NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JULY 9, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Bob Hulen	Byram	Santa Fe
Paul W. Burchell	El Paso Natural Gas Co.	El Paso, TX.
Ernest Szalay	State Land Office	Santa Fe
Jim L. Padilla	Padilla + Snyder	Santa Fe
W. S. McCoy	BCO Inc.	Santa Fe

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

9 July 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Amstar Energy Corporation for salt water disposal, Lea County, New Mexico. CASE 8934

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Ernest L. Padilla
Attorney at Law
PADILLA & SNYDER
P. O. Box 2523
Santa Fe, New Mexico 87501

I N D E X

GILBERT P. QUINTANA

E X H I B I T S

MR. CATANACH: We'll call next Case 8934.

MR. TAYLOR: Application of Amstar Energy Corporation for salt water disposal, Lea County, New Mexico.

MR. CATANACH: Are there appearances in this case?

MR. PADILLA: Mr. Examiner, Ernest L. Padilla, Santa Fe, New Mexico, appearing for the applicant in this case.

I have one witness to be sworn.

MR. CATANACH: Are there other appearances in this case?

Will the witness please stand and be sworn in?

(Witness sworn.)

GILBERT P. QUINTANA,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Quintana, would you please state your name and what your connection to the applicant is?

A My name is Gilbert P. Quintana and I've been hired by the applicant to do work, consulting work in regulatory affairs.

Q Mr. Quintana, have you previously testified before the Oil Conservation Division?

A Yes, I have.

Q Can you briefly tell us what your work experience is? Tell us first of all in what connection you testified before the Oil Conservation Division before.

A I've testified before the Oil Conservation Division in matters dealing with allowables mainly.

Q What's your educational background?

A I have a BS degree in chemical engineering from New Mexico State University and I graduated from New Mexico State University in the fall of 1979.

Q What's your work experience in the oil and gas industry?

A After graduating from New Mexico State in 1979 I went to work for Amoco Production. I worked for Amoco Production approximately a year and a half in West Texas

as a production engineer over two large waterflood fields that were in the process of secondary recovery operations, which includes injection of water into the reservoir.

After a year and a half working there in Houston -- West Texas, I was transferred to Houston and worked as a reservoir engineer dealing with matters with infill studies, things of that matter.

Q What -- what other work experience do you have?

A I worked for the Oil Conservation Division for a little under three years as an engineer and also as a hearing examiner.

Q In that capacity did you have occasion to work with and regulate salt water disposal applications?

A Yes, many times, both administrative and at hearings.

Q Are you familiar with the applicant of Amstar Energy Corporation?

A Yes, I am.

Q Are you familiar with the proposed injection program and the proposed injection zones?

A Yes, sir, I am.

MR. PADILLA: Mr. Examiner, we tender Mr. Quintana as an expert in connection with testimony here today.

MR. CATANACH: Mr. Quintana is so qualified.

Q Mr. Quintana, let's go on now to -- let's go on now to what we have marked as -- well, we haven't marked them yet.

Mr. Examiner, may we mark these at a later time for --

MR. CATANACH: Yes.

Q Okay. Let's go on now to what you have -- what we will be marking as Exhibit Number One and have you describe and identify that for the examiner.

A Exhibit One is the standard Oil Conservation Division C-108 form, along with attached, four pages attached to it, which identify each of the questions in the C-108 form in detail.

Q What is the second part to that exhibit?

A The second part to Exhibit -- Amstar Exhibit One is my detailed review and answers to the questions and to the C-108 form.

Q And that coincides with the exhibits that you have prepared for introduction here today?

A Yes, they coincide with the additional exhibits that have been attached to the C-108 form.

Q Okay, let's go on now and have you describe that second part of Exhibit Number One and start out

with part number one and tell us what that is or what it says.

A Okay. Part one asks what's the reason for -- for the application. The reason for it is to apply for a salt water disposal well. The reason we're here at hearing today instead of having it approved administratively is because there's an OCD rule that states that the application has to go to hearing if there's production within a half mile radius of the proposed injection well, and which there is.

Q Okay, let's go on now to what you have marked Exhibit Number Two and Number Three, or what we will be marking as Exhibit Number Two and Number Three, and tell us what they are.

