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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10,747

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing Company for salt
water disposal, Eddy County, New Mexico

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

FILED
JUL 15 1993
STATE LAND OFFICE
SANTA FE, NEW MEXICO

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 15, 1993

A P P E A R A N C E S

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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

* * *

1 WHEREUPON, the following proceedings were had
2 at 9:14 a.m.:

3 EXAMINER CATANACH: At this time we'll call
4 Case 10,747.

5 MR. STOVALL: Application of Nearburg
6 Producing Company for salt water disposal, Eddy County,
7 New Mexico.

8 EXAMINER CATANACH: Appearances in this case?

9 MR. CARR: May it please the Examiner, my
10 name is William F. Carr with the Santa Fe law firm,
11 Campbell, Carr, Berge and Sheridan. I represent
12 Nearburg Producing Company in this matter.

13 As the Examiner will recall, this case was
14 heard a month ago. The case was continued to correct
15 the legal advertisement. I believe a portion of the ad
16 simply didn't appear in the newspaper.

17 Since that time, a letter was filed in this
18 matter by Meridian, indicating that they would appear
19 today and oppose the Application.

20 I can advise the Division that Nearburg has
21 met with Meridian, there is no objection to the
22 Application, and accordingly we would request that the
23 matter be taken under advisement made at the Examiner
24 hearing four weeks ago.

25 EXAMINER CATANACH: Settled it, huh?

1 MR. CARR: Yes, sir.

2 EXAMINER CATANACH: Good deal.

3 Okay, Case 10,747 will be taken under
4 advisement.

5 (Thereupon, these proceedings were concluded
6 at 9:15 a.m.)

7 * * *

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

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 10747

APPLICATION OF NEARBURG PRODUCING COMPANY

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

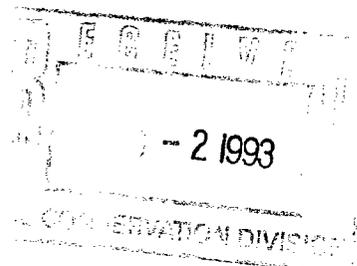
BEFORE: David R. Catanach, Hearing Examiner

June 17, 1993

Santa Fe, New Mexico

ORIGINAL

This matter came on for hearing before the Oil Conservation Division on June 17, 1993, at the Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Deborah O'Bine, RPR, Certified Court Reporter No. 63, for the State of New Mexico.



I N D E X

1
2
3 June 17, 1993
4 Examiner Hearing
5 CASE NO. 10747

APPEARANCES

PAGE
2

NEARBURG'S WITNESS:

TIM MacDONALD

Examination by Mr. Carr 3

Examination by Examiner Catanach 12

REPORTER'S CERTIFICATE

17

E X H I B I T S

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14 Exhibit 1
15 Exhibit 2

ID ADMTD
6 12
11 12

A P P E A R A N C E S

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18 FOR THE APPLICANT: CAMPBELL, CARR, BERGE &
19 SHERIDAN, P.A.
20 P.O. Box 2208
21 Santa Fe, New Mexico 87504
22 BY: WILLIAM F. CARR, ESQ.
23
24
25

1 EXAMINER CATANACH: At this time we'll call
2 Case 10747, which is the Application of Nearburg
3 Producing Company for saltwater disposal, Lea County,
4 New Mexico. Are there appearances in this case?

5 MR. CARR: May it please the examiner, my
6 name is William F. Carr. I'm with the Santa Fe law
7 firm Campbell, Carr, Berge & Sheridan, and I represent
8 Nearburg Producing Company. I have one witness in
9 this case.

10 EXAMINER CATANACH: Any other appearances?
11 Will the witness please stand and be sworn
12 in?

13 (Witness sworn.)

14 MR. CARR: May it please the examiner, this
15 case has been advertised for Lea County, New Mexico.
16 As you will note, the well is actually in Eddy County,
17 and, accordingly, the case will have to be
18 readvertised for the July 15 hearing. We would, since
19 Nearburg is here for other cases today, request
20 permission to present the case. We do not anticipate
21 opposition now or on the 15th of July.

