my direct examination of Mr. Pierce.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Pierce, current production in the producing well, did you say, was 1000 barrels a day?

A. Water production.

Q. Right.

A. The well is shut in. There's two wells, the Brooks Number 1 and the Brooks Number 1. The Number 1 is shut in because of high water cut.

Q. And that's producing 1000 --

A. Eighty barrels a day, 80 barrels of oil a day, 1000 barrels of water.

Q. Right. Your estimate for disposal is 2000 to 5000. Where is the additional water going to come from?

A. From the -- There's two other operators in the field that are having difficulty with F&M Oil Company also.

Q. So you are in fact going to open this up to other operators?

A. If they want to joint the system.

Currently the Avra Oil Company operates a well to the south, and it's completed in the

Pennsylvanian, making about three barrels a day. It's fairly marginal.

But they've isolated the Devonian formation with the intent of going back to it if an economic way to dispose of the water becomes available.

So that was the reason to put the maximum at 5000.

Q. Okay. Do you have information regarding the top of the -- the formation tops in this well?

A. In -- ?

Q. In the proposed disposal well.

A. Yes, sir, I have a cross-section I can submit to you. This cross-section is labeled B-B', and I have additional copies of this also that I can furnish you.

Q. Okay.

A. This is the east-west cross-section. The furthest west well is the J.G. Cox Number 1.

The well to the -- The next well is the F&M Oil Company disposal well.

The proposed disposal interval for the Cox well is indicated, as well as the current disposal interval for the F&M Oil Company Holloway Number 1 well.

Q. The disposal well doesn't penetrate all of the Bone Spring?

A. No, sir, it does not -- It does, but we have a plug set at approximately 8360 --

Q. Okay.

A. -- that we're not going to go below. We don't feel it's necessary to have any more open-hole section.

Q. Okay, the base of the Bone Spring is below that plug?

A. Yes, sir.

Q. Okay. The injection interval appears to contain something above the San Andres. Is that your understanding?

A. The 5 1/2 casing is set at 5000 feet. Let's see here. I mean -- I mean, excuse me, the 9 5/8 casing. And I -- This cross-section was prepared by an individual with WJC, and I don't know that I would agree with that, the San Andres pick on this. I did not prepare this cross-section.

We're in the San Simone channel there, and we have a lot of interfingering of San Andres/Bone Spring going on. I think the San Andres probably is somewhat higher than this, what is actually depicted on this cross-section.

Q. Somewhat higher, or do you think it's --

A. I think it's behind the 9-and-5 casing. I

think we're in -- the 5 1/2 -- or the 9-and-5 was set into the San Andres.

Q. Okay. It's quite an extensive open-hole interval for injection. Are you aware of any problems that F&M has had with their well?

A. They have repaired their well several times -- or I don't know that F&M has repaired it, but the well has been repaired several times due to casing rotting out, the intermediate casing rotted out.

And several -- it appears to be several offset wells -- or within -- Within the field, there's been a problem with casing around 8000 feet or so, that seems to have developed a leak in there.

But I don't know whether to attribute that to the injection or not.

Q. Mr. Pierce, on page 10, the F&M -- it looks like W.F. Cone Well Number 2 --

A. Yes, sir.

Q. That's a producing well?

A. It's a Devonian well that's currently shut in, last report.

Q. Do you have any information on that well as to the placement of the cement behind the 7-inch casing?

A. All the records that I have at the Hobbs

District Office indicated was there's a casing leak at 6904 to 6967, and it was squeezed with 450 sacks.

If they ran a temperature survey or anything like that, it was not reported in those files.

Q. On page 13, the W- -- I mean the VF Cox well Number 1, do you have any information on that well regarding the cement top?

A. No, sir, I don't, no information at OCD.

Q. Okay.

A. Or the information that's there is presented in this schematic.

EXAMINER CATANACH: I believe that's all I have of the witness.

MR. CARR: Mr. Catanach, we would move the admission of Exhibit Number 2.

EXAMINER CATANACH: Exhibit Number 2 will be admitted as evidence.

MR. CARR: And I have nothing further of Mr. Pierce in this case.

EXAMINER CATANACH: There being nothing further, Case 10,613 will be taken under advisement.

(Thereupon, these proceedings were concluded at 8:43 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10613, heard by me on December 3 1992

David R. Catanach, Examiner
Oil Conservation Division

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 December 16, 1992.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994