A Okay, Exhibit Number Two is Amstar's wellbore schematic of the current status of the -- of the proposed injection well.

Exhibit Number Three is the proposed injection as we plan to inject in.

Let me start with Amstar Exhibit Number Two, the wellbore schematic under its current status. You'll notice the well was initially cased with 13-3/8ths inch surface casing set at 500 feet with 530 sacks of cement and was circulated to surface.

The intermediate casing of 8-5/8ths inch

was set at 4400 feet with 470 sacks of cement with a top of the cement at 2580 feet. This is an estimate based on a volumetric calculation.

The long string 5-1/2 inch casing was set at 13,618 feet with 1100 sacks cement and the top of the casing is 9,500 feet and this is also a volumetric estimation.

You'll notice from this currently the well has a 2-7/8ths inch coated tubing set at a depth of 10,797 feet. It has perforations open in two formations, one in the Airstrip Wolfcamp Pool, 10,860 feet to 10,872 feet; from 10,875 feet to 10,882 feet; from 10,888 feet to 10,893 feet; and from 10,896 feet to 10,904 feet.

The well also has a cement bridge plug at 11,460 feet -- no, excuse me, 11,500 feet, with -- with 400 -- with 20 feet of cement on top of that as a cap.

Right below that bridge plug we have some additional Airstrip Wolfcamp perfs open from 11,771 feet to 11,780 feet; from 11,632 feet to 11,649 feet; and from 11,661 feet to 11,669 feet.

As you go further down the wellbore you have an additional cement bridge plug at 12,350 feet with a 20-foot cement cap on top of that.

Further down the wellbore we have Morrow perfs open from 13,238 feet to 13,250 feet.

And toward the bottom of the well you have a plug set at 13,400 feet.

You also have some -- some Morrow perfs open on the very bottom but they seem to have been cemented in when that plug was placed there, so those perfs were at 13,496 feet to 13,508, and from 13,520 feet to 13,534 feet.

Q Go on now to Exhibit Number Three, Mr. Quintana, and does that show your proposed injection intervals?

A Yes, it doess.

Q What are those intervals?

A I would like to point out, this well -- at this time, Mr. Examiner, I would like to make a change from our original application and ask that a change be included into this application. I'd like to include the Devonian formation as part of the injection interval and let me get to that portion in just a second here.

What we plan to do is we plan to drill through all the cement bridge plugs, clean out to bottom of the well, and drill additional number of footage to a total depth of 14,500 feet, no, excuse me, 14,800, opening up the Devonian formation.

We plan to keep the perforations that I mentioned previously open and to open hole complete the Devonian formation for 13,618 feet to 14,800 feet.

I would like to also point out the injection zone incorporates the Wolfcamp formation, the Penn formation, Strawn formation, Atoka formation, Morrow formation, and, of course the Devonian.

At this time we anticipate only injecting to Wolfcamp, the Morrow, and the Devonian formations. That's because we think those are the formations that will take the most water.

Q Mr. Quintana, in view of your amendment with respect to the Devonian, would you be opposed to a re-advertisement of this case to include the Devonian?

A I wouldn't be opposed to readvertisement but in light of the fact that after a study of the area there is no producing Devonian wells within two miles of the -- of our proposed well.

I would hope that the Examiner may consider accepting the Devonian formation and including it in this current application as of today.

And at a later date I'll show you that there are no Devonian completions within two miles.

Q Mr. Quintana, do you have any further testimony with respect to Exhibits Number Two or Three?

A Yes, I do on Number Three. I'd like to point out that we plan to inject with 2-7/8ths inch tubing with a 5-1/2 inch nickel plated Loc Set packer set at 10,747

feet. This is approximately 100-foot above the Wolfcamp, the top of the Wolfcamp formation, with the tubing, the bottom of the tubing set at the Wolfcamp formation, at the top, right at the top of the Wolfcamp formation.

And that's all I have on these two exhibits.

Q Okay, let's go on to Exhibit Number Four and tell us what that will be.

A Exhibit Number Four is an area review map of the location. In this area review map we have a two-mile radius circle around the well; a one-mile radius circle, and a half-mile radius circle.