22 EXAMINER CATANACH: Okay.

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

EXAMINATION

1
2 BY MR. CARR:

3 Q. Would you state your name for the record,
4 please.

5 A. My name is Tim MacDonald.

6 Q. Mr. MacDonald, by whom are you employed?

7 A. Nearburg Producing.

8 Q. And in what capacity?

9 A. Engineering Manager.

10 Q. Have you previously testified before this
11 Division?

12 A. Yes, I have.

13 Q. And at the time of that prior testimony,
14 were your credentials as a petroleum engineer accepted
15 and made a matter of record?

16 A. Yes, they were.

17 Q. Are you familiar with the application filed
18 in this case on behalf of Nearburg Producing Company?

19 A. Yes, I am.

20 Q. And you're familiar with the subject well?

21 A. Yes.

22 MR. CARR: Are the witness's qualifications
23 acceptable?

24 EXAMINER CATANACH: They are.

25 Q. (BY MR. CARR) Could you briefly state what

1 Nearburg seeks with this application?

2 A. We seek authorization to convert our M.H.
3 Federal Well No. 1N, No. 1, for a saltwater disposal
4 well.

5 Q. What is the location of this well?

6 A. It's 660 feet from the south line and 1650
7 feet from the west line, Unit N, Section 1, Township
8 22 South, Range 24 East, Eddy County.

9 Q. Was this well drilled for injection
10 purposes?

11 A. No. It was originally drilled in 1979 by
12 Morris Antweil to test the Cisco Canyon formation.
13 And in 1988 Nearburg reentered the well and tested the
14 Morrow formation and plugged back and tested the Cisco
15 Canyon also.

16 EXAMINER CATANACH: Excuse me, Mr. Carr.
17 The location that the witness gave to the north is not
18 the same as the advertisement. Is that being
19 corrected?

20 MR. CARR: Let me tell you, this is the
21 second time the case has been readvertised. The first
22 time it was readvertised because the location was 660
23 from the south line and 1850 from the west line and
24 reflected as being in Lea County. It has been
25 corrected to show the actual well location, which is

1 660 from the south and 1650 from the west and still
2 shown as in Lea County. So we're readvertising it yet
3 again, this time to move it to the right county.

4 EXAMINER CATANACH: So the next
5 advertisement for July 15 should have the right
6 footage and --

7 MR. CARR: It will show 660 from the south,
8 1650 from the west line of Section 1, 22 south, 24
9 east of Eddy County, and that is correct. Okay?

10 EXAMINER CATANACH: Okay.

11 Q. (BY MR. CARR) Mr. MacDonald, could you
12 identify what has been marked as Nearburg Exhibit No.
13 1?

14 A. It's a completed Form C-108 with
15 attachments.

16 Q. Into what formation do you propose to
17 dispose?

18 A. We propose to dispose in the Cisco Canyon
19 formation from the perforated interval from 8219 to
20 8380 feet.

21 Q. I've numbered the pages of this exhibit.
22 Let's go to page 12 of Exhibit No. 1, and I'd ask you
23 to identify that page of the exhibit and review it for
24 the examiner.

25 A. It's a land map that shows the lease

1 ownership within two miles of the proposed disposal
2 well and shows the area of review, the half-mile
3 radius around the proposed disposal well.

4 Q. Have any wells within the area of review
5 penetrated the injection zone?

6 A. Just this well.

7 Q. Is tabular data as required by Form C-108,
8 the tabular data on this well, set forth on pages 9
9 through 11 of this exhibit?

10 A. Yes, it is.

11 Q. Are there any plugged or abandoned wells
12 within the area of review?

13 A. No, there are not.

14 Q. Let's go to page 7 of Exhibit No. 1, and
15 I'd ask you to identify that and then review it for
16 Mr. Catanach.

17 A. It's a wellbore schematic diagram depicting
18 how the well will be set up after we convert it to
19 saltwater disposal. It shows the perforations. It
20 shows the original Morrow completions with a cast iron
21 bridge plug set and capped with cement. It shows the
22 existing casing strings and the tubing that we plan to
23 utilize.

24 Q. Could you then identify what is the next
25 page in this Exhibit, page 8?

1 A. The next page is a log, a compensated
2 neutron with a density log over the proposed injection
3 interval. It shows the perforations, the existing
4 perforations.