In this map we have we show has producing wells within the miles that -- the wells that are producing within two miles and their Wolfcamp and Morrow formations. We also show the proposed well and some fresh water wells.

I would like to point out here that we have no wells within the area of review in which to provide detailed information on specific wells. This is a good paint in the favor of Amstar in the sense that no wells within the half mile radius is a good indicator as to whether it will affect other wells or would pollute fresh water sources, because there are no means within a half mile to get a fresh water source through an ill-plugged well or things of that sort, and the chances of polluting fresh

water sources are pretty insignificant.

Also it should be noted that production within this area is limited to areas far away from the proposed injection well.

Now at this time I would like to just confine my statements to that until I get to the rest of my testimony.

Q Okay, let's go on to Exhibit Number Five and have you identify that and tell us what it is.

A Exhibit Number Five is an area producing pool -- is a, excuse me, Exhibit -- Amstar Exhibit Number Five is entitled Area Producing Pool Boundaries and it shows three producing pool boundaries within the area that the well has to be utilized.

The three pools are the Airstrip Wolfcamp Pool, the Larika (sic) Morrow Gas Pool, and the East Larika (sic) Morrow Gas Pool.

It should be noted that the East Larika (sic) Morrow Gas Pool in Sections 4 and Section 33 of Township 18 South, 34 East, and 18 South 35 East, barely incorporate within the half mile radius of the well so we are principally talking about the Larika Morrow Gas Pool and the Wolfcamp Airstrip Wolfcamp Pool.

Q Mr. Quintana, what are the proposed injection rates that are anticipated for the injection well?

A The proposed injection rate for this well is kind of an average of one barrel per minute and a maximum 4.5 barrels per minute.

Q What kind of volumes do you intend to inject?

A We're hoping for an average of 1450 barrels per day with a maximum of 2000 barrels per day. When I say hoping, is we anticipate these averages to be as of an economic cutoff point for -- for receiving a fair rate of return on investment into the well.

Q Is this well going to be used for commercial purposes?

A Yes, it is. We plan to open it for commercial means to people that we enter into contracts with to dispose of their produced water.

By this I mean it will be an open system, and it's open to anybody that contracts with us. There'll be a meter at the wellsite and an injection valve in which the people will be able to go over there and connect up their -- their tanker truck with a key that has access to the -- to the system and the volumes will be measured as they dispose of the water down in the system.

Q Mr. Quintana, does Amstar intend to use this well for its own injection, as well?

A No. Amstar at this time is not involved

in the production of oil and gas. They're mainly in the business of salt water disposal wells.

Q Tell us about how the application would conform to the OCD policy of .2 psi per foot of depth as far as pressure is concerned.

A Currently we anticipate the well to take water under a vacuum and we're hoping that that's going to be the case because it will definitely cut down on expenses in having to pump it in.

Q Assuming you had to pump it in, what would be the maximum pressure under that policy guideline?

A Well, we would ask for 2172 psi and this is based on the OCD's standard of .2 psi per foot of depth to the uppermost injectin perforation. In this case the uppermost injection perforation is 10,860 feet. You multiply that times .2 psi per foot you get 2,172 psi. That would be acceptable to us.

I'd like to point out that we don't anticipate having to inject under pressure. This is something that I would like to point out to the Examiner is important in the sense, since we're not injecting under pressure, and since it would be taken under a vacuum, that's another indication that injection into this well would not adversely affect fresh water sources or any producing wells within a two-mile area, since taken under a vacuum there's a large

void space there. It's evident that there'd be a large void space there in order for it to -- the formations to accept the water. No pressure would be applied so there would be no frac pressure, no fracing the formation out toward other wells, watering out gas wells or oil wells.

Q Mr. Quintana, tell us about the water quality in the Morrow or the injectin intervals.

A Do you mean -- are you asking about compatibility of the formations?

Q Yes.

A Well, we don't anticipate any problems with compatibility since we plan to dispose of waters from the area -- within the area of this well, and primarily that would be Wolfcamp, Morrow, and Bone Springs producers.

Chlorides for the Wolfcamp and Morrow formations are -- range from for the Wolfcamp between 58,000 to 120,000 parts per million and for the Morrow approximately 33,000 parts per million. This is based on USGS Basin Report 75-579, entitled Water Quality of Oil and gas Wells in the Permian Basin.

Since the produced waters, and the injected waters are going to be of the same type, they we don't anticipate any compatible problems.

Q Mr. Quintana, is that report that you cite in the Part Seven of Reliable Reporter? (sic)

A Yes, it's generally used by many people in the oil and gas industry in order to determine what the chloride content or the salinity or the potability of waters in the area.

Q Can you tell us a little bit now about the geologic formations for the producing or the injection intervals?

A We'll start with the Wolfcamp formation.

The Wolfcamp formation in the subject well is encountered at 10,847 feet. This is based on the log for that well and it has been previously submitted to the OCD.

That's a -6859 foot subsea depth. The approximate thickness of the formation is 728 feet.

The Wolfcamp formation in this area consists of a thin-bedded dolomite shale and sandstone underlain by a carbonate bank of low porosity, approximately 2 to 3 percent, gradient to an argillite and dolomite shales.

Going on to the Penn formation, the Penn formation in this well is -- occurs at 11,862 feet, which is -7874 subsea depth, and the approximate thickness of the Penn formation is 318 feet.

The Penn formation consists of shales and thin, inter-bedded dolomite and clay grading to thin argil laceous limestone.

Going on to the Strawn formation, the Strawn formation occurs at 12,180 feet in this well, which is a -8192 foot subsea depth. The Strawn formation is approximately 302 feet thick in this area.

It consists of argillaceous limestone and shale at the top and grading down to a massive limestone at the base with a porosity of 2-3 percent.

Going on to the Atoka formation, the Atoka formation occurs at approximately 12,482 feet, which is a subsea depth of -8494 feet and the Atoka formation is approximately 538 feet thick. It consists of thin-bedded shales and limestone with some dolomitic shale stone (sic) at the top. The mid-Atoka is characterized by massive shale grading into a massive carbonate. Its porosity is approximately 2-3 percent.

Going on to the Morrow formation, the Morrow formation top occurs at 12,844 feet, which is -8856 foot subsea, and the Morrow formation is approximately 504 feet thick.

It consists of limestone and thin shales -- and thin inter-bedded shales and sands.

And the Devonian formation top occurs approximately at 15,500 foot, which is -10,512 feet subsea depth.

This is an anticipated depth in which we

would expect to encounter the Devonian formation and this was derived from an offset well, approximately two miles away, a little over two miles away.

We expect it to -- we expect to encounter the Devonian formation at approximately 14,500 feet, and the thickness of the Devonian formation we expect to be about 2-300 feet thick.

Q Where are the fresh water sources encountered in the wellbore?

A The fresh water sources for this area consist of only one fresh water source, which is the Ogallala formation. The base of this formation can be found at approximately 180 foot and which was confirmed by Jim Wright, the District Engineer for the New Mexico State Engineer's office in Roswell.

Also encountered in this area is the Santa Rosa formation, which sometimes bears fresh water, but according to Jim Wright the Santa Rosa formation in this area is not potable; it is salt-bearing.

Q Where are the fresh water wells located? I believe you've already testified about that.

A Yes, if you take a look at the area review map, which is Amstar Exhibit Number Four, there are actually four wells within two miles but since the rules only require to list two, well number one and well number two,

which are located, okay, the first well, fresh water well number one is a domestic well and it's located in the northeast quarter of Section 35, Township 18 South, Range 34 East. It is completed in the Ogallala and the State Engineer's office doesn't have any information on this well, except for the fact that they tested it at 21 parts per million chloride in July of 1984.

The second fresh water well was drilled by Mesa Petroleum as a drilling fluid water supply well. It is located in the northwest quarter of Section 35, Township 18 South, Range 34 East. It is completed in the Ogallala to a TD of 180 foot; perforated at 119 to 180 foot with the top of the water occurring at 130 foot. It is cased with 6-5/8ths inch casing to TD.

There are two other fresh water wells in the area but not within a mile of the proposed well and they're denoted as fresh water well number three and well number four and the information on these is available if you'd like to have it.

Q Okay, let's go on now to what you have marked or what we will be marking as Exhibit Number Six and tell us what that is.