5 Q. What is the source of the water you propose
6 to dispose in the subject well?

7 A. The producing well from the Cisco Canyon
8 formation.

9 Q. So you're taking Cisco Canyon water and
10 putting it back into the Cisco Canyon?

11 A. That's correct.

12 Q. And what volumes do you propose to inject?

13 A. We propose an average daily injection rate
14 of approximately 3,000 barrels of water per day.

15 Q. What would be your maximum injection rate?

16 A. Maximum would be approximately 10,000 a
17 day.

18 Q. The C-108 indicates that this will be an
19 open system. Is it actually going to be completely
20 enclosed?

21 A. In fact, it is a closed system.

22 Q. So the application is wrong in that
23 regard. This is a closed system?

24 A. That's correct.

25 Q. Are you going to be injecting under

1 pressure?

2 A. Most likely.

3 Q. What injection pressure do you propose to
4 utilize?

5 A. We anticipate an average pressure of about
6 300 pounds and a maximum pressure of 1200 pounds.

7 Q. Would 1200 pounds exceed .2 pound per foot
8 of depth to the top of the injection interval?

9 A. No, it will not.

10 Q. So if that limitation was set forth in the
11 order, that would be satisfactory for Nearburg's
12 purposes?

13 A. Yes, it would.

14 Q. Let's go now to page 13 of Exhibit 1.
15 Would you identify that, please.

16 A. Thirteen is a water analysis from a Cisco
17 Canyon well that Nearburg operates in this general
18 area.

19 Q. Is this a typical analysis of the fluids
20 which you propose to inject in this disposal well?

21 A. Yes, it is.

22 Q. Are there fresh water zones in the area?

23 A. There's occasional water zones above 500
24 feet.

25 Q. Are there any fresh water zones within a

1 mile of the proposed injection well?

2 A. There is one.

3 Q. And is there information contained on this
4 well in the exhibit?

5 A. Yes. There's a topographic map, which is
6 page 17, and there's a water analysis from that well,
7 which is attachment 18.

8 Q. Are the logs on the subject well on file
9 with the OCD?

10 A. Yes, they are.

11 Q. You've also contained a portion of that log
12 which is page 8 of Exhibit 1?

13 A. That's correct.

14 Q. Mr. MacDonald, as part of your review to
15 prepare for this hearing, have you reviewed the
16 available geological and engineering data that is
17 available on the area?

18 A. Yes, I have.

19 Q. And as a result of that review, have you
20 found any evidence of open faults or other hydrologic
21 connections between the disposal interval and any
22 underground source of drinking water?

23 A. None whatsoever.

24 Q. In your opinion, would granting this
25 application be in the best interest of conservation,

1 the prevention of waste, and the protection of
2 correlative rights?

3 A. I believe it would.

4 Q. How soon would Nearburg hope to commence
5 disposal operations in this well?

6 A. We would like to begin disposal sometime in
7 August.

8 Q. Has notice of this application been
9 provided as required by OCD rules?

10 A. Yes, it has.

11 Q. Has it been mailed to each leasehold
12 operator within a half mile of the disposal well?

13 A. Yes, it has.

14 Q. And to the owner of the surface land on
15 which the well is located?

16 A. Yes.

17 Q. Is Nearburg Exhibit No. 2 an affidavit
18 confirming that this notice has in fact been provided
19 to those entities?

20 A. Yes, it is.

21 Q. Were Exhibits 1 and 2 -- was Exhibit 1
22 prepared by you?

23 A. Yes, it was.

24 Q. And Exhibit No. 2 is the notice affidavit,
25 and you have reviewed that?

1 A. I have reviewed that, yes.

2 MR. CARR: At this time, Mr. Catanach, we
3 would move the admission of Nearburg Exhibits 1 and 2.

4 EXAMINER CATANACH: Exhibits 1 and 2 will
5 be admitted as evidence.

6 MR. CARR: And that concludes my Direct
7 Examination of Mr. MacDonald.

8 EXAMINATION

9 BY EXAMINER CATANACH:

10 Q. Mr. MacDonald, the Cisco Canyon was tested
11 by Antweil?

12 A. Both Antweil and Nearburg.

13 Q. What were the results of those tests?

14 A. They were all formation water, no oil
15 shows.

16 Q. Where is your Cisco Canyon production
17 located?

18 A. We don't have any production established
19 yet. We have a permit approved to reenter a well in
20 Section 2 of 2224, and also there's a well in Section
21 11 that is currently operated by another operator that
22 we will most likely be taking over operations and
23 converting it to Cisco Canyon also. Based on the
24 success or failure of those two wells, there could be
25 further drilling activity in the area.