A Exhibit Number Six is a geological contour map of the top of the Strawn and the purpose of my presenting this exhibit is to exemplify the fact that there are

no open faults or geologic connections between the disposal zone and underground source of drinking water, since, if there was some type of fault it would show up in the Strawn formation on its way up to the surface and as you can see from this contour map, that there is no such open fault.

Q Okay, Mr. Quintana, let's go on now to Exhibits Seven and Eight and tell us what they are.

A Okay, Exhibits Seven and Eight are used in conjunction with one another.

Exhibit Seven is an area of review of all offset operators within a half mile of the proposed well, which consist of MidAmerican Petroleum Corporation, Amoco Production, TXO, Union Texas Petroleum, Sun, and Knox, Incorporated.

I'd like to point out that Knox, Incorporated was picked up by MidAmerican Petroleum awhile back, so essentially they're one and the same company.

Exhibit Number Eight is a xeroxed copy of the claim checks in which we provided proof of notice through registered mail to all of the applicants, including the NMOCD and the State Land Office, who is the surface landowner, or at least they represent the surface people.

Q Mr. Quintana, do you have anything further to add to your testimony?

A At this time, Mr. Padilla, I don't.

Q Would the approval of this application be in the best interest of conservation of oil and gas?

A Yes, it would, in the sense that it would provide a cheaper means for the producers in that area to dispose of their water so that their operating costs or their break even point would be lowered and they would be able to produce additional hydrocarbons in the area before having to shut the well in due to high operating costs.

Also I'd like to point out that the reason Amstar Energy Corporation has proceeded to involve themselves in this area is because many of their clients from Texas, which they operate out of Texas, that operate in this same area, have asked them to start doing business in that area since they like their services and the costs that they have charged them for previous disposals.

So that would essentially lower the costs of these operators, producing costs.

MR. PADILLA: Mr. Examiner, we tender Exhibits One Through Eight and pass the witness.

MR. CATANACH: Exhibits One through Eight will be admitted into evidence.

CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Quintana, did you -- referring to the

schematic diagram of the proposed well --

A Yes.

Q Did you do the cement calculations yourself on this, or was that done --

A No, I did not do the cement calculations on this.

Q Where were those obtained from?

A I took those off the well records out of the Hobbs District.

Those were generally accepted by the Hobbs District Office at the time of the completion of the well so I would assume that they're correct.

Q So you just don't know what those were based on, what -- what those calculations were based on.

A No, except for the fact that they were within the well records of the Oil Conservation Division on Oil Conservation Division report forms consigned by the District Supervisor in Hobbs, Jerry Sexton.

If you'd like, I can calculate those at a later date and submit them to you.

Q No, that won't be necessary. Your topmost perforation is at 10,862 feet.

A Yes.

Q That's where you plan to -- that's the -- that's the start of the injection zone.

A Exactly. We don't plan to perforate any other zones in the Wolfcamp formation except from 10,860 foot down. We hope to minimize costs in completing this well as an injector. As a matter of fact, we expect the Devonian formation to take most of the water; that's why we've -- after some research we did, we, in talking with some service companies in the area, we expect the Devonian formation to take most of the water and -- and that's why we want to open it up and that's why we amended the application.

Q You haven't submitted any analysis of -- of native water in any of these formations. Do you -- how do you know what the quality is in them?

A What do you mean native, native water in the producing formation?

Q For the injection formations?

A I took that out of the -- where I stated here, out of the USGS book and in the C-108 form it states that these analyses may be measured or inferred from existing literature, studies, other wells, et cetera, and since we are trying to minimize costs we chose to use literature studies of the area.

If it pleases the examiner I could have samples taken and analysis done but I, in my opinion, this would be an expense that would be unduly justified since,

you know, the chlorides and the -- the water quality of production in that area is fairly well established through literature and from many studies in the area; and also because we'll be injecting water from the similar formations. We won't expect to have any problems. It would be to our detriment to inject waters that would not be compatible because it would just increase our operating costs or screw up our well totally.

Q What I was getting to, you didn't submit anything to us regarding the chloride content of any of the waters.

A Oh, yes, well, I stated what they were. 58,220 parts per million for the Wolfcamp and 33,000 parts per million for the Morrow formation. That's in part seven, sub-part five, Roman Numeral VII, Sub-part 5.

Like I say, if you'd like, I could have an additional -- some tests done.

Or if you'd like, I could also take some samples from some nearby wells and include that also.

Q No, that won't be necessary.

You stated that there was no Devonian production in the area?

A There's no Devonian production that I could find.

Q And there are no wells that penetrate the

Wolfcamp within a half mile, is that correct?

A To my knowledge, no. There is one that's fairly close. It's right on the edge of it but not quite, and it's a temporarily abandoned well. It's -- if you'll bear with me I could tell you what the well name is.

It's located in the northeast quarter of Section 2 right below the injection well. I think you can maybe -- have you found it, Mr. Examiner?

Q In the northeast quarter of Section 2?

A Yes, right below Section 35 where the proposed well is at.

Q And that's right on the half mile circle?

A Yeah, well, it's just outside of it. It's called the -- it's owned by MidAmerican Petroleum; originally it was Knox but let me -- let me find it here.

Bear with me, Mr. Examiner. I thought I had that -- I thought I had a copy of that well documentation but I don't seem to have it with me here. Do you have some reservations about that well or is there a specific question you're -- or point you're trying to get to?

Q No, I was just wondering if -- do you know the TD of that well?

A No, I don't.

Q But you know that it does not penetrate the Wolfcamp formation.

A Well, it does penetrate the Wolfcamp, it does. It should be marked in your map that it does penetrate the Wolfcamp, but since it's outside the -- it's a temporarily abandoned well.

I can get that information and provide that to you at additional time.

Q Would you please provide me with a schematic of that well? I just want to make sure that that cement --

A Fine.

Q -- behind the production casing would be adequate enough to confine the injection water?

A Great, I will do that for you.

CROSS EXAMINATION

BY MR. TAYLOR:

Q Mr. Quintana, if you could look at your offset operator map, I'm a little confused about who some of the operators are.

A Yes.

Q To the north of the well is the Coquina Mesa.

A They own the leases just to the north half of the Section 35.

Q So those are the leases, it says Mesa and

Amoco, north half --

A Yes, Mesa owns the west half of the north half of the north half of that section.

Coquina owns the east half of the north half of the north half of Section 35.

Q Who operates the south half of the north of the north half?

A MidAmerica Petroleum Corporation.

Q Okay, and you notifed them. They're now Knox, or somebody?

A Well, MidAmerica and Know are one and the same. MidAmerica Corporation is in the process of filing for bankruptcy, but they have been notified. As a matter of fact, Amstar Energy Corporation received a bid from MidAmerica Petroleum Corporation for the rights to inject into this well.

Q Okay, and down in the northwest quarter it says Eastland Union but that's the well in the other -- in Section 34?

A Yes.

Q And then in the northeast or the southeast quarter it says May Williams. Is that an operator or what is that?

A May Williams is pointing off to the well just in the southwest quarter of Section 36; just like, just

the opposite of Eastland.

Q Okay, and that's outside the half mile area?

A Outside the half mile.

Q Okay, I think that covers them all. Did you notify the surface lessee or is there a surface lessee, do you know? Did you notify the State Land Office?

A I notified the State Land Office and I was not familiar if they'd leased that out to anyone for grazing or things of that sort, but if -- I was under the assumption that if they had leased it out to somebody that they would notify them.

Q Does Amstar have an oil and gas lease to that well or how do you have ownership or title to that well?

A Amstar, since MidAmerica Petroleum Corporation is in the process of filing for bankruptcy, they're in the process of trying to sell off most of their assets to pay off most of their debts and Amstar Energy received the bid for the well, the proposed well, in which to make a specific bid for it, and I'm not sure of exactly the details of who else made bids, but I know Amstar received the bid for it.

Q So that almost -- they don't have a lease or title yet but they were the successful bidder for the

well?

A They have been the successful bidder. The last I discussed with --

Q Is this for the lease or the wellbore?

A For the wellbore. For the wellbore; for the well itself, to operate the well.

Q Does that mean they're going to buy the lease? That's a State oil and gas lease, right?

A Yes. Yes.

Q They're buying the lease from --

A They're going to take over operations of the lease.

Q As the mineral lessee.