1 Q. Have you examined the effect of injecting
2 into the Cisco Canyon in this well here to any
3 production that you might encounter?

4 A. Yes. We don't feel like it would affect
5 our production at all.

6 Q. Is it your opinion that this well is below
7 oil-water contact in this formation?

8 A. That's correct.

9 Q. You don't have any geologic information on
10 that, do you?

11 A. No.

12 Q. Is there currently a cast iron bridge plug
13 in the well?

14 A. Yes, there is. There's two. There's a
15 cast iron bridge plug set over the Morrow perforations
16 and capped with cement, and there's also a cast iron
17 bridge plug set below the upper set of injection
18 perforations that we will drill out prior to
19 injection.

20 Q. Okay. The water analysis from the Cisco
21 Canyon shown on -- I believe it's Exhibits 13 and 14
22 or pages 13 and 14?

23 A. Right.

24 Q. Where were those obtained from?

25 A. They're from our Shelby Federal No. 4 well

1 that we tested in the Cisco Canyon back in 1986.

2 Q. And where is that well located?

3 A. It's Section 12 of 22-24.

4 Q. Mr. MacDonald, under sulfates you've got
5 written "heavy." Do you know what that may refer to
6 or why there isn't a number associated with that?

7 A. In these water analysis, they typically
8 just refer to that as heavy, light, or moderate. They
9 don't usually give a breakout of a number of their
10 tests. It's not a detailed test to break out those
11 numbers.

12 Q. Do you have any idea what in fact the total
13 dissolved solids in this water is?

14 A. I think on page 13 it shows about 10,612,
15 which is typical for that Cisco Canyon.

16 Q. Where do you see that?

17 A. It's the fourth line from the bottom.

18 MR. CARR: On page 13.

19 THE WITNESS: It's the second to the last
20 number in the number column where it says 10,612.

21 EXAMINER CATANACH: I'm lost.

22 MR. CARR: Are you on page 13?

23 EXAMINER CATANACH: Um-hm.

24 MR. CARR: Second number from the bottom,
25 fourth column up from the bottom, Total Dissolved

1 Solids.

2 I'm sorry. It's page 16 on your exhibit.
3 The water analyses are in a different order, although
4 they're all there, they have the same number. It's on
5 page 16 of your exhibit.

6 Q. (BY EXAMINER CATANACH) Is the Shelby No. 4
7 well, is that a producing well in the Cisco?

8 A. No. It's been plugged and abandoned.

9 Q. Was that a previous producer in the Cisco?

10 A. It never did produce. We just tested the
11 formation water.

12 Q. And there is currently no Cisco Canyon
13 production in this area?

14 A. Not in this immediate area.

15 Q. How far is the closest production?

16 A. It's about three miles. It's in the Yates
17 Hickory well.

18 Q. Do you hope to establish production in
19 Section 2?

20 A. That's correct.

21 EXAMINER CATANACH: Okay. I don't have
22 anything else.

23 MR. CARR: We have nothing further in this
24 case.

25 EXAMINER CATANACH: There being nothing

1 further, Case 10747 will be taken under advisement.

2 MR. CARR: Thank you, Mr. Catanach.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)

) ss.

COUNTY OF SANTA FE)

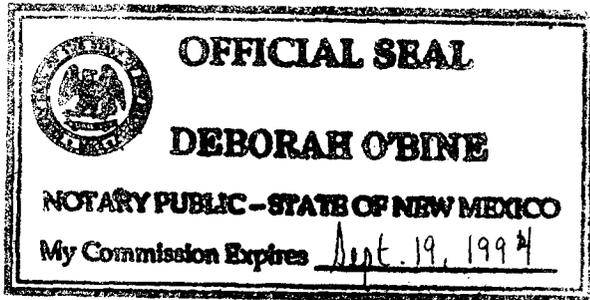
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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, June 28, 1993.

Deborah O'Bine

DEBORAH O'BINE
CCR No. 63



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10747, heard by me on June 17, 1993.
David K. Catant, Examiner
Oil Conservation Division