A I'm not quite sure about that. My last conversations with Tommy Hensen, which is the owner of the company, was that they had made a bid for -- to acquire operating rights to the well, and they had received -- they had obtained, like about 25 signatures of people that had they had to get signatures in order to allow them to accept that bid and they -- my last conversation with him was this last Saturday in which he had told me that they had -- he had received verbal approval that all the signatures had been acquired and that they had acquired the lease to that.

I can specify that a little bit more by asking him to submit the specific lease for --

Q Yeah, that will have to be clarified because if they -- if they only buy the rights for the wellbore and somebody subsequently buys the rights to develop the minerals, the mineral developer or owner would have a prior right to use that wellbore.

A I'm pretty sure that they acquired both but I can provide additional information to that at a later date.

Q Okay, do you have permission from the land office for commercial use of that wellbore?

A No. Not at this time. I plan to apply for that as soon as I hear word on whether this is approved or not. Talking to the land office they indicated to me that -- for me to go through the hearing first before they would consider it.

Q Was it made clear to them that this was a commercial facility rather than as a lease operator?

I believe you have to have a business lease. I'm not sure. You'll need to confirm that with the land office.

A I'd have to check on that. The -- Tommy Hensen, the owner, discussed that with the land office.

Q Okay and we need to determine whether or not because it's an amended application it's going to have to be sent back out to the -- to the people you've sent it

to, to give proper notice. I suppose the examiner can determine that, but because notice was only received on the 1st, 2nd, or 3rd, no decision can be made until after 20 days so that people have the right to object and if there is an objection and they call for hearing, you'll have to reappear in that second hearing, at which time --

A I'd like to point out, Mr. Counselor, that in my past experience as an examiner for the OCD, that anybody that did receive a notice like that had every option to call up and say that they received notice but they don't have time to get to the hearing, to postpone the hearing.

I know many times hearings have been postponed because of situations of this sort, and I feel that if they have ot contacted you at this time and they've been notified, that they're not interested or that they don't see no problem.

Q Yeah, but they don't know that. The notice says that they get either 15 or 20 days, what does it say? It says here 15, I thought it was 20.

MR. CATANACH: The new rule says 20 days.

Q In which to object, so if they object within the 20 days, they would have a right to call for a hearing.

MR. PADILLA: Mr. Taylor,

you're talking about with respect to notice on the Devonian hearing.

MR. TAYLOR: No, I'm talking about notice to this, the fact the application, I assume the application was sent to these people that got notice, and it says on the application that they have 15 days in which to object and request a hearing.

A That is dealing with -- begging your pardon, it says, "Surface owners of offset operators must file any objection or request for a hearing of administrative applications within 15 days." And since this is not an administrative application --

Q Are you trying to say they don't have any time to object?

A No, I'm not saying that.

Q Well, don't say that, then. I'm telling you that we're going to give them 20 days --

A Okay.

Q -- from the date they received the application in which to objection. If there is an objection and a request for a hearing by that date, you will reappear and do your hearing again so that they will have a chance. You should have mailed this so that people getting notice -- I assume none of them will object, but they have a right to notice and a right to come to hearing and hear your testi-

mony and object to it, and --

MR. CATANACH: Mr. Quintana, to clarify that a little bit, that's covered under Rule 1207 for notice for hearings --

A Uh-huh.

MR. CATANACH: -- that the notice shall be given at least 20 days prior to the date of the hearing.

A Thank you, Mr. Examiner.

Q And so we will hold this open until anybody getting notice has had a chance to object to it, and the examiner can determine whether the Devonian makes any change in the application such that it will need to be resent to those people.

That's it.

RECROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Quintana, we've had a previous case similar to this before and in that case we -- one of the requirements for this type of well set-up is that they run an injection profile survey to determine where the water is going.

Would your clients be objectionable to doing that?

A I see no problem with that.

Q Mr. Quintana, you don't see any danger in the watering out of any potential producing gas or oil zones in this well?

A In my opinion, no, I don't.

MR. CATANACH: I have no further questions of the witness.

Are there any other questions of the witness?

If not, he may be excused.

A Thank you, Mr. Examiner.

MR. CATANACH: Case Number 8934 will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8934, heard by me on July 9, 1986.

David R. Catanach, Examiner
Oil Conservation